

CHAPTER 1

Home Affairs Bureau Leisure and Cultural Services Department

Management of funding for sports development through the Arts and Sport Development Fund (Sports Portion)

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Audit Commission
26th floor, Immigration Tower
7 Gloucester Road
Wan Chai
Hong Kong

Tel : (852) 2829 4210
Fax : (852) 2824 2087
E-mail : enquiry@aud.gov.hk

MANAGEMENT OF FUNDING FOR SPORTS DEVELOPMENT THROUGH THE ARTS AND SPORT DEVELOPMENT FUND (SPORTS PORTION)

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MANAGEMENT OF FUNDING FOR SPORTS DEVELOPMENT THROUGH THE ARTS AND SPORT DEVELOPMENT FUND (SPORTS PORTION)

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1. According to the Home Affairs Bureau (HAB), the sports portion of the Arts and Sport Development Fund (ASDF — hereinafter ASDF refers only to its sports portion) is an important source of funding for sports development in Hong Kong. As at 31 March 2019, ASDF had a balance of \$2,396 million. ASDF funds: (a) projects of Sports Federation & Olympic Committee of Hong Kong, China (SF&OC) and National Sports Associations (NSAs) for supporting athletes to prepare for and participate in major international games; (b) projects for hosting international sports events locally by NSAs and sports organisations; (c) projects for the development of local football; (d) the Five-Year Development Programme for Team Sports (the 5-year programme) (covering eight team sports); and (e) other one-off initiatives that are important to the development and promotion of sports in Hong Kong organised by SF&OC and NSAs. In 2018-19, the total number of ASDF approved projects was 166 with an approved amount of \$123.8 million.

2. In the past, ASDF had also provided funding to: (a) 18 district-based football teams to help them improve their performance under the District Football Funding Scheme (DFFS); (b) students from low-income families with sporting talent to help them pursue their sporting goals through participation in the programmes and inter-school competitions under the Student Athlete Support Scheme; and (c) Hong Kong Paralympic Committee & Sports Association for the Physically Disabled (HKPC&SAPD) to implement programmes to help athletes with disabilities achieve good results at the Paralympic Games and the Asian Para Games. These schemes and programmes are now funded through HAB's recurrent expenditure (since 2016-17 for the schemes and since January 2019 for the programmes). For the period 2016-17 to 2018-19, 1,881 approved projects were funded through HAB's recurrent expenditure for the schemes and programmes. The total amount of approved grants was \$72 million.

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3. The Recreation and Sport Branch of HAB is responsible for formulating policies relating to sports development and the administration of ASDF. In administering ASDF, HAB is assisted by the Leisure and Cultural Services Department (LCSD) and the District Offices (DOs). LCSD and DOs serve as executive arms of HAB. They assist in vetting some of the ASDF funding applications and monitor the results of the projects concerned.

4. HAB is advised by the Sports Commission (SC) on the policies, strategies and implementation framework for sports development and the provision of funding and resources in support of sports development in Hong Kong, taking into account the input from various stakeholders in sports through partnership and collaboration. The members are appointed by the Secretary for Home Affairs.

5. SC is underpinned by three committees, namely: (a) Community Sports Committee (CSC) which provides advice on wider participation in sports through partnership with different sectors of the community, and on funding priorities for supporting community sports programmes and initiatives; (b) Elite Sports Committee (ESC) which provides advice on matters pertaining to high performance sports, provides policy direction to the Hong Kong Sports Institute Limited, and advises on funding priorities for supporting high performance sports and athletes; and (c) Major Sports Events Committee (MSEC) which provides advice on strategies and initiatives for hosting major sports events through partnership with sports organisations, the tourism industry and the private sector, and on funding priorities for major sports events.

6. The Audit Commission (Audit) has recently conducted a review of the management of funding for sports development through ASDF (including funding for district and school sports schemes and HKPC&SAPD programmes, which were previously funded through ASDF and are now funded through HAB's recurrent expenditure).

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Funding for Hong Kong athletes to prepare for and participate in international games

7. ASDF provides funding to support Hong Kong athletes to prepare for and participate in international games which are not supported by any other Government funding. For monitoring purpose, a grantee is required to submit a programme report and audited accounts to HAB or LCSD within four months after the completion of a preparation programme (for preparation fund) or a sports competition (for participation fund). In the report, the grantee needs to provide a list of actual income and expenditure (paras. 2.2 and 2.5).

8. *Room for improvement in setting and measuring performance targets.* Audit examined 15 projects approved under ASDF preparation and participation funds in the period 2015-16 to 2018-19. These 15 projects involved 19 grantees and 28 applications (a project could involve multiple grantees). For these 28 applications, Audit found that:

- (a) for 7 applications, the grantees had not set performance targets when they submitted their applications. Although the grantees had reported achievements in their programme reports, the achievements could not be measured against any targets;
- (b) for 12 applications, some achievements against performance targets were not reported in the programme reports, and there was no evidence indicating that HAB and LCSD had taken any follow-up actions; and
- (c) for 2 applications, the grantees failed to achieve all or some of the performance targets. There was no evidence indicating that HAB and LCSD had taken any follow-up actions (para. 2.7).

9. *Room for improvement in providing explanations for variances.* In examining the 28 applications (see para. 8), Audit found that for 24 applications (86%), there were significant variances (i.e. over 25%) between the estimated and actual amounts of expenditure and/or between those of income, and the grantees had not provided explanations for the variances in their programme reports (para. 2.10).

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10. ***Need to ensure auditors provide adequate assurance.*** As a grant condition, a grantee is required to comply with the procurement requirements (e.g. quotation requirements) and the Code of Conduct (e.g. governing declaration of conflicts of interest and acceptance of advantages) (para. 2.4). In examining the 28 applications (see para. 8), Audit found that:

- (a) for 11 applications (involving 9 grantees), the auditors did not certify the grantees' compliance with the procurement requirements or the Code of Conduct (para. 2.12(b));
- (b) for 5 applications (involving 2 grantees), the auditors did not certify whether the Code of Conduct had been complied with (para. 2.12(c)); and
- (c) for 3 applications (involving 2 grantees), the auditors stated that there were exceptions in complying with the procurement requirements (e.g. the required number of quotations had not been obtained). There was, however, no evidence indicating that HAB and LCSD had taken any follow-up actions (para. 2.13).

11. ***Need to step up efforts to ensure timely submission of programme reports and audited accounts.*** Audit examined the submission of programme reports and audited accounts by grantees in the period 2014-15 to 2018-19, and found that the delay in submission of programme reports and audited accounts was generally on the decrease. However:

- (a) there were still 62% of cases of delay in respect of the preparation fund in 2018-19;
- (b) there were still 50% of cases of delay in respect of the participation fund for games sanctioned by International Olympic Committee, Olympic Council of Asia, International Paralympic Committee or Asian Paralympic Committee in 2018-19; and
- (c) the cases of delay in respect of the participation fund for other competitions (including games held at national level or for students, and single-sport competitions for team sports) had increased from 18% in 2017-18 to 40% in 2018-19 (paras. 2.15 and 2.16).

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12. *Need to implement the enhanced measures.* A grantee which failed to submit the programme report and/or audited accounts after the ultimate deadline (i.e. six months after the completion of preparation programme or the sports competition) should be liable to refund the ASDF grant, calculated as 1% of the approved grant amount for every month of further delay, until the grantee submits the programme report and audited accounts. In examining the 28 applications (see para. 8), Audit found that for 6 applications, despite that the delay in submission of programme reports and/or audited accounts was more than six months, the 1% charge had not been imposed (paras. 2.6 and 2.17).

13. *Need to review the calculation of amounts to be returned.* As a funding condition, grantees of ASDF preparation and participation funds are required to return any unspent balances to the Government after the completion of preparation programmes or sports competitions. The unspent balance is the amount of approved funding minus the total amount of eligible expenditures. An unspent balance is required to be returned after HAB's or LCSD's verification of a grantee's submitted audited accounts. Among the 28 applications examined by Audit (see para. 8), other than ASDF funding, the grantee of 1 application had self-generated income wrongly included in the calculation of return of unspent balance (paras. 2.18 to 2.20).

14. *Need to ensure timely return of unspent balances.* Audit analysed the time elapsed before returning unspent balances by grantees to the Government in the period 2014-15 to 2018-19 and found that for 6 applications, the grantees returned the unspent balances over one year after the submission of audited accounts. Audit further examined the 28 applications (see para. 8) and found that apart from 1 application where the late return could be attributable to both HAB (about 9.8 months had elapsed since receipt of audited accounts by HAB) and the grantee (about 7 months had elapsed since the date of requesting return by HAB), the late return was mainly due to the long time interval between the dates of receipt of audited accounts by HAB and the dates of issuing letters requesting return by HAB (paras. 2.21 to 2.23).

Funding for international sports events

15. *Vetting of funding applications.* International sports events include: (a) "M" Mark events (MMEs) which are events of world championships, world class level championships and intercontinental championships, and having a signature effect in Hong Kong; (b) Major Local International Events (MLIEs) which are championship

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and other events at a level equivalent to World, Intercontinental, Asian or major regional championships sanctioned and certified by the related International, Asian or Regional Federations; qualifying events for non-annual major competitions; and other international events in which the respective International Federations require Hong Kong to participate as a prerequisite for entry to world championships or equivalent; and (c) Local International Events (LIEs) which are mainly participated by Hong Kong teams (para. 3.2). Audit noted the following issues:

- (a) ***Need to follow guidelines in assessing funding applications.*** Audit examined 10 international sports events, comprising 3 MMEs, 3 MLIEs and 4 LIEs, organised in 2017-18 and 2018-19. Audit noted that in one MLIE, the application had not been properly assessed. According to HAB's guidelines on the scoring system, one of the sub-criteria of a criterion for the assessment of an MLIE is the "timeliness in submission of programme report and audited report (i.e. audited accounts) before the deadline", which is a mandatory requirement. An applicant's "failure in timely submission of the required reports in the last application will not attain any score in this criterion". In an NSA's last application in 2016-17, there was delay (one month) in submission of the programme report and the audited report. However, in the NSA's 2017-18 application, instead of not attaining any score, a score had still been awarded to the criterion (para. 3.9);

- (b) ***Scope for improvement in performance reporting.*** Audit examined the submission of programme reports and audited accounts for MMEs, MLIEs and LIEs by grantees in the period 2014-15 to 2018-19 (para. 3.14). Audit found that:
 - (i) between 2015-16 and 2018-19, the percentage of events with delay in submission of programme reports and audited accounts had either remained the same (at 75% for MMEs) or was on the increase (from 60% to 78% for MLIEs and from 6% to 10% for LIEs) (para. 3.14);

 - (ii) there were inadequacies relating to submitted programme reports and audited accounts. For example, while there were significant variances between the estimated and actual amounts of expenditure or between those of income, for MMEs, grantees were not required to report any aforementioned variances (para. 3.16); and

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- (iii) of the 10 events (see (a) above), in 3 MLIEs and 4 LIEs, of a total of 44 performance targets, 6 targets (e.g. expected number of spectators) had not been achieved and the achievements of 29 targets (e.g. expected achievement of Hong Kong team/athletes for the event) had not been reported. In all the 3 MLIEs and 4 LIEs, there was no evidence indicating that LCSD had taken any follow-up actions (para. 3.18); and
- (c) ***Scope for improvement in conducting on-site inspections.*** According to HAB records, in 2018-19, 4 MMEs, 19 MLIEs and 95 LIEs were organised by 55 NSAs and 1 sports organisation. HAB conducted inspections at all the 4 MMEs, while LCSD conducted inspections at 17 MLIEs and 49 LIEs. Audit examined the on-site inspection records of HAB and LCSD for these events (para. 3.21) and noted that:
- (i) for 2 of the 17 MLIEs and 11 of the 49 LIEs inspected by LCSD, there were no inspection reports documenting the details of inspections (para. 3.21(a));
 - (ii) LCSD had not laid down guidelines on selection of MLIEs and LIEs for on-site inspections. It was therefore not known as to the basis on which LCSD decided that no inspections would be conducted for any of the MLIEs and LIEs organised by 11 (out of 55) NSAs and 1 sports organisation (para. 3.21(b)); and
 - (iii) for the 10 events examined by Audit (see (a) above), in 1 MLIE and 1 LIE, some information (e.g. the number of spectators) was missing in the inspection reports. In addition, LCSD had not laid down guidelines on the number of on-site inspections to be conducted for events that were held for a number of days. For an MLIE held for four days, the LCSD staff had only conducted an inspection in one of the four days (para. 3.22).
16. ***Scope for improvement in returning surpluses and unspent balances by grantees.*** Grantees of MMEs, MLIEs and LIEs are required to return any surpluses (for MMEs) or unspent balances (for MLIEs and LIEs) generated from the events to the Government (para. 3.24). Audit noted the following issues:

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- (a) Audit analysed the incomes and expenditures of 4 MLIEs and 6 LIEs (these events had other incomes (e.g. sponsorships and ticket sales) in addition to ASDF grants) organised in the period 2014-15 to 2018-19 and noted that 4 MLIEs and 5 LIEs had surpluses. Despite the surpluses, contrary to the arrangement that MME grantees need to return their surpluses to the Government, the grantees of the 4 MLIEs and 5 LIEs are not required to do so (they are only required to return their unspent balances) (paras. 3.25 and 3.26);
- (b) a long time had elapsed (e.g. some 10 months) before the unspent balances of some MLIEs and LIEs organised in the period 2014-15 to 2018-19 were returned to the Government (para. 3.28); and
- (c) Audit's examination of the 4 MLIEs and 6 LIEs (see (a) above) as well as two extreme cases in the period 2014-15 to 2018-19 (i.e. 10.8 months for an MLIE and 10.1 months for an LIE) further revealed that a major reason for the long lapse of time was the long time taken by LCSD to verify the amounts of unspent balances and issue request letters to grantees (para. 3.29).

17. ***Other issues relating to international sports events.*** Audit noted that in the period 2013-14 to 2017-18, on several occasions, there was room for improvement in reporting information on international sports events to the Legislative Council (LegCo) by HAB. For example, in a paper to the LegCo Panel on Home Affairs dated May 2018, HAB stated that the number of international sports events hosted locally for the period from 1 April 2013 to 31 March 2018 was 509 with an approved amount of \$157.63 million. However, the reported figure of 509 and reported amount of \$157.63 million were actually the number of fund disbursements and the amount of funds disbursed respectively (para. 3.36).

Funding for football development

18. ***Governance of Hong Kong Football Association (HKFA).*** ASDF provides funding to HKFA for the development of local football through the implementation of football development plans, which comprised the Project Phoenix (in the period November 2011 to October 2014 (subsequently extended to March 2015)) and the Five-Year Strategic Plan (FYSP) (in the period April 2015 to March 2020) (para. 4.2). Audit noted the following issues:

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- (a) ***Need to improve attendance of individual members at meetings.*** Audit examined members' attendance at meetings of HKFA's Board, committees and sub-committees held in the football seasons 2014/15 to 2018/19 (a football season starts in July and ends in June in the ensuing year), and found that there were some members who had attended less than half of the Board/committee/sub-committee meetings (paras. 4.7 and 4.8);
 - (b) ***Scope for improving first-tier declarations of conflicts of interest.*** Audit examined HKFA records for members' declaration of conflicts of interest in the football seasons 2014/15 to 2018/19 and noted that no first-tier declarations were made by members of the Board, committees and sub-committees (para. 4.11);
 - (c) ***Need to enhance the governance of the Audit Committee.*** The requirements stipulated in the Audit Committee's terms of reference (e.g. having 3 to 5 committee members), which was endorsed by the Board in February 2014, had not been met. For example, the Committee consisted of one member (the Chairman) only from July 2015 onwards (para. 4.13); and
 - (d) ***Need to enhance the governance of the Marketing and Communications Committee.*** HKFA could not provide, for Audit's examination, most of the agendas and minutes of meetings of the Marketing and Communications Committee for the period July 2014 to March 2019. In March 2020, HKFA further informed Audit that in the football seasons 2014/15 to 2018/19, there were meetings held but the minutes, other than those for the meetings held in April, May and June 2019, could not be located (para. 4.18).
19. ***Human resource management.*** Audit examined HKFA's recruitment of staff under the Project Phoenix and FYSP as well as HKFA's staff turnovers (para. 4.23). Audit noted the following issues:
- (a) ***Need to enhance recruitment policies and procedures.*** Audit examined 10 HKFA recruitment exercises conducted in the period 2014-15 to 2018-19 and found that some applications were successful despite that they were received after the application deadlines or not sent to the designated recipient (para. 4.24);

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- (b) *Need to improve declarations of conflicts of interest in recruitment exercises.* In examining the 10 recruitment exercises (see (a) above), Audit found room for improvement in the declarations of conflicts of interest in recruitment exercises. For example, in 3 of the 10 recruitment exercises, the dates of declaration forms signed by 5 recruitment panel members were later than the dates of interviews (para. 4.28); and
- (c) *Need to address high staff turnovers.* Audit conducted an analysis of the staff turnovers in the period 2014-15 to 2018-19. Audit found that staff turnover rates of ASDF-funded posts were on the high side (i.e. at 30% or more) in 3 years. For some departments of HKFA (e.g. the Marketing and Communications Department), the staff turnover rates were particularly high in some years (i.e. more than 60%). Audit also noted that of 17 staff who left in the period 2014-15 to 2018-19, 6 staff (35%) left for the reason of career development opportunities and 5 staff (29%) left for workload involved (paras. 4.30 and 4.31).
20. *Attendance of spectators and self-generated incomes.* HAB expected that HKFA should in time be able to derive income from gate receipts, sponsorship and other sources that would help it achieve steady improvements financially and in management (para. 4.35). Audit noted the following issues:
- (a) *Need to boost attendances.* Audit analysed the number of spectators of the matches organised by HKFA in the period 2015-16 to 2018-19 and found that the average number of spectators had decreased by 3.6% from 1,403 in 2015-16 to 1,352 in 2018-19. According to the Football Task Force (FTF), distribution of complimentary tickets can help raise the public interest in football and improve the attendances of matches. However, Audit analysis found that the proportion of spectators holding complimentary tickets to total number of spectators of HKFA matches had increased from 9% in 2015-16 to 14.6% in 2018-19. In some matches, the number of spectators holding complimentary tickets was greater than those holding sold tickets. Furthermore, the results of using complimentary tickets to improve attendances were not always satisfactory. For example, of the 1,778 complimentary tickets distributed for the Asian Football Confederation Asian Cup held in June 2017, 1,158 (65%) tickets were not used (paras. 4.36 to 4.38); and

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- (b) ***Need to generate more incomes.*** Funding from the Government and sports organisations accounted for 47% of the total incomes of HKFA in the football season 2014/15, but the percentage rose to 73% in the football season 2017/18. In addition, apart from programme and registration fee income, all other self-generated incomes were decreasing (para. 4.41).

21. ***Performance measurement and other administrative issues.*** According to FYSP funding agreement between HAB and HKFA, HKFA is required to submit half-yearly progress reports to HAB to report the achievements against performance targets and indicators (para. 4.45). Audit noted the following issues:

- (a) ***Performance targets and indicators not achieved.*** Audit examined the progress reports submitted by HKFA in the period 2015-16 to 2018-19. Audit found that in the period, the number of under-achievements against performance targets and indicators ranged from 2 to 11. In 2018-19, there were under-achievements in 9 performance targets and 3 performance indicators. The extent of individual under-achievements ranged from 1% to 50% (para. 4.46);
- (b) ***Key targets of the consultancy report not achieved.*** Audit examined the achievements against the key targets set in the consultancy report on football development issued in December 2009, and found that up to the end of September 2019, some achievements were lower than the targets and even lower than the achievements in 2009. For example, for the “National” Team Fédération Internationale de Football Association world ranking for the ladies, the position in December 2009 was 60. According to the target set in the consultancy report, the position should become 40 in 2015 and “maintain top 35” in 2020. However, up to the end of September 2019, the actual position was 77, which was lower than the position (i.e. 60) in 2009 (paras. 4.48 and 4.49);
- (c) ***Need to improve the accuracy of reporting achievements against the performance targets and indicators.*** In respect of a performance target (namely “increase sponsorship and advertising gross revenue”) reported in the half-yearly progress reports, there were discrepancies between the amounts reported in the half-yearly progress reports and the amounts provided by HKFA in August 2019. In addition, in respect of a performance indicator (namely “average attendance per HKPL (i.e. Hong Kong Premier League) match”), there were discrepancies between the

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attendances reported in the half-yearly progress reports and those published on HKFA website (paras. 4.53 and 4.54);

- (d) ***Need to observe procurement requirements.*** Audit examined 50 items of goods and services procured (with amounts ranging from \$440 to \$1 million) in the period June 2014 to September 2019 under the Project Phoenix and FYSP. Audit found that for 10 items (20%), HKFA did not obtain any quotations and there was no documentation on the justifications for not obtaining any quotations (para. 4.58); and
- (e) ***Need for HAB to release grant payments in a timely manner.*** An annual grant endorsed by FTF and approved by HAB shall be allocated to HKFA by four equal quarterly instalments payable in advance at the beginning of each quarter of the annual grant period. Audit found that, in the period 2015-16 to 2019-20, there were late disbursements (up to 163 days late) of the instalment of the annual grants. Audit further noted that in 2016-17, 2018-19 and 2019-20, the FTF meetings to endorse the annual grant applications were held after the beginning (i.e. 1 April) of the grant periods. (paras. 4.61 to 4.63).

Funding for other sports programmes and schemes

22. ***Need to closely monitor the implementation of the 5-year programme (see para. 1).*** The 5-year programme covers the period 1 January 2018 to 31 December 2022 with a committed funding of \$105 million from ASDF. The programme provides funding to the eight team sports (i.e. (a) baseball; (b) basketball; (c) handball; (d) hockey; (e) ice hockey; (f) softball; (g) volleyball; and (h) water polo) competing in the 2018 and 2022 Asian Games, and the 2021 Asian Winter Games. The programme aims at enhancing the performance of the team sports progressively and increasing their chances of attaining elite sports status in the future. For the Asian Games, the 5-year programme covers four development stages (i.e. pre-2018 and the 2018 Asian Games from 2017 to 2019, post-2018 Asian Games in 2019-20, pre-2022 Asian Games from 2020 to 2022, and the 2022 Asian Games). The performance targets set for the first development stage were that the final positions of the teams in the 2018 Asian Games should be higher than those in the 2014 Asian Games. However, Audit noted that 9 of the 12 teams that participated in the 2018 Asian Games did not achieve the performance targets (paras. 5.2, 5.3, 5.5 and 5.11).

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23. ***Scope for improvement in reporting achievements by District Football Teams (DFTs) under DFFS.*** ASDF provided and HAB continues to provide funding for DFFS (see para. 2). In the period 2014-15 to 2018-19, about \$10 million was disbursed to 18 DFTs under DFFS every year. For performance monitoring purpose, under DFFS, a DFT is required to submit to its respective DO a mid-term report and a final report in March (during DFFS funding period starting in June and ending in May in the ensuing year) and June (after DFFS funding period) respectively. In the reports, the DFT provides information on the project income and expenses, the dates of training sessions, the dates of competitions held, and the community building activities organised. The respective DO, on the other hand, is required to submit to HAB the mid-term report of DFT in April, and the final report of DFT together with a performance evaluation report in July. The performance evaluation report indicates DFT's achievements against four performance targets, use of funds, and timeliness of submission of mid-term and final reports (paras. 5.15, 5.16, 5.18 and 5.19). Audit examined the performance evaluation reports submitted by DOs to HAB in the DFFS funding periods 2014/15 to 2018/19, and noted that:

- (a) of the 18 DFTs, out of the four performance targets, 4 DFTs continuously did not achieve one or more of the targets throughout the entire period, while the other 14 (18 minus 4) DFTs did not achieve at least one of the targets in one or more years (para. 5.20(a));
- (b) notwithstanding the under-achievements mentioned in (a) above, explanations had not been provided by 10 of the 18 DFTs. While the remaining 8 DFTs had provided explanations, some "significant differences", which had not been defined by HAB, were left unexplained (para. 5.20(b)); and
- (c) there was no requirement stipulating that DFTs should report their achievements in their reports. DFTs' achievements were either reported by DFTs on their own initiative in their reports or made known to DOs upon DOs' enquiries for the purpose of assessing DFTs' achievements (para. 5.21(a)).

24. ***Need for proper control on purchases made under DFFS.*** Under DFFS, DFTs are required to submit in March and June of a DFFS funding period, information on quotations obtained, receipts for goods and services purchased, and completed reimbursement forms for claiming reimbursement of expenses. In visiting two DOs (one in Kowloon and one in the New Territories), Audit noted that in the DFFS funding periods 2014/15 to 2018/19, the two respective DFTs (of the two DOs)

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had not provided any information on quotations obtained for some purchases, e.g. for the DFT in Kowloon, 5 purchases of football team insurances and 2 purchases of goods (i.e. footballs) amounting to a total of \$37,504 and \$6,765 respectively. It was therefore uncertain whether the two DFTs had obtained any quotations for the aforesaid purchases. Furthermore, despite the missing information, there was no evidence indicating that the two DOs had taken any follow-up actions (paras. 5.24 to 5.26).

25. *Need to review the effectiveness of funding provided to HKPC&SAPD.* Funding is provided to HKPC&SAPD to hire three staff to implement programmes to help athletes with disabilities achieve good results at the Paralympic Games and the Asian Para Games. The first funding was provided to HKPC&SAPD through ASDF in 2011-12. Since January 2019, funding had been provided through HAB's recurrent expenditure. In 2018-19, \$1,335,000 was provided to HKPC&SAPD. Audit analysed the results of the Hong Kong Paralympian teams in the Paralympic Games and the Asian Para Games (paras. 5.30, 5.32 and 5.33). Audit found that:

- (a) for the Paralympic Games, the number of medals attained by the Hong Kong Paralympian teams decreased from 12 in the 2012 Paralympic Games to 6 in the 2016 Paralympic Games (para. 5.34(a)); and
- (b) for the Asian Para Games, the ranking of Hong Kong in terms of number of medals dropped from 9 in the 2010 Asian Para Games to 10 in the 2018 Asian Para Games (para. 5.34(b)).

Governance of the Sports Commission and its committees

26. *Need to review and update Standing Orders.* SC has three underpinning committees, namely, CSC, ESC and MSEC (SC and the underpinning committees are hereinafter collectively referred to as "SC/committees" unless otherwise stated). For SC, ESC and MSEC, secretariat services are provided by HAB. For CSC, secretariat services are provided by LCSD. HAB and LCSD have issued Standing Orders for each of SC/committees governing its operation. According to the Standing Orders, regular meetings of SC may be held once every three to four months (i.e. 4 or 3 meetings a year), and regular meetings of the underpinning committees may be held every three months (i.e. 4 meetings a year). However, Audit noted that for the period 2015 to 2019, on average, each of SC/committees held only 2 meetings per year. To ensure that the functions of SC/committees are effectively carried out,

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HAB and LCSD need to review the frequency of SC/committee meetings laid down in the Standing Orders (paras. 6.4, 6.5, 6.7 and 6.9).

27. *Need to take measures to encourage attendance.* Audit examined, for the period 2015 to 2019, individual members' attendance at the meetings. Audit noted that, each year, there were members who did not attend any meetings of SC or an underpinning committee. The number of such members totalled 32 in the period. Records did not indicate that HAB and LCSD had taken actions to encourage members to attend meetings (paras. 6.13 and 6.15).

28. *Need to improve management of potential conflicts of interest.* In 2005, the Secretary for Home Affairs issued a memorandum entitled "Advisory and Statutory Bodies — Declaration of Interests" to all advisory and statutory bodies of government bureaux and departments. According to the memorandum, there are two systems to make a declaration of interests, namely one-tier reporting system and two-tier reporting system. A one-tier reporting system has been adopted for SC and its underpinning committees. According to the Standing Orders (see para. 26), if any member has any potential conflicts of personal or pecuniary interest direct or indirect in any matter under consideration by SC or an underpinning committee, the member shall declare it to SC or the underpinning committee as appropriate prior to the discussion of that item. Audit examined the minutes of meetings of SC/committees for the period 2015 to 2019, and noted occasions where members of SC did not adequately declare potential conflicts of interest. In this connection, Audit noted that according to the Standing Orders of SC and ESC, a declaration of interests by any member shall be recorded in the minutes of the meeting. However, there was no similar requirement in the Standing Orders of CSC and MSEC. Subsequently, in March 2020, LCSD informed Audit that the requirement had been included in the Standing Orders of CSC (paras. 6.18 to 6.21).

29. *Need to review the system for declaring interests.* By the memorandum of 2005 (see para. 28), bureaux and departments are reminded to review from time to time the systems for declaring interests for the advisory and statutory bodies under their purview, so as to ensure that the systems match the needs of the bodies concerned. Records did not indicate that HAB and LCSD had reviewed, from time to time, the SC/committees' system for declaring interests having regard to the memorandum of 2005 (paras. 6.23 and 6.24).

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30. ***Room for improvement in disclosure of meeting information.*** According to the Standing Orders, the notice of meeting, the agenda and the papers of a meeting shall be made available to the public by the secretary within the calendar year in which the meeting was held (i.e. via the HAB website for meetings of SC, ESC and MSEC, and via the LCSD website for meetings of CSC), unless the nature and/or contents of which are confidential. In January 2020, Audit examined the posting of information on the HAB website/LCSD website for meetings held in the period 2015 to 2019. A total of 43 meetings were held in the period, comprising 11 SC meetings, 11 CSC meetings, 11 ESC meetings and 10 MSEC meetings. Audit found that, as at 31 January 2020, notices of meetings had not been posted for all 43 (100%) meetings, and agendas had not been posted for 11 (26%) meetings. In March 2020, HAB informed Audit that the requirement on posting notices of meetings was outdated, and regarding the agendas, they have been available on the websites since February 2020. HAB and LCSD need to ensure that the Standing Orders are updated with the latest requirements, and that information on meetings of SC/committees is disclosed to the public in accordance with the Standing Orders (paras. 6.28 to 6.31).

31. ***Need to ensure that confidentiality agreements are signed and returned by members.*** Members of SC/committees are appointed by the Secretary for Home Affairs. According to the practice of HAB and LCSD, members are requested to sign an agreement upon appointment. Under the agreement, which is laid out in a standard form, members undertake to keep matters of SC/committees confidential as necessary. Audit examined the members' agreements in the period 2015 to 2019, and found that the agreements of some committee members were missing (i.e. involving one ESC member and four MSEC members). According to HAB, the members did not return the agreements (paras. 6.32 and 6.33).

