

For discussion on
10 June 2011

Legislative Council Panel on Home Affairs

Governance, monitoring and funding of the “national sports associations” (NSAs)

Purpose

This paper briefs Members on measures that the Leisure and Cultural Services Department (LCSD) is taking to improve the governance of the NSAs.

Background

2. Whilst the Government has broad responsibility for the development of sport in Hong Kong, the development of individual sports is the responsibility of the NSAs which are non-profit making bodies affiliated to the Sports Federation & Olympic Committee of Hong Kong, China (SF&OC) as well as to their respective international or Asian federations. Most NSAs are registered as limited companies under the Companies Ordinance (Cap. 32) whilst some are registered societies under the Societies Ordinance (Cap. 151). NSAs organise local competitions and athlete training and selection, and the athletes selected by them officially represent Hong Kong at international sports competitions. The Government observes the autonomy and independence of NSAs to conduct their affairs in accordance with their Memorandum and Articles of Association. However, we also monitor their use of the subvention that they receive from the public purse to ensure that this is deployed properly and effectively for promoting sports development.

3. NSAs receive the bulk of their subvention through the Sports Subvention Scheme (SSS), which the LCSD has administered since April 2004. The SSS covers three types of expenses incurred by the NSAs, i.e., personnel, office and programme expenses. Subvented programmes include participation in international sports events, representative squad training, organisation of training programmes, school sports programmes, local competitions, community sports clubs projects, training of officials and attendance at overseas meetings.

4. The LCSD signs subvention agreements with NSAs that establish a clear funding relationship and a formal monitoring framework. The department also conducts regular inspections of the subvented programmes as well as periodic

quality assurance inspections to check NSAs' compliance with the terms and conditions of the subvention agreements. NSA staff members are given suitable guidelines and regularly briefed so that they can keep abreast of the conditions and obligations related to receiving and deploying government subventions.

5. In 2009, the Audit Commission conducted a review of the SSS. Based on recommendations by the commission and views expressed at a public hearing conducted by the Public Accounts Committee (PAC), the LCSD set up a Steering Committee (SC) in January 2010 to review the SSS with the aim of devising measures to improve its efficiency and effectiveness. In mid-2010, the SC recommended measures to improve the administration of the SSS and the internal control of NSAs, with the objective of striking a balance between strengthening the monitoring of the use of public funds whilst allowing a reasonable degree of flexibility for NSAs in the planning and implementation of programmes. The LCSD consulted the SF&OC and the NSAs on these measures and finalised the recommendations in January 2011 for implementation with effect from the 2011-12 financial year.

Measures to Improve Monitoring and Internal Controls

6. To establish a clear relationship between the amount of subvention and the performance of NSAs, the LCSD has identified four Key Performance Areas (KPA) under which to develop objective and quantifiable "performance targets", namely –

- (a) Organisation of Programmes;
- (b) Performance of Athletes;
- (c) Development of Sport; and
- (d) Corporate Governance and Compliance for NSAs.

The LCSD will adopt a performance-based approach in determining the subvention for NSAs, so that NSAs' achievements under the KPAs will be linked to the amount of subvention they receive. NSAs that exceed their "performance targets" may be granted additional subvention in future, subject to the availability of funding. The department has also introduced a commendation and subvention adjustment system whereby NSAs with good compliance records in areas such as the timely submission of financial reports, will receive a Certificate of Appreciation. Those who fail to submit required reports to LCSD despite repeated reminders may however result in a reduction in subvention.

7. To simplify the subvention system so as to increase flexibility for NSAs without compromising monitoring control, the LCSD has adopted an “output-based” approach for monitoring NSAs’ use of subvention. Specifically, the LCSD will relax controls over some of the NSAs’ expenditure items – although detailed guidelines will still apply to certain items such as air fares and hotel accommodation.

8. Having reviewed the purpose of and information contained in the reports currently submitted by NSAs, the LCSD has devised a streamlined and simplified reporting system, which should reduce the workload on NSAs and help them to focus on improving their compliance. The auditing requirements for NSAs’ accounts have been upgraded, and the LCSD will continue to conduct quality assurance audits on NSAs’ use of subvention and internal control procedures on a three-year cycle basis, with the aim of helping NSAs to update and upgrade their governance. NSAs will be required to provide progress reports on follow-up action taken to comply with the recommendations of these audits. In addition, the LCSD will adopt a “risk-based” approach for conducting systematic site inspections of NSAs’ programmes, whereby the frequency of inspections will be determined having regard to the nature and complexity of the programmes and the compliance track record of the NSAs.

9. The LCSD is developing a computerised system to strengthen the monitoring of NSAs’ performance and compliance, as well as facilitate timely submission of reports by NSAs. Phase I of the system will come into effect in 2011-12 and will improve LCSD’s monitoring capability. Phase II will be completed in 2012-13 and will help improve NSAs’ communication, operational efficiency and online reporting capability.

10. The LCSD will continue to organise regular workshops and seminars to brief NSAs on ways to improve their governance and internal controls and comply with the accounting and auditing requirements. At the annual briefing for NSAs held in January 2011, the LCSD reminded NSAs of the government policies and initiatives for developing sport generally in Hong Kong, and reminded them of the common problems relating to reporting and compliance. The LCSD conducted another briefing and two workshops in March and April 2011 respectively to explain to NSAs the new measures under the SSS.

11. The LCSD has also reviewed the manpower of NSAs. At present, most of the NSAs’ subvented staff have strong sports management knowledge but are less experienced in accounting and general administration matters. From 2011-12 onwards, we will provide the NSAs funding to engage additional staff or upgrade existing posts to strengthen their administrative and accounting capacity.

