

# 立法會

## *Legislative Council*

LC Paper No. CB(2)1973/10-11(04)

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### **Panel on Home Affairs**

### **Background brief prepared by the Legislative Council Secretariat for the meeting on 10 June 2011**

### **National Sports Associations**

#### **Purpose**

This paper provides background information on the funding for and governance and monitoring of National Sports Associations ("NSAs") in Hong Kong, and summarizes the views and concerns of Legislative Council ("LegCo") Members on the issues.

#### **Background**

2. NSAs are members of the Sports Federation and Olympic Committee of Hong Kong, China ("SF&OC"), which is the National Olympic Committee ("NOC") in Hong Kong with the responsibilities to co-ordinate all local sports organizations and promote interests of sports in Hong Kong. NSAs are local governing sports organizations in the respective sports disciplines with the objectives to promote and develop local sports and participate in international sports activities. They are normally affiliated to the international federations concerned and are recognized by SF&OC as the sole official representatives for their respective sports in international events. At present, there are 74 NSAs under SF&OC.

3. NSAs are non-profit-making bodies and registered independent legal entity with many as limited companies and the rest as societies under the Societies

Ordinance (Cap. 151). They conduct their internal affairs with full autonomy in accordance with their Memorandum and Articles of Association.

4. Before 2004-2005, NSAs received subvention from the statutory Hong Kong Sports Development Board ("HKSDB"). With the dissolution of the Board in April 2004, they have received recurrent subvention from the Sports Subvention Scheme ("SSS") administered by the Leisure and Cultural Services Department ("LCSD"). The subvention covers personnel, office and programme expenses. In 2011, 58 NSAs are receiving funding support from SSS. Details of SSS and a list of subvented NSAs are in **Appendixes I and II** respectively. As indicated in **Appendix III**, the total subventions to NSAs in 2008-2009, 2009-2010 and 2010-2011 were some \$173 million, \$178 million and \$203 million respectively. The size of subvention varies from one organization to another according to their individual organizational capability, other sources of income and the scale of the approved activities. In 2010-2011, the subvention to individual NSAs ranges from \$0.5 million to \$10 million.

5. NSAs may also generate income from donation, commercial sponsorship, membership fee and members' contribution, and apply for grants for the improvement of sports facilities through the statutory Sir David Trench Fund for Recreation under the Home Affairs Bureau ("HAB") and merit-based project funding through the Arts and Sports Development Fund ("ASDF"), which is a sub-fund under the Sir David Trench Fund for Recreation and managed by the Secretary for Home Affairs.

6. According to the Administration, since the provision of funding support to NSAs through SSS in 2004, LCSD has monitored NSAs through the subvention agreement arrangement, details of which are in **Appendix IV**. In addition, LCSD may initiate enquiry into any irregularities found and seek rectification as appropriate. It also keeps in close liaison with NSAs in programme planning, and carries out site inspections on subvented activities for progress monitoring and assessments of the results achieved. Since 2005, LCSD has conducted quality assurance checks to ensure that proper accounting procedures are adopted by NSAs and the terms of the Subvention Agreement are complied with.

Audit review

7. In October 2009, the Audit Commission ("AC") issued an Audit Report, a summary of which is in **Appendix V**, on LCSD's administration of subvention to NSAs under SSS. LCSD accepted all the audit recommendations and undertook to conduct a comprehensive review of the subvention system. After considering the Audit Report, LegCo's Public Account Committee ("PAC") concluded in its Report issued in February 2010 that -

- (a) the various problems identified by AC were mainly attributable to there being inadequate correlation between the determination of the amounts of subvention to NSAs and their performance. SSS should not be administered in such a way as to create an expectation on the part of an NSA that once subvention had been granted to it, it would continue to receive subvention in the following year upon application irrespective of its performance; and
- (b) since taking over the responsibility for managing the grant of subvention to NSAs from HKSDDB, LCSD had largely inherited the practices of HKSDDB in administering SSS without critically reviewing whether and how the subvention system had been able to achieve its objectives in promoting sports development in Hong Kong.

8. In June 2010, LCSD completed its review and finalized its recommendations in January 2011 following a consultation with SF&OC and NSAs. According to its progress report in **Appendix VI** to PAC in May 2011, LCSD would implement most of the recommendation from 2011-12.

### **Members' views and concerns**

9. In 2006, the Complaints Division of the LegCo Secretariat referred a complaint case from a sports association concerning the inadequate monitoring of NSAs, including their selection of athletes for participation in international sports events, to the Panel on Home Affairs ("the Panel") (LC Paper No. CB(2)1101/05-06(01)). The problems of NSAs were discussed by the Panel in July 2006 and April 2007. Members' views and concerns are summarized in the ensuing paragraphs.

### Subvention agreement

10. Members were concerned whether LCSD had detected any irregularities in the operation of NSAs or any non-compliance with the funding terms and conditions during its monitoring of NSAs' performance and if so, whether the NSAs concerned had been penalized. The Administration advised that during its inspections, only minor irregularities, such as incurring repeated expenses due to administrative oversight and other relatively minor cases of non-compliance with guidelines, were found. Upon detection of these irregularities, LCSD had stepped in and required the NSAs concerned to rectify. As the NSAs concerned had made rectifications accordingly, LCSD had not penalized any one of them.

11. Members had sought information on the criteria for determining the amount of subvention to individual NSAs and whether such subvention would be suspended if they were found to have breached the terms of subvention. According to the Administration, every year NSAs were required to draw up detailed annual plans of sports programmes to be organized and the estimated budget. LCSD would discuss with NSAs their plans and agree on the amount of subvention to be granted. LCSD entered into the subvention agreement with NSAs at the start of each financial year. If a NSA was found to have breached any term and condition of the subvention agreement or when any complaint was received against the operation of any NSA, LCSD would follow up and, if the NSA concerned was found to have breached any funding term and condition, it would be required to seek rectification as appropriate. There had been precedents in which the subvention received by a NSA had been suspended until it had improved to the satisfaction of the Administration.