Audit recommendations

32. **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 Secretary for Home Affairs should:**

Funding for Hong Kong athletes to prepare for and participate in international games

- (a) **clarify the calculation of return of unspent balances by grantees, and ensure that HAB and LCSD staff properly calculate the amounts of unspent balances to be returned (para. 2.25);**

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Funding for international sports events

- (b) **require MME grantees to provide in their programme reports explanations for variance over 25% between the estimated and actual amounts of expenditure as well as between the estimated and actual amounts of income, and take follow-up actions where warranted (para. 3.31(a));**
- (c) **review the existing arrangements for returning surpluses of MMEs and unspent balances of MLIEs and LIEs to ascertain the need to align or modify the arrangements (para. 3.31(b));**
- (d) **improve the reporting of information relating to international sports events to LegCo in future (para. 3.38);**

Funding for football development

- (e) **urge HKFA to take effective measures to improve its governance, including:**
 - (i) **encouraging members of the Board, committees and sub-committees to attend meetings, especially those members who are frequently absent from the meetings (para. 4.19(a));**
 - (ii) **ensuring that first-tier declaration of conflicts of interest forms are sent to members of the HKFA Board, committees and sub-committees for their completion at the time of appointment and thereafter annually, and that the forms are duly completed and returned to HKFA (para. 4.19(b));**
 - (iii) **ensuring that the Audit Committee complies with the requirements stipulated in the terms of reference of the Committee (para. 4.19(c)); and**
 - (iv) **ensuring that agendas and minutes of meetings of the Marketing and Communications Committee are duly kept (para. 4.19(d));**

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- (f) **urge HKFA to take effective measures to improve its human resource management, including:**
 - (i) **laying down policies and procedures for handling job applications received after the application deadlines and for dealing with applications not submitted through the proper channel as required (para. 4.33(a));**
 - (ii) **ensuring that conflicts of interest in recruitment exercises are properly and adequately declared (para. 4.33(h)); and**
 - (iii) **closely monitoring the staff turnover rates (especially for those HKFA departments with particularly high turnover rates), and making efforts to address the high turnover rates taking into account the reasons for staff leaving HKFA (para. 4.33(j));**

- (g) **urge HKFA to take effective measures to boost attendance and generate income, including:**
 - (i) **ascertaining the reasons for the decrease in the number of spectators, taking into account the audit observations on HKFA's distribution of complimentary tickets, in order to take further measures to boost the attendances (para. 4.43(a)); and**
 - (ii) **ascertaining the reasons for the general decrease in self-generated incomes, so as to step up measures to generate more such incomes (para. 4.43(b));**

- (h) **scrutinise HKFA's strategic plan to ensure that the plan adequately and effectively addresses the performance deficiencies, and closely monitor HKFA's performance to determine the way forward for football development in Hong Kong (para. 4.65(a));**

- (i) **require HKFA to resolve the discrepancies in the reporting of sponsorship and advertising gross revenue (para. 4.65(b));**

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- (j) **redetermine the types of matches to be included in the reporting of average attendance per HKPL match, and ensure that the achievement is properly reported by HKFA (para. 4.65(c));**
- (k) **urge HKFA to take effective measures to ensure that the requirements on obtaining quotations are duly observed, and in circumstances where the requirements could not be observed, the justifications for the non-compliance is documented to strengthen the control (para. 4.65(d));**
- (l) **look into the concern of HKFA on late disbursements of instalments of annual grants, and make efforts to release any future grant payments to HKFA in a timely manner (para. 4.65(e));**

Funding for other sports programmes and schemes

- (m) **closely monitor the implementation of the third development stage (i.e. pre-2022 Asian Games from 2020 to 2022) of the Five-Year Development Programme for Team Sports (para. 5.13);**
- (n) **clearly define “significant differences” between the achievements and the set performance targets of DFTs, and inform DOs about the definition so as to facilitate them to take follow-up actions where warranted (para. 5.27);**
- (o) **continue to review the effectiveness of the funding provided to HKPC&SAPD to help the Hong Kong Paralympian teams achieve good results in the Paralympic Games and the Asian Para Games, and instigate improvement measures where warranted (para. 5.37);**

Governance of the Sports Commission and its committees

- (p) **remind members of SC to declare potential conflicts of interest as required by SC Standing Orders (para. 6.25(a));**

Executive Summary

- (q) consider including a requirement in the Standing Orders of MSEC, whereby declaration of interests by any member shall be recorded in the minutes of meetings (para. 6.25(b));
 - (r) look into the cases in which the ESC and MSEC members did not return the signed agreements containing the confidentiality clause, and take remedial actions as necessary (para. 6.35(a)); and
 - (s) take measures to ensure that agreements are signed and returned by members of SC/committees (para. 6.35(b)).
33. **Audit has also *recommended* that the Director of Leisure and Cultural Services should:**

Funding for international sports events

- (a) in vetting ASDF funding applications, ensure that HAB's guidelines are followed in assessing the timeliness of submission of programme reports and audited reports by applicants (para. 3.10(a));
- (b) take measures to ensure that MLIE and LIE grantees adequately and clearly report their event achievements against performance targets, and take follow-up actions in situations where the targets are not achieved and/or the achievements are not properly reported (para. 3.32(c));
- (c) take measures to ensure that all details of on-site inspections conducted for MLIEs and LIEs are documented (para. 3.32(d));
- (d) set guidelines on the selection of MLIEs and LIEs for on-site inspections (para. 3.32(e));
- (e) issue guidelines on the number of on-site inspections to be conducted for MLIEs and LIEs that are held for a number of days (para. 3.32(f)); and

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- (f) identify scope for expediting the verification of amounts of unspent balances to be returned by MLIE and LIE grantees and the issue of letters to request them to return the unspent balances (para. 3.32(h)).

34. Audit has also *recommend* that the Secretary for Home Affairs and the Director of Leisure and Cultural Services should:

Funding for Hong Kong athletes to prepare for and participate in international games

- (a) take measures to ensure that applicants for ASDF preparation and participation funds set performance targets in their funding applications, and that grantees of such funds report all achievements against performance targets in their programme reports (para. 2.26(a));
- (b) in circumstances where grantees of ASDF preparation and participation funds have failed to achieve performance targets, instigate follow-up actions with the grantees (para. 2.26(b));
- (c) require grantees to provide explanations for variances over 25% between the estimated and actual amounts of expenditure as well as between those of income in the programme reports (para. 2.26(c));
- (d) issue guidelines to grantees to ensure that their auditors certify their compliance with the procurement requirements and the Code of Conduct, and in cases where non-compliance is reported in the audited accounts, instigate follow-up actions with the grantees (para. 2.26(d));
- (e) step up efforts to reduce the delay in submission of programme reports and audited accounts by grantees (para. 2.26(e));
- (f) impose the charge, stipulated under HAB's enhanced measures, for delay in submission of programme reports and audited accounts by grantees (para. 2.26(f));

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- (g) ascertain the reasons for the late return of unspent balances by grantees and take measures to ensure that such balances are returned in a timely manner (para. 2.26(g));

Funding for international sports events

- (h) step up efforts in ensuring timely submission of programme reports and audited accounts by MME, MLIE and LIE grantees, including taking measures against those grantees that are frequently late in submitting their reports and accounts (para. 3.33(a));

Governance of the Sports Commission and its committees

- (i) review the frequency of SC/committee meetings laid down in the Standing Orders and update the Standing Orders as appropriate (para. 6.16(a));
- (j) step up efforts to encourage SC/committee members to attend meetings (para. 6.16(b));
- (k) having regard to the memorandum of 2005, periodically review the system for declaring interests for SC/committees (para. 6.26);
- (l) ensure that the Standing Orders are updated with the latest requirements (para. 6.34(a)); and
- (m) ensure that information on meetings of SC/committees is disclosed to the public in accordance with the Standing Orders (para. 6.34(b)).

35. Audit has *recommended* that the Secretary for Home Affairs should, acting through DOs:

Funding for other sports programmes and schemes

- (a) require DFTs to report their achievements against the performance targets in their reports submitted to DOs and provide DOs with

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supporting documents for the reported achievements, and conduct verifications accordingly (para. 5.28(a) and (b));

- (b) **require DFTs to provide explanations for any “significant differences” to DOs and ensure that necessary follow-up actions are taken by DOs on such differences so as to help DFTs achieve their performance targets (para. 5.28(c)); and**
- (c) **take measures to ensure that DFTs provide DOs with information on quotations obtained in making purchases, and that DOs take follow-up actions where warranted (para. 5.28(d)).**

Response from the Government

36. The Secretary for Home Affairs and the Director of Leisure and Cultural Services accept the audit recommendations.

PART 1: INTRODUCTION

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

Background

1.2 The Home Affairs Bureau (HAB) covers a wide spectrum of policy areas, including civic education, culture and arts, district and community relations, sports and recreation, and youth policy. According to HAB, insofar as sports are concerned, participation in sports contributes significantly to sound physical and mental health, and provides a basis for social interaction and a sense of belonging to the community. The Government attaches great importance to sports development, with the objectives to:

- (a) promote sports in the community;
- (b) support elite sports development; and
- (c) promote Hong Kong as a centre for major sports events.

1.3 According to HAB, to support the long-term development of sports and achieve the aforesaid objectives (see para. 1.2), the Government's expenditure on sports development increased by 28% from \$3,948 million in 2014-15 to \$5,054 million in 2018-19. Table 1 shows the funding for sports development in 2018-19.

Table 1
Funding for sports development
(2018-19)

Funding authority	Source and nature of funding	2018-19 expenditure (\$ million)	Percentage
Leisure and Cultural Services Department (LCSD) (Note 1)	<p>(a) Through LCSD's expenditure to establish and operate sports and recreation facilities (e.g. indoor sports centres, tennis courts and swimming pools) for the public, and to promote sports development (Note 2)</p> <p>(b) Through LCSD's recurrent expenditure to organise a wide variety of sports and recreation programmes for the public (Note 3), and through LCSD's recurrent subvention under its recreation and sports funding for the Sports Subvention Scheme (Note 4) to the Sports Federation & Olympic Committee of Hong Kong, China (SF&OC — Note 5) and National Sports Associations (NSAs — Note 6) for organising sports training programmes, squad training, development schemes, and overseas and local international events, etc.</p>	4,169	82.5%
HAB	(c) Through the Elite Athletes Development Fund administered by HAB, to the Hong Kong Sports Institute Limited (HKSI) for supporting the development of elite sports and elite athletes (Note 7)	596	11.8%

Table 1 (Cont'd)

Funding authority	Source and nature of funding	2018-19 expenditure (\$ million)	Percentage
	(d) Through four sports-related funds of the Sir David Trench Fund for Recreation (Note 8) administered by HAB, to SF&OC, NSAs, sports organisations (e.g. the Sha Tin District Sports Association Limited and the North District Archery Club) and athletes for sports development (see para. 1.4 for further details)	115	2.3%
	(e) Through HAB's recurrent expenditure to sports organisations and schools (primary and secondary schools) to carry out district and school sports schemes, and with effect from January 2019, to the Hong Kong Paralympic Committee & Sports Association for the Physically Disabled (HKPC&SAPD — an NSA) for implementing programmes to help athletes with disabilities achieve good results at the Paralympic Games and the Asian Para Games (see para. 1.8(c) for further details)	33	0.6%
	(f) Through HAB's funding to SF&OC (including its affiliated company) for its operational needs (i.e. financing SF&OC's personnel, office and programme expenses)	24	0.5%
	(g) Others (e.g. HAB's departmental expenses, personal emoluments, and consultancy studies)	117	2.3%
	Total	5,054	100.0%

Source: HAB records

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Table 1 (Cont'd)

- Note 1: HAB is the policy bureau of LCSD, which provides leisure and cultural services (including sports) to the public.*
- Note 2: In March 2004 and October 2004, the Audit Commission (Audit) completed reviews entitled “Provision of aquatic recreational and sports facilities” (Chapter 7 of the Director of Audit’s Report No. 42) and “Provision and management of indoor recreational and sports facilities” (Chapter 8 of the Director of Audit’s Report No. 43) respectively.*
- Note 3: In October 2008, Audit completed a review entitled “Provision of recreation and sports services” (Chapter 10 of the Director of Audit’s Report No. 51).*
- Note 4: In October 2009, Audit completed a review entitled “Administration of the Sports Subvention Scheme” (Chapter 1 of the Director of Audit’s Report No. 53).*
- Note 5: SF&OC is recognised by the International Olympic Committee (IOC) as the National Olympic Committee (NOC) in Hong Kong, China. IOC is a not-for-profit independent international organisation. In addition to establishing and administering the Olympic rules, IOC selects a host country of the Olympic Games every four years, accepts or rejects new sports and events on the Olympic programme and oversees the efforts of various other organisations (e.g. NOCs and the Olympic Organising Committee for each host city) on the development and promotion of sports. As at 29 February 2020, there were 206 NOCs worldwide. As an NOC, SF&OC is dedicated to the development and promotion of sports in accordance with the Olympic Charter (see the IOC website — <http://www.olympic.org>) which serves as statutes for IOC (see para. 1.16).*
- Note 6: NSAs are the local governing bodies for various types of sports (e.g. Hong Kong Badminton Association Limited; The Cycling Association of Hong Kong, China Limited; and The Karatedo Federation of Hong Kong, China Limited). Their main objectives are to promote and develop sports in Hong Kong, and to train and select delegations to participate in international sports events. As at 29 February 2020, 79 NSAs (see Appendix A) were members of SF&OC. They were recognised by SF&OC as the official representatives of their respective sports. A total of 60 NSAs (including 59 NSAs which are members of SF&OC and 1 NSA which is not a member of SF&OC) received block grants from LCSD’s Sports Subvention Scheme (see Note 4 above).*
- Note 7: As at 31 March 2019, the Elite Athletes Development Fund had a fund balance of \$11.8 billion. The Fund is solely for supporting the development of elite sports and elite athletes by HKSI (see Appendix B). In April 2015, Audit completed a review entitled “Hong Kong Sports Institute Limited” (Chapter 5 of the Director of Audit’s Report No. 64).*
- Note 8: The Sir David Trench Fund for Recreation is a statutory fund established in 1970 under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) for the purpose of providing facilities for recreational, sporting, cultural and social activities and other objects ancillary or incidental to this purpose.*

Funding for sports development through four sports-related funds of Sir David Trench Fund for Recreation

1.4 Under the Sir David Trench Fund for Recreation (see (d) in Table 1 in para. 1.3), HAB provides funding for sports development through four sports-related funds:

- (a) ***Arts and Sport Development Fund (ASDF)***. ASDF, set up in January 1997, consists of the arts portion and the sports portion. The arts portion funds applications for supporting arts projects recommended by the Hong Kong Arts Development Council. The sports portion provides funding to SF&OC, NSAs, sports organisations and athletes for sports development. More details of ASDF are shown in paragraphs 1.5 to 1.8 (hereinafter ASDF refers only to its sports portion. As this audit review is concerned with sports matters, the arts portion is not covered in this review);
- (b) ***Hong Kong Athletes Fund***. The Fund, set up in August 1996, provides grants to individual athletes to allow them to pursue excellence in their chosen sports through academic and educational training, and to provide them with the opportunity to develop alternative careers upon retirement from competitive sports;
- (c) ***Sports Aid for the Disabled Fund***. The Fund, set up in August 1985, promotes sports for disabled people; and
- (d) ***Sports Aid Foundation Fund***. The Fund, set up in February 1987, provides assistance (e.g. coaching fees and allowances arising from loss of earnings as a result of participation in competitions) to financially needy athletes in their pursuit of excellence.

Funding for sports development through ASDF

1.5 As at 31 March 2019, among the four sports-related funds of the Sir David Trench Fund for Recreation, ASDF had the highest fund balance of \$2,396 million (i.e. about 97% of the total balance of \$2,476 million of the four funds). All of ASDF's capital has come from Government injections approved by the Finance Committee of the Legislative Council (LegCo). In 2018-19, ASDF paid the largest

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amount of grants of \$111 million (i.e. about 97% of the total amount of grants of \$115 million of the four funds) to grantees. Table 2 shows the details.

Table 2

**Sports-related funds of Sir David Trench Fund for Recreation
(31 March 2019)**

Fund	Fund balance as at 31 March 2019		Grants paid in 2018-19	
	\$ million	%	\$ million	%
ASDF	2,396	96.8	111	96.5
Hong Kong Athletes Fund	24	1.0	4	3.5
Sports Aid for the Disabled Fund	9	0.3	Nil (Note)	
Sports Aid Foundation Fund	47	1.9		
Total	2,476	100.0	115	100.0

Source: *Audit analysis of HAB records*

Note: *In 2007-08, HKSI implemented the following financial support schemes:*

- (a) *the Sports Aid for the Disabled Grant to provide direct financial support to Hong Kong athletes with demonstrated performance and potential to achieve or maintain success in the international sports arena. Since then, no applications for grants from the Sports Aid for the Disabled Fund have been received; and*
- (b) *the Elite Training Grant to provide direct financial support to elite athletes. Since then, no applications for grants from the Sports Aid Foundation Fund have been received.*

1.6 According to HAB, ASDF is an important source of funding for sports development in Hong Kong. It is a major source for supporting Hong Kong athletes' preparation for and participation in international multi-sports games

(hereinafter collectively referred to as international games) (Note 1) (see para. 1.7(a)), and for holding international sports events in Hong Kong (see para. 1.7(b)). Supporting the athletes would enable them to have regular international training exposure and competition experience in the lead-up to major games, and therefore enhancing their medal-winning chances in the games. Through hosting international sports events, opportunities are provided to local athletes to compete on home ground and to the general public to watch high-level competitions, thereby promoting a strong sporting culture.

1.7 ASDF funds a variety of sports projects:

- (a) projects of SF&OC and NSAs for supporting athletes to prepare for and participate in major international games, which include the 2012 London and 2016 Rio Olympic Games and Paralympic Games; the 2010 Guangzhou, 2014 Incheon and 2018 Jakarta Asian Games (see Photograph 1 for an example) and Asian Para Games; the 2017 Summer Universiade (Note 2); and the National Games and the National Youth Games;

Note 1: *International multi-sports games refer to games that are held over multiple days, featuring competitions of different sports which are to be competed among member nations. ASDF provides funding for non-elite athletes to prepare for international games (the Elite Athletes Development Fund (see (c) in Table 1 in para. 1.3) provides funding for elite athletes to prepare for international games), and for both elite and non-elite athletes to participate in international games.*

Note 2: *Summer Universiade is an international university sports and cultural event that is staged every two years in a different city.*

Photograph 1

Hong Kong, China Delegation participated in the 2018 Jakarta Asian Games (2018)



Source: SF&OC records

- (b) projects for hosting international sports events locally by NSAs and sports organisations, which include “M” Mark events (MMEs — Note 3) and major international sports events, such as the Asian Youth Single Dance Championship Hong Kong (see Photograph 2), the Badminton Championships, the Fédération Internationale de Volleyball Volleyball Nations League, the Hong Kong Open Badminton Championships and the Hong Kong Squash Open;

Note 3: *MMEs are events of world championships, world class level championships (e.g. world cup, one stop of the world class series or world tour) and intercontinental championships.*

Photograph 2

**Asian Youth Single Dance Championship Hong Kong
(2019)**



Source: Photograph taken by Audit on 9 November 2019

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- (c) projects for the development of local football in accordance with the recommendations of the Football Task Force (FTF — Note 4), which include the Project Phoenix and the Five-Year Strategic Plan (FYSP) of the Hong Kong Football Association (HKFA — an NSA);
- (d) the Five-Year Development Programme for Team Sports launched in January 2018 (covering eight team sports featured in Asian Games, namely baseball, basketball, handball, hockey, ice hockey, softball, volleyball, and water polo) with the aim of enhancing the performance of team sports progressively and increasing their chances of attaining elite sports status in the future; and
- (e) other one-off initiatives that are important to the development and promotion of sports in Hong Kong organised by SF&OC and NSAs (e.g. Hong Kong Beach Festival 2014 jointly organised by seven NSAs).

Note 4: *Established in May 2010, FTF is chaired by the Permanent Secretary for Home Affairs and comprises seven members (people from the sports field, academics and other professionals) appointed by the Secretary for Home Affairs. Its terms of reference are:*

- (a) *with reference to the recommendations of the consultancy report on football development, to identify the priority areas for early implementation;*
- (b) *to assist the Hong Kong Football Association in drawing up a strategic programme for the further development of football in Hong Kong;*
- (c) *to identify the resources needed to take forward the further development of football in Hong Kong and to coordinate the provision of the necessary resources;*
- (d) *to monitor progress with measures to take forward the further development of football in Hong Kong and to report on progress to the Secretary for Home Affairs; and*
- (e) *to exchange views with stakeholders on progress with the further development of football in Hong Kong.*

1.8 In the past, ASDF had also provided funding to sports organisations and schools (primary and secondary schools) to carry out district and school sports schemes, and to HKPC&SAPD to implement programmes to support athletes with disabilities. These schemes and programmes, which are now funded through HAB's recurrent expenditure (since 2016-17 for the schemes and since January 2019 for the programmes — Note 5), comprise the following:

- (a) ***District Football Funding Scheme (DFFS)***. The Scheme provides funding support to 18 district-based football teams to help them improve their performance. The funding support covers, for example, expenditure on coaching, equipment and transportation, and insurance;
- (b) ***Student Athlete Support Scheme***. The Scheme provides financial support to students from low-income families with sporting talent to help them pursue their sporting goals through participation in the Outreach Coaching Programme (Note 6), the Joint School Sports Training Programme (Note 7), and inter-school competitions organised by the Hong Kong Schools Sports Federation (HKSSF — an NSA); and

Note 5: *According to HAB, ASDF should focus on funding projects with a time-limited (see para. 1.7(a) to (d)) or one-off nature (see para. 1.7(e)). As such, the schemes and the programmes are now funded through HAB's recurrent expenditure. The mode of operation is the same for funding under ASDF and HAB's recurrent expenditure.*

Note 6: *Under the Outreach Coaching Programme, coaches from NSAs are arranged to conduct sports training for students in schools and assist schools in setting up school teams for participation in inter-school competitions.*

Note 7: *Under the Joint School Sports Training Programme, students who have attained the required skill level in individual sports will be selected for advanced training.*

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- (c) ***Funding for HKPC&SAPD programmes.*** Funding is provided to HKPC&SAPD to hire three staff (i.e. a Programme Director and two Programme Officers) to implement programmes to help athletes with disabilities achieve good results at the Paralympic Games and the Asian Para Games. Under the ASDF's funding, these programmes were known as the Striving for Excellence Programme and the Sustaining Optimal Performance Programme. The former programme helped the athletes achieve good results at the Paralympic Games in 2012 and the Asian Para Games in 2014, while the latter programme served the same purpose but for the Paralympic Games in 2016 and the Asian Para Games in 2018. According to HAB, similar programmes are currently funded through HAB's recurrent expenditure as part of the Government's funding support to HKPC&SAPD for its reorganisation and establishment of a new Hong Kong Paralympic Committee as an independent organisation from the Sports Association for the Physically Disabled (Note 8).

1.9 Table 3 shows the number of ASDF approved projects for the period 2014-15 to 2018-19. Figure 1 shows the amount of ASDF approved grants for the period 2014-15 to 2018-19.

Note 8: *In addition to DFFS, the Student Athlete Support Scheme and funding for HKPC&SAPD programmes, a scheme known as the School Sports Programme Coordinator Scheme was previously funded by ASDF. The Scheme aimed at providing students with more opportunities to participate in sports, raising the level of sports in schools and identifying students with sports potential, and providing coordinators (i.e. retired athletes) with an on-the-job training platform for further career development. Under the Scheme, coordinators were responsible for organising and implementing sport programmes proposed by schools to meet the aims. From 2016-17 to August 2018, the Scheme was funded through HAB's recurrent expenditure. Since September 2018 (i.e. start of the school year 2018/19), the Scheme has been integrated into the Retired Athletes Transformation Programme operated by SF&OC.*

Table 3

**Number of ASDF approved projects
(2014-15 to 2018-19)**

Project type	Number of approved projects				
	2014-15	2015-16	2016-17	2017-18	2018-19
(a) Hong Kong athletes' preparation for and participation in international games (see para. 1.7(a))	9	20	17	23	27
(b) International sports events (see para. 1.7(b))	97	92	100	111	134
(c) Football development (see para. 1.7(c)) (Note 1)	N.A.	1	N.A.		
(d) Five-Year Development Programme for Team Sports (see para. 1.7(d))	N.A.			1 (Note 2)	3
(e) One-off sports projects (see para. 1.7(e))	2	Nil			2
(f) District and school sports schemes and HKPC&SAPD programmes (see para. 1.8)	497	608	N.A. (Note 3)		
Total	605	721	117	135	166

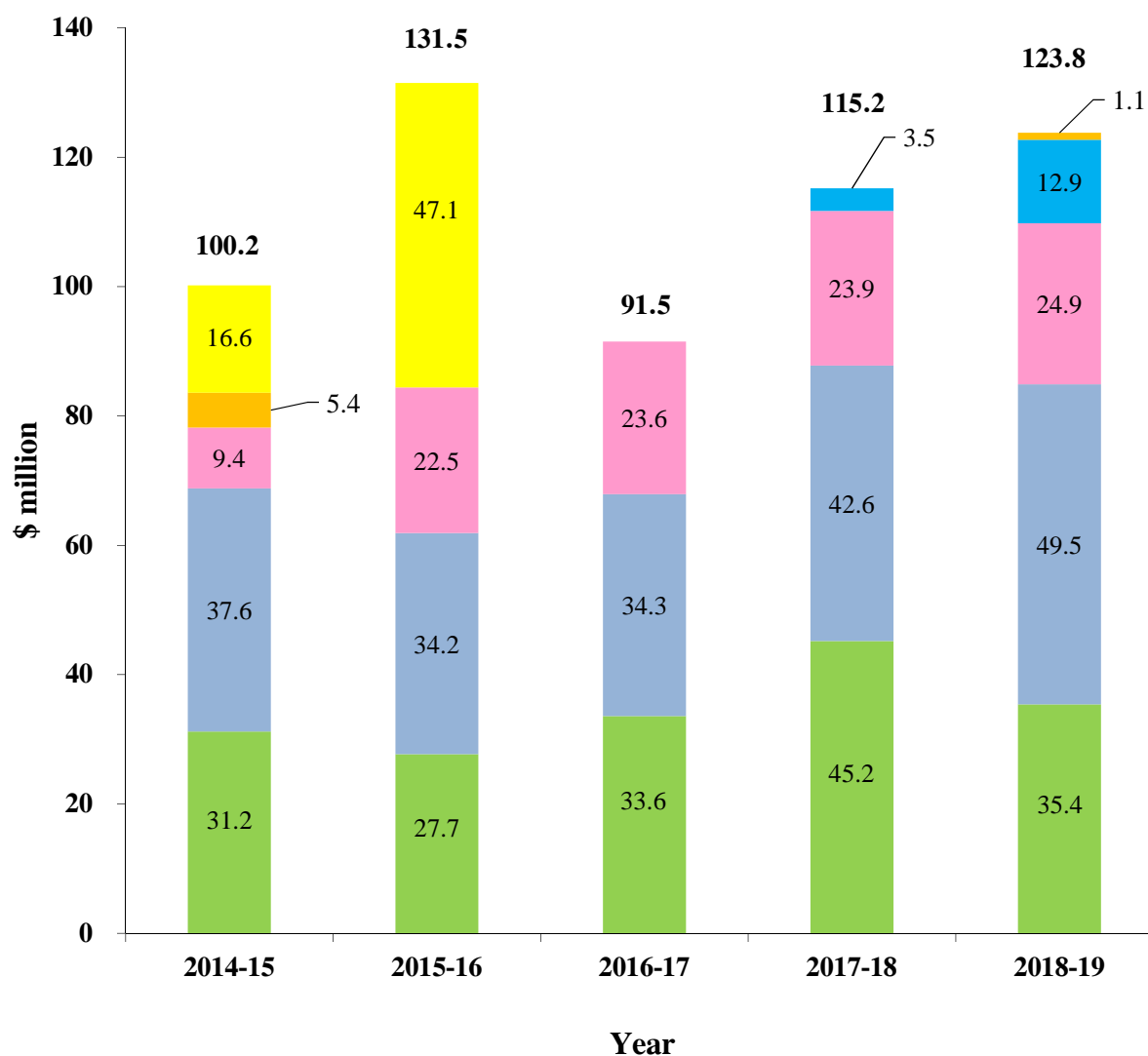
Source: Audit analysis of HAB records

Note 1: HKFA's Project Phoenix was approved in 2011-12. HKFA's FYSP for football development was approved in 2015-16.

Note 2: The Five-Year Development Programme for Team Sports was launched in January 2018.

Note 3: Instead of through ASDF, since 2016-17, district and school sports schemes have been funded through HAB's recurrent expenditure. Since January 2019, HKPC&SAPD programmes have also been funded through such expenditure (see para. 1.8).

Figure 1
ASDF approved grants
(2014-15 to 2018-19)



- Legend:
- Hong Kong athletes' preparation for and participation in international games
 - International sports events
 - Football development
 - Five-Year Development Programme for Team Sports
 - One-off sports projects
 - District and school sports schemes and HKPC&SAPD programmes (The schemes and programmes have been funded through HAB's recurrent expenditure since 2016-17 and January 2019 respectively — see para. 1.8)

Source: *Audit analysis of HAB records*

1.10 For the period 2016-17 to 2018-19, 1,881 approved projects were funded through HAB's recurrent expenditure for district and school sports schemes and HKPC&SAPD programmes (see para. 1.8). The total amount of approved grants was \$72 million.

Administration by HAB

1.11 The Recreation and Sport Branch of HAB is responsible for formulating policies relating to sports development. It is also responsible for the administration of ASDF under the Sir David Trench Fund for Recreation (Note 9) (see para. 1.4), and funding for district and school sports schemes and HKPC&SAPD programmes. An extract of the organisation chart of HAB as at 29 February 2020 is shown at Appendix C. As at 29 February 2020, the Branch was headed by the Commissioner for Sports (i.e. an Administrative Officer Staff Grade B) and underpinned by three directorate officers with the support of 69 staff at non-directorate level (including 61 civil servants and 8 contract staff). Among them, 14 staff (comprising 2 Administrative Officers Staff Grade C, 2 Administrative Officers, 4 Leisure Services Managers, 2 Executive Officers, 1 Accounting Officer and 3 non-civil service contract staff) are involved in the administration of ASDF and monitoring the implementation of the funded programmes as part of their duties.

1.12 In administering ASDF, HAB is assisted by LCSD and the District Offices (DOs). LCSD and DOs serve as executive arms of HAB. They assist in vetting some of the ASDF funding applications and monitor the results of the projects concerned. More details about their work are provided in PARTs 2 to 5 of this Audit Report.

Note 9: *The Director of Accounting Services is the statutory trustee of the Sir David Trench Fund for Recreation and is responsible for managing the investment and accounting work of the Fund.*

Introduction

Sports Commission

- 1.13 HAB is advised by the Sports Commission (SC — Note 10) on:
- (a) the policies, strategies and implementation framework for sports development in Hong Kong; and
 - (b) the provision of funding and resources in support of sports development in Hong Kong, taking into account the input from various stakeholders in sports through partnership and collaboration.
- 1.14 SC is underpinned by three committees, namely:
- (a) ***Community Sports Committee (CSC)***. The Committee provides advice on wider participation in sports through partnership with different sectors of the community, and on funding priorities for supporting community sports programmes and initiatives;
 - (b) ***Elite Sports Committee (ESC)***. The Committee provides advice on matters pertaining to high performance sports, provides policy direction to HKSI, and advises on funding priorities for supporting high performance sports and athletes; and
 - (c) ***Major Sports Events Committee (MSEC)***. The Committee provides advice on strategies and initiatives for hosting major sports events through partnership with sports organisations, the tourism industry and the private sector, and on funding priorities for major sports events.

