

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

## **Executive Summary**

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 DFSS.*** ASDF provided and HAB continues to provide funding for DFSS (see para. 2). In the period 2014-15 to 2018-19, about \$10 million was disbursed to 18 DFTs under DFSS every year. For performance monitoring purpose, under DFSS, a DFT is required to submit to its respective DO a mid-term report and a final report in March (during DFSS funding period starting in June and ending in May in the ensuing year) and June (after DFSS 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 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, 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 DFSS.*** Under DFSS, DFTs are required to submit in March and June of a DFSS 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 DFSS 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));**

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- (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.