12. The Corruption Prevention Department of the Independent Commission Against Corruption (ICAC) has advised the LCSD on governance issues affecting NSAs. The ICAC will, in consultation with the Home Affairs Bureau and the LCSD, compile a best practice checklist to help NSAs further improve standards of governance and internal controls. The ICAC and the LCSD will organise workshops to brief NSAs on best practice in these areas, and the ICAC is also ready to provide free and tailor-made corruption prevention advice to individual NSAs.

Funding for NSAs

13. In line with the government's policy to promote and develop sport, the level of subvention given to NSAs and other eligible sports organisations under the SSS has substantially increased from about \$128 million in 2004-05 to \$231 million in 2011-12 - an 80% increase. The details of the amounts of subvention provided to individual NSAs in 2011-12 are set out at **Annex**.

14. In determining the amount of subvention to be provided to individual NSAs, the LCSD takes into account factors such as -

- (a) the development potential of the sport;
- (b) the staff strength and past expenditure pattern of the NSA;
- (c) the performance of the NSA against the targets set for the previous financial year, including their effectiveness in managing programmes and administering their subvention; and
- (d) the practicability and effectiveness of the annual plan and the mid-term development plan submitted by the NSA.

The LCSD will continue to provide funding and venue support for NSAs to further develop individual sports.

Advice Sought

15. Members are invited to note and to comment on the measures that the LCSD is taking to improve the governance and internal controls of NSAs.

**Home Affairs Bureau
June 2011**

Annex**Subvention to “national sports associations” in 2011-12**

	Name of NSA	Amount of Subvention (\$)
1.	Hong Kong Archery Association	1,537,579
2.	Hong Kong Amateur Athletic Association	5,534,316
3.	Hong Kong Badminton Association	10,939,255
4.	Hong Kong Baseball Association	3,698,559
5.	Hong Kong Basketball Association	8,782,125
6.	Hong Kong Billiard Sports Control Council	2,756,278
7.	Hong Kong China Bodybuilding and Fitness Association	791,744
8.	Hong Kong Boxing Association	1,125,355
9.	Hong Kong Canoe Union	3,172,769
10.	Hong Kong Chinese Martial Arts Dragon & Lion Dance Association	1,838,961
11.	Hong Kong Cricket Association	2,880,411
12.	Hong Kong Cycling Association	7,651,780
13.	Hong Kong Dancesport Association	3,050,682
14.	Hong Kong Dragon Boat Association	1,500,648
15.	Hong Kong Equestrian Federation	1,527,753
16.	Hong Kong Fencing Association	5,433,025
17.	Hong Kong Football Association	10,382,123
18.	Hong Kong, China Gateball Association	1,309,601
19.	Hong Kong Golf Association	1,449,650
20.	Gymnastics Association of Hong Kong, China	4,814,213
21.	Handball Association of Hong Kong, China	5,052,246

	Name of NSA	Amount of Subvention (\$)
22.	Hong Kong Hockey Association	2,196,950
23.	Hong Kong Ice Hockey Association	734,406
24.	Judo Association of Hong Kong, China	2,706,626
25.	Karatedo Federation of Hong Kong, China	2,537,990
26.	Hong Kong Kart Club	477,623
27.	Hong Kong Kendo Association	668,190
28.	Hong Kong Lawn Bowls Association	1,872,883
29.	Hong Kong Life Saving Society	4,954,196
30.	Hong Kong Mountaineering Union	2,506,317
31.	Hong Kong Netball Association	1,046,030
32.	Orienteering Association of Hong Kong	2,375,502
33.	Hong Kong Federation of Roller Sports	1,721,529
34.	Hong Kong, China Rowing Association	6,638,619
35.	Hong Kong Rugby Football Union	4,002,665
36.	Hong Kong Sailing Federation	887,444
37.	Hong Kong Schools Sports Federation	7,078,400
38.	Hong Kong Shooting Association	2,546,188
39.	Hong Kong Shuttlecock Association	801,238
40.	Hong Kong Skating Union	986,857
41.	Hong Kong Softball Association	1,416,081
42.	Hong Kong Sports Association of the Deaf	648,054
43.	Hong Kong Sports Association for the Mentally Handicapped	6,235,454
44.	Hong Kong Paralympic Committee & Sports Association for the Physically Disabled	6,207,071

	Name of NSA	Amount of Subvention (\$)
45.	Hong Kong Squash	10,674,707
46.	Hong Kong Amateur Swimming Association	9,799,528
47.	Hong Kong Table Tennis Association	10,615,685
48.	Hong Kong Taekwondo Association	2,143,125
49.	Hong Kong Tennis Association	7,523,678
50.	Hong Kong Tenpin Bowling Congress	4,488,438
51.	Hong Kong Triathlon Association	4,108,269
52.	Hong Kong Underwater Association	935,232
53.	University Sports Federation of Hong Kong, China	1,346,939
54.	Volleyball Association of Hong Kong, China	7,718,231
55.	Hong Kong Water Ski Association	663,362
56.	Hong Kong Weightlifting and Powerlifting Association	833,655
57.	Windsurfing Association of Hong Kong	7,910,402
58.	Hong Kong Wushu Union	3,611,350
	Miscellaneous items ¹	13,002,155
	Total	231,850,142

¹ Miscellaneous items include subvention to sports organizations, enhanced feeder programmes, training of NSA staff, organization of sports conferences, and contingency.