Note 10: *SC was established in 2005. It consists of academics, athletes and chairpersons of NSAs and sports organisations. As at 30 June 2019, the membership comprised 1 ex-officio Chairperson (the Secretary for Home Affairs), 1 ex-officio Vice-chairperson (President, SF&OC), 8 ex-officio members (the Chairpersons and Vice-Chairpersons of the Community Sports Committee, the Elite Sports Committee and the Major Sports Events Committee (see para. 1.14), the Chairperson of HKSI, and the Director of Leisure and Cultural Services) and 11 other members. The members are appointed by the Secretary for Home Affairs for a term of two years (renewable every two years).*

Audit review

1.15 Over the years, Audit has conducted various audits concerning sports development in Hong Kong (see Notes 2, 3, 4 and 7 to Table 1 in para. 1.3). Against this background, Audit has recently conducted a review of the management of funding for sports development through ASDF (including funding for district and school sports schemes and HKPC&SAPD programmes, which were previously funded through ASDF and are now funded through HAB's recurrent expenditure). The audit review has focused on the following areas:

- (a) funding for Hong Kong athletes to prepare for and participate in international games (PART 2);
- (b) funding for international sports events (PART 3);
- (c) funding for football development (PART 4);
- (d) funding for other sports programmes and schemes (PART 5); and
- (e) governance of the Sports Commission and its committees (PART 6).

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

1.16 In connection with sports development, apart from the above review, Audit has also conducted a review of SF&OC (see (f) in Table 1 in para. 1.3), with a view to examining, among other things, other related areas not covered in the previous audit reviews. The audit findings are reported in Chapter 2 (Sports Federation & Olympic Committee of Hong Kong, China) of the Director of Audit's Report No. 74.

General response from the Government

1.17 The Secretary for Home Affairs welcomes the recommendations in the Audit Report which are conducive to the future management of funding for sports development through ASDF.

Introduction

Acknowledgement

1.18 Audit would like to acknowledge with gratitude the full cooperation of the staff of HAB, DOs, LCSD, SF&OC and NSAs concerned during the course of the audit review.

PART 2: FUNDING FOR HONG KONG ATHLETES TO PREPARE FOR AND PARTICIPATE IN INTERNATIONAL GAMES

2.1 This PART examines funding for Hong Kong athletes to prepare for and participate in international games (including competitions of different sports at World and Asian levels) (hereinafter the funding is referred to as preparation and participation funds), focusing on project monitoring (paras. 2.5 to 2.28).

Background

2.2 ASDF provides funding to support Hong Kong athletes to prepare for and participate in international games which are not supported by any other Government funding. These international games comprise:

- (a) *Multi-sports games.* These include:
 - (i) games sanctioned by IOC (see Note 5 to Table 1 in para. 1.3) or the Olympic Council of Asia (OCA — Note 11), where the preparation is coordinated by NSAs and participation is coordinated by SF&OC. Examples are the Asian Games, the Asian Beach Games, the Asian Winter Games, the Olympic Games, the Olympic Winter Games (see Photograph 3), the Summer Youth Olympic Games, etc.;

Note 11: *OCA is a governing body of sports in Asia. In 2020, there were 45 member NOCs.*

Funding for Hong Kong athletes to prepare for and participate in international games

Photograph 3

Hong Kong, China Delegation
participated in the 23rd Olympic Winter Games in PyeongChang, Korea
(2018)



Source: SF&OC records

- (ii) games sanctioned by the International Paralympic Committee (IPC — Note 12) and Asian Paralympic Committee (APC — Note 13) where the preparation and participation are coordinated by HKPC&SAPD. Examples are the Asian Para Games, the Asian Winter Para Games, the Asian Youth Para Games, the Paralympic Games, the Winter Paralympic Games, etc.;

Note 12: *IPC is the global governing body of the Paralympic Movement. It organises the Summer and Winter Paralympic Games.*

Note 13: *APC is the only official representative of IPC in Asia, and the owner of the Para Games in the region.*

Funding for Hong Kong athletes to prepare for and participate in international games

- (iii) games held at national level, where the preparation and participation are coordinated by LCSD, HKPC&SAPD and NSAs. Examples are the National Games, the National Youth Games, the National Games for the Disabled cum the National Special Olympics, and the National Winter Games; and
 - (iv) games held for students, where preparation and participation are coordinated by HKSSF or The University Sports Federation of Hong Kong, China Limited (an NSA). Examples are the Summer Universiade, the National Student Sports Games and the Gymnasiade; and
- (b) *Single-sport competitions for team sports (Note 14)*. They are sanctioned by the international sports federations or Asian sports federations. The preparation and participation are arranged by the respective NSAs.

2.3 Table 4 shows the number and amount of projects (e.g. the Asian Games) approved under the preparation and participation funds in the period 2014-15 to 2018-19. The fund for each project had been used in its respective year of approval or the following year.

Note 14: *Team sports is a sport of which a group of individuals on the same team competes with the opposing team. Examples are baseball, basketball and volleyball.*

Funding for Hong Kong athletes to prepare for and participate in international games

Table 4

Number and amount of projects approved under preparation and participation funds (2014-15 to 2018-19)

Year of approval	Approved projects			
	Preparation fund		Participation fund	
	No.	Amount (\$)	No.	Amount (\$)
2014-15	3	8,823,922	6	22,455,872
2015-16	8	8,748,261	12	18,941,738
2016-17	9	16,595,491	8	17,059,930
2017-18	12	24,183,411	11	20,962,939
2018-19	13	5,507,350	14	29,942,883
Total	45	63,858,435	51	109,363,362

Source: HAB records

2.4 Table 5 shows the application and monitoring procedures of the preparation and participation funds.

**Funding for Hong Kong athletes to prepare for
and participate in international games**

Table 5

**Application and monitoring procedures of
preparation and participation funds**

	Multi-sports games (see para. 2.2(a))						Single-sport competitions for team sports (see para. 2.2(b))
	Preparation fund			Participation fund			Preparation and participation funds
	Games sanctioned by IOC or OCA	Games sanctioned by IPC or APC	Games held at national level or for students	Games sanctioned by IOC or OCA	Games sanctioned by IPC or APC	Games held at national level or for students	
(a) Fund recipient	NSAs	HKPC& SAPD	NSAs	SF&OC	HKPC& SAPD	LCSD, HKPC& SAPD and NSAs	NSAs
(b) Executive arm	LCSD			HAB	HAB or LCSD		HAB
(c) Vetting of application	LCSD Vetting Committee of Sports Subvention (Note 1)			HAB	HAB or LCSD Vetting Committee of Sports Subvention (Note 1)		HAB
(d) Approval of funding	Secretary for Home Affairs						
(e) Eligible expenditure	100% of eligible expenditure (Note 2), subject to funding ceilings (Note 3)			100% eligible expenditure (Note 2) for the National Games, the National Games for the Disabled cum the National Special Olympics, the National Winter Games, the National Youth Games, and the National Student Sports Games, 90% for other multi-sports games			<p>Preparation fund: 100% of eligible expenditure (Note 2) subject to funding ceilings (Note 3)</p> <p>Participation fund: 90% of eligible expenditure (Note 2)</p>
(f) Disbursement of grant	After approval by the Secretary for Home Affairs						

Funding for Hong Kong athletes to prepare for and participate in international games

Table 5 (Cont'd)

	Multi-sports games (see para. 2.2(a))						Single-sport competitions for team sports (see para. 2.2(b))
	Preparation fund			Participation fund			Preparation and participation funds
	Games sanctioned by IOC or OCA	Games sanctioned by IPC or APC	Games held at national level or for students	Games sanctioned by IOC or OCA	Games sanctioned by IPC or APC	Games held at national level or for students	
(g) Submission of programme reports and audited accounts by a grantee within 4 months after the completion of the preparation programme (for preparation fund) or the sports competition (for participation fund)	LCSD			HAB	HAB or LCSD		HAB
(h) Other grant conditions	<ul style="list-style-type: none"> HAB/LCSD has the right to suspend processing subsequent funding applications if a grantee failed to submit programme reports and audited accounts A grantee is required to comply with the procurement requirements (e.g. quotation requirements) and the Code of Conduct (e.g. governing declaration of conflicts of interest and acceptance of advantages) 						

Source: HAB and LCSD records

Note 1: LCSD Vetting Committee of Sports Subvention comprised an Assistant Director of LCSD and 6 LCSD staff (i.e. 1 Senior Treasury Accountant, 1 Senior Executive Officer and 4 Chief Leisure Managers).

Note 2: Eligible expenditures include, for example, accommodation and air ticket costs, audit fee, meal allowance, overseas training programme expenses, and expenditure for procurement of sports equipment.

Note 3: The funding ceilings vary with types of international games and different number of participating athletes/teams. The funding ceilings ranged from \$90,000 to \$1.8 million.

Project monitoring

2.5 As stated in Table 5 in paragraph 2.4, for monitoring purpose, a grantee is required to submit the following documents to HAB or LCSD within four months after the completion of a preparation programme (for preparation fund) or a sports competition (for participation fund):

- (a) ***Programme report.*** In the programme report, the grantee receiving preparation and participation funds is required to report, among other things (e.g. the date of and venue for holding the competition, and the number of complimentary tickets issued), achievements against performance targets (e.g. projected achievements of athletes). In the report, the grantee needs to provide a list of actual income and expenditure; and
- (b) ***Audited accounts.*** It comprises an audited statement of accounts and an assurance report containing the auditor's opinion on the accounts.

2.6 Since 2015-16, to ensure timely submission of programme reports and audited accounts by grantees, HAB and LCSD have implemented the following enhanced measures whereby a grantee failed to submit the programme report and/or audited accounts after the ultimate deadline (i.e. six months after the completion of preparation programme or the sports competition):

- (a) the grantee should be liable to refund the ASDF grant, calculated as 1% of the approved grant amount for every month of further delay, until the grantee submits the programme report and audited accounts; and
- (b) HAB/LCSD reserves the right to suspend processing further funding applications for any ASDF funding (i.e. not limiting to preparation and participation funds) from the same grantee.

Funding for Hong Kong athletes to prepare for and participate in international games

Need to enhance performance reporting by grantees

2.7 ***Room for improvement in setting and measuring performance targets.*** Audit examined 28 applications (Note 15) approved under ASDF preparation and participation funds, the preparation programmes and sports competitions of which had been completed. Audit found that:

- (a) for 7 applications, the grantees indicated in their programme reports the achievements against performance targets, which were set at the time when they submitted their applications (i.e. in their submitted applications). The grantees also provided explanations for not achieving targets;
- (b) for 7 applications, the grantees had not set performance targets (e.g. projected achievements of athletes and training programme targets (such as hours, weeks and types of training (e.g. physical and psychological))) when they submitted their applications. Although the grantees had reported achievements in their programme reports, the achievements could not be measured against any targets;
- (c) for 12 applications, some achievements against performance targets were not reported in the programme reports, and there was no evidence indicating that HAB and LCSD had taken any follow-up actions. For example, while it was expected that two athletes would enter top 16 of the competition, and 240 hours of sports, physical and psychological training would be provided to the athletes, there was no mentioning in the programme report whether these targets had been achieved; and

Note 15: *Audit examined 15 projects approved under ASDF preparation and participation funds in the period 2015-16 to 2018-19. These 15 projects comprised 11 projects of multi-sports games and 4 projects of single-sport competitions. They involved 19 grantees (i.e. SF&OC and 18 NSAs) and 28 applications (a project could involve multiple grantees. For example, the Asian Games (a project) involved many programmes such as swimming, golf and volleyball. The NSA for the swimming competition submitted an application for the preparation fund, while the NSA for the golf competition submitted another application for the fund. The project, therefore, involved two grantees and two applications). Of the 28 applications, 20 were applications for preparation fund (with approved amounts ranging from \$0.2 million to \$7.7 million), while 8 were for participation fund (with approved amounts ranging from \$0.3 million to \$15.6 million).*

Funding for Hong Kong athletes to prepare for and participate in international games

- (d) for the remaining 2 applications, the grantees failed to achieve all or some of the performance targets. There was no evidence indicating that HAB and LCSD had taken any follow-up actions.

2.8 In March 2020, HAB informed Audit that the vision of providing preparation and participation funds is to allow exposure to potential athletes, with an aim to enhancing their competitiveness. Nevertheless, not reaching the envisaged numbers of medals or athletes eligible for final rounds of major competitions should not be taken, at face value, as under-achievements of performance targets. There is no simple causal link between enhancement in competitiveness and competition results. LCSD also informed Audit that regarding elite sports development including multi-sports games as well as high-level single-sport competitions, it will take years to materialise the effort and investment. Therefore, it may not be realistic to measure their achievement according to an individual event. Disadvantaging certain sports based on the achievements at an individual event is against HAB's funding objective. For any individual event, the immediate target is to let Hong Kong athletes participate in the highest level of international games and let them have the opportunity to accumulate experience. A more appropriate assessment is whether, over time, Hong Kong athletes in the sports concerned are registering progressive improvements.

2.9 While noting the views of HAB and LCSD (see para. 2.8), Audit considers that inadequacies in grantees' practices in reporting achievements (see para. 2.7) are not conducive to proper project monitoring and upholding accountability. HAB and LCSD need to take measures to ensure that applicants in their applications for ASDF preparation and participation funds set performance targets which include targets for measuring outcomes, and that grantees report all achievements against performance targets in their programme reports. HAB and LCSD also need to instigate follow-up actions (e.g. making enquiries with grantees and providing assistance as appropriate) in circumstances where grantees have failed to achieve performance targets.

2.10 ***Room for improvement in providing explanations for variances.*** In examining the 28 applications (see para. 2.7), Audit found that for 24 applications (86%), there were significant variances (i.e. over 25%) between the estimated and actual amounts of expenditure and/or between those of income, and the grantees had not provided explanations for the variances in their programme reports. Table 6 shows these variances.

Funding for Hong Kong athletes to prepare for and participate in international games

Table 6

Variations in income and expenditure of 24 applications (2015-16 to 2018-19)

	Number of applications involved (Note 1)	Variance	
		Amount	Percentage
Estimated amount of income less than actual amount of income	3	\$2,723 to \$22,000	N.A. (Note 2)
Estimated amount of expenditure more than actual amount of expenditure	24	\$125,222 to \$5.4 million	30% to 87%

Source: Audit analysis of HAB and LCSD records

Note 1: Three applications with variances of over 25% between estimated and actual amounts of income also had variances of over 25% between estimated and actual amounts of expenditure.

Note 2: The estimated amounts of income provided by the grantees in the applications were nil.

2.11 In March 2020, HAB informed Audit that it was not mandatory for grantees to provide explanations for variances over 25% under the mechanism of ASDF applications. In view of the significant variances, Audit considers that HAB and LCSD need to require grantees to provide explanations for variances over 25% between the estimated and actual amounts of expenditure as well as between those of income in the programme reports.

2.12 *Need to ensure auditors provide adequate assurance.* In examining the 28 applications (see para. 2.7), Audit found that the assurance provided by auditors in the audited accounts submitted by the grantees varied. Details are as follows:

Funding for Hong Kong athletes to prepare for and participate in international games

- (a) for 12 applications (involving 8 grantees), the auditors certified the grantees' compliance with the procurement requirements and the Code of Conduct (see (h) in Table 5 in para. 2.4);
- (b) for 11 applications (involving 9 grantees), the auditors did not certify the grantees' compliance with the procurement requirements or the Code of Conduct. In these applications, they only certified the accuracy of the statements of accounts; and
- (c) for 5 applications (involving 2 grantees), the auditors certified the accuracy of the statements of accounts and the grantees' compliance with the procurement requirements. However, they did not certify whether the Code of Conduct had been complied with.

2.13 Audit further noted that of the 28 applications, the auditors of 3 applications (involving 2 grantees) stated that there were exceptions in complying with the procurement requirements (e.g. the required number of quotations had not been obtained). There was, however, no evidence indicating that HAB and LCSD had taken any follow-up actions.

2.14 Audit considers that HAB and LCSD need to issue guidelines to grantees of ASDF preparation and participation funds to ensure that their auditors certify their compliance with the procurement requirements and the Code of Conduct. In cases where non-compliance is reported in the audited accounts, HAB and LCSD also need to instigate follow-up actions (e.g. seeking clarifications from grantees concerned) with the grantees.

2.15 *Need to step up efforts to ensure timely submission of programme reports and audited accounts.* Audit examined the submission of programme reports and audited accounts by grantees in the period 2014-15 to 2018-19 (see Table 7).

Funding for Hong Kong athletes to prepare for and participate in international games

Table 7

Submission of programme reports and audited accounts by grantees (2014-15 to 2018-19)

Year	Preparation fund		Participation fund			
			Games sanctioned by IOC, OCA, IPC or APC		Other competitions (Note 1)	
	Number of applications					
	Approved and implemented	With delay in submission of reports and accounts	Approved and implemented	With delay in submission of reports and accounts	Approved and implemented	With delay in submission of reports and accounts
2014-15	25	20 (80%)	4	1 (25%)	2	1 (50%)
2015-16	13	9 (69%)	2	1 (50%)	54	49 (91%)
2016-17	23	18 (78%)	3	3 (100%)	36	7 (19%)
2017-18	30	17 (57%)	3	3 (100%)	39	7 (18%)
2018-19	13	8 (62%)	4	2 (50%)	10	4 (40%)
Extent of delay before and after implementation of enhanced measures (see para. 2.6)						
Before implementation	0.3 to 13.6 months (average: 4.3 months)		1.1 months (Note 2) (average: 1.1 months)		3.0 months (Note 2) (average: 3.0 months)	
After implementation	0.1 to 10.9 months (average: 2.2 months)		0.1 to 2.0 months (average: 0.9 month)		0.1 to 4.6 months (average: 1.1 months)	

Source: Audit analysis of HAB and LCSD records

Note 1: Other competitions include games held at national level or for students, and single-sport competitions for team sports.

Note 2: There was only one application.

Funding for Hong Kong athletes to prepare for and participate in international games

2.16 As shown in Table 7, the delay in submission of programme reports and audited accounts was generally on the decrease after the implementation of the enhanced measures. However, given that:

- (a) there were still 62% of cases of delay in respect of the preparation fund in 2018-19, and that the number of cases of delay had increased from 57% in 2017-18 to 62% in 2018-19;
- (b) there were still 50% of cases of delay in respect of the participation fund for games sanctioned by IOC, OCA, IPC or APC in 2018-19; and
- (c) the cases of delay in respect of the participation fund for other competitions had increased from 18% in 2017-18 to 40% in 2018-19,

HAB and LCSD need to step up efforts to reduce the delay in submission of programme reports and audited accounts by grantees.

2.17 *Need to implement the enhanced measures.* In examining the 28 applications (see para. 2.7), Audit also found that for 6 applications, despite that the delay in submission of programme reports and/or audited accounts was more than six months, the 1% charge under the enhanced measures (see para. 2.6(a)) had not been imposed. To alert grantees to the need for timely submission of programme reports and audited accounts, HAB and LCSD need to impose the charge for delay in submission of reports and accounts.

Return of unspent balances

2.18 As a funding condition, grantees of ASDF preparation and participation funds are required to return any unspent balances to the Government after the completion of preparation programmes or sports competitions. The unspent balance is the amount of approved funding minus the total amount of eligible expenditures. An unspent balance is required to be returned after HAB's or LCSD's verification of a grantee's submitted audited accounts.

Funding for Hong Kong athletes to prepare for and participate in international games

2.19 *Need to review the calculation of amounts to be returned.* Among the 28 applications examined by Audit (see para. 2.7), other than ASDF funding, the grantees of 4 applications (2 for each of the preparation fund and the participation fund) had self-generated incomes (e.g. contributions from NSA officials and athletes, and entry fees of athletes). Table 8 shows the return of unspent balances of these 4 applications.

Table 8
Return of unspent balances of 4 applications
(2015-16 to 2018-19)

Fund	Application	ASDF approved funding (a)	Self-generated income (b)	Total amount of eligible expenditure (c)	Amount of unspent balance returned (d)	Basis of calculation of return of unspent balance
		(\$)				
Preparation fund	A	870,000	2,723	663,417	209,306	Taken into account self-generated income (i.e. (a) + (b) - (c))
	B	1,400,000	3,200	438,920	961,080	Not taken into account self-generated income (i.e. (a) - (c))
Participation fund	C	1,219,712	216,000	879,329	340,383	
	D	414,981	22,000	305,051	109,930	

Source: Audit analysis of HAB and LCSD records

Remarks: LCSD was responsible for handling Applications A to C and HAB was responsible for handling Application D.

2.20 As shown in Table 8, it appeared that for Application A, the self-generated income had been wrongly included in the calculation of return of unspent balance, as according to HAB, the unspent balance is the amount of approved funding minus the total amount of eligible expenditures (i.e. excluding self-generated income) (see para. 2.18). Audit considers that HAB needs to clarify the calculation of return of

Funding for Hong Kong athletes to prepare for and participate in international games

unspent balances by grantees and ensure that HAB and LCSD staff properly calculate the amounts of unspent balances to be returned.

2.21 *Need to ensure timely return of unspent balances.* Audit analysed the time elapsed before returning unspent balances by grantees to the Government in the period 2014-15 to 2018-19 and found that:

- (a) for 6 applications, the grantees returned the unspent balances over one year after the submission of audited accounts (see Table 9). In one extreme case, the time elapsed was 29.2 months (i.e. 2.4 years); and

Table 9
Time elapsed before returning unspent balances
(31 October 2019)

Year	Preparation fund				Participation fund			
	3 months or less	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year	3 months or less	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year
	(No. of applications)							
2014-15	8	2	2	Nil	Nil	1	Nil	Nil
2015-16	3	5	Nil		6	5		
2016-17	10	4	1	2	7	Nil	1	
2017-18	9	3	1	4	4	6	2	
2018-19	5	Nil	2	Nil	7	1	Nil	
Overall	0.1 month to 29.2 months (average: 4.8 months)				0.1 month to 11.9 months (average: 2.7 months)			

Source: Audit analysis of HAB and LCSD records

Remarks: The time elapsed was counted from the date of receipt of audited accounts by HAB/LCSD to the date of returning the unspent balance by a grantee.

- (b) some grantees were repeatedly late in returning unspent balances to the Government (see Case 1 for an example).

Funding for Hong Kong athletes to prepare for and participate in international games

Case 1

**Return of unspent balance by a grantee
(31 October 2019)**

1. In the period 2016-17 to 2018-19, a grantee was approved ASDF preparation fund for the following applications:

Application	Date of submission of audited accounts	Date of returning unspent balance	Amount of unspent balance (\$)	Percentage of unspent balance to approved fund amount
A	10.2.2017	31.3.2017	61,722	19%
B	25.4.2017	19.9.2019	221,925	38%
C	1.6.2017	19.9.2019	2,610	1%
Total amount of unspent balances returned			286,257	
D	21.3.2018	Not yet returned as at 31.10.2019	119,269	33%
E	21.3.2018		87,248	25%
F	6.6.2018		172,303	41%
G	13.12.2018		81,497	30%
H	22.1.2019		144,406	46%
Total amount of unspent balances not yet returned			604,723	

2. As shown in the above Table, the grantee was repeatedly late in returning unspent balances to the Government. In some cases, the time elapsed was more than 1.5 years (i.e. for Applications B, C, D and E).

Source: *Audit analysis of HAB records*

2.22 Audit further examined the 28 applications to attempt to ascertain the reasons for the late return of unspent balances by grantees. Results of Audit's examination are shown in Table 10.

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Table 10

**Return of unspent balances of four applications
(31 October 2019)**

Application	Funding concerned	Date of receipt of audited accounts by HAB (a)	Date of issuing letter requesting return by HAB (b)	Date of return of unspent balance by grantee (c)	Time elapsed (d) = Time between (a) and (c)	Amount of return (\$)
1	Preparation fund	6.6.2018	27.3.2019 (after 9.8 months of receipt of audited accounts)	Not yet returned as at 31.10.2019		172,303
2	Preparation fund	17.1.2018	2.4.2019 (after 14.7 months of receipt of audited accounts)	18.4.2019	15.2 months	82,367
3	Participation fund	30.8.2018	22.3.2019 (after 6.8 months of receipt of audited accounts)	2.4.2019	7.2 months	230,340
4	Participation fund	17.4.2018	22.3.2019 (after 11.3 months of receipt of audited accounts)	10.4.2019	11.9 months	422,435

Source: Audit analysis of HAB records

Remarks: HAB was responsible for handling the above four applications.

2.23 As shown in Table 10, apart from Application 1 where the late return could be attributable to both HAB (about 9.8 months had elapsed since receipt of audited accounts by HAB) and the grantee (about 7 months (from 27 March 2019 to 31 October 2019) had elapsed since the date of requesting return by HAB), the late return was mainly due to the long time interval between the dates of receipt of audited accounts by HAB and the dates of issuing letters requesting return by HAB.

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2.24 Audit considers that HAB and LCSD need to fully ascertain the reasons for the late return of unspent balances and take measures (e.g. finding out the reasons for late return of unspent balances by grantees, issuing reminders to grantees, and setting time pledges for issuing letters requesting return of unspent balances) to ensure that unspent balances are returned in a timely manner.

Audit recommendations

2.25 Audit has *recommended* that the Secretary for Home Affairs should clarify the calculation of return of unspent balances by grantees, and ensure that HAB and LCSD staff properly calculate the amounts of unspent balances to be returned.

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

- (a) take measures to ensure that applicants for ASDF preparation and participation funds set performance targets in their funding applications, and that grantees of such funds report all achievements against performance targets in their programme reports;
- (b) in circumstances where grantees of ASDF preparation and participation funds have failed to achieve performance targets, instigate follow-up actions (e.g. making enquiries with grantees and providing assistance as appropriate) with the grantees;
- (c) require grantees to provide explanations for variances over 25% between the estimated and actual amounts of expenditure as well as between those of income in the programme reports;
- (d) issue guidelines to grantees to ensure that their auditors certify their compliance with the procurement requirements and the Code of Conduct, and in cases where non-compliance is reported in the audited accounts, instigate follow-up actions (e.g. seeking clarifications from grantees concerned) with the grantees;

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- (e) **step up efforts to reduce the delay in submission of programme reports and audited accounts by grantees;**
- (f) **impose the charge, stipulated under HAB's enhanced measures, for delay in submission of programme reports and audited accounts by grantees; and**
- (g) **ascertain the reasons for the late return of unspent balances by grantees and take measures to ensure that such balances are returned in a timely manner.**

Response from the Government

2.27 The Secretary for Home Affairs and the Director of Leisure and Cultural Services accept the audit recommendations. They have said that:

- (a) the provision of preparation and participation funds will continue to serve the purpose of giving athletes the opportunity to compete at major competitions at international or national levels. HAB and LCSD will take measures to improve the setting of performance targets and monitoring of their achievement. They will make clear in the funding guidelines for the grantees that athletes' performance targets and actual results in any particular competition are not among the factors of their consideration in approving applications for preparation and participation funds. They nevertheless would take into account the performance of the athletes, over time, in the sports concerned;
- (b) HAB and LCSD will modify the relevant guidelines for the grantees to ensure that their auditors certify their compliance with the procurement requirements and the Code of Conduct, and alert them on the consequence if any non-compliance is spotted;
- (c) HAB and LCSD will review the relevant guidelines for the grantees to provide explanations for variances over 25% between estimated and actual amount of expenditure as well as between those of income and devise a new programme report proforma;

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- (d) HAB and LCSD will re-assess the timelines for submission of programme reports and audited accounts and devise a new assessment mechanism to differentiate different degree of late submission and assessment consequences. New designated assessment form will be devised accordingly if considered necessary; and
- (e) HAB will clarify the calculation of unspent balances that grantees are required to return.

2.28 The Director of Leisure and Cultural Services has also said that LCSD will step up the follow-up actions with grantees for ensuring timely return of unspent balances to HAB.

PART 3: FUNDING FOR INTERNATIONAL SPORTS EVENTS

3.1 This PART examines ASDF's funding for hosting international sports events locally by NSAs and sports organisations, focusing on:

- (a) vetting of funding applications (paras. 3.6 to 3.11);
- (b) monitoring and evaluation of international sports events (paras. 3.12 to 3.35); and
- (c) other issues relating to international sports events (paras. 3.36 to 3.39).

International sports events

3.2 International sports events (see para. 1.7(b)) comprise:

- (a) *MMEs*. MMEs, which are organised by NSAs, are events of world championships, world class level championships (e.g. world cup, one stop of the world class series or world tour) and intercontinental championships (see Note 3 to para. 1.7(b)). MMEs are recognised as intense and spectacular, and having a signature effect in Hong Kong. In 2018-19, 4 MMEs were approved under ASDF (see Table 11 in para. 3.3). An example of MMEs is shown in Photograph 4;

Photograph 4

Union Cycliste Internationale Track Cycling World Cup, Hong Kong, China (29 November to 1 December 2019)



Source: Photograph taken by Audit on 30 November 2019

- (b) **Major Local International Events (MLIEs).** MLIEs, which are organised by NSAs and sports organisations, are championship and other events at a level equivalent to World, Intercontinental, Asian or major regional championships sanctioned and certified by the related International, Asian or Regional Federations; qualifying events for non-annual major competitions; and other international events in which the respective International Federations require Hong Kong to participate as a prerequisite for entry to world championships or equivalent. In 2018-19, 19 MLIEs were approved under ASDF (see Table 11 in para. 3.3). An example of MLIEs is shown in Photograph 5;

Photograph 5

Asian Judo Kata Championships 2018
(November 2018)



Source: LCSD records

- (c) **Local International Events (LIEs).** LIEs are organised by NSAs and sports organisations, and are mainly participated by Hong Kong teams. In 2018-19, 111 LIEs were approved under ASDF (see Table 11 in para. 3.3). An example of LIEs is shown in Photograph 6; and

Photograph 6

Hong Kong Open Fencing Championships 2018 (December 2018)



Source: LCSD records

- (d) **Major National Championships (MNCs).** MNCs are sanctioned by the General Administration of Sport of China (Note 16).

According to HAB, the aforementioned international sports events are commonly funded under ASDF. Different kinds of events have their own focuses, event sizes and levels. Therefore, different application requirements, amounts of grant, assessment criteria, mechanisms and monitoring arrangements are formulated (see Table 13 in para. 3.5).

3.3 Table 11 shows the numbers and grant amounts of international sports events approved under ASDF in the five-year period 2014-15 to 2018-19. Each of these events was organised in its respective year of approval or in the year following the year of approval.

Note 16: *The General Administration of Sport of China is the government agency responsible for sports in the Mainland. It is subordinate to the State Council of the People's Republic of China. It also administers the All-China Sports Federation and the Chinese Olympic Committee.*

Funding for international sports events

Table 11

**Approved numbers and grant amounts of international sports events
(2014-15 to 2018-19)**

Year	MMEs		MLIEs		LIEs		MNCs		All events	
	No.	Amount (\$ million)	No.	Amount (\$ million)	No.	Amount (\$ million)	No.	Amount (\$ million)	No.	Amount (\$ million)
2014-15	6	18.9	9	5.4	82	13.3	Nil (Note 1)		97	37.6
2015-16	4	8.8	16	13.0	72	12.4			92	34.2
2016-17	4	11.3	11	9.2	85	13.8			100	34.3
2017-18	4	9.2	22	18.8	85	14.6			111	42.6
2018-19	4	13.8	19	17.9	111	17.8			134	49.5
Total	22 (Note 2)	62.0	77	64.3	435	71.9			534	198.2

Source: Audit analysis of HAB and LCSD records

Note 1: According to LCSD, in the period 2014-15 to 2018-19, there were no applications for organising MNCs in Hong Kong (all MNCs were organised in the Mainland).

Note 2: NSAs may organise MMEs with or without ASDF funding support. However, in order to obtain the "M" Mark status, NSAs still need to seek approval from the Government (see (b) and (c) in Table 13 in para. 3.5) for organising MMEs. In the period 2014-15 to 2018-19, 39 MMEs had been approved without ASDF funding support. The 22 MMEs do not include MMEs approved without ASDF funding support.

3.4 A number of funding support is available under ASDF for international sports events (see Table 12).

Funding for international sports events

Table 12

ASDF funding support for international sports events (2019-20)

Type of funding support	Maximum amount of grant per event	MMEs				MLIEs/ LIEs/MNCs
		Type of MMEs				
		Sustainable major sports events (i.e. repeated events)	New major sports events (i.e. events not previously organised)	World championships (i.e. events organised at different areas in the world)	Exhibition matches or tournaments	
Direct grant	MMEs — \$6 million per event MLIEs/MNCs — \$1 million per event LIEs — \$0.75 million for 3 events; \$0.6 million for 2 events; and \$0.35 million for 1 event	✗	✓	✓	✗	✓
Matching grant (Note 1)	MLIEs/MNCs — \$0.5 million per event LIEs — \$0.375 million for 3 events; \$0.3 million for 2 events; and \$0.175 million for 1 event	Note 1				✓
Marketing grant	MMEs — \$1 million per event	✗	✓	✓	✗	✗

Funding for international sports events

Table 12 (Cont'd)

Type of funding support	Maximum amount of grant per event	MMEs				MLIEs/ LIEs/MNCs
		Type of MMEs				
		Sustainable major sports events (i.e. repeated events)	New major sports events (i.e. events not previously organised)	World championships (i.e. events organised at different areas in the world)	Exhibition matches or tournaments	
Grant for venue hiring (Note 2)	MMEs/MLIEs/MNCs — \$1 million per event LIEs — \$0.75 million for 3 events; \$0.6 million for 2 events; and \$0.35 million for 1 event	✓	✓	✓	✓	✓

Source: HAB and LCSD records

Note 1: This is a dollar-to-dollar matching for cash sponsorship secured from the commercial sector by grantees. A commitment of \$500 million under HAB's non-recurrent expenditure was approved by the Finance Committee of LegCo for the Major Sports Events Matching Grant Scheme in January 2019. Starting from 2019-20, the matching funds of MMEs have been provided by the Matching Grant Scheme instead of ASDF.

Note 2: Grant for venue hiring is provided to grantees to hire venues (e.g. bowling centres, equestrian centres, golf courses and ice rinks) that are not provided by LCSD or when all suitable LCSD venues are reserved.

Funding for international sports events

3.5 Table 13 shows the salient features of the vetting and monitoring procedures for international sports events.

Table 13

**Vetting and monitoring procedures for international sports events
(2019-20)**

		MMEs	MLIEs/MNCs	LIEs
(a)	Provision of secretariat service	HAB	LCSD	
(b)	Vetting of applications	The MSEC's (see para. 1.14(c)) vetting panel (comprised a Convenor (i.e. a member of MSEC), a representative of HAB or LCSD, and three other members of MSEC)	LCSD's Vetting Committee of Sports Subvention (comprised an Assistant Director of LCSD and 6 LCSD staff, i.e. 1 Senior Treasury Accountant, 1 Senior Executive Officer and 4 Chief Leisure Managers)	
(c)	Approval of applications	Secretary for Home Affairs at the recommendation of SC (see para. 1.13)	Secretary for Home Affairs	
(d)	Obligations of grantees	<p>A grantee is required to:</p> <ul style="list-style-type: none"> • follow the requirements (e.g. acknowledgement of the Government's support to the event in promotional publications) stipulated in the terms and conditions issued by HAB (for MMEs) or the approval letter issued by LCSD (for MLIEs, MNCs and LIEs) to the grantee • submit a programme report within a specified period of time 		
(e)	Submission of programme reports (i.e. reports on achievements of events) and audited accounts by grantees	To HAB within four months after the completion of an event	To LCSD within four months after the completion of an event	To LCSD either within four months after the completion of an event or before 30 September

Funding for international sports events

Table 13 (Cont'd)

		MMEs	MLIEs/MNCs	LIEs
(f)	Disbursement of grants	<p>Direct grant:</p> <ul style="list-style-type: none"> • For a grant of \$1 million or more, two disbursements will be made. First disbursement after HAB's approval of the event and second disbursement after the completion of the event • For a grant of less than \$1 million, the grant will be disbursed after HAB's approval of the event <p>Matching grant (Note), marketing grant and grant for venue hiring:</p> <ul style="list-style-type: none"> • Disbursed upon submission of evidence of sponsorship received (for matching grant) and of expenditures paid (for marketing grant and grant for venue hiring) by grantees 	Disbursed after HAB's approval of the event	
(g)	Conduct of on-site inspections	For all MMEs	On a selective basis	

Source: HAB and LCSD records

Note: This is a dollar-to-dollar matching for cash sponsorship secured from the commercial sector by grantees. A commitment of \$500 million under HAB's non-recurrent expenditure was approved by the Finance Committee of LegCo for the Major Sports Events Matching Grant Scheme in January 2019. Starting from 2019-20, the matching funds of MMEs have been provided by the Matching Grant Scheme instead of ASDF.

Vetting of funding applications

3.6 Under ASDF, HAB with the assistance of MSEC (see para. 1.14(c)) and LCSD, deploys a scoring system to assess applications for MMEs and MLIEs respectively. Under the system, there are a total of eight assessment criteria for MMEs and nine assessment criteria for MLIEs (see Table 14).

Funding for international sports events

Table 14

**Assessment criteria for MMEs and MLIEs
(2018-19)**

	Assessment criteria	MMEs	MLIEs
(a)	Age status of the event (i.e. senior or junior)	×	✓
(b)	Anticipated number of participating countries/regions	×	✓
(c)	Competitiveness of Hong Kong athletes (e.g. medals or rankings obtained)	×	✓
(d)	Economic impact (e.g. job creation and additional economic activities to be generated)	✓	×
(e)	Financial viability (e.g. high possibility to secure private and business sector sponsorship to reach 20% or above of total expenditure)	✓	×
(f)	Media coverage (i.e. expected coverage by local and overseas media including radio, television, websites, newspapers and magazines)	✓	✓
(g)	Popularity/community appeal (e.g. expected to draw a large number of participants and/or spectators)	✓	✓
(h)	Significance of the event (i.e. final, qualifying event, or prerequisite event)	✓	✓
(i)	Sports development impact (i.e. the extent to which the event will encourage wider participation in that particular sport and opportunities for local athletes to secure world ranking, etc.)	✓	✓
(j)	Status of the event (i.e. world, intercontinental, Asian, major regional, or other international event)	✓	✓
(k)	Technical and administrative quality of the organiser (e.g. capability of securing cash sponsorship)	✓	✓

Source: HAB and LCSD records

Remarks: The maximum obtainable score for each criterion ranged from 5 to 15.

3.7 A score is awarded to each assessment criterion. The maximum overall score obtainable is 100 while the passing score is 80 for MMEs and 50 for MLIEs. Effective from 2019-20, an MLIE with a score between 76 and 100 is eligible for 85% of the funds sought subject to a ceiling of \$1 million, while an event with a score between 50 and 75 is eligible for 85% of the funds sought subject to a ceiling of \$700,000.

3.8 As regards LIEs, as the funding cap is lower (see Table 12 in para. 3.4), they are subjected to a less stringent assessment and there is no scoring system deployed for LIEs (Note 17).

Need to follow guidelines in assessing funding applications

3.9 Audit examined 10 international sports events, comprising 3 MMEs, 3 MLIEs and 4 LIEs (Note 18), organised in 2017-18 and 2018-19. Audit noted that in one MLIE, the application had not been properly assessed (see Case 2).

Note 17: *As no MNCs had been organised in the past five years from 2014-15 to 2018-19 (see Table 11 in para. 3.3), Audit's examination did not cover MNCs.*

Note 18: *The 10 international sports events comprised events with approved funding amounts ranging from small to large:*

- (a) 3 MMEs from \$1.5 million to \$5.5 million;*
- (b) 3 MLIEs from some \$0.6 million to \$1 million; and*
- (c) 4 LIEs from \$50,000 to \$250,000.*

Case 2

Assessment for an MLIE (2016-17 and 2017-18)

1. Under the criterion of “technical and administrative quality of the organiser” (the criterion — see (k) in Table 14 in para. 3.6), there are six sub-criteria. A score of 2 may be awarded to each of the six sub-criteria subject, but the maximum obtainable score of the criterion is 10.

2. One of the sub-criteria of the criterion is the “timeliness in submission of programme report and audited report (i.e. audited accounts) before the deadline”, which is a mandatory requirement. According to HAB’s guidelines on the scoring system, an applicant’s “failure in timely submission of the required reports (Note 1) in the last application will not attain any score in this criterion” (i.e. the maximum overall score obtainable will be 90 (100 minus 10) instead of 100 (see para. 3.7)).

3. In 2017-18, an NSA applied for ASDF funding to organise an MLIE (Event A). Audit noted that in the NSA’s last application in 2016-17, there was delay (one month) in submission of the programme report and the audited report. However, in the NSA’s 2017-18 application, instead of not attaining any score (see para. 2 above), a score of 8 (out of 10 — see para. 1 above) had still been awarded to the criterion. This score of 8 included a score of 2 awarded to the sub-criterion of “timeliness in submission of programme report and audited report before the deadline” (see para. 2 above).

4. In view of the above irregularity, Audit extended sample examination and ascertained whether the NSA had made other applications for organising MLIEs in 2016-17 and 2017-18, and if in the affirmative, whether the calculation of scores was correct. Audit noted that:

- (a) in 2017-18, the NSA had applied for another MLIE (Event B). In 2016-17, it had applied for two MLIEs (Events C and D). In each of the three applications (for Events B, C and D), despite that there was delay (1 month, 1 month and 5 months respectively) in submission of the programme report and the audited report in the last application (e.g. at the time of application of Event B, there had been delay of 1 month in submission of the programme report and the audited report in the last event organised (i.e. Event C)), a score was still awarded to the criterion; and

Case 2 (Cont'd)

- (b) for Event B, as a score had been awarded to the criterion, the event attained an overall score of 83 and the NSA was granted a funding of \$800,000 for the event. If no scores had been awarded to the criterion, the event would have attained an overall score of 75 (83 minus 8) and the NSA would only have been granted \$500,000 (Note 2).

5. In all four events (Events A, B, C and D), no justifications had been provided for awarding scores to the criterion despite the delays in the submission of programme reports and audited reports in the last applications.

Audit comments

6. LCSD (Note 3) needs to ensure that HAB's guidelines are followed in assessing ASDF funding applications.

Source: Audit analysis of HAB records

Note 1: A grantee is required to submit a programme report and an audited report at the same time.

Note 2: For 2017-18, an event with a score between 76 and 100 was eligible for 70% of the funds sought subject to a ceiling of \$800,000, while an event with a score between 50 and 75 was eligible for 70% of the funds sought subject to a ceiling of \$500,000.

Note 3: LCSD vets MLIE applications for HAB (see (a) and (b) in Table 13 in para. 3.5).

Audit recommendations

3.10 Audit has recommended that the Director of Leisure and Cultural Services should:

- (a) **in vetting ASDF funding applications, ensure that HAB's guidelines are followed in assessing the timeliness of submission of programme reports and audited reports by applicants; and**
- (b) **to enhance transparency and accountability, in circumstances where a score is awarded to the criterion of "technical and administrative quality of the organiser" despite that there is delay in submission of**

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programme reports and audited reports in the last application, provide and document justifications for awarding the score.

Response from the Government

3.11 The Director of Leisure and Cultural Services accepts the audit recommendations. He has said that LCSD will work with HAB to:

- (a) re-assess the timelines for submission of programme reports and devise a new assessment mechanism to differentiate different degree of late submission and assessment consequences. New designated assessment form for MLIEs will also be devised accordingly if considered necessary; and
- (b) refine the assessment mechanism to ensure that applications from an NSA with late submission of required reports in the last application would not be awarded scores unless there are acceptable reasons for the late submission. Such justifications would be clearly documented. LCSD would also revise the application form to clearly state the above arrangement in order to highlight to NSAs the importance of timely submission of the required reports.

Monitoring and evaluation of international sports events

Scope for improvement in performance reporting

3.12 HAB monitors the achievements of MMEs, while LCSD monitors the achievements of MLIEs and LIEs (see (a) and (e) in Table 13 in para. 3.5). Grantees of MMEs, MLIEs and LIEs are required to submit to HAB/LCSD before specified deadlines (see (e) in Table 13 in para. 3.5) the following documents:

- (a) ***Programme reports.*** Grantees are required to report the achievements of their events in their programme reports; and
- (b) ***Audited accounts.*** Audited accounts comprise an audited statement of accounts of the event and an auditor's report providing its assurance that

the grantee complies with grant requirements (e.g. requirements on procurement and on declaration of conflicts of interest on procurement).

3.13 Since 2015-16, to ensure timely submission of programme reports and audited accounts by grantees, HAB and LCSD have implemented the following enhanced measures:

- (a) if a grantee failed to submit programme report and audited accounts after the submission deadline, HAB/LCSD will immediately send a reminder to the grantee to request the grantee to submit the report and accounts. If the grantee still failed to submit the report and accounts, HAB/LCSD will send a final reminder one month after the submission deadline;
- (b) if the grantee failed to submit the report and/or accounts after the ultimate deadline of six months after the completion of the event, the grantee should be liable to refund the ASDF grant, calculated as 1% of the approved grant amount for every month of further delay (i.e. from the sixth month onwards), until the grantee submits the programme report and audited accounts; and
- (c) HAB/LCSD reserves the right to suspend processing new funding applications from the grantee until the programme report and audited accounts are submitted.

3.14 *Need to step up efforts in ensuring timely submission of programme reports and audited accounts.* Audit examined the submission of programme reports and audited accounts for MMEs, MLIEs and LIEs by grantees in the period 2014-15 to 2018-19. Audit noted that after the implementation of the enhanced measures (see para. 3.13) in 2015-16, the delays in submission of programme reports and audited accounts had been reduced (with some significantly reduced). For example, for LIEs, the average delay had been reduced from 9.3 months to 0.6 month. Nevertheless, as shown in Table 15, notwithstanding the enhanced measures, between 2015-16 and 2018-19, the percentage of events with delay in submission of programme reports and audited accounts had either remained the same (at 75% for MMEs) or was on the increase (from 60% to 78% for MLIEs and from 6% to 10% for LIEs).

Table 15

**Delay in submission of programme reports and audited accounts
(2014-15 to 2018-19)**

Year	MMEs		MLIEs		LIEs	
	No. of events					
	Approved and organised (Note)	With delay in submission of reports and accounts	Approved and organised (Note)	With delay in submission of reports and accounts	Approved and organised (Note)	With delay in submission of reports and accounts
2014-15	6	5 (83%)	9	9 (100%)	78	2 (3%)
2015-16	4	3 (75%)	15	9 (60%)	67	4 (6%)
2016-17	4	3 (75%)	11	8 (73%)	80	2 (3%)
2017-18	4	3 (75%)	22	15 (68%)	76	1 (1%)
2018-19	4	3 (75%)	18	14 (78%)	107	11 (10%)
Extent of delay before and after implementation of enhanced measures (see para. 3.13)						
Before implementation	0.3 to 5.1 months (average: 1.9 months)		0.1 to 9.6 months (average: 3.4 months)		8.4 to 10.1 months (average: 9.3 months)	
After implementation	0.2 to 4.2 months (average: 2.1 months)		0.1 to 4.1 months (average: 1.6 months)		0.1 to 2.5 months (average: 0.6 month)	

Source: Audit analysis of HAB and LCSD records

Note: The figures excluded the number of cancelled events.

3.15 Audit considers that HAB and LCSD need to step up efforts in ensuring timely submission of programme reports and audited accounts by grantees, including taking measures against those grantees that are frequently late in submitting their reports and accounts (e.g. the grantee mentioned in Case 2 in para. 3.9).

3.16 *Need to address inadequacies relating to submitted programme reports and audited accounts.* Audit further noted from examining the 3 MMEs, 3 MLIEs and 4 LIEs (see para. 3.9) that there were inadequacies relating to submitted programme reports and audited accounts:

- (a) there were significant variances between the estimated and actual amounts of expenditure or between those of income:
 - (i) in March 2020, HAB informed Audit that it was not mandatory for grantees to provide the explanations for the said variances. Of the 3 MLIEs and 4 LIEs, Audit noted that:
 - in 2 MLIEs and 2 LIEs, the estimated amounts of expenditure were higher than the actual amounts of expenditure with variances ranging from 31% (\$27,092) to 58% (\$351,769); and
 - in 2 MLIEs and 2 LIEs, the estimated amounts of income were higher than the actual amounts of income with variances ranging from 27% (\$854,408) to 100% (\$1,568,142). In an LIE, the actual amount of income was \$9,000, but the grantee did not provide any income estimation; and
 - (ii) for MMEs, grantees were not required to report any aforementioned variances. In 2 of the 3 MMEs, Audit noted that there were variances of 28% (\$2,109,505) and 37% (\$1,379,265) between estimated and actual amounts of expenditure, and variances of 37% (\$3,028,273) and 42% (\$1,711,834) between estimated and actual amounts of income. In both of the 2 MMEs, the estimated expenditures and incomes were higher than the actual ones.

In view of the significant variances, to enhance project monitoring, Audit considers that HAB and LCSD need to require grantees to provide in their programme reports explanations for variances over 25% between the estimated and actual amounts of expenditure as well as between the estimated and actual amounts of income, and take follow-up actions where warranted;

- (b) the assurance provided in the auditors' reports submitted by the grantees varied. In 5 of the 10 events (see para. 3.9), the auditors certified the

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grantees' compliances with HAB/LCSD requirements. However, in the remaining 5 events, there was no such certification. For example, the auditor only stated that "the statement of income and expenditure is properly drawn up in accordance with the books and records" of the grantee; and

- (c) for an MLIE, the grantee failed to submit the programme reports and audited accounts before the deadline. However, no reminders had been issued to the grantee in accordance with the enhanced measures (see para. 3.13). For this MLIE, there was a two-month delay in submission.

3.17 HAB and LCSD need to take measures to deal with the aforementioned inadequacies (see paras. 3.31(a), 3.32(a) and (b), and 3.33(b) for detailed audit recommendations).

3.18 *Scope for improvement in reporting achievements of international sports events.* In examining the 3 MMEs, 3 MLIEs and 4 LIEs (see para. 3.9), Audit noted that:

- (a) in 3 MLIEs and 4 LIEs, of a total of 44 performance targets, 9 targets had been achieved. However:
 - (i) for 6 targets, the targets had not been achieved; and
 - (ii) for 29 targets, the achievements had not been reported.

Case 3 shows an example; and

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Case 3

Reporting of achievements for an MLIE (2017-18)

1. The performance targets for an MLIE (a skating event) were as follows:

Performance targets	
(a) Expected number of athletes	<ul style="list-style-type: none"> • 120 overseas athletes • 30 local athletes
(b) Expected number of technical officials	<ul style="list-style-type: none"> • 20 overseas technical officials • 7 local technical officials
(c) Expected number of officials	<ul style="list-style-type: none"> • 5 Asian Skating Union officials • 10 local officials
(d) Expected number of spectators	<ul style="list-style-type: none"> • 10,000 spectators
(e) Expected achievement of Hong Kong team/athletes for this event	<ul style="list-style-type: none"> • Achieve a medal in each group (there were a total of 11 groups with each group participating in a different type of skating (e.g. pairs, junior men, junior ladies))
(f) Anticipated number of participating countries/regions	<ul style="list-style-type: none"> • 9 to 12 countries/regions
(g) Media coverage	<ul style="list-style-type: none"> • With delay television/network broadcast by local and/or overseas media • With designated official website • With live broadcast at official website • With video highlights at official website • With video advertisement • With social media promotion (e.g. radio and social networking website) • With text media (e.g. newspaper and magazine)
(h) Popularity/community appeal	<ul style="list-style-type: none"> • Newspaper and magazine interview • Social networking website advertisement (3 posts and 7 days per post) • Live stream, daily highlight and newspaper • Four Figure Skating shows • Figure Skating demonstration • Countdown ceremony • Asian Skating Union annual meeting • Coaching seminar • Figure Skating Fun Day

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Case 3 (Cont'd)

Performance targets	
(i) Free or concessionary tickets issued for under-privileged groups, the elderly or schools	<ul style="list-style-type: none"> • 40 free tickets for under-privileged group per day for 4 days • 40 free tickets for schools
(j) Local organisations, affiliated clubs, community sport clubs, and volunteer services groups involved	<ul style="list-style-type: none"> • Hong Kong St. John Ambulance: first-aid service • Hong Kong Baptist University: invite 10 to 15 event helpers • Hong Kong University School of Professional and Continuing Education: invite 10 to 15 event helpers
(k) Sports development impact	<ul style="list-style-type: none"> • Asian Skating ranking points for the winner of this event • Estimate 3 to 5 local officials will be invited to participate in the event (will have a chance to be nominated to attend the International Skating Union Officials Training Course after the event) • A series of sport demonstration and fun day • Figure Skating Coaching Seminar and Figure Skating Officials course (estimate 15 to 20 participants) • Asian Skating Union annual meeting (estimate 50 overseas participants from 16 countries and 3 participants from Hong Kong)

2. In the programme report:

(a) **Performance targets not achieved.** The grantee reported that:

(i) the event had 141 athletes (falling short of the expected number of athletes of 150 — see para. 1(a));

(ii) the event had a total of about 3,000 spectators (falling short of the expected 10,000 (see para. 1(d)) significantly by about 7,000); and

(iii) no free tickets had been issued (as against a total of 200 free tickets expected to be issued — see para. 1(i));

Funding for international sports events

Case 3 (Cont'd)

- (b) *Achievements not reported.* The grantee had not reported any achievements on the:
- (i) expected number of technical officials;
 - (ii) expected number of officials;
 - (iii) expected achievement of Hong Kong team/athletes for this event;
 - (iv) anticipated number of participating countries/regions;
 - (v) media coverage;
 - (vi) popularity/community appeal;
 - (vii) local organisations, affiliated clubs, community sport clubs, and volunteer services groups involved; and
 - (viii) sports development impact; and
- (c) While some achievements were not reported (see para. 2(b) above), the grantee stated that the following achievements had been made:
- (i) promoting skating sports in Hong Kong;
 - (ii) increasing skating ability of Hong Kong skaters; and
 - (iii) providing practical training for Hong Kong judges.

There was, however, no elaboration on what had been achieved (e.g. the types and numbers of training sessions provided).

3. In March 2020, HAB informed Audit that notwithstanding the setting of performance target thereon, the number of spectators was not an important performance target to be achieved under the funding as the vision of providing funding for MLIEs and LIEs was to encourage international sports events to take place in Hong Kong and bring exposures to the athletes of the respective sports.

Source: Audit analysis of LCSD records

- (b) in all the 3 MLIEs and 4 LIEs, there was no evidence indicating that LCSD had taken any follow-up actions.

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3.19 Audit considers that LCSD needs to take measures to ensure that MLIE and LIE grantees adequately and clearly report their event achievements against performance targets, and take follow-up actions in situations where the targets are not achieved and/or the achievements are not properly reported.

Scope for improvement in conducting on-site inspections

3.20 For performance monitoring purpose, in addition to evaluating grantees' programme reports and audited accounts, HAB and LCSD conduct on-site inspections at MMEs, MLIEs and LIEs. After the conduct of inspections, HAB and LCSD staff record, in inspection reports, the details of inspections including the date of visit, the venue and nature of the event, the number of participants (i.e. athletes), the number of spectators, and the level of satisfaction of HAB/LCSD staff with respect to, for example, programme organisation and venue decoration.

3.21 According to HAB records, in 2018-19, 4 MMEs (Note 19), 19 MLIEs and 95 LIEs were organised by 55 NSAs and 1 sports organisation. Audit examined the on-site inspection records of HAB and LCSD for these events and noted that:

- (a) according to HAB, it was its practice that inspections are conducted for all MMEs. According to LCSD, it conducted inspections at MLIEs and LIEs on a selective basis. Therefore, HAB conducted inspections at all the 4 MMEs, while LCSD conducted inspections at 17 (out of 19) MLIEs and 49 (out of 95) LIEs. However, for 2 of the 17 MLIEs and 11 of the 49 LIEs inspected by LCSD, there were no inspection reports documenting the details of inspections; and
- (b) LCSD had not laid down guidelines on selection of MLIEs and LIEs for on-site inspections. It was therefore not known as to the basis on which LCSD decided that no inspections would be conducted for any of the MLIEs and LIEs organised by 11 (out of 55) NSAs and 1 sports organisation (see Table 16).

Note 19: *The 4 MMEs did not include MMEs organised without ASDF funding support (see Note 2 to Table 11 in para. 3.3).*

Table 16

**MLIEs and LIEs organised by 11 NSAs and 1 sports organisation
with no on-site inspections conducted
(2018-19)**

NSA/sports organisation	No. of events organised	
	MLIE	LIE
NSA 1	Nil	3
NSA 2		3
NSA 3		3
NSA 4		2
NSA 5	1	1
NSA 6	Nil	1
NSA 7		1
NSA 8		2
NSA 9		1
NSA 10		2
NSA 11		1
A sports organisation		1
Total	1	21

Source: Audit analysis of HAB and LCSD records

3.22 Audit further examined the 3 MMEs, 3 MLIEs and 4 LIEs (see para. 3.9) and noted that for these 10 events, HAB had conducted on-site inspections for 3 MMEs, while LCSD had conducted such inspections for 2 MLIEs and 1 LIE. Audit found that:

- (a) in 1 MLIE and the LIE, some information (e.g. the number of spectators) was missing in the inspection reports;
- (b) LCSD had not laid down guidelines on the number of on-site inspections to be conducted for events that were held for a number of days. For the other MLIE with inspection conducted, the event was held for four days. The LCSD staff had only conducted an inspection in one of the four days. According to the inspection report, the number of participants and spectators on that day was 200. To ensure that inspections conducted are sufficient for performance monitoring purpose, LCSD needs to issue

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guidelines on the number of on-site inspections to be conducted for events that are held for a number of days; and

- (c) for the LIE with inspection conducted, the event was held for one day. In LCSD's inspection report, the number of spectators was not reported. Instead, it was stated that there were "more than 200 participants" on that day. On the other hand, in the grantee's programme report, it was stated that there were "1,000 spectators" on that day. There was no evidence indicating that LCSD had taken any follow-up actions to clarify the differences.

3.23 LCSD needs to take measures to tackle the aforementioned inadequacies (see para. 3.32(d) to (g) for detailed audit recommendations).

Scope for improvement in returning surpluses and unspent balances by grantees

3.24 Grantees of MMEs, MLIEs and LIEs are required to return any surpluses (for MMEs) or unspent balances (for MLIEs and LIEs) generated from the events to the Government. The related details are as follows:

- (a) for an MME, the surplus is:

the total amount of incomes (including commercial and private sponsorship, ticket sales and ASDF grants) minus the total amount of expenditures of the event;

- (b) for an MLIE or LIE, the unspent balance is:

the total amount of ASDF grants minus the total amount of eligible expenditures (e.g. wages for referees and organisers) of the event;

- (c) surplus, with interest generated from that surplus, must be returned to the Government if the grantee does not organise any MMEs in four consecutive years; and

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- (d) the grantee of an MLIE or LIE is required to return any unspent balance to the Government after the completion of the event.

3.25 *Need to review the arrangements for returning surpluses and unspent balances.* Based on grantees' audited accounts, Audit analysed the incomes and expenditures of 4 MLIEs and 6 LIEs (these events had other incomes (e.g. sponsorships and ticket sales) in addition to ASDF grants) organised in the period 2014-15 to 2018-19. Results of Audit's analysis are shown in Table 17.

Table 17

**Analysis of incomes and expenditures of 4 MLIEs and 6 LIEs
(2014-15 to 2018-19)**

Year organised	Event	ASDF grant	Other income	Total income	Total expenditure	Surplus/ (deficit)
		(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) - (d)
(\$)						
2014-15	LIE A	68,653	46,186	114,839	129,659	(14,820)
2015-16	MLIE A	879,355	1,794,447	2,673,802	971,792	1,702,010
2016-17	MLIE B	776,234	474,009	1,250,243	900,246	349,997
2017-18	MLIE C	639,787	551,240	1,191,027	1,143,884	47,143
2017-18	LIE B	379,773 (Note)	27,200	561,642	92,809	19,109
	LIE C		16,000		60,148	
	LIE D		138,669		389,576	
	Overall		379,773		181,869	
2017-18	LIE E	332,491 (Note)	58,863	519,054	256,848	33,354
	LIE F		127,700		228,852	
	Overall		332,491		186,563	
2018-19	MLIE D	1,000,000	1,259,692	2,259,692	2,220,706	38,986

Source: *Audit analysis of LCSD records*

Note: *The NSA concerned submitted one funding application covering a number of LIEs. ASDF grants were therefore provided in a lump sum.*

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3.26 As shown in Table 17, with the exception of LIE A, all the other 4 MLIEs and 5 LIEs had surpluses ranging from \$19,109 to about \$1.7 million. In the case of MLIE A that had a surplus of about \$1.7 million, the event could have been organised without ASDF funding support. Nevertheless, despite the surpluses, contrary to the arrangement that MME grantees need to return their surpluses (if they do not organise any MMEs in four consecutive years) to the Government (see para. 3.24(c)), the grantees of the 4 MLIEs and 5 LIEs are not required to do so (they are only required to return their unspent balances (i.e. the total amount of ASDF grants minus the total amount of eligible expenditures) (see para. 3.24(b)).

3.27 Audit considers that HAB needs to review the existing arrangements for returning surpluses of MMEs and unspent balances of MLIEs and LIEs to ascertain the need to align or modify the arrangements.

3.28 *Need to ensure surpluses and unspent balances are timely returned.* For the return of unspent balances of MLIEs and LIEs to the Government, upon receipt of audited accounts from grantees, LCSD verifies the amounts to be returned and issues letters to demand the return of unspent balances. Grantees are required to return the unspent balances within around two weeks from the dates of issuing request letters. Audit, however, noted that a long time had elapsed (e.g. some 10 months) before the unspent balances of some MLIEs and LIEs organised in the period 2014-15 to 2018-19 were returned to the Government (see Table 18).

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Table 18

**Time elapsed before returning unspent balances of MLIEs and LIEs
(31 October 2019)**

Year	MLIEs				LIEs			
	3 months or less	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year	3 months or less	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year
	(No. of events)							
2014-15	3	Nil	Nil	Nil	31	5	1	Nil
2015-16	2	2			22	5	7	
2016-17	2	1	1		27	4	6	
2017-18	7	1	1		15	1	Nil	
2018-19	6	1	Nil		36	6	3	
Overall	0.6 month to 10.8 months (average: 2.3 months)				1 day to 10.1 months (average: 2.2 months)			

Source: Audit analysis of LCSD records

Remarks: The time elapsed was counted from the date of receipt of audited accounts by LCSD to the date of returning the unspent balance by a grantee. LCSD did not keep readily available information on the dates of issuing request letters to grantees.

3.29 Audit's examination of the 4 MLIEs and 6 LIEs (see para. 3.25) as well as the two extreme cases mentioned in Table 18 above (i.e. 10.8 months for an MLIE and 10.1 months for an LIE) further revealed that a major reason for the long lapse of time was the long time taken by LCSD to verify the amounts of unspent balances and issue request letters to grantees. Examples are shown in Table 19.

Table 19

Analysis of time elapsed before returning unspent balances

Event	Date of receipt of audited accounts by LCSD (a)	Date of issuing request letter by LCSD (b)	Date of return of unspent balance by grantee (c)	Time elapsed (d) = Time between (a) and (c)
An MLIE	5.10.2016	5.12.2016 (after 2.0 months of receipt of audited accounts)	8.12.2016	2.1 months
3 LIEs (Note)	28.9.2018	8.11.2018 (after 1.4 months of receipt of audited accounts)	12.11.2018	1.5 months

Source: *Audit analysis of LCSD records*

Note: *The 3 LIEs were organised by the same grantee. The grantee submitted one audited accounts for the 3 LIEs to LCSD.*

3.30 To ensure that unspent balances are returned in a timely manner, Audit considers that LCSD needs to identify scope for expediting the verification of amounts of unspent balances to be returned by grantees and the issue of request letters to them.

Audit recommendations

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

- (a) **require MMEs grantees to provide in their programme reports explanations for variance over 25% between the estimated and actual amounts of expenditure as well as between the estimated and actual amounts of income, and take follow-up actions where warranted (see para. 3.16(a)(ii)); and**

- (b) **review the existing arrangements for returning surpluses of MMEs and unspent balances of MLIEs and LIEs to ascertain the need to align or modify the arrangements (see para. 3.27).**

3.32 Audit has *recommended* that the Director of Leisure and Cultural Services should:

- (a) **require MLIE and LIE grantees to provide in their programme reports explanations for variance over 25% between the estimated and actual amounts of expenditure as well as between the estimated and actual amounts of income, and take follow-up actions where warranted (see para. 3.16(a)(i));**
- (b) **in accordance with the enhanced measures (see para. 3.13(a)), issue reminders to MLIE and LIE grantees that failed to submit programme reports and audited accounts before the stipulated deadlines (see para. 3.16(c));**
- (c) **take measures to ensure that MLIE and LIE grantees adequately and clearly report their event achievements against performance targets, and take follow-up actions in situations where the targets are not achieved and/or the achievements are not properly reported (see para. 3.19);**
- (d) **take measures to ensure that all details of on-site inspections conducted for MLIEs and LIEs are documented (see paras. 3.21(a) and 3.22(a));**
- (e) **set guidelines on the selection of MLIEs and LIEs for on-site inspections (see para. 3.21(b));**
- (f) **issue guidelines on the number of on-site inspections to be conducted for MLIEs and LIEs that are held for a number of days (see para. 3.22(b));**
- (g) **in circumstances where there are differences between the information stated in LCSD's inspection reports and that stated in grantees' programme reports submitted to LCSD, take follow-up actions to clarify the differences (see para. 3.22(c)); and**

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- (h) **identify scope for expediting the verification of amounts of unspent balances to be returned by MLIE and LIE grantees and the issue of letters to request them to return the unspent balances (see para. 3.30).**

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

- (a) **step up efforts in ensuring timely submission of programme reports and audited accounts by MME, MLIE and LIE grantees, including taking measures against those grantees that are frequently late in submitting their reports and accounts (see para. 3.15); and**
- (b) **take measures to ensure that auditors of MME, MLIE and LIE grantees certify the grantees' compliances with HAB/LCSD requirements (e.g. by notifying grantees the need for auditors' certification) (see para. 3.16(b)).**

Response from the Government

3.34 The Secretary for Home Affairs and the Director of Leisure and Cultural Services accept the audit recommendations. They have said that HAB and LCSD will:

- (a) review the relevant guidelines for the MME, MLIE and LIE grantees to provide explanations for variances over 25% between estimated and actual amount of expenditure. Related information will be required in the new programme report for future reference;
- (b) review and examine the need for aligning the existing arrangements for returning surpluses for MMEs and unspent balances of MLIEs and LIEs;
- (c) review the assessment mechanism for MLIEs and LIEs and clarify to what extent explanation for variation against the performance target would be required and modify the programme report proforma accordingly; and

- (d) modify the relevant guidelines for MME, MLIE and LIE grantees to ensure that their auditors certify the grantees' compliance with HAB/LCSD requirements.

3.35 The Director of Leisure and Cultural Services has also said that LCSD will:

- (a) issue reminders to chase up late submission of programme reports and audited accounts as well as review and enhance the follow-up mechanism with a view to deterring protracted late submission;
- (b) devise a set of guidelines and checklist of on-site inspection for MLIEs and LIEs;
- (c) review and improve the monitoring system for on-site inspection; and
- (d) step up the follow-up actions for ensuring timely return of unspent balances.

Other issues relating to international sports events

Need to improve the reporting of information on international sports events to LegCo

3.36 From time to time, HAB reports information on international sports events to LegCo. Audit noted that in the period 2013-14 to 2017-18, on several occasions, there was room for improvement in reporting information on international sports events to LegCo, as follows:

- (a) for the examination of the Estimates of Expenditure 2018-19, a LegCo Member asked about the use of grants from ASDF in 2017-18, which included the number of projects and amount approved for the hosting of major international sports events in Hong Kong. HAB replied that there was a total of 30 projects for hosting of major international sports events in 2017-18 (as at 28 February 2018) with an approved amount of \$41.63 million. Audit, however, noted that, instead of providing the number of projects approved in 2017-18, HAB provided to LegCo the number of projects comprising: (i) the number of MMEs approved in 2016-17 and 2017-18 with fund disbursed in 2017-18; (ii) the number of

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MLIEs approved and with fund disbursed in 2017-18; and (iii) the number of batches of fund disbursements of LIEs in 2017-18. Furthermore, the amount of \$41.63 million reported by HAB was actually the amount of funds disbursed for the projects;

- (b) in a paper to the LegCo Panel on Home Affairs dated May 2018, HAB stated that the number of international sports events hosted locally for the period from 1 April 2013 to 31 March 2018 was 509 with an approved amount of \$157.63 million. Audit, however, noted that the reported figure of 509 and reported amount of \$157.63 million were actually the number of fund disbursements and the amount of funds disbursed respectively; and
- (c) in a paper to the LegCo Finance Committee dated December 2018, HAB stated that the number of international sports events hosted locally for the period from 1 April 2015 to 31 March 2018 was 313 with an approved amount of \$105.93 million. As in (b) above, the reported figure of 313 and reported amount of \$105.93 million were actually the number of fund disbursements and the amount of funds disbursed respectively.

Details are shown in Table 20.

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Table 20

Approved numbers and approved amounts of international sports events reported by HAB versus those found by Audit (2013-14 to 2017-18)

Event	Reported by HAB		Found by Audit	
	No.	Amount (\$ million)	No.	Amount (\$ million)
<i>Reported in a written reply to a LegCo Member's question on Estimates of Expenditure 2018-19 (Period reported: 2017-18 (as at 28 February 2018))</i>				
MME	Not required to be individually reported		4	9.19
MLIE			21	18.02
LIE			85	14.60
Total	30	41.63	110	41.81
<i>Reported in a paper of May 2018 concerning endorsement by the LegCo Panel on Home Affairs for injection of funds into ASDF (Period reported: 1 April 2013 to 31 March 2018)</i>				
MME	39	Not required to be individually reported	22	57.45
MLIE	67		67	52.07
MNC (Note)	1		1	0.80
LIE	402		402	66.91
Total	509	157.63	492	177.23
<i>Reported in a paper of December 2018 concerning approval by the LegCo Finance Committee for injection of funds into ASDF (Period reported: 1 April 2015 to 31 March 2018)</i>				
MME	22	Not required to be individually reported	12	29.29
MLIE	49		49	40.98
LIE	242		242	40.79
Total	313	105.93	303	111.06

Source: Audit analysis of HAB records

Note: An MNC was approved in 2013-14. In the period 2014-15 to 2018-19, no MNCs were organised.

Funding for international sports events

3.37 In March 2020, HAB informed Audit that the discrepancies were caused by the inadvertent errors in counting the number of disbursement of funds related to MMEs as the number of MMEs. Since MMEs require a longer period for preparation and finalisation of accounts, funds are normally disbursed to the event organisers by instalments. HAB has provided separate reports on MMEs to LegCo from time to time and the information therein is accurate. Audit considers that, for proper accountability, HAB needs to improve the reporting of information relating to international sports events to LegCo in future.

Audit recommendation

3.38 Audit has *recommended* that the Secretary for Home Affairs should improve the reporting of information relating to international sports events to LegCo in future.

Response from the Government

3.39 The Secretary for Home Affairs accepts the audit recommendation.

PART 4: FUNDING FOR FOOTBALL DEVELOPMENT

4.1 This PART examines funding for football development under ASDF, focusing on the following areas:

- (a) governance of HKFA (paras. 4.7 to 4.20);
- (b) human resource management (paras. 4.21 to 4.34);
- (c) attendance of spectators and self-generated incomes (paras. 4.35 to 4.44);
and
- (d) performance measurement and other administrative issues (paras. 4.45 to 4.66).

Background

4.2 HKFA, which is a member of the Fédération Internationale de Football Association (FIFA), the Asian Football Confederation (AFC), the East Asian Football Federation (EAFF) and SF&OC, is an NSA in Hong Kong, China responsible for promoting football development in Hong Kong and operating the Hong Kong football team, which represents Hong Kong to compete in international football events (see Photograph 7 for an example). Like all other NSAs, HKFA is an independent legal entity with full autonomy to run its affairs. As mentioned in paragraph 1.7(c), ASDF provides funding to HKFA for the development of local football through the implementation of football development plans (see Figure 2 for details).

Photograph 7

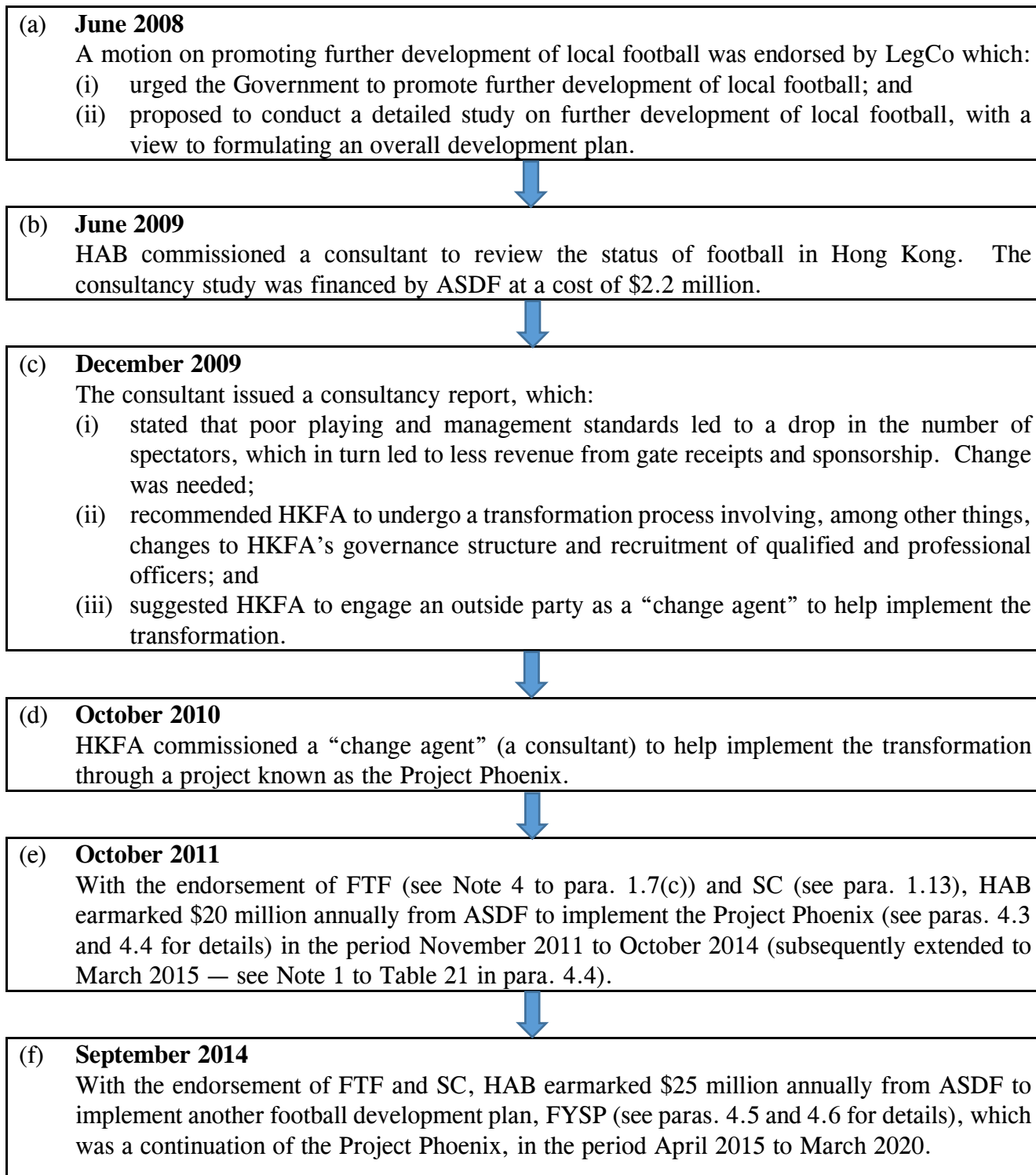
**FIFA World Cup Asian Qualifying Match
between Hong Kong and Iran
(September 2019)**



Source: HKFA records

Figure 2

**Background of football development under ASDF
(June 2008 to March 2020)**



Source: HAB records

Funding for football development

Project Phoenix

4.3 The Project Phoenix (see (e) in Figure 2 in para. 4.2) involved two phases:

- (a) the first phase concerned the transformation of HKFA to develop it into a world-class governing body; and
- (b) the second phase concerned the selection and recruitment of key personnel to deliver changes and improvements.

4.4 Table 21 shows the amounts of funds disbursed for the Project Phoenix in the period November 2011 to March 2015.

Table 21

**Funds disbursed for the Project Phoenix
(November 2011 to March 2015)**

Funds for	November 2011 to October 2012	November 2012 to October 2013	November 2013 to October 2014	November 2014 to March 2015 (Note 1)	Total
	(\$ million)				
Staff and related costs	2.1	20.0	18.4	7.7	48.2
Other expenses (Note 2)	2.1	0.9	2.1	1.6	6.7
Total	4.2	20.9	20.5	9.3	54.9

Source: HKFA records

Note 1: As HKFA had not exhausted ASDF's \$60 million (three years at \$20 million per year) funding support at the end of the funding period (i.e. October 2014), HAB approved HKFA's application to extend the funding period to March 2015 (see (e) in Figure 2 in para. 4.2).

Note 2: Other expenses included insurances, information technology (IT) expenses, marketing expenses and programme expenses (e.g. air ticket costs and accommodation expenses of football teams).

FYSP

4.5 In mid-2014, FTF conducted an overall review of the Project Phoenix and concluded that HKFA had made reasonable progress in developing football in Hong Kong through the implementation of the Project. However, for the change agent's recommendations relating to marketing and public relations (e.g. developing a new marketing and communications strategy, and placing greater emphasis on developing excellent relationships with all stakeholders), the progress had yet to be seen. FTF considered that HKFA needed to do more to develop a branding and marketing strategy that could attract more sponsorship income and reduce reliance on public funding. To follow up on the progress made, HKFA prepared and put forward FYSP (see (f) in Figure 2 in para. 4.2) which was based on the groundwork done under the Project Phoenix.

4.6 Table 22 shows the amounts of funds disbursed for FYSP in the period 2015-16 to 2018-19.

Table 22

**Funds disbursed for FYSP
(2015-16 to 2018-19)**

Funds for	2015-16	2016-17	2017-18	2018-19	Total
	(\$ million)				
Staff and related costs	17.3	18.6	18.8	18.2	72.9
Other expenses (Note)	3.8	3.6	2.5	3.1	13.0
Total	21.1	22.2	21.3	21.3	85.9

Source: HKFA records

Note: Other expenses included insurances, IT expenses, marketing expenses and programme expenses (e.g. air ticket costs and accommodation expenses of football teams).

Governance of Hong Kong Football Association

4.7 According to a 2014 FTF paper relating to the review of the implementation of the Project Phoenix, HKFA had completed the recommendations of the Project Phoenix in the areas of the governance structure and constitution, vision, strategy and business planning, and organisational structure. In the football season 2018/19 (Note 20), the governance structure of HKFA included the Board, 14 committees and 3 sub-committees (see Appendix D). While the Board of HKFA is responsible for the governance of HKFA, HAB is responsible for the provision of ASDF funding for HKFA to implement football development plans which, among others, aimed to raise HKFA's standard of governance. Audit reviewed issues relating to the governance of HKFA for the football seasons 2014/15 to 2018/19 (Note 21) and found that there is scope for improvement as shown in paragraphs 4.8 to 4.18.

Need to improve attendance of individual members at meetings

4.8 To help ensure that collective and good quality decision making is made, it is important that members of an organisation's board and committees (and sub-committees if applicable) attend their meetings. Audit examined members' attendance at meetings of HKFA's Board, committees and sub-committees held in the football seasons 2014/15 to 2018/19, and found that there were some members who had attended less than half of the Board/committee/sub-committee meetings in individual football season (see Table 23) (Note 22).

Note 20: *A football season starts in July and ends in June in the ensuing year.*

Note 21: *Some of HKFA's records were available in financial years, while some others were available in accordance with football seasons. For the latter, they are specifically stated in this PART.*

Note 22: *In the football seasons 2014/15 to 2018/19, the overall attendance rates of members of the Board, committees and sub-committees were over 50%, ranging from 54% to 94%.*

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Table 23

**Individual members attended less than half of
the HKFA Board/committee/sub-committee meetings
(Football seasons 2014/15 to 2018/19)**

	No. of meetings held in a year	Attendance rate for football season				
		2014/15	2015/16	2016/17	2017/18	2018/19
Member A						
The Board	6 to 9	0%	14%	0%	0%	0%
Member B						
The Board	6 to 9	0%	N.A. (Note 1)			
Member C						
The Board	6 to 9	78%	71%	100%	17%	71%
Member D						
Competitions Committee	1 to 4	N.A. (Note 2)		50%	100%	50%
Legal Committee	1 to 2	0%	0%	0%	0%	0%
Members Committee	1 to 2	N.A. (Note 3)		50%	0%	0%
Finance Sub-committee	2 to 4	75%	33%	0%	0%	0%
Strategy Sub-committee	2 to 4	75%	33%	0%	0%	0%
Member E						
Organisational Development Committee	1 to 3	33%	67%	0%	0%	0%
Finance Sub-committee	2 to 4	100%	67%	75%	33%	50%
Strategy Sub-committee	2 to 4	75%	67%	50%	33%	50%
Member F						
Competitions Committee	1 to 4	N.A. (Note 2)		33%	0%	0%
Member G						
Competitions Committee	1 to 4	N.A. (Note 2)		25%	0%	50%
Member H						
Strategy Sub-committee	2 to 4	75%	33%	25%	0%	50%

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Table 23 (Cont'd)

	No. of meetings held in a year	Attendance rate for football season				
		2014/15	2015/16	2016/17	2017/18	2018/19
Member I						
Strategy Sub-committee	2 to 4	50%	33%	25%	33%	0%
Member J						
Members Committee	1 to 2	N.A. (Note 3)	100%	0%	50%	0%
Member K						
Members Committee	1 to 2	N.A. (Note 3)	100%	50%	50%	0%

Source: HKFA records

Note 1: Member B was no longer a member in the football seasons 2015/16 to 2018/19.

Note 2: The Competitions Committee was set up in the football season 2016/17.

Note 3: The Members Committee was set up in the football season 2015/16.

4.9 HKFA records did not indicate that HKFA had taken actions to encourage members to attend meetings. As meetings are an important and interactive forum for deliberating important business, it is crucial that members can contribute to the forum through their attendance. While according to FTF, HKFA had completed the recommendations of the Project Phoenix in the area of governance matters (see para. 4.7), the fact that some members failed to attend the Board/committee/sub-committee meetings is not satisfactory. Audit considers that HAB needs to urge HKFA to make efforts to encourage members to attend meetings, especially those members who are frequently absent from meetings. Such efforts may include, for example, reminding members of the importance of attending meetings, ascertaining whether members have difficulties in attending meetings and providing assistance to them (e.g. rescheduling the meetings) where possible.

Scope for improving first-tier declarations of conflicts of interest

4.10 According to HKFA guidelines for handling conflicts of interest, HKFA adopts a two-tier system for declarations of conflicts of interest for members of its Board, committees and sub-committees:

- (a) ***First-tier declaration.*** Declaration of conflicts of interest is required when a Board/committee/sub-committee member is first appointed and annually thereafter; and
- (b) ***Second-tier declaration.*** When a member has any direct personal or pecuniary interest in any matters under consideration by the Board or relevant committee/sub-committee, he/she should make a declaration as soon as practicable after he/she has become aware of it.

To facilitate proper handling and recording of declaration of conflicts of interest, members of the Board, committees and sub-committees are required to complete the declaration forms and submit them to HKFA.

4.11 Audit examined HKFA records for members' declaration of conflicts of interest in the football seasons 2014/15 to 2018/19 and noted that:

- (a) HKFA did not send first-tier declaration forms for completion by members of the Board, committees and sub-committees; and
- (b) members of the Board, committees and sub-committees were not notified of the need to complete first-tier declaration forms at the time of appointment, nor were they reminded of the need to do so annually.

As a result, no first-tier declarations were made by members of the Board, committees and sub-committees. In March 2020, HKFA informed Audit that HKFA has started requiring the completion of first-tier declaration forms by all members of the Board, committees and sub-committees since the football season 2019/20.

4.12 Audit considers that HAB needs to urge HKFA to ensure that it sends relevant declaration forms to members of the Board, committees and sub-committees for their completion at the time of appointment and thereafter annually. Furthermore,

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it needs to urge HKFA to ensure that the forms are duly completed and returned to HKFA.

Need to enhance the governance of the Audit Committee

4.13 Audit examined the governance of the Audit Committee in the football seasons 2014/15 to 2018/19 and noted that the requirements stipulated in the Audit Committee's terms of reference, which was endorsed by the Board in February 2014, had not been met (see Table 24).

Table 24

Non-compliance with terms of reference of the Audit Committee

Area	Requirements stipulated in terms of reference of the Audit Committee	Non-compliance
Frequency of meetings	At least 4 times a year	There was no meeting held after 13 February 2015 (i.e. for a period of 4.5 years up to 30 June 2019)
Quorum of meetings	2	The Committee consisted of one member (the Chairman) only from July 2015 onwards
Number of committee members	3 to 5	
Requirements to maintain independence	In order to maintain independence, the Chairman of the Audit Committee shall neither be the Chairman of the Board, nor the Chairman/member of other committees/sub-committees	In the period July 2017 to June 2019, the Chairman of the Audit Committee was also the Chairman of the Organisational Development Committee and a member of the Members Committee

Source: Audit analysis of HKFA records

4.14 In view of the aforementioned non-compliances, it was doubtful whether the functions of the Audit Committee had been carried out properly and independently. For example, the fact that the Committee consisted of only one member from July 2015 onwards is not conducive to effective deliberation of business issues and collective decision making.

4.15 In addition to overseeing financial reporting and related internal controls, risk, and ethics and compliance, an audit committee is responsible for overseeing the external auditor (Note 23). Given the importance of the role of the Committee, Audit considers that HAB needs to urge HKFA to take measures to ensure that the Audit Committee complies with the requirements stipulated in the terms of reference.

Need to enhance the governance of the Marketing and Communications Committee

4.16 The Marketing and Communications Committee is responsible for the planning of HKFA's promotional, public relations and communications activities. It liaises with and maintains relationships with external stakeholders such as government departments, bodies providing subventions and sponsorships, commercial sponsors, and media organisations.

4.17 In a March 2010 paper submitted in the meeting of the LegCo Panel on Home Affairs (which discussed about the proposal for providing ASDF funding for what was later known as the Project Phoenix), it was stated that HAB would expect that HKFA should in time be able to derive income from gate receipts, sponsorship and other sources (e.g. advertising income and television broadcasting income) that would help it achieve steady improvements financially and in management. Marketing and communications activities of HKFA, among other things, play an important role in the development of HKFA. In fact, in a Board meeting in August 2015, it was commented that the Marketing and Communications Committee should aim to find sponsorship for HKFA.

4.18 Audit examined the governance of the Marketing and Communications Committee in the football seasons 2014/15 to 2018/19 and found that HKFA could not provide, for Audit's examination, most of the agendas and minutes of meetings of the Committee for the period July 2014 to March 2019. It only provided to Audit the agendas and minutes for the three meetings of the Committee held in April, May and June 2019. Upon Audit's enquiry in February 2020, HKFA also provided the agenda of a meeting of the Committee held in 2017. In March 2020, HKFA further informed Audit that in the football seasons 2014/15 to 2018/19, there were meetings held but

Note 23: *HKFA had also engaged an audit firm to conduct internal audit functions and prepare internal audit reports.*

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the minutes, other than those for the meetings held in April, May and June 2019, could not be located. It was therefore uncertain how effectively the Committee had discharged its functions (see para. 4.16) (see also paras. 4.40 to 4.42 for audit observations relating to self-generation of incomes such as sponsorship). To enhance transparency and accountability, HAB needs to urge HKFA to ensure that agendas and minutes of meetings of the Committee are duly kept.

Audit recommendations

4.19 **Audit has *recommended* that the Secretary for Home Affairs should urge HKFA to take effective measures to improve its governance, including:**

- (a) **encouraging members of the Board, committees and sub-committees to attend meetings, especially those members who are frequently absent from the meetings;**
- (b) **ensuring that first-tier declaration of conflicts of interest forms are sent to members of the HKFA Board, committees and sub-committees for their completion at the time of appointment and thereafter annually, and that the forms are duly completed and returned to HKFA;**
- (c) **ensuring that the Audit Committee complies with the requirements stipulated in the terms of reference of the Committee; and**
- (d) **ensuring that agendas and minutes of meetings of the Marketing and Communications Committee are duly kept.**

Response from the Government

4.20 The Secretary for Home Affairs accepts the audit recommendations. He has said that HAB:

- (a) will urge the HKFA Board to take effective measures to address the governance issues identified by Audit in such areas as attendance at meetings by members of the Board, committees and sub-committees, actual implementation of the two-tier reporting system for the declaration of interests, compliance of its committees with their terms of reference, and

proper keeping of agendas and minutes of meetings of its committees. HAB will require HKFA to submit an action plan for consideration by FTF on how it intends to address the issues identified by Audit in this Audit Report, and submit progress reports on the action plan's implementation at six-months' intervals;

- (b) has encouraged HKFA to make improvements in its corporate governance as part of its commitment under the Project Phoenix and then FYSP, which included the introduction of independent members on its Board of Directors and expansion of its membership. HAB will take into account the audit recommendations and HKFA's action plan when considering its application for funding to implement its new strategic plan; and
- (c) will provide SF&OC with a time-limited allocation of \$5 million per year for five years starting 2020-21 for setting up a dedicated team to examine the existing governance structure and operation of all NSAs, including HKFA, formulate a code of governance and monitor NSAs' compliance with the code, with a view to enhancing their corporate governance and transparency.

Human resource management

4.21 The Project Phoenix included the recruitment of key personnel to work with existing employees and other stakeholders to deliver changes and improvements (see para. 4.3(b)). According to the Project Phoenix, HKFA needed to be considerably strengthened in terms of both the absolute number of staff and their requisite skills. As at 31 March 2019, the total headcount of 103 of HKFA included 44 (43%) new posts created under the Project Phoenix and FYSP.

4.22 While HKFA was recruiting staff for the Project Phoenix and FYSP, staff turnover had been a matter of concern of HKFA. For example, according to a paper that reported the progress of the Project Phoenix submitted by HKFA to SC in January 2013, with the departure of the then Chief Executive Officer (CEO) and the then Head Coach in 2012, the implementation of the Project Phoenix had suffered two high-profile setbacks.

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4.23 Audit examined HKFA's recruitment of staff under the Project Phoenix and FYSP as well as HKFA's staff turnovers. Audit found that there is scope for improvement in a number of areas as shown in paragraphs 4.24 to 4.32.

Need to enhance recruitment policies and procedures

4.24 Audit examined 10 HKFA recruitment exercises conducted in the period 2014-15 to 2018-19 (Note 24) and found the following issues:

- (a) ***Successful applications received after deadlines.*** In 6 exercises (involving 412 applications) conducted in 2015, 2016 and 2018, 11 applications were rejected by Human Resources Department (HRD) as the applications had been received by HKFA after the application deadlines. However, for another two applications (one in 2016 and the other in 2018) that had also been received by HKFA after the application deadlines, they were accepted under the discretionary power of the Hiring Manager. There was no documentation indicating the reason for exercising the discretionary power in these two cases. These two applications were successful and the applicants had taken up the appointments; and
- (b) ***Successful applications not sent to the designated recipient.*** In 3 exercises (involving 239 applicants) conducted in 2013 and 2018, 15 applicants had sent their applications to HKFA's staff (e.g. the Head Coach and CEO) instead of to the HRD as indicated in the job advertisements. Of the 15 applications, 7 applications were rejected by HRD as they had not been sent to HKFA through the proper channel (i.e. HRD). However, for the remaining 8 applicants, their applications were accepted by HRD. Of these 8 applicants, interviews had been conducted for 4 applicants. Of these 4 applicants, 2 were offered and had taken up appointments (see Case 4 for one of these two applications).

Note 24: *The staff recruited comprised management grade staff and supporting staff of different departments of HKFA.*

Case 4

**Recruitment of a Head Coach
Chronology of events
(2018)**

Date	Event
23 June 2018	This was the deadline of the application for the Head Coach post as stated in the job advertisements posted on HKFA website and recruitment websites.
3 July 2018	The CEO of HKFA submitted, via e-mail, the application of an applicant, Applicant A, to the HRD. The CEO remarked in the e-mail that the application was received by him before the application deadline. There was no documentation indicating the date of receipt of the application by the CEO.
17 July 2018	<ul style="list-style-type: none"> • HKFA had received a total of 115 applications. Of the 115 applications: <ul style="list-style-type: none"> – 5 were rejected as they had been received by HKFA after the application deadline; – 2 were rejected as they had not been sent through the proper channel; and – 2 were rejected on the grounds of duplicated application. • 9 out of 106 (115 minus 5 minus 2 minus 2) applicants were shortlisted for interviews. • The Chairman of HKFA had set up a recruitment panel consisting of two persons, i.e. the CEO as the chairman of the panel and a Technical Advisor. Both the CEO and the Technical Advisor signed declaration forms for conflicts of interest on 17 July 2018, stating that they did not personally know any of the 9 shortlisted applicants.
17 to 19 July 2018	Each of the 9 shortlisted applicants attended a video interview conducted by the CEO and the Technical Advisor. According to HKFA records, the Chairman of HKFA stated that he witnessed the process of each interview. Video records of the interviews were sent to a Board member for review. The interview assessment forms of all the 9 applicants were signed by the CEO between 17 and 19 July 2018.
2 August 2018	The Board approved the recruitment panel's recommendation for offering the Head Coach post to Applicant A.

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Case 4 (Cont'd)

Date	Event
8 August 2018	HKFA signed an employment contract with Applicant A for the period 10 September 2018 to 31 March 2020.
16 August 2018	The interview assessment forms of the 9 applicants were signed by the Technical Advisor.
10 September 2018	Applicant A reported for duty. He subsequently resigned on 16 December 2018 (i.e. after having been employed for less than 3.5 months).

Source: *HKFA records*

4.25 According to HAB, it received a complaint related to the recruitment exercise for the Head Coach in 2018 (i.e. Case 4 above). After a thorough examination of the relevant submission provided by HKFA, FTF (see Note 4 to para. 1.7(c)) issued a letter to HKFA in September 2018 expressing its concern over the recruitment exercise and suggested that HAB's concerns and observations be brought to the attention of the HKFA Board. In response, HKFA conducted a review of its Staff Recruitment Policy and Procedures with the assistance of an external audit firm from October to November 2018. The Staff Recruitment Policy and Procedures were revised and endorsed by the HKFA Board in February 2019. An external audit firm was then engaged to check on the implementation of the revised Staff Recruitment Policy and Procedures, which confirmed that the Staff Recruitment Policy and Procedures had been fully adopted and followed in subsequent recruitment exercises.

4.26 While noting HKFA's efforts (see para. 4.25), Audit examined the revised Staff Recruitment Policy and Procedures and noted that it did not specifically address the inadequacies mentioned in paragraph 4.24. To ensure that recruitment exercises are conducted in a transparent, accountable and impartial manner, Audit considers that HKFA needs to lay down policies and procedures for handling applications received after the application deadlines and for dealing with applications not submitted through the proper channel. HKFA also needs to take measures to ensure that the laid-down policies and procedures are consistently applied. In circumstances where there are compelling reasons for deviating from the laid-down policies and procedures, HKFA needs to document the reasons for the deviations. Moreover, as a matter of propriety, interview assessment forms need to be duly signed by all

members of a recruitment panel prior to seeking the Board's approval for the job offering.

Need to improve declarations of conflicts of interest in recruitment exercises

4.27 According to HKFA's recruitment procedures, if an applicant selected for a scheduled interview is a close friend or relative of a member of the recruitment panel, the member is required to declare, on a declaration form, the conflicts of interest. It is also HKFA's practice to make an alternative interview arrangement (e.g. change of interviewers) for the applicant.

4.28 In examining the 10 recruitment exercises (see para. 4.24), Audit found that:

- (a) in 6 exercises conducted in 2015, 2016 and 2018, for 7 applicants selected for scheduled interviews, while according to the declarations made by the members of the recruitment panels that the applicants were not their close friends or relatives (see para. 4.27), the members had made other declarations, and alternative interview arrangements had been made for 2 of the 7 applicants (see Table 25). There was no documentation indicating why no alternative interview arrangements had been made for the other 5 applicants.

Table 25

Declarations of recruitment panel members in recruitment exercises and alternative interview arrangements (2015 to 2018)

Applicant	Declaration made by member	Alternative interview arrangement
1	Applicant was a friend	No
2	Applicant was a “working partner”	No
3		No
4	Applicant and member were members of a committee	No
5	Applicant was an existing staff of HKFA	No
6		Yes
7		Yes

Source: HKFA records

For the 2 applicants with alternative interview arrangements (see para. 4.27) made, Audit further noted that:

- (i) with respect to one applicant, both the two interviewers declared that they personally knew the applicant;
 - (ii) with respect to the other applicant, one of the three interviewers declared that he personally knew the applicant; and
 - (iii) notwithstanding the potential conflicts of interest (see (i) and (ii) above), interviews proceeded for these 2 applicants. There were no records indicating how the potential conflicts had been resolved;
- (b) in an exercise conducted in 2018 (see Case 4 in para. 4.24(b)), one of the two interviewers (i.e. the CEO mentioned in the Case) signed a declaration form that he did not personally know any of the shortlisted applicants. Audit, however, noted that the interviewer had stated in other HKFA records that he personally knew the applicant and had met the applicant a few times before; and

- (c) in 3 exercises conducted in 2016 and 2018, 8 recruitment panel members declared conflicts of interest with the interviewees. However, the dates of declaration forms signed by 5 members were later than the dates of interviews.

4.29 For HKFA's recruitment to be conducted in a fair and proper manner, HAB needs to urge HKFA to specify, in addition to close friends or relatives, what other connections with applicants are required to be declared by members of recruitment panels; to stipulate clearly the circumstances under which alternative interview arrangements should be made; and to lay down the arrangements for resolving potential conflicts of interest in alternative interview arrangements. HKFA also needs to take measures to ensure that conflicts of interest in recruitment exercises are properly and adequately declared, and that the declaration forms are completed and signed by members of recruitment panels prior to the conduct of interviews.

Need to address high staff turnovers

4.30 To examine HKFA's staff turnovers (see para. 4.22), Audit conducted an analysis of the turnovers in the period 2014-15 to 2018-19. Audit found that:

- (a) staff turnover rates of ASDF-funded posts were on the high side (i.e. at 30% or more) in 3 (i.e. 2015-16, 2017-18 and 2018-19) out of the 5 years' period (Note 25) (see Table 26); and

Note 25: *According to HAB, in 2018-19, ASDF funded 44 posts of the total 103 posts of HKFA. While the staff turnover rate of HKFA in 2018-19 was 30%, it was not far from the staff turnover rate of 26% of small companies in 2018 (published by the Hong Kong Institute of Human Resource Management).*

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Table 26

Staff turnover rates of ASDF-funded posts (2014-15 to 2018-19)

	2014-15	2015-16	2016-17	2017-18	2018-19
Average number of staff of HKFA (Note) (a)	22	22	24	25	30
Number of staff left HKFA (b)	2	8	2	8	9
Staff turnover rate (c) = (b) ÷ (a) × 100%	9%	36%	8%	32%	30%

Source: *Audit analysis of HKFA records*

Note: *Average number of staff*

$$= \frac{\text{Total number of staff at the start of a year} + \text{total number of staff at the end of a year}}{2}$$

- (b) for some departments of HKFA, the staff turnover rates were particularly high in some years (i.e. more than 60% — see Table 27).

Table 27

Staff turnover rates of some HKFA departments (2014-15 to 2018-19)

HKFA department	Staff turnover rate				
	2014-15	2015-16	2016-17	2017-18	2018-19
Chief Executive Office	0%	0%	0%	0%	133%
Marketing and Communications Department	33%	86%	22%	111%	44%
Referees Department	0%	0%	0%	0%	100%

Source: *Audit analysis of HKFA records*

4.31 It is HKFA's practice to conduct exit interviews for leaving staff. A leaving staff is invited to complete an exit survey by scoring (1 (poor) to 5 (excellent)) various aspects of employment at HKFA. In the period 2014-15 to 2018-19, 17 of the 29 (see Table 26 in para. 4.30) leaving staff completed exit surveys. Audit analysed the results of exit surveys of the 17 staff, focusing on aspects with low scores (i.e. 1 or 2). Audit noted that of the 17 staff, 6 staff (35%) left for the reason of career development opportunities and 5 staff (29%) left for workload involved (see Table 28).

Table 28

**Results of exit surveys of 17 leaving staff
(2014-15 to 2018-19)**

Area (Note)	No. of leaving staff
Career development opportunities	6
Workload involved	5
Lack of internal communications in HKFA	3
Morale	3
Work hours	3
Fringe benefits	2
Work location	2
Physical working conditions	1
Salary	1

Source: Audit analysis of HKFA records

Note: Leaving staff could select multiple aspects as the reasons for leaving HKFA.

4.32 High staff turnovers are not conducive to operational efficiency and may even affect the normal operations of the departments. HKFA needs to closely monitor the staff turnover rates (especially for those departments with particularly high turnover rates), and make efforts to address the high turnover rates taking into account the reasons for staff leaving HKFA.

Audit recommendations

4.33 **Audit has *recommended* that the Secretary for Home Affairs should urge HKFA to take effective measures to improve its human resource management, including:**

- (a) laying down policies and procedures for handling job applications received after the application deadlines and for dealing with applications not submitted through the proper channel as required;**
- (b) ensuring that the laid-down policies and procedures are consistently applied;**
- (c) in circumstances where there are compelling reasons for deviating from the laid-down policies and procedures, documenting the reasons for the deviations;**
- (d) ensuring that interview assessment forms are duly signed by all members of a recruitment panel prior to seeking the Board's approval for the job offering;**
- (e) specifying, in addition to close friends or relatives, what other connections with applicants are required to be declared by members of recruitment panels in recruitment exercises;**
- (f) stipulating clearly the circumstances under which alternative interview arrangements should be made;**
- (g) laying down the arrangements for resolving potential conflicts of interest in alternative interview arrangements;**
- (h) ensuring that conflicts of interest in recruitment exercises are properly and adequately declared;**
- (i) ensuring that declaration forms are completed and signed by members of recruitment panels prior to the conduct of interviews; and**

- (j) **closely monitoring the staff turnover rates (especially for those HKFA departments with particularly high turnover rates), and making efforts to address the high turnover rates taking into account the reasons for staff leaving HKFA.**

Response from the Government

4.34 The Secretary for Home Affairs accepts the audit recommendations. He has said that HAB will:

- (a) urge the HKFA Board to take effective measures in improving HKFA's human resources management and ensure that recruitment is conducted in a fair and transparent manner in full compliance with the relevant policies and procedures of HKFA; and
- (b) require HKFA to submit an action plan for consideration by FTF on how it intends to address the issues identified by Audit in this Audit Report, and submit progress reports on the implementation of the action plan at six-months' intervals.

Attendance of spectators and self-generated incomes

4.35 As mentioned earlier (see (c) in Figure 2 in para. 4.2), poor playing and management standards had led to a drop in the number of spectators, which in turn led to less revenue from gate receipts and sponsorship. While ASDF funding had been provided to HKFA, HAB expected that HKFA should in time be able to derive income from gate receipts, sponsorship and other sources that would help it achieve steady improvements financially and in management (see para. 4.17).

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Need to boost attendances

4.36 **Decrease in attendances.** Audit analysed the number of spectators of the matches organised by HKFA (i.e. Hong Kong Premier League (HKPL) matches (Note 26), Football Association Cup matches, Senior Shield matches, Sapling Cup matches, Exhibition matches, AFC Asian Cup matches and World Cup Qualification matches) in the period 2015-16 (i.e. after the completion of the Project Phoenix) to 2018-19. Audit found that the average number of spectators had decreased by 3.6% from 1,403 in 2015-16 to 1,352 in 2018-19. In particular, the number had decreased significantly by 36.3% from 2,122 in 2017-18 to 1,352 in 2018-19 (see Table 29).

Table 29

**Spectators attended matches organised by HKFA
(2015-16 to 2018-19)**

	2015-16	2016-17	2017-18	2018-19
Total number of spectators (a)	217,399	220,966	328,976	198,722
Total number of matches organised by HKFA (b)	155	159	155	147
Average number of spectators (c) = (a) ÷ (b)	1,403	1,390	2,122 (Note)	1,352

Source: Audit analysis of HKFA records

Note: The increase (from 1,390 in 2016-17 to 2,122 in 2017-18) was mainly due to the holding of Premier League Asian Trophy and an exhibition match between Kitchee and Tottenham Hotspur in Hong Kong (of which some 106,000 spectators were attracted in three match days). According to HAB, the gate receipts of the exhibition match between Kitchee and Tottenham Hotspur in May 2017 and the Premier League Asia Trophy in July 2017 did not form part of HKFA's income under Table 31 in paragraph 4.40.

Note 26: According to FTF (see Note 4 to para. 1.7(c)), HKPL is expected to be a "flagship" product of local football to arouse public interest in football and become the potential source of attracting sponsorship.

4.37 *Increasing proportion of complimentary tickets.* According to FTF (see Note 4 to para. 1.7(c)), distribution of complimentary tickets can help raise the public interest in football and improve the attendances of matches, thereby attaining the ultimate goal of generating more gate receipts.

4.38 Audit analysed HKFA’s distribution of complimentary tickets in the period 2015-16 to 2018-19, and found that:

- (a) the proportion of spectators holding complimentary tickets to total number of spectators of HKFA matches had increased from 9% in 2015-16 to 14.6% in 2018-19 (see Table 30);

Table 30

**Spectators holding complimentary tickets
(2015-16 to 2018-19)**

	2015-16	2016-17	2017-18	2018-19
Number of spectators holding complimentary tickets (a)	19,646	32,242	38,989	29,023
Total number of spectators of HKFA matches (b)	217,399	220,966	328,976	198,722
Proportion of spectators holding complimentary tickets to total number of spectators of HKFA matches (c) = (a) ÷ (b) × 100%	9.0%	14.6%	11.9%	14.6%

Source: Audit analysis of HKFA records

- (b) in some matches, the number of spectators holding complimentary tickets was greater than those holding sold tickets. For example, in 2018-19, in 8 (5.4%) of the total 147 HKFA matches held, the number of spectators holding complimentary tickets was greater than those holding sold tickets. For another example, in a HKPL match held in March 2018, the number of spectators holding complimentary tickets was 370, while those holding sold tickets was 161; and

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- (c) the results of using complimentary tickets to improve attendances were not always satisfactory. Audit examined the distribution of complimentary tickets for two local international competitions, namely the AFC Asian Cup held in June 2017, and an exhibition match held at the Hong Kong Stadium in January 2019. Audit found that:
- (i) of the 1,778 complimentary tickets distributed for the AFC Asian Cup, 1,158 (65%) tickets were not used; and
 - (ii) of the 1,806 complimentary tickets distributed for the exhibition match, 715 (40%) tickets were not used.

4.39 Notwithstanding the distribution of complimentary tickets to improve the attendances of matches (see para. 4.37), the number of spectators was on the decrease (see para. 4.36). Audit considers that HAB needs to urge HKFA to ascertain the reasons for the decrease in the number of spectators, taking into account the audit observations on HKFA's distribution of complimentary tickets (see para. 4.38), in order to take further measures to boost the attendances.

Need to generate more incomes

4.40 As mentioned in paragraph 4.17, HAB expected that HKFA should in time be able to derive income from gate receipts, sponsorship and other sources that would help it achieve steady improvements financially and in management. Audit analysed the incomes of HKFA in the football seasons 2014/15 to 2017/18 (see Table 31).

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Table 31

Incomes of HKFA (Football seasons 2014/15 to 2017/18)

	Football season							
	2014/15		2015/16		2016/17		2017/18	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
<i>Funding from Government and local organisations</i>								
Government funding (Note 1)	35,781	35%	33,761	40%	35,794	36%	34,120	37%
Hong Kong Jockey Club	3,996	4%	19,149	23%	20,089	21%	24,377	26%
<i>Funding from international and regional football governing bodies</i>								
Funding from organisations (e.g. FIFA, AFC, EAFF)	7,753	8%	7,167	8%	18,319	19%	9,806	10%
Sub-total	47,530	47%	60,077	71%	74,202	76%	68,303	73%
<i>Self-generated incomes</i>								
Gate receipts (Note 2)	16,806	16%	2,793	3%	3,754 (Note 3)	4%	4,601 (Note 3)	5%
Sponsorship (Note 2)	21,107	21%	7,103	8%	5,716	6%	4,465	5%
Advertising and TV broadcasting income (Note 2)	2,141	2%	2,045	2%	192	1%	311	1%
Programme and registration fee income (e.g. course fees of training programmes and registration fees of coaches)	6,561	6%	7,281	9%	7,482	7%	9,341	10%
Others (e.g. subsidies from clubs for television broadcasting and interest income)	7,805	8%	5,772	7%	6,374	6%	6,381	6%
Total	101,950	100%	85,071	100%	97,720	100%	93,402	100%

Source: HKFA audited accounts

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Table 31 (Cont'd)

Note 1: Government funding included funding for the Project Phoenix and FYSP from ASDF, and funding from LCSD's Sports Subvention Scheme (see (b) in Table 1 in para. 1.3).

Note 2: According to HAB, to celebrate HKFA's centennial anniversary, HKFA hosted an exhibition game in October 2014 between Hong Kong and Argentina, who were the runners-up in the 2014 World Cup. The match contributed to a spike in gate receipts, sponsorship, advertising and television broadcasting income in the football season 2014/15.

Note 3: According to HAB, while HKFA co-hosted the exhibition match between Kitchee and Tottenham Hotspur in May 2017 and hosted the Premier League Asia Trophy for the English Premier League in July 2017, the gate receipts contributed by these matches did not form part of HKFA's income.

Remarks: As at 29 February 2020, the audited accounts for the football season 2018/19 were not yet available.

4.41 As shown in Table 31:

- (a) HKFA heavily relied on funding from the Government and sports organisations to sustain its development. They accounted for 47% of the total incomes of HKFA in the football season 2014/15, but the percentage rose to 73% in the football season 2017/18; and
- (b) apart from programme and registration fee income, all other self-generated incomes were decreasing. For example, gate receipts decreased from \$16.8 million (16% of total incomes) in the football season 2014/15 to \$4.6 million (5% of total incomes) in the football season 2017/18, and sponsorship income decreased from \$21.1 million (21% of total incomes) in the football season 2014/15 to \$4.5 million (5% of total incomes) in the football season 2017/18.

4.42 In a meeting of FTF held in June 2016, the Chairman of FTF reminded HKFA that it should try to find new sponsorship and funding sources to support the continuation of its various programmes, as there was no guarantee that government funding support (i.e. ASDF funding) would continue upon expiry of FYSP in 2019-20. Audit considers that HAB needs to urge HKFA to ascertain the reasons for the general decrease in self-generated incomes, so as to step up measures to generate more such incomes.

Audit recommendations

4.43 Audit has *recommended* that the Secretary for Home Affairs should urge HKFA to take effective measures to boost attendance and generate income, including:

- (a) ascertaining the reasons for the decrease in the number of spectators, taking into account the audit observations on HKFA's distribution of complimentary tickets (see para. 4.38), in order to take further measures to boost the attendances; and
- (b) ascertaining the reasons for the general decrease in self-generated incomes, so as to step up measures to generate more such incomes.

Response from the Government

4.44 The Secretary for Home Affairs accepts the audit recommendations. He has said that:

- (a) in both the mid-term review conducted in mid-2017 and final review at the end of 2019 of HKFA's performance under FYSP, FTF has expressed concerns about HKFA's poor performance in boosting attendance at HKPL games and generating additional commercial revenue. FTF urged HKFA to demonstrate its utmost effort in making improvements in both areas; and
- (b) HAB will urge HKFA to ascertain the reasons for the decrease in the number of spectators and self-generated income, and require it to submit an action plan for consideration by FTF on how it intends to address the issues identified by Audit in this Audit Report.

Performance measurement and other administrative issues

Performance measurement

4.45 *Performance targets and indicators not achieved.* According to FYSP funding agreement between HAB and HKFA, HKFA is required to submit half-yearly progress reports to HAB to report the achievements against performance targets and

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indicators. Failure to achieve any of the performance targets and indicators without reasons that are acceptable to HAB shall be followed up by HKFA for imposing corresponding remedial actions. Failure of remedy is treated as a breach of the funding agreement and HAB shall be entitled to terminate the agreement forthwith.

4.46 Audit examined the progress reports submitted by HKFA in the period 2015-16 to 2018-19, and found that:

- (a) in the period, there were under-achievements against performance targets and indicators. The number of under-achievements ranged from 2 to 11 (see Table 32); and

Table 32

**Under-achievements against performance targets and indicators
(2015-16 to 2018-19)**

	Total number of targets/ indicators	Number of targets/indicators not met			
		2015-16	2016-17	2017-18	2018-19
Performance targets	28	10 (36%)	11 (39%)	10 (36%)	9 (32%)
Performance indicators	5	2 (40%)	3 (60%)	3 (60%)	3 (60%)

Source: Audit analysis of HAB records

- (b) in 2018-19, there were under-achievements in 9 performance targets and 3 performance indicators. The extent of individual under-achievements ranged from 1% to 50% (see Table 33).

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Table 33

**Under-achievements against performance targets and indicators
(31 March 2019)**

Performance targets/indicators		Target for 2018-19 (a)	Achievement as at 31 March 2019 (b)	Under- achievement (c) = (a) – (b)
<i>Performance target</i>				
Increase the number of qualified coaches registered with HKFA				
1.	D licence coach	350	279	71 (20%)
2.	C licence coach	324	273	51 (16%)
3.	B licence coach	118	107	11 (9%)
4.	A licence coach	45	40	5 (11%)
Increase the number of referees				
5.	Women FIFA referee	2	1	1 (50%)
6.	Women FIFA Assistant Referee	2	1	1 (50%)
7.	Class 1 (Note)	45	36	9 (20%)
8.	Class 2 (Note)	55	42	13 (24%)
9.	Class 3 (Note)	100	99	1 (1%)
<i>Performance indicator</i>				
1.	Average attendance per HKPL match	2,000	1,006	994 (50%)
2.	Increase average daily website hits of HKFA website	560,000	496,500	63,500 (11%)
3.	Expand the membership of HKFA	100	83	17 (17%)

Source: Audit analysis of HAB records

Note: According to the Referees Regulations and Guidelines issued by HKFA, a referee would first be a Class 3 referee. He/she may be promoted to a Class 2 referee and then to a Class 1 referee after assessments.

4.47 According to an HAB paper submitted in the meeting of the LegCo Panel on Home Affairs in July 2018, FTF had conducted a mid-term review of FYSP in the second-half of 2017. In response to the review, HKFA had submitted action plans detailing the improvement measures to FTF. It was also stated in the paper that HKFA was confident that it would complete most of the work in relation to the performance targets and indicators, and achieve the targets and indicators by the end of the five-year period 2015-16 to 2019-20.

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4.48 *Key targets of the consultancy report not achieved.* As mentioned in Figure 2 in paragraph 4.2, the Project Phoenix and FYSP were implemented to take forward the recommendations of the consultancy report on football development issued in December 2009. In the meeting of the LegCo Panel on Home Affairs held in March 2010 (see para. 4.17), HAB was confident that Hong Kong would envisage a transformation of local football within the next five to 10 years, if changes were implemented in a timely and effective way.

4.49 In the consultancy report, 16 key targets for football development were set. Audit examined the achievements against four key targets, and found that since the implementation of the Project Phoenix in November 2011 (see (e) in Figure 2 in para. 4.2), up to the end of September 2019, some achievements were lower than the targets and even lower than the achievements in 2009 (see Table 34).

Table 34

**Achievements against some key targets of consultancy report
(September 2019)**

	Position in December 2009 (Note)	Key target		Position in September 2019
		Future position	To achieve in year	
“National” Team FIFA Asia ranking (men)	26	20	2012	27
		15	2015	
		Maintain top 10	2020	
“National” Team FIFA world ranking (ladies)	60	50	2012	77
		40	2015	
		Maintain top 35	2020	
“National” Team FIFA Asia ranking (ladies)	13	11	2012	15
		9	2015	
		Maintain top 8	2020	

Source: HAB records and FIFA’s website

Note: The consultancy report was issued in December 2009.

4.50 According to an HAB paper submitted to FTF in its meeting held in November 2019, a final review of FYSP had been conducted. According to FTF, HKFA had made concrete improvements in many aspects under FYSP. However, there remained areas where improvements needed to be made for the further development of football in Hong Kong. The deficiencies in performance identified included unachieved performance indicators, declining trend of the average attendance of HKPL matches and lack of significant progress in generating additional revenue. Continued funding support from the Government would be necessary to sustain the efforts made so far as well as to fund further support initiatives. In March 2020, HKFA was preparing a funding application for its next strategic plan.

4.51 Audit considers that HAB needs to scrutinise HKFA's strategic plan (see para. 4.50) to ensure that the plan adequately and effectively addresses the performance deficiencies. Furthermore, HAB needs to closely monitor HKFA's performance to determine the way forward for football development in Hong Kong.

4.52 *Need to improve the accuracy of reporting achievements against the performance targets and indicators.* Audit sample checked the accuracy of achievements against a performance target (namely “increase sponsorship and advertising gross revenue”) and against a performance indicator (namely “average attendance per HKPL match”) reported by HKFA in its half-yearly progress reports to HAB in the period 2017-18 and 2018-19.

4.53 In August 2019, in respect of the “increase sponsorship and advertising gross revenue” reported in the half-yearly progress reports, Audit requested HKFA for the related supporting documents. While HKFA failed to provide the documents for Audit's examination, it provided Audit with a breakdown of the amounts of sponsorship and advertising gross revenue. Audit found that there were discrepancies between the amounts reported in the half-yearly progress reports and the amounts provided by HKFA in August 2019 (see Table 35). HKFA could not provide any explanations for the discrepancies. Audit considers that HAB needs to require HKFA to resolve the aforementioned discrepancies.

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Table 35

**Sponsorship and advertising gross revenue
(2017-18 and 2018-19)**

	2017-18	2018-19
	(\$'000)	
Amounts reported in half-yearly progress reports	17,377	20,579
Amounts provided by HKFA in August 2019	18,538	19,483

Source: Audit analysis of HAB and HKFA records

4.54 In respect of the “average attendance per HKPL match”, Audit found that there were discrepancies between the attendances reported in the half-yearly progress reports and those published on HKFA website (see Table 36).

Table 36

Average attendance per HKPL match

	April 2017 to September 2017	October 2017 to March 2018	April 2018 to September 2018	October 2018 to March 2019
	(No.)			
Reported in half-yearly progress reports	1,213	1,012	1,087	1,006
Published on HKFA website (Note)	1,138	941	996	938

Source: Audit analysis of HAB records and HKFA’s website

Note: HKFA website showed a breakdown of all matches (including HKPL) held in Hong Kong with gate receipts income. The figures shown are the average attendance per HKPL match.

4.55 In March 2020, HAB informed Audit that the figures shown in the half-yearly progress reports included other matches in addition to HKPL match (e.g. Senior Shield and Football Association Cup).

4.56 HKFA was required to report “average attendance per HKPL match”, but the average attendance of various other matches was included in the reporting to HAB. Audit considers that HAB needs to redetermine the types of matches to be included in the reporting of average attendance to HAB in future and ensure that (e.g. by making enquiries with HKFA if necessary) the average attendance is properly reported.

Other administrative issues

4.57 ***Need to observe procurement requirements.*** For procurement of goods and services, HKFA needs to observe the requirements stipulated in its Procurement Policies and Guidelines (hereinafter referred to as the Guidelines) issued in June 2014 and revised in October 2018. Tables 37 and 38 show the procurement requirements laid down in the Guidelines in June 2014 (applicable for the period June 2014 to September 2018) and October 2018 (applicable from October 2018 onwards) respectively.

Table 37

**Procurement requirements
(June 2014 to September 2018)**

Value of purchase of goods and services	Procurement method	Authority for approving accepted quotation
> \$10,000 to \$20,000	Not less than 2 verbal quotations	Nil
> \$20,000 to \$2 million	3 written quotations	
> \$2 million	Open tendering	An assessment panel of not fewer than 2 members

Source: HKFA records

Remarks: Prior to June 2014, there were no laid-down procurement requirements.

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Table 38

**Procurement requirements
(From October 2018 onwards)**

Value of purchase	Procurement method	Authority for approving accepted quotation
Goods and services of value > \$5,000 to \$20,000	Not less than 2 verbal quotations	Department Head
Goods and services of value > \$20,000 to \$50,000	At least 2 written quotations	Department Head and Head of Corporate Governance
Goods of value > \$50,000 to \$200,000 and services of value > \$50,000 to \$500,000	At least 5 written quotations	Department Head and CEO
Goods of value > \$200,000 and services of value > \$500,000	Open tendering	Directors of the Board
Goods of value > \$200,000 and services of value > \$500,000 in which only a limited number of suppliers are available (e.g. supplies being sole agents or patented distributors)	Restricted or single tendering (i.e. only one or several suppliers will be invited to submit written tenders)	Directors of the Board

Source: HKFA records

4.58 Audit examined 50 items of goods and services procured (with amounts ranging from \$440 to \$1 million) in the period June 2014 (when the Guidelines were first issued — see para. 4.57) to September 2019 under the Project Phoenix and FYSP. Audit found that for 10 items (20%), HKFA did not obtain any quotations. Furthermore, there was no documentation on the justifications for not obtaining any quotations. Table 39 shows the details of the procurements of the 10 items.

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Table 39

**Procurement of 10 items without obtaining quotations
(June 2014 to September 2019)**

Item	Procurement of	No. of quotations required	No. of quotations obtained	No. of items procured	Amount (\$)
Guidelines issued in June 2014 (covering procurement in the period June 2014 to September 2018)					
<i>For goods and services of value > \$20,000 to \$2 million</i>					
(a)	Employee compensation insurance of clubs, and medical and personal accident insurance of football team players	3 written quotations	0	5	952,983
(b)	Webpage production services and licence fee for a video analysis software for coaches, analysts and players to improve their performance		0	2	97,930
(c)	IT services (e.g. managing HKFA website, providing database maintenance and server upgrading)		0	1	66,560
(d)	Promotion and marketing services		0	1	30,000
Guidelines issued in October 2018 (covering procurement from October 2018 onwards)					
<i>For goods of value > \$50,000 to \$200,000 and services of value > \$50,000 to \$500,000</i>					
(e)	Football fraud detection and monitoring services	At least 5 written quotations	0	1	89,200
Total				10	1,236,673

Source: Audit analysis of HKFA records

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4.59 In March 2020, HAB informed Audit that:

- (a) for the medical and personal accident insurance coverage (see (a) in Table 39 in para. 4.58), an insurance broker was appointed to conduct the quotation process for HKFA. For 2016-17, 16 insurers were contacted. Eventually, only two quotations were received. In fact, due to the high risk of football playing and restriction of insurance industry practice, it would not be practicable for HKFA to do the quotation process by itself. Overall speaking, the insurance broker did help HKFA request quotations from more than 5 insurers in every year;
- (b) the IT services involved the licence fee for video analysis software for coaches (see (c) in Table 39 in para. 4.58). The licence fee was paid for using the existing software system; and
- (c) for the football fraud detection and monitoring services (see (e) in Table 39 in para. 4.58), the services were provided by the sole service provider to AFC for betting monitoring coverage of all matches organised by AFC, and all matches in the top two leagues and national cup competition of AFC's Member Associations.

Audit understands that, in some circumstances, there might be difficulties in obtaining quotations from suppliers (e.g. for reason of sole suppliers). However, to ensure that best value for money is achieved, HKFA needs to obtain the required quotations as far as possible. In circumstances where the quotations could not be obtained, in order to enhance transparency and accountability, HKFA needs to document the justifications for not obtaining the quotations.

4.60 Audit considers that HAB needs to urge HKFA to take effective measures to ensure that the requirements on obtaining quotations as laid down in the Guidelines are duly observed. In circumstances where the requirements could not be observed, HKFA needs to document the justifications for the non-compliance to strengthen the control.

4.61 ***Need for HAB to release grant payments in a timely manner.*** According to the funding agreement for FYSP signed between HAB and HKFA, HKFA receives ASDF funding for FYSP on an annual basis. HKFA should make application for the annual grant (covering the period from 1 April to 31 March in the ensuing year) before

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1 December in each year (Note 27). An annual grant endorsed by FTF and approved by HAB shall be allocated to HKFA by four equal quarterly instalments payable in advance at the beginning of each quarter of the annual grant period.

4.62 Audit found that, in recent years, there were late disbursements (up to 163 days late) of the instalment of the annual grants (see Table 40).

Note 27: *The application should include, for example, the annual budget, a plan for using venues managed by LCSD, performance targets and relevant supporting documents.*

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Table 40
Disbursement of annual grant to HKFA
(2015-16 to 2019-20)

Year	Date				Delay in disbursement (c) = (b) – (a) (days)
	Submission of annual grant application by HKFA	Endorsement by FTF	Disbursement stipulated in the funding agreement (Note) (a)	Actual disbursement (b)	
2015-16	Not required (beginning of FYSP)	28.8.2014	1.4.2015	8.5.2015	37
			1.7.2015	13.7.2015	12
			1.10.2015	9.11.2015	39
			1.1.2016	14.1.2016	13
2016-17	1.12.2015	29.6.2016	1.4.2016	7.9.2016	159
			1.7.2016	7.9.2016	68
			1.10.2016	3.10.2016	2
			1.1.2017	16.1.2017	15
2017-18	29.11.2016	24.3.2017	1.4.2017	10.5.2017	39
			1.7.2017	24.7.2017	23
			1.10.2017	14.11.2017	44
			1.1.2018	21.2.2018	51
2018-19	1.12.2017	23.5.2018	1.4.2018	11.9.2018	163
			1.7.2018	11.9.2018	72
			1.10.2018	18.10.2018	17
			1.1.2019	9.1.2019	8
2019-20	3.12.2018	26.6.2019	1.4.2019	24.7.2019	114
			1.7.2019	24.7.2019	23
			1.10.2019	18.12.2019	78
			1.1.2020	20.1.2020	19

Source: *Audit analysis of HAB records*

Note: *According to the terms of the agreement, each annual grant will be allocated to the grantee by four equal quarterly instalments payable in advance at the beginning of each quarter of each annual grant period.*

4.63 According to HKFA, late and irregular intervals of receiving disbursements of annual grants from HAB had sometimes affected the cashflow of HKFA which in turn affected the operation of HKFA, and the planning and implementation of programmes under FYSP. In addition, Audit noted that FTF, which endorsed HKFA's annual grant applications, only held 1 to 2 meetings a year. In 2016-17, 2018-19 and 2019-20, the FTF meetings to endorse the annual grant applications were held after the beginning (i.e. 1 April) of the grant periods.

4.64 Audit considers that HAB needs to look into the concern of HKFA on late disbursements of instalments of annual grants, and make efforts to release any future grant payments to HKFA in a timely manner.

Audit recommendations

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

- (a) **scrutinise HKFA's strategic plan (see para. 4.50) to ensure that the plan adequately and effectively addresses the performance deficiencies, and closely monitor HKFA's performance to determine the way forward for football development in Hong Kong;**
- (b) **require HKFA to resolve the discrepancies in the reporting of sponsorship and advertising gross revenue;**
- (c) **redetermine the types of matches to be included in the reporting of average attendance per HKPL match, and ensure that the achievement is properly reported by HKFA;**
- (d) **urge HKFA to take effective measures to ensure that the requirements on obtaining quotations as laid down in the Procurement Policies and Guidelines are duly observed, and in circumstances where the requirements could not be observed, the justifications for the non-compliance is documented to strengthen the control; and**
- (e) **look into the concern of HKFA on late disbursements of instalments of annual grants, and make efforts to release any future grant payments to HKFA in a timely manner.**

Response from the Government

4.66 The Secretary for Home Affairs agrees with the audit recommendations. He has said that HAB will:

- (a) urge the HKFA Board to take effective measures to ensure that HKFA's procurement activities are conducted in full compliance with the relevant policies and guidelines of HKFA;
- (b) require HKFA to submit an action plan on how it intends to address the issues identified by Audit in this Audit Report; and
- (c) review the process for releasing funds to HKFA and make improvements as appropriate to ensure that future disbursements will be made in a timely manner.

PART 5: FUNDING FOR OTHER SPORTS PROGRAMMES AND SCHEMES

5.1 This PART examines funding for other sports programmes and schemes, focusing on:

- (a) the Five-Year Development Programme for Team Sports (paras. 5.2 to 5.14);
- (b) District Football Funding Scheme (paras. 5.15 to 5.29); and
- (c) HKPC&SAPD programmes (paras. 5.30 to 5.38).

The Five-Year Development Programme for Team Sports

5.2 According to ESC (see para. 1.14(b)), team sports (e.g. basketball and volleyball) were among the most popular sports among students and young people, enabling them to establish team spirit, instil confidence and develop a healthy lifestyle. Despite their popularity, team sports lagged behind individual sports (e.g. table-tennis and badminton) in terms of achievements in regional and international competitions. This was partly due to the fact that given the large size of squads of team sports, more resources were required for organisation of regular training and participation in international competitions. In August 2017, ESC discussed the proposal to introduce a five-year enhancement programme under which resources from ASDF would be provided to eight team sports with a team size of five or more (i.e. (a) baseball; (b) basketball; (c) handball; (d) hockey; (e) ice hockey; (f) softball; (g) volleyball; and (h) water polo) competing in the next Asian Games and Asian Winter Games.

5.3 In September 2017, SC endorsed the introduction of a Five-Year Development Programme for Team Sports (the 5-year programme) covering the period 1 January 2018 to 31 December 2022 with a committed funding of \$105 million from ASDF. The programme provides funding to the aforesaid eight team sports competing in the 2018 and 2022 Asian Games, and the 2021 Asian Winter Games. The programme aims at enhancing the performance of the team sports progressively and increasing their chances of attaining elite sports status (see Appendix B) in the future. In an ESC paper of December 2018, it was further stated that the ultimate

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goal of the 5-year programme was to improve the performance of the team sports in the 2022 Asian Games.

5.4 According to HAB, with the introduction of the 5-year programme, NSAs now maintain regular training of their Hong Kong squads and devise annual plans for sports exchanges and competitions outside Hong Kong to improve the performance of the teams. They closely monitored their competitors in the 2018 Asian Games and identified their weaknesses in, for example, physical fitness of players and sports science adopted in training. Some NSAs even take a step forward to plan the development of specific positions in the team. For players, they are now committed to regular training partly because of the monthly grant, but more importantly, the improving development of the team sports under the support of the 5-year programme. These players now actively exchange with their coaches, fitness trainers and sports professionals to improve their performance.

5.5 For the Asian Games, the 5-year programme covers four development stages:

- (a) pre-2018 and the 2018 Asian Games from 2017 to 2019 (including review of results of the 2018 Asian Games in 2019);
- (b) post-2018 Asian Games in 2019-20;
- (c) pre-2022 Asian Games from 2020 to 2022; and
- (d) the 2022 Asian Games.

5.6 Under the funding arrangement of the 5-year programme, NSAs of the eight team sports (hereinafter referred to as the relevant NSAs) may submit applications for ASDF funding to HKSI. HKSI vets the relevant NSAs' applications and finalises the amounts of funding for approval by HAB. ASDF funding covers:

- (a) ***Expenditure for training programmes.*** Training programmes are arranged by the relevant NSAs for their teams. The amount of funding for a team varies with the team size. The basic annual funding for a team is \$200,000, \$350,000 and \$500,000 with a squad size of below 10, 11 to 20 and over

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20 respectively. Enhanced funding support will be provided to a team which meets certain performance targets (Note 28); and

- (b) ***Athlete allowances.*** An athlete nominated by a relevant NSA receives a standard monthly allowance of \$4,000, subject to fulfilling an attendance rate of at least 80% of the scheduled training provided by the relevant NSA.

In 2017-18 and 2018-19, under the 5-year programme, ASDF provided funding of \$3.5 million and \$13 million respectively to the relevant NSAs.

5.7 To monitor the performance of the relevant NSAs, the NSAs are required to submit to HAB via HKSI:

- (a) half-yearly reports (reporting matters such as the local and overseas training programmes and competitions, and evaluation of athletes' performance) in January and July each year;
- (b) a list of unaudited incomes and expenditures prepared by the NSAs (covering the period January to December) in February each year; and
- (c) audited accounts in June each year.

5.8 A Coordinating Committee for the Five-Year Development Programme for Team Sports (the Coordinating Committee) was established in December 2017 to advise HAB on matters relating to the 5-year programme, including, inter alia:

- (a) to consider, monitor and evaluate the implementation of training plans by the relevant NSAs with reference to the agreed key performance indicators and targets;
- (b) to monitor and evaluate the performances of teams in major competitions;

Note 28: *For the Asian Games, performance targets are set for each of the four development stages (see para. 5.5) (see also para. 5.11 for the targets set for the first development stage). A team that has achieved one stage of targets will be provided with a 20% increase in annual funding as an incentive.*

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- (c) to monitor and advise on the allocation of funds earmarked for the relevant NSAs to implement the 5-year programme;
- (d) to exchange views with relevant stakeholders and NSAs on the further development of team sports; and
- (e) to advise on any other strategic matters relating to the 5-year programme.

5.9 The Coordinating Committee is chaired by HAB Commissioner for Sports and comprises representatives of LCSD, HKSI, SF&OC and the relevant NSAs. In the first meeting of the Coordinating Committee in December 2017, it was decided that the Committee would hold two meetings annually.

Need to closely monitor the implementation of the 5-year programme

5.10 According to HAB, there is a qualification process in participation at Asian Games. Only the top teams among the 45 participating countries may gain the privilege to compete at the Asian Games. Therefore, the team sports events at the Asian Games are very competitive.

5.11 In the 2018 Asian Games, 12 teams (Note 29) of 7 team sports (excluding ice hockey which is a winter sport) participated in various competitions. The performance targets set for this first development stage of the 5-year programme (see para. 5.5(a)) were that the final positions of the teams in the 2018 Asian Games should be higher than those in the 2014 Asian Games. Audit noted that of the 12 teams:

- (a) over the short time span from the launch of the 5-year programme in January 2018 to the holding of the 2018 Asian Games in August 2018, there were improvements in the performance of 3 teams. According to HAB, the men's baseball and women's hockey teams recorded first win at the Asian Games, while the men's handball achieved its best ever finish; and
- (b) on the other hand, 9 teams did not achieve the performance targets.

Details are shown in Table 41.

Note 29: *A team sport may comprise two teams (i.e. a men team and a women team).*

Funding for other sports programmes and schemes

Table 41

**Achievements of performance targets by
seven team sports in 2018 Asian Games**

Team	Sport	Men/Women Team	Result of 2014 Asian Games	2018 Asian Games	
				Target	Result
			(Position/No. of participating teams from Asian countries or regions including Hong Kong, China)		
Targets achieved (3 teams — teams 1 to 3)					
1	Baseball	Men	7th/8 teams	7th/8 teams	6th/8 teams
2	Handball	Men	11th/14 teams	10th/13 teams	8th/13 teams
3	Hockey	Women	8th/8 teams	9th/10 teams	9th/10 teams
Targets not achieved (9 teams — teams 4 to 12)					
4	Basketball	Men	13th/16 teams	12th/15 teams	13th/13 teams (2 teams withdrawn)
5		Women	9th/11 teams	8th/10 teams	10th/10 teams
6	Handball	Women	6th/9 teams	6th/10 teams	7th/10 teams
7	Hockey	Men	Not participated in 2014 Asian Games	11th/12 teams	12th/12 teams
8	Softball	Women		6th/7 teams	7th/7 teams
9	Volleyball	Men	15th/16 teams	15th/20 teams	19th/20 teams
10		Women	7th/9 teams	6th/11 teams	11th/11 teams
11	Water polo	Men	7th/7 teams	8th/9 teams	9th/9 teams
12		Women	6th/6 teams	5th/6 teams	6th/6 teams

Source: HAB records

Funding for other sports programmes and schemes

5.12 As stated in paragraph 5.4, with the introduction of the 5-year programme, NSAs maintained regular training and organised sports exchange and competitions to improve the performance of the teams. The 5-year programme aims at enhancing the performance of the eight team sports progressively and increasing their chances of attaining elite sports status in the future, with the ultimate goal of improving the performance of the team sports in the 2022 Asian Games (see para. 5.3). Nevertheless, the fact that 9 of the 12 teams that participated in the 2018 Asian Games did not achieve the performance targets in the first development stage of the 5-year programme is not conducive to attaining the aims and ultimate goal of the programme. In late 2018, meetings were held to review the performance of the relevant NSAs in the 2018 Asian Games, the implementation of the 5-year programme, and the relevant NSAs' 2019 training plans. The 5-year programme is now in its third development stage of pre-2022 Asian Games from 2020 to 2022 (see para. 5.5(c)). Audit considers that HAB needs to closely monitor the implementation of this development stage, including deliberating with the Coordinating Committee (see para. 5.8) about how best to accomplish the aims and ultimate goal of the programme.

Audit recommendation

5.13 **Audit has recommended that the Secretary for Home Affairs should closely monitor the implementation of the third development stage (i.e. pre-2022 Asian Games from 2020 to 2022) of the Five-Year Development Programme for Team Sports, including deliberating with the Coordinating Committee about how best to accomplish the aims and ultimate goal of the programme.**

Response from the Government

5.14 The Secretary for Home Affairs accepts the audit recommendation. He has said that HAB will continue to hold regular review meetings with the relevant NSAs, and conduct site visits to team training for in-depth discussion on their respective training and development plans.

District Football Funding Scheme

5.15 As mentioned in paragraph 1.8, ASDF provided and HAB continues to provide funding for DFFS. Table 42 shows the salient features of DFFS.

Funding for other sports programmes and schemes

Table 42

Salient features of DFFS

	Features
Executive arm (Note)	DOs
Target applicant	District Football Teams (DFTs) (see Photograph 8 for an example) participating in football league competitions organised by HKFA
	DFTs submit applications with project proposals and budgets to DOs. After vetting the applications, DOs submit recommendations for HAB's approval.
Expense covered (examples)	<ul style="list-style-type: none"> • Administrative costs • Coaching • Equipment • Meals and beverages • Transportation fees • Registration fees and insurance
Funding limit	<p>For a DFFS funding period (i.e. start in June and end in May in the ensuing year):</p> <ul style="list-style-type: none"> • HKPL Clubs: \$1,650,000 • First Division Clubs: \$550,000 • Second Division Clubs: \$385,000 • Third Division Clubs: \$330,000
Funding disbursement	Funding is provided on a reimbursement basis

Source: HAB records

Note: DOs are the executive arm of HAB in managing DFFS. They vet applications from target applicants and monitor the implementation of the Scheme.

Photograph 8

**A DFT undergoing training
(September 2019)**



Source: DO records

5.16 Table 43 shows the amounts of funds disbursed to DFPS and the number of beneficiaries of DFPS (i.e. DFTs) in the period 2014-15 to 2018-19.

Funding for other sports programmes and schemes

Table 43

**Funds disbursed to DFFS and number of beneficiaries
(2014-15 to 2018-19)**

	2014-15	2015-16	2016-17	2017-18	2018-19
Funds disbursed (Note 1)	\$10,227,115	\$10,082,266	\$10,224,761	\$10,175,052	\$10,960,303
No. of beneficiaries (Note 2)	18	18	18	18	18

Source: HAB records

Note 1: In the period 2014-15 and 2015-16, DFFS was funded by ASDF. Since 2016-17, it has been funded by HAB's recurrent expenditure.

Note 2: There is a DFT in each of the 18 districts in Hong Kong.

5.17 Audit examined DFFS and noted that there is scope for improvement in a number of areas (see paras. 5.18 to 5.26).

Scope for improvement in reporting achievements by DFTs under DFFS

5.18 For performance monitoring purpose, under DFFS, a DFT is required to submit to its respective DO a mid-term report and a final report in March (during the DFFS funding period) and June (after the DFFS funding period) respectively. In the reports, the DFT provides information on:

- (a) the project income and expenses;
- (b) the dates of training sessions;
- (c) the dates of competitions held; and
- (d) with effect from September 2017, the community building activities organised.

Funding for other sports programmes and schemes

5.19 The respective DO, on the other hand, is required to submit to HAB the mid-term report of the DFT in April, and the final report of the DFT together with a performance evaluation report in July. The performance evaluation report indicates the DFT's:

- (a) achievements against four performance targets (which are mandatorily set in the DFT's application for funding under DFSS), namely;
 - (i) the average number of training hours with coaches per month;
 - (ii) the average number of spectators in home matches;
 - (iii) the position in the league compared with the previous DFSS funding period; and
 - (iv) starting from September 2017, the target for community building activities (e.g. the number of activities to be organised and the details of the activities).

In addition, the DO is required to provide explanations on any significant differences between the achievements and the set targets. According to HAB, explanations of significant differences would enable consideration as to whether follow-up action is required in order to help the DFT achieve its targets;

- (b) use of funds; and
- (c) timeliness of submission of mid-term and final reports.

5.20 Audit examined the performance evaluation reports submitted by DOs to HAB in the DFSS funding periods 2014/15 to 2018/19, and noted that:

- (a) of the 18 DFTs, out of the four performance targets, 4 DFTs continuously did not achieve one or more of the targets throughout the entire period (see Table 44), while the other 14 (18 minus 4) DFTs did not achieve at least one of the targets in one or more years (see Table 45); and

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Table 44

**4 DFTs continuously not achieving performance targets
(DFFS funding periods 2014/15 to 2018/19)**

DFT	No. of targets not achieved in the DFS funding period				
	2014/15	2015/16	2016/17	2017/18	2018/19
A	2	1	2	2	2
B	1	2	2	2	1
C	1	2	3	2	2
D	1	1	2	2	2

Source: Audit analysis of DO records

Table 45

**14 DFTs not achieving at least one performance target
(DFFS funding periods 2014/15 to 2018/19)**

DFT	No. of targets not achieved in the DFS funding period				
	2014/15	2015/16	2016/17	2017/18	2018/19
E	0	1	0	2	0
F	0	1	0	1	1
G	0	1	0	1	1
H	1	1	1	1	0
I	1	0	0	0	1
J	1	0	0	0	0
K	2	2	0	1	0
L	1	0	0	0	1
M	1	1	0	1	2
N	1	0	1	0	0
O	1	1	2	1	0
P	2	1	0	0	1
Q	1	N.A. (Note)	1	1	0
R	1	1	0	0	2

Source: Audit analysis of DO records

Note: The achievements of performance targets were not reported by the DFT.

Funding for other sports programmes and schemes

- (b) notwithstanding the under-achievements mentioned in (a) above, explanations had not been provided by 10 of the 18 DFTs. While the remaining 8 DFTs had provided explanations, some “significant differences”, which had not been defined by HAB, were left unexplained. For example:
- (i) for a DFT, the “average number of training hours with coaches per month” was “58% under-achieved” in the DFSS funding period 2018/19;
 - (ii) for another DFT, for the DFSS funding periods 2014/15 to 2017/18, while the “average number of spectators in home matches” was set at 100, there were under-achievements throughout the four years ranging from 60% to 66% (for 2018/19, while the target was revised downwards from 100 to 50, there was still an under-achievement of 36%); and
 - (iii) for a further DFT, while for the DFSS funding period 2018/19, the target for the “position in the league compared with the previous DFSS funding period” was “2nd”, the achieved position was “6th”.

Moreover, there was no evidence indicating that DOs or HAB had taken any follow-up actions in the above cases. In March 2020, HAB informed Audit that it had reviewed the 90 evaluation reports submitted by the 18 DOs in the DFSS funding periods 2014/15 to 2018/19. In 68 reports, DOs had documented their follow-up actions (such as issuing reminders) with DFTs on many unachieved targets in the past. In the other 22 reports, there was no DOs’ documentation of their follow-up actions for the unmet performance indicators.

5.21 Audit further noted that:

- (a) there was no requirement stipulating that DFTs should report their achievements in their reports. DFTs’ achievements (against the performance targets as recorded in performance evaluation reports submitted by DOs to HAB — see para. 5.19) were either reported by DFTs on their own initiative in their reports or made known to DOs upon DOs’ enquiries for the purpose of assessing DFTs’ achievements; and

- (b) in Audit's visits to two DOs (one in Kowloon and another in the New Territories) to examine DFFS, Audit noted that for the DO in Kowloon, while it was not a stipulated requirement, the DFT concerned had provided to the DO supporting documents (e.g. training records, and detailed breakdown of number of spectators in different matches) for the DFT's reported achievements. On the other hand, the DFT concerned in the New Territories had not done so. Upon Audit's enquiry in July 2019, the staff concerned of the DO in the New Territories informed Audit that while the DFT had not provided any supporting documents, he had made telephone enquiries with the DFT to confirm that the achievements reported were in order.

5.22 Audit considers that HAB needs to clearly define "significant differences" between the achievements and the set performance targets of DFTs. On the other hand, DOs need to require all DFTs to report their achievements against the performance targets in their reports submitted to DOs, and to provide supporting documents for their reported achievements. Furthermore, DOs need to require DFTs to provide explanations for any "significant differences", and to ensure that necessary follow-up actions are taken on such differences so as to help DFTs achieve their performance targets.

Need for proper control on purchases made under DFFS

5.23 According to the guidelines on applications for funding under DFFS:

- (a) DFTs should exercise prudence and uphold the principles of openness, fairness, competitiveness and value for money in dealing with purchasing matters; and
- (b) DFTs' purchases should follow the guidelines laid down in DOs' Manual on the use of District Funds, which, for example, requires two written quotations for purchase of goods and services with an amount between \$1,500 and \$50,000 inclusive.

5.24 Furthermore, under DFFS, DFTs are required to submit in March and June of a DFFS funding period, information on quotations obtained, receipts for goods and

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services purchased, and completed reimbursement forms for claiming reimbursement of expenses.

5.25 In visiting the two DOs (see para. 5.21(b)), Audit noted that in the DFFS funding periods 2014/15 to 2018/19, the two respective DFTs (of the two DOs) had not provided any information on quotations obtained for the following purchases:

- (a) for the DFT in Kowloon, 5 purchases of football team insurances and 2 purchases of goods (i.e. footballs) amounting to a total of \$37,504 and \$6,765 respectively; and
- (b) for the DFT in the New Territories, 5 purchases of football team insurances and 12 purchases of goods (e.g. water and sportswear) amounting to a total of \$54,008 and \$160,000 respectively.

The two DFTs also had not given any reasons for not providing the information on quotations obtained (e.g. sole suppliers).

5.26 It was therefore uncertain whether the two DFTs had obtained any quotations for the aforesaid purchases. Furthermore, despite the missing information, there was no evidence indicating that the two DOs had taken any follow-up actions. Audit considers that DOs need to take measures to ensure that DFTs provide information on quotations to them, and take follow-up actions where warranted.

Audit recommendations

5.27 **Audit has recommended that the Secretary for Home Affairs should clearly define “significant differences” between the achievements and the set performance targets of DFTs, and inform DOs about the definition so as to facilitate them to take follow-up actions where warranted.**

5.28 **Audit has recommended that the Secretary for Home Affairs should, acting through DOs:**

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- (a) **require all DFTs to report their achievements against the performance targets in their reports submitted to DOs;**
- (b) **require DFTs to provide supporting documents for their reported achievements against the performance targets to DOs and conduct verifications accordingly;**
- (c) **require DFTs to provide explanations for any “significant differences” to DOs and ensure that necessary follow-up actions are taken by DOs on such differences so as to help DFTs achieve their performance targets; and**
- (d) **take measures to ensure that DFTs provide DOs with information on quotations obtained in making purchases, and that DOs take follow-up actions where warranted.**

Response from the Government

5.29 The Secretary for Home Affairs accepts the audit recommendations. He has said that:

- (a) with input from DOs, HAB would review the performance reporting and assessment mechanism as well as update the guidelines for DFTs as appropriate;
- (b) HAB will ask DOs to follow up the review mentioned in (a) above with a view to ensuring DFTs’ compliance with the revised guidelines, and revised performance reporting and assessment mechanism; and
- (c) HAB will ask DOs to step up monitoring of the procurement activities of DFTs, including the submission of information on quotations obtained in making purchases, to ensure compliance with DOs’ Manual on the use of District Funds.

Hong Kong Paralympic Committee & Sports Association for the Physically Disabled programmes

5.30 As mentioned in paragraph 1.8(c), funding is provided to HKPC&SAPD to hire three staff to implement programmes to help athletes with disabilities achieve good results at the Paralympic Games and the Asian Para Games. Under the ASDF's funding, these programmes were known as the Striving For Excellence Programme and the Sustaining Optimal Performance Programme. Similar programmes are continually funded through HAB's recurrent expenditure as part of the Government's funding support to HKPC&SAPD.

5.31 The three staff of HKPC&SAPD (see para. 5.30) are the Programme Director and two Programme Officers. Their roles are as follows:

- (a) the Programme Director is responsible for overseeing the programmes to ensure smooth implementation and progress of the programmes according to the plans; setting specific, measurable and realistic key performance indicators to evaluate the progress and results of the programmes; and formulating preparation plans for para games;
- (b) one Programme Officer serves as the primary contact point with IPC and other international sports federations; and coordinates sports science and sports medicine support activities as well as coaching development activities; and
- (c) the other Programme Officer promotes Paralympic Movement through publicity of related programmes and activities; coordinates publicity activities for Hong Kong's participation in multi-sports games; and provides supports to athletes other than technical to facilitate implementation of the respective sports training programmes.

5.32 Table 46 shows the amounts of funding provided to HKPC&SAPD in the period 2011-12 to 2018-19.

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Table 46

Funding to HKPC&SAPD (2011-12 to 2018-19)

Year	Amount of funding (\$)
2011-12	670,000
2012-13	1,380,000
2013-14	1,440,000
2014-15	1,120,000
2015-16	795,000
2016-17	1,640,000
2017-18	1,720,000
2018-19	1,335,000

Source: HAB records

Remarks: The first funding was provided to HKPC&SAPD through ASDF in 2011-12. Since January 2019, funding had been provided through HAB's recurrent expenditure (see para. 1.8).

Need to review the effectiveness of funding provided to HKPC&SAPD

5.33 According to HAB records, HKPC&SAPD programmes aimed/aim at helping the Hong Kong Paralympian teams achieve good results in the Paralympic Games in 2012 and 2016 as well as the Asian Para Games in 2014 and 2018. Audit analysed the results of the Hong Kong Paralympian teams in the Paralympic Games and the Asian Para Games. Details are shown in Table 47.

Funding for other sports programmes and schemes

Table 47

Results of Hong Kong Paralympian teams in Paralympic Games and Asian Para Games (2008 to 2018)

Games	No. of medals				Ranking of Hong Kong in terms of no. of medals	No. of countries or regions participated in the Games
	Gold	Silver	Bronze	Total		
<i>Paralympic Games</i>						
2008 Beijing (Note)	5	3	3	11	25	146
2012 London	3	3	6	12	34	164
2016 Rio	2	2	2	6	40	160
<i>Asian Para Games</i>						
2010 Guangzhou (Note)	5	9	14	28	9	41
2014 Incheon	10	15	19	44	8	41
2018 Jakarta	11	16	21	48	10	43

Source: HAB records and Paralympic Games official website

Note: The number of medals and rankings of Hong Kong in the 2008 Paralympic Games and the 2010 Asian Para Games were shown for comparison purpose.

5.34 As shown in Table 47 in paragraph 5.33:

- (a) for the Paralympic Games, the number of medals attained by the Hong Kong Paralympian teams decreased from 12 in the 2012 Paralympic Games to 6 in the 2016 Paralympic Games. Furthermore, the ranking of Hong Kong in terms of number of medals dropped from 25 in the 2008 Paralympic Games to 40 in the 2016 Paralympic Games; and
- (b) for the Asian Para Games, while the number of medals attained by the Hong Kong Paralympian teams increased from 28 in the 2010 Asian Para Games to 48 in the 2018 Asian Para Games, the ranking of Hong Kong in terms of number of medals dropped slightly from 9 in the 2010 Asian Para Games to 10 in the 2018 Asian Para Games.

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5.35 In March 2020, based on information provided by HKPC&SAPD, HAB informed Audit that:

- (a) for Paralympic Games, the drop in the number of medal and overall ranking was mainly due to retirement of medallists, aging of athletes, and that some events (e.g. wheelchair fencing) which were traditionally Hong Kong's medal events had become more competitive etc.;
- (b) for Asian Para Games, some new events were added in the Games which Hong Kong did not take part. Indonesia and India captured several medals in these events which made their overall ranking stood above Hong Kong's. At the same time, two sports events which Hong Kong captured medals in the last Games were cancelled; and
- (c) in general, more resources have been put into disability sports by different countries and regions in the past decade and the competitiveness in both Games have increased substantially.

5.36 Given that programmes similar to the Striving for Excellence Programme and the Sustaining Optimal Performance Programme are continually funded through HAB's recurrent expenditure (see para. 5.30), Audit considers that HAB needs to continue to review the effectiveness of the funding provided to HKPC&SAPD to help the Hong Kong Paralympian teams achieve good results in the Paralympic Games and the Asian Para Games.

Audit recommendation

5.37 **Audit has recommended that the Secretary for Home Affairs should continue to review the effectiveness of the funding provided to HKPC&SAPD to help the Hong Kong Paralympian teams achieve good results in the Paralympic Games and the Asian Para Games, and instigate improvement measures where warranted.**

Response from the Government

5.38 The Secretary for Home Affairs accepts the audit recommendation. He has said that HAB is committed to supporting the further development of disability sports. To enhance the competitiveness of our athletes, HAB provided additional resources to launch a new scheme in December 2017 to support the development of elite disability sports and full-time training of athletes with disabilities. HAB will continue to monitor progress of the scheme.

PART 6: GOVERNANCE OF THE SPORTS COMMISSION AND ITS COMMITTEES

6.1 This PART examines the governance matters of SC and its three underpinning committees, focusing on:

- (a) management of meetings and attendance (paras. 6.4 to 6.17);
- (b) management of potential conflicts of interest (paras. 6.18 to 6.27); and
- (c) other governance matters (paras. 6.28 to 6.36).

Background

6.2 Over the years, Audit has conducted various audits concerning different issues relating to sports development in Hong Kong (see para. 1.15). Against this background, Audit conducted this review (i.e. management of funding for sports development through ASDF) and the review of SF&OC (see para. 1.16).

6.3 On sports development, HAB is advised by SC on various matters including the provision of funding and resources. Taking the opportunity of this audit review, Audit examined the general governance matters of SC and its committees (see para. 6.4) in relation to sports development in Hong Kong.

Management of meetings and attendance

6.4 SC has three underpinning committees, namely, CSC, ESC and MSEC (see para. 1.14) (SC and the underpinning committees are hereinafter collectively referred to as “SC/committees” unless otherwise stated). Each of SC/committees has a membership comprising a Chairperson, a Vice-chairperson, ex-officio members and other members (Note 30). Members (including Chairpersons and Vice-chairpersons) are appointed by the Secretary for Home Affairs for a term of two years (Note 31).

6.5 For SC, ESC and MSEC, secretariat services are provided by HAB. For CSC, secretariat services are provided by LCSD. HAB and LCSD have issued Standing Orders for each of SC/committees governing its operation (Note 32). According to the Standing Orders:

- (a) ***Frequency of meetings.*** For SC, regular meetings may be held once every three to four months, and the Chairperson may vary the frequency of the meetings. For the three underpinning committees, regular meetings may be held every three months; and
- (b) ***Quorum.*** At a meeting, the quorum shall be at least half of the membership.

Note 30: *SC has a membership of 21 people (including 8 ex-officio members and 11 other members). CSC has a membership of 24 people (including 5 ex-officio members and 17 other members). ESC has a membership of 16 people (including 4 ex-officio members and 10 other members). MSEC has a membership of 20 people (including 5 ex-officio members and 13 other members). For SC, ex-officio members include the Chairpersons and Vice-chairpersons of the underpinning committees. For CSC, ESC and MSEC, ex-officio members include representatives from HAB and LCSD.*

Note 31: *For SC, the Chairperson is the Secretary for Home Affairs.*

Note 32: *Standing Orders for SC, ESC and MSEC are issued by HAB. Standing Orders for CSC are issued by LCSD.*

Need to review and update Standing Orders

6.6 In the period 2015 to 2019, SC/committees held a total of 43 meetings. Table 48 shows that the number of meetings had, on the whole, decreased by 36% from 11 in 2015 to 7 in 2019.

Table 48

**Meetings of SC/committees
(2015 to 2019)**

SC/ committees	No. of meetings						Average no. of meetings (b) = (a) ÷ 5
	2015	2016	2017	2018	2019	Total (a)	
SC	3	2	2	2	2	11	2
CSC	3	3	2	2	1	11	2
ESC	3	2	2	2	2	11	2
MSEC	2	2	2	2	2	10	2
Total	11	9	8	8	7	43	

Source: Audit analysis of HAB and LCSD records

6.7 According to the Standing Orders, regular meetings of SC may be held once every three to four months (i.e. 4 or 3 meetings a year), and regular meetings of the underpinning committees may be held every three months (i.e. 4 meetings a year) (see para. 6.5(a)). However, as shown in Table 48, on average, each of SC/committees held only 2 meetings per year in years 2015 to 2019. This was less frequent than holding 4 or 3 meetings a year as stated in the Standing Orders.

6.8 In March 2020, HAB informed Audit that the Standing Orders were last updated some 15 years ago in 2005. In Audit's view, given the long lapse of time, the Standing Orders might be outdated. Without an updated reference, it is unclear as to whether the number of meetings held (which had decreased over the years — see para. 6.6) could adequately meet the operational needs of SC/committees.

Governance of the Sports Commission and its committees

6.9 Audit considers that, to ensure that the functions of SC/committees (see paras. 1.13 and 1.14) are effectively carried out, HAB and LCSD need to review the frequency of SC/committee meetings laid down in the Standing Orders and update the Standing Orders as appropriate.

Decreased attendance at meetings

6.10 In examining members' attendance at meetings in the period 2015 to 2019, Audit noted that, for CSC, ESC and MSEC, there was a decrease in the percentage of members attending meetings in 2019 vis-à-vis 2015 (see details at Table 49):

- (a) **CSC.** Over the period, the attendance rates ranged from 75% to 83%. Comparing 2019 with 2015, the attendance rate decreased by 4 percentage points;
- (b) **ESC.** Over the period, the attendance rates ranged from 69% to 84%. Comparing 2019 with 2015, the attendance rate decreased by 8 percentage points; and
- (c) **MSEC.** Over the period, the attendance rates ranged from 65% to 83%. Comparing 2019 with 2015, the attendance rate decreased by 13 percentage points.

Table 49

**Attendance rates of SC/committee members at meetings
(2015 to 2019)**

SC/ committees	No. of members in the period	Attendance rate (Note)					
		2015	2016	2017	2018	2019	2019 vs 2015 (Increase +/ Decrease -) (percentage point)
SC	20 or 21	78%	81%	81%	75%	81%	+ 3
CSC	21 to 24	79%	83%	82%	75%	75%	- 4
ESC	16 or 17	77%	84%	74%	82%	69%	- 8
MSEC	18 to 21	78%	67%	75%	83%	65%	- 13

Source: Audit analysis of HAB and LCSD records

Note: For each year, the attendance rate of SC or an underpinning committee was calculated by taking the average of the attendance rates of its individual meetings held in the year.

6.11 In March 2020, HAB informed Audit that:

- (a) the figures (see Table 49) did not show a clear trend of declining attendance rates of the three committees. There were social unrest situations in 2019 which posed great safety risks to individuals entering government complexes. The decrease in attendance rates in 2019 should be viewed against such situations; and
- (b) as a matter of fact, the average attendance rates in 2015 to 2019 were well above quorum.

6.12 In Audit's view, meetings of SC/committees are an important forum where members can exchange ideas and discuss issues in an interactive manner. While noting HAB's explanations (see para. 6.11), Audit also noted room for improving attendance (see paras. 6.13 to 6.15).

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Need to take measures to encourage attendance

6.13 Audit further examined, for the period 2015 to 2019, individual members' attendance at the meetings. Audit noted that, each year, there were members who did not attend any meetings of SC or an underpinning committee. Table 50 shows that the number of such members totalled 32 in the period.

Table 50

**Number of members who did not attend any meetings
(2015 to 2019)**

SC/ committees	No. of members					Total
	2015	2016	2017	2018	2019 (Note)	
SC	0	2	0	2	0	4
CSC	0	1	1	3	6	11
ESC	2	0	1	1	3	7
MSEC	0	4	2	1	3	10
Total	2	7	4	7	12	32

Source: Audit analysis of HAB and LCSD records

Note: According to HAB, the social unrest situations in 2019 posed great safety risks to individuals entering government complexes (see para. 6.11(a)).

6.14 In March 2020, HAB informed Audit that members of SC/committees were appointed for a term of two years (see para. 6.4). From 2015 to 2019, while there were members who did not attend meetings for a whole year (see Table 50), none of the SC members and ESC members had continuously failed to attend all meetings throughout their two-year tenure.

6.15 However, records did not indicate that HAB and LCSD had taken actions to encourage members to attend meetings (especially for those who were repeatedly absent from meetings). Audit considers that HAB and LCSD need to encourage members to continue attending meetings. Efforts could include, for example, reminding members from time to time (including at the time of appointing/reappointing members) of the importance of attending meetings, and ascertaining whether members have difficulties in attending meetings and providing assistance to them (e.g. rescheduling the meeting dates and arranging other venues) where possible.

Audit recommendations

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

- (a) **review the frequency of SC/committee meetings laid down in the Standing Orders and update the Standing Orders as appropriate; and**
- (b) **step up efforts to encourage SC/committee members to attend meetings.**

Response from the Government

6.17 The Secretary for Home Affairs and the Director of Leisure and Cultural Services accept the audit recommendations. The Secretary for Home Affairs, with the support of the Director of Leisure and Cultural Services, has said that HAB and LCSD would:

- (a) review the frequency of meetings laid down in the Standing Orders and update the Standing Orders as appropriate; and
- (b) step up efforts to encourage members to attend meetings.

Management of potential conflicts of interest

6.18 In 2005, the Secretary for Home Affairs issued a memorandum entitled “Advisory and Statutory Bodies — Declaration of Interests” to all advisory and statutory bodies of government bureaux and departments. According to the memorandum:

- (a) there are two systems to make a declaration of interests:
 - (i) ***One-tier reporting system.*** When a member of a committee has a potential conflict of interest in a matter placed before the committee, he/she should make full disclosure of his/her interest; and

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- (ii) ***Two-tier reporting system.*** This system applies to committees with extensive powers over policy or financial matters. Under the system, a member should disclose his/her general pecuniary interest on appointment to the committee and annually thereafter, in addition to the report of conflicts of interest as and when they arise;

- (b) examples of potential conflicts of interest situations include a directorship, partnership, advisory or other significant connection with a club, association, union and other organisation which is connected with, or the subject of, a matter under consideration by the committee;

- (c) the chairperson (or the committee) shall decide whether the member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting; and

- (d) all cases of declaration of interests shall be recorded in the minutes of meetings.

6.19 A one-tier reporting system has been adopted for SC and its underpinning committees. According to the Standing Orders (see para. 6.5), if any member has any potential conflicts of personal or pecuniary interest direct or indirect in any matter under consideration by SC or an underpinning committee, the member shall declare it to SC or the underpinning committee as appropriate prior to the discussion of that item (Note 33).

Need to improve management of potential conflicts of interest

6.20 Audit examined the minutes of meetings of the SC/committees for the period 2015 to 2019, and noted occasions where members of SC did not adequately declare potential conflicts of interest (see Case 5).

Note 33: *According to the Standing Orders, the member shall withdraw from discussions, unless being invited to speak by the Chairperson, of that item at the meeting. Furthermore, the member will not be allowed to vote on the matter under consideration.*

Case 5

**Members of SC did not adequately declare potential conflicts of interest
(2015 to 2019)**

1. The Government provided regular funding to Organisation A for its sports and related activities. SC was responsible for endorsing the annual plan and budget of Organisation A every year.

2. Some members of SC were also members of Organisation A's board of directors (i.e. Organisation A's directors). Audit compared the information on SC members with that of Organisation A's directors (as published on Organisation A's website), and noted that in the period 2015 to 2019, of the 5 SC meetings where annual plans and budgets of Organisation A were endorsed:

- (a) at 2 meetings, there were a total of 34 attendees (comprising 26 SC members), including 5 attendees who were Organisation A's directors. All the 5 attendees declared the directorship; and
- (b) at the other 3 meetings, there were a total of 46 attendees (comprising 26 SC members), including 7 attendees who were Organisation A's directors. None of them declared the directorship.

Details of the meetings and the numbers of attendees are summarised in the Table below.

Date of SC meeting	Total no. of attendees	No. of attendees	
		Being Organisation A's director	Declared directorship
<i>Attendees declared directorship</i>			
5.3.2015	19	3	3
9.4.2019	15	2	2
Total	34	5	5
<i>Attendees did not declare directorship</i>			
7.3.2016	16	1	0
16.3.2017	15	3	0
21.3.2018	15	3	0
Total	46	7 (Note)	0

Note: The 7 attendees comprised 5 members.

Case 5 (Cont'd)

Audit comments

3. Being Organisation A's directors, the 7 attendees (comprising 5 members) had potential conflicts of interest at the SC meetings. They should have declared their directorship as required (see para. 6.19).

Source: HAB records and Organisation A's website

6.21 During the examination of the minutes of meetings (see para. 6.20), Audit also noted that according to the Standing Orders of SC and ESC, a declaration of interests by any member shall be recorded in the minutes of the meeting (Note 34). However, there was no similar requirement in the Standing Orders of CSC and MSEC. Subsequently, in March 2020, LCSD informed Audit that the requirement had been included in the Standing Orders of CSC.

6.22 Audit considers that HAB needs to remind members of SC to declare potential conflicts of interest as required by the Standing Orders. To enhance transparency and accountability, HAB also needs to consider including a requirement in the Standing Orders of MSEC, whereby declaration of interests by any member shall be recorded in the minutes of meetings.

Need to review the system for declaring interests

6.23 By the memorandum of 2005 (see para. 6.18), bureaux and departments are reminded to review from time to time the systems for declaring interests for the advisory and statutory bodies under their purview, so as to ensure that the systems match the needs of the bodies concerned.

Note 34: *For the 5 SC attendees who had declared potential conflicts of interest in Case 5 in paragraph 6.20, rulings were made at the meetings. According to the rulings, the 5 SC attendees were allowed to remain in the meetings. The rulings had been recorded in the minutes of the meetings pursuant to the Standing Orders.*

6.24 In this regard, the SC/committees have adopted a one-tier reporting system. Records did not indicate that HAB and LCSD had reviewed, from time to time, the SC/committees' system for declaring interests having regard to the memorandum of 2005. Audit considers that HAB and LCSD need to periodically review the system for declaring interests for the SC/committees.

Audit recommendations

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

- (a) **remind members of SC to declare potential conflicts of interest as required by SC Standing Orders; and**
- (b) **consider including a requirement in the Standing Orders of MSEC, whereby declaration of interests by any member shall be recorded in the minutes of meetings.**

6.26 **Audit has *recommended* that the Secretary for Home Affairs and the Director of Leisure and Cultural Services should, having regard to the memorandum of 2005, periodically review the system for declaring interests for the SC/committees.**

Response from the Government

6.27 The Secretary for Home Affairs and the Director of Leisure and Cultural Services accept the audit recommendations. They have said that:

- (a) HAB would remind members of SC to declare potential conflicts of interest as required by the Standing Orders;
- (b) to ensure that the due process regarding declaration of interests is complied with, HAB and LCSD would record the deliberations on such a process in the minutes of the meetings of SC/committees even when none of the members have declared interests for the discussion items; and

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- (c) HAB would work with LCSD to periodically review the system for declaration of interests of SC/committees.

Other governance matters

6.28 On the disclosure of information on meetings, according to the Standing Orders:

- (a) the notice of meeting, the agenda and the papers of a meeting shall be made available to the public by the secretary in good time (i.e. via the HAB website for meetings of SC, ESC and MSEC, and via the LCSD website for meetings of CSC), unless the nature and/or contents of which are confidential; and
- (b) the information on a meeting (see (a) above) shall be posted on the HAB website and the LCSD website, as appropriate, within the calendar year in which the meeting was held.

Room for improvement in disclosure of meeting information

6.29 In January 2020, Audit examined the posting of information on the HAB website/LCSD website for meetings held in the period 2015 to 2019. A total of 43 meetings were held in the period, comprising 11 SC meetings, 11 CSC meetings, 11 ESC meetings and 10 MSEC meetings. Audit found that as at 31 January 2020:

- (a) ***Notices of meetings.*** Notices of meetings had not been posted for all the 43 (100%) meetings; and
- (b) ***Agendas.*** Agendas had not been posted for 11 (26%) meetings:
 - (i) ***SC.*** Agendas for 4 meetings had not been posted;
 - (ii) ***ESC.*** Agendas for 6 meetings had not been posted; and
 - (iii) ***MSEC.*** Agenda for 1 meeting had not been posted.

6.30 In March 2020, HAB informed Audit that:

- (a) the requirement on posting notices of meetings (see para. 6.28(a)) was outdated. With advancement of technology, the notices of meetings (see para. 6.29(a)) had been issued to members via e-mails; and
- (b) regarding the agendas (see para. 6.29(b)), they have been available on the websites since February 2020.

6.31 Audit considers that, to enhance transparency and public accountability, HAB and LCSD need to ensure that the Standing Orders are updated with the latest requirements, and that information on meetings of SC/committees is disclosed to the public in accordance with the Standing Orders.

Need to ensure that confidentiality agreements are signed and returned by members

6.32 Members of SC/committees are appointed by the Secretary for Home Affairs (see para. 6.4). According to the practice of HAB and LCSD, members are requested to sign an agreement upon appointment. Under the agreement, which is laid out in a standard form, members undertake to keep matters of SC/committees confidential as necessary.

6.33 Audit examined the members' agreements in the period 2015 to 2019 and found that the agreements of some committee members were missing (i.e. involving one ESC member and four MSEC members). According to HAB, the members did not return the agreements. Audit considers that HAB needs to look into the matter and take remedial actions as necessary.

Audit recommendations

6.34 **Audit has recommended that the Secretary for Home Affairs and the Director of Leisure and Cultural Services should ensure that:**

- (a) **the Standing Orders are updated with the latest requirements; and**

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- (b) **information on meetings of SC/committees is disclosed to the public in accordance with the Standing Orders.**

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

- (a) **look into the cases in which the ESC and MSEC members did not return the signed agreements containing the confidentiality clause, and take remedial actions as necessary; and**
- (b) **take measures to ensure that agreements are signed and returned by members of SC/committees.**

Response from the Government

6.36 The Secretary for Home Affairs and the Director of Leisure and Cultural Services accept the audit recommendations. They have said that:

- (a) HAB and LCSD would update the Standing Orders of SC/committees as and when necessary;
- (b) HAB and LCSD would disclose to the public information on the meetings of SC/committees in accordance with the latest Standing Orders; and
- (c) HAB would take measures to ensure that agreements on confidentiality are duly signed and returned by members of SC/committees.

**List of National Sports Associations
(29 February 2020)**

1. China Hong Kong Mountaineering and Climbing Union Limited
- *2. Chinese Young Men's Christian Association of Hong Kong
3. Cricket Hong Kong Limited
4. Handball Association of Hong Kong, China Limited
- *5. Health Qigong Association of Hong Kong, China Limited
6. Hong Kong Amateur Athletic Association Limited
7. Hong Kong Amateur Swimming Association
8. Hong Kong Archery Association
- *9. Hong Kong Association of Sports Medicine and Sports Science Limited
- *10. Hong Kong Automobile Association
11. Hong Kong Badminton Association Limited
12. Hong Kong Basketball Association Limited
13. Hong Kong Billiard Sports Control Council Company Limited
14. Hong Kong Boxing Association Limited
15. Hong Kong Canoe Union Limited
16. Hong Kong China Bodybuilding and Fitness Association
17. Hong Kong China Dragon Boat Association
18. Hong Kong China Korfball Association
19. Hong Kong, China Gateball Association Company Limited
20. Hong Kong, China Rowing Association
- *21. Hong Kong Chinese Chess Association
22. Hong Kong Chinese Martial Arts Dragon and Lion Dance Association Limited
- *23. Hong Kong Contract Bridge Association Limited
24. Hong Kong DanceSport Association Limited
25. Hong Kong Equestrian Federation
26. Hong Kong Federation of Roller Sports Limited
27. Hong Kong Fencing Association
- *28. Hong Kong Go Association Limited
29. Hong Kong Golf Association Limited
30. Hong Kong Ice Hockey Association Limited
31. Hong Kong Kart Club Limited
32. Hong Kong Kendo Association Limited

Appendix A
(Cont'd)
(Note 6 to Table 1 in
para. 1.3 refers)

- *33. Hong Kong Lacrosse Association Limited
- 34. Hong Kong Lawn Bowls Association
- *35. Hong Kong Little League Limited
- *36. Hong Kong Miniature Football Association Limited
- 37. Hong Kong Muay Thai Association Limited
- 38. Hong Kong Netball Association Limited
- *39. Hong Kong Paragliding Association
- 40. Hong Kong Paralympic Committee & Sports Association for the Physically Disabled
- 41. Hong Kong Rugby Union
- 42. Hong Kong Sailing Federation
- 43. Hong Kong Schools Sports Federation
- 44. Hong Kong Shooting Association
- 45. Hong Kong Shuttlecock Association Limited
- 46. Hong Kong Skating Union Limited
- 47. Hong Kong Softball Association
- 48. Hong Kong Sports Association for Persons with Intellectual Disability
- 49. Hong Kong Squash
- 50. Hong Kong Table Tennis Association
- 51. Hong Kong Taekwondo Association Limited
- 52. Hong Kong Tennis Association Limited
- 53. Hong Kong Tenpin Bowling Congress Limited
- 54. Hong Kong Triathlon Association Limited
- *55. Hong Kong Tug-of-War Association Limited
- *56. Hong Kong Ultimate Players Association
- 57. Hong Kong Underwater Association Limited
- 58. Hong Kong Water Ski Association Limited
- *59. Hong Kong Woodball Association Limited
- 60. Hong Kong Wushu Union Limited
- 61. Orienteering Association of Hong Kong Limited
- *62. Physical Fitness Association of Hong Kong, China Limited
- *63. Ski Association of Hong Kong, China Limited
- *64. South China Athletic Association
- 65. The Cycling Association of Hong Kong, China Limited
- 66. The Gymnastics Association of Hong Kong, China

Appendix A
(Cont'd)
(Note 6 to Table 1 in
para. 1.3 refers)

- *67. The Hong Kong Aviation Club Limited
- 68. The Hong Kong Baseball Association Limited
- 69. The Hong Kong Football Association Limited
- 70. The Hong Kong Hockey Association
- 71. The Hong Kong Life Saving Society
- *72. The Hong Kong Society for the Deaf
- 73. The Hong Kong Weightlifting and Powerlifting Association Limited
- 74. The Judo Association of Hong Kong, China
- 75. The Karatedo Federation of Hong Kong, China Limited
- 76. The University Sports Federation of Hong Kong, China Limited
- *77. Victoria Recreation Club
- 78. Volleyball Association of Hong Kong, China Limited
- 79. Windsurfing Association of Hong Kong

Source: LCSD and SF&OC records

- Remarks:*
1. *NSAs with a * are NSAs not subvented by block grant of LCSD's Sports Subvention Scheme.*
 2. *In addition to the above 79 NSAs, which are members of SF&OC, there is an NSA known as the Hong Kong Sports Association of the Deaf which is not a member of SF&OC but subvented by block grant of LCSD's Sports Subvention Scheme.*

**Elite sports supported by the Hong Kong Sports Institute Limited
 (29 February 2020)**

Tier A* Sports Sports whose athletes have consistently performed at the highest international level and have the potential to achieve medals at the Olympic Games	
1. Badminton	2. Cycling
3. Table Tennis	4. Windsurfing
Tier A Sports Sports with an Elite Vote Support System (EVSS — Note 1) of 10 points or above, and whose athletes have competed in at least three previous Asian or Olympic Games since 1997	
1. Athletics	2. Billiard Sports
3. Equestrian	4. Fencing
5. Gymnastics	6. Karatedo
7. Rowing	8. Rugby Sevens
9. Sailing	10. Skating
11. Squash	12. Swimming
13. Tennis	14. Tenpin Bowling
15. Triathlon	16. Wushu
Tier B Sports Sports with an EVSS between 7.5 and 10 points	
1. Contract Bridge	2. Dance Sports
3. Dragon Boat	4. Golf
5. Judo	6. Kart
7. Lawn Bowls	8. Life Saving
9. Mountaineering	10. Orienteering
11. Roller Sports	12. Shuttlecock
13. Taekwondo	

Appendix B
(Cont'd)
(Note 7 to Table 1 in
para. 1.3 and para. 5.3 refer)

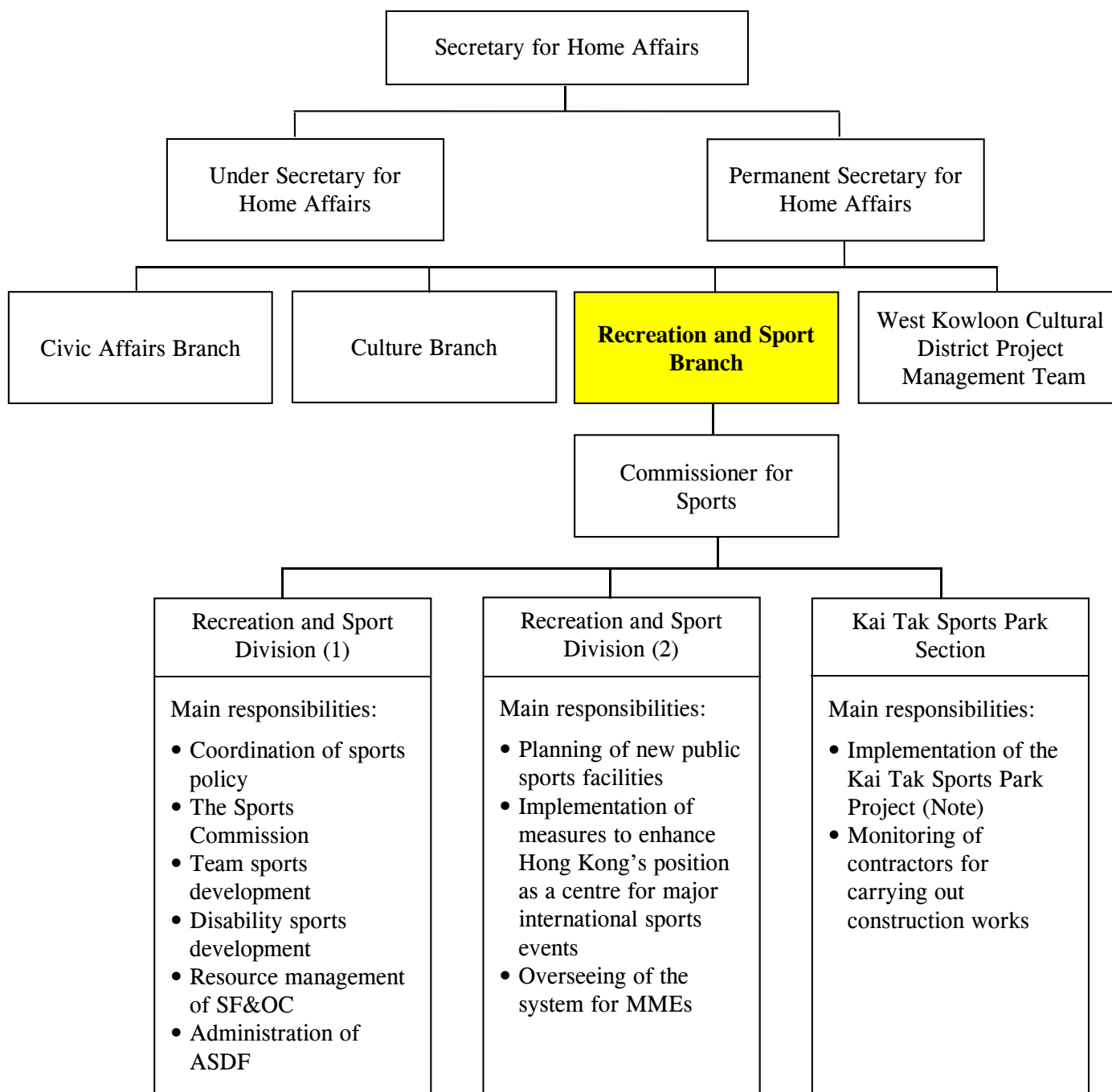
Tier A Disability Sports Sports with an EVSS (disability sports) score (Note 2) of 4 points or above, and are competed or will be competed in the current or recent Paralympic Games	
1. Boccia (Physical Disability)	2. Para Badminton (Physical Disability)
3. Para Table Tennis (Physical Disability)	4. Wheelchair Fencing (Physical Disability)
5. Para Swimming (Intellectual Disability)	6. Para Table Tennis (Intellectual Disability)
Tier B Disability Sports Sports with an EVSS (disability sports) score of 3 points or above, and are competed or will be competed in the current or recent Asian Para Games or Paralympic Games	
1. Para Lawn Bowls (Physical Disability)	2. Para Tenpin Bowling (Physical Disability)

Source: HKSJ records

Note 1: Sports whose athletes performed well at international competitions will achieve points under EVSS. For example, a medal at the Olympic Games will be awarded 6 points and a medal at the Asian Games will be awarded 5 points.

Note 2: Sports whose athletes performed well at international competitions will achieve points under EVSS (disability sports). For example, a medal at the Paralympic Games will be awarded 6 points and a medal at the Asian Para Games will be awarded 5 points.

**Home Affairs Bureau:
Organisation chart (extract)
(29 February 2020)**



Source: HAB records

Note: The Kai Tak Sports Park occupies an area of around 28 hectares in the apron of the former Hong Kong International Airport in Kai Tak. It is estimated to be completed in 2022-23 at a cost of \$32 billion. The Park comprises a multi-purpose main stadium with a spectator capacity of around 50,000, a public sports ground with a spectator capacity of around 5,000, an indoor sports centre and more than 8 hectares of public open space. It will provide venues for international competitions and large-scale sports events.

Hong Kong Football Association Committees
(Football season 2018/19)

Committees		Terms of reference
Judicial Bodies		
1.	Appeal Committee	To be responsible for hearing appeals against decisions from the Disciplinary Committee and making the final decisions
2.	Disciplinary Committee	To handle all disciplinary matters relating to matches organised, co-organised, recognised or as participated by HKFA
Standing Committees		
3.	Audit Committee	To advise and make recommendations to the Board on the completeness, accuracy, integrity and fairness of audited annual financial statements, to review HKFA's internal control and risk management systems and to monitor and review the effectiveness of HKFA's internal audit function
4.	Finance and Strategy Committee (Note 1)	To propose the on-going strategy for HKFA as the governing body for football in Hong Kong based on the Consultant's Final Report of the Project Phoenix; to work with the relevant HKFA Committees and the Secretariat to ensure the timely implementation of the action items derived from HKFA Strategic Plan, once approved by the Board; to develop the policies and organisation regarding financial governance within HKFA through the Finance Department; and to oversee the Finance Department operation under HKFA Financial Director and/or the Financial Controller
5.	Organisational Development Committee	To advise, monitor and review from time to time the implementation of the recommendations pertaining to the organisational and human resource management issues outlined in the Consultant's Final Report of the Project Phoenix; to give advice on matters and policies pertaining to HKFA's Secretariat including organisational structure, administrative procedures, staff management and regulations; and to give advice on the office administration as well as the maintenance and development of HKFA's premises
6.	Referees Committee	To classify the referees, to establish the mechanism for the secretariat to appoint referees to matches organised by HKFA and to comply with standard refereeing methods as established by FIFA to ensure uniform implementation of the Laws of the Game
7.	Technical and Playing Committee (Note 2)	Consistently making analysis and recommendations in relation to football training and technical development and various areas of playing (mainly local events) in terms of structure, system, rules and regulations, and scheduling

Appendix D
(Cont'd)
(para. 4.7 refers)

Committees		Terms of reference
Other Committees and Bodies		
8.	Competitions Committee	To organise and manage HKFA competitions, to develop Hong Kong football through competitions, and to recommend policies, regulations, standards and guidelines related to various aspects of HKFA competitions
9.	Electoral Committee	To organise and supervise the election process and to take all decisions relating to the Board election
10.	Legal Committee	To be responsible for analysing and dealing with the development issues of football related laws, constitution, rules and regulations of HKFA and members under its jurisdiction
11.	Marketing and Communications Committee	To be responsible for planning of HKFA's promotional, public relations and communications activities; and liaisons and maintenance of relationships with external stakeholders like government departments, bodies providing subventions and sponsorships, commercial sponsors, media organisations, etc.
12.	Medical Committee	To draw up medical guidelines for coaches, players and referees and to advise on different areas of football medicine
13.	Members Committee	To submit to the HKFA Board procedures for the admission of any association/body/organisation applying for membership of HKFA and to process all the applications received as well as to make recommendations therefrom to the HKFA Board for consideration; to propose plans and activities for promoting, maintaining and strengthening HKFA's relationship with members; and to deal with other matters relating to the members
14.	National Dispute Resolution Chamber	To handle disputes between clubs and players regarding employment and contractual stability as well as those concerning training compensation and solidarity contributions between clubs belonging to HKFA

Source: HKFA records

Note 1: There were two sub-committees under the Finance and Strategy Committee, namely the Finance Sub-committee (which is responsible for managing the finance operation of HKFA) and Strategy Sub-committee (which is responsible for monitoring the implementation of strategies by HKFA).

Note 2: There was one sub-committee under the Technical and Playing Committee, namely the Futsal, Women's Football and Beach Soccer Sub-committee. The duty of the sub-committee is to propose to the Board and/or the Technical and Playing Committee any measures deemed necessary to ensure the development of futsal, and women's football and beach soccer.

Acronyms and abbreviations

AFC	Asian Football Confederation
APC	Asian Paralympic Committee
ASDF	Arts and Sport Development Fund
Audit	Audit Commission
CEO	Chief Executive Officer
CSC	Community Sports Committee
DFFS	District Football Funding Scheme
DFTs	District Football Teams
DOs	District Offices
EAFF	East Asian Football Federation
ESC	Elite Sports Committee
EVSS	Elite Vote Support System
FIFA	Fédération Internationale de Football Association
FTF	Football Task Force
FYSP	Five-Year Strategic Plan
HAB	Home Affairs Bureau
HKFA	Hong Kong Football Association
HKPC&SAPD	Hong Kong Paralympic Committee & Sports Association for the Physically Disabled
HKPL	Hong Kong Premier League

Appendix E
(Cont'd)

HKSI	Hong Kong Sports Institute Limited
HKSSF	Hong Kong Schools Sports Federation
HRD	Human Resources Department
IOC	International Olympic Committee
IPC	International Paralympic Committee
IT	Information technology
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
LIEs	Local International Events
MLIEs	Major Local International Events
MMEs	“M” Mark events
MNCs	Major National Championships
MSEC	Major Sports Events Committee
NOC	National Olympic Committee
NSAs	National Sports Associations
OCA	Olympic Council of Asia
SC	Sports Commission
SF&OC	Sports Federation & Olympic Committee of Hong Kong, China
The 5-year programme	Five-Year Development Programme for Team Sports