### Avoidance of conflict

12. Whether the Administration would disallow a NSA's procurement contract from being awarded to its chairman or office bearers was another concern of members. Members noted that the chairman or office bearers of a NSA might be involved in the tendering process. The Administration assured members that it attached great importance to maintaining a high degree of impartiality, transparency and credibility in the procedures taken by NSAs in organizing sports activities supported by public funding. After taking over the work of providing funding to NSAs from HKSDB, LCSD had joined hands with the Independent Commission Against Corruption ("ICAC") to organize seminars for NSAs on graft prevention and avoidance of conflict of interest. Advice had been sought from

ICAC on the appropriate procedures for handling conflicts of interest in relation to NSAs' procurement practices. Based on ICAC's advice, the Administration had imposed a general requirement on NSAs that in any situation of possible conflict of interest, the person concerned had to declare interests and refrain from taking part in the discussion or determination of the matter concerned. This requirement was set out in the guidelines attached to the Handbook for National Sports Association.

13. Members were concerned about the provision of any official guidelines on the tendering procedures and avoidance of conflicts of interest to NSAs, the Administration advised that LCSD had provided NSAs with a reference handbook with procedural guides on staff and general administration, accounting and payment procedures, procurement practices, sponsorship and publicity, as well as distribution of complimentary tickets. In addition, a sample code of conduct on prohibition against acceptance of advantages and the principles of making declaration to avoid conflicts of interest had been provided to NSAs to facilitate them to draw up an ethical code applicable to their organizations. Accordingly, all NSAs had drawn up their internal codes of conduct, which were deposited with LCSD.

#### Governance

14. Some members expressed dissatisfaction with NSAs' malpractices, which included bureaucracy, abuse of powers for one's own interests, collusion, lack of transparency and ageing of leadership. Members noted with concern that many NSAs had operated like fraternity associations and lacked mechanisms to ensure transparency and accountability in their operation. Complaints were also filed against manipulations during elections of office bearers conducted by NSAs. In addition, there was not much turnover of the office-bearers of NSAs, and some NSAs had the same chairmen and vice-chairmen for 20 years. The remuneration of the senior management personnel of some major NSAs was also unreasonably high.

15. Regarding the ageing of the management of some NSAs, members called on the Administration to consider revamping the election system of NSAs and their membership, such as requiring them to appoint a certain number of professionals including accountants or legal practitioners as their office bearers. NSAs should be encouraged to adopt the best practices of corporate governance to enhance the transparency and accountability of their management. The Administration advised that in addition to organizing seminars with ICAC, LCSD would continue

to invite professional bodies to conduct seminars for NSAs, with a view to enhancing their corporate governance and management standard.

### Selection of athletes

16. Concern had been raised about the lack of transparency and fairness in the selection of athletes for participation in international sports competitions. Members noted the Administration's advice that the selection was the prerogative of SF&OC (as the NOC of Hong Kong) and the respective NSAs. According to the Olympic Charter, NOCs were responsible for deciding upon the entry of athletes proposed by their respective national federations to the Olympic Games and the regional, continental or world multi-sports competitions under the patronage of the International Olympic Committee. Selection had to be based on not only the performance of an athlete but also his or her ability to serve as an example to the sporting youth of his or her country. NOCs needed to ensure that the entries proposed by the national federations comply in all aspects with the provisions of the Olympic Charter. NOCs had also to resist all pressures of any kind, including political, legal, religious or economic pressures which might prevent them from complying with the Olympic Charter.

### **Relevant papers**

17. A list of the relevant papers with their hyperlinks at LegCo's website is in **Appendix VII**.

## Sports Subvention Scheme

### Eligibility for subvention

- To be eligible for applying for block grant subvention of the Sports Subvention Scheme ("SSS"), an National Sports Association ("NSA") had to fulfil the following six criteria –
  - (a) be recognised by the Sports Federation and Olympic Committee of Hong Kong, China ("SF&OC") as the sole official representative for the sports in international events;
  - (b) be a non-profit-making organisation;
  - (c) be registered under the Societies Ordinance or Companies Ordinance with a proper constitution;
  - (d) be in operation and had organised sports programmes for at least three years;
  - (e) be affiliated to the international federation of the respective sports concerned; and
  - (f) be of a sport which was one of the potential major games sports;
- if a sports organisation was not a member of the SF&OC but met the other five criteria, it could still apply for subvention on a project basis; and
- organisations previously not under subvention could also submit their applications to the Leisure and Cultural Services Department, which would assess their applications against the above criteria.

### Categories of programmes supported by SSS

- Subvention will be granted to NSAs for organizing 10 categories of programmes –

#### *International Competitions*

- (a) International Events Held Outside Hong Kong;

- (b) Local International Competitions (i.e. International Competitions held in Hong Kong);

*Squad Training*

- (c) National/Junior Squad Training Programme;
- (d) Regional Squad Training Programme;

*Development Programmes*

- (e) Development Schemes;
- (f) School Sports Programmes;
- (g) Local Competitions;
- (h) Community Sports Club Projects;

*Official Training*

- (i) Training of Officials; and
- (j) Meetings/Conferences

Type of expenses supported by SSS

- The recurrent subvention granted to NSAs under the Scheme covers the following three types of expenses:
  - (a) Programme expenses: essential expenses for NSAs to implement sports programmes such as participating in major sports events;
  - (b) Personnel expenses: salaries and related expenses of the subvented posts of NSAs; and
  - (c) Office Expenses: administrative costs of NSAs, such as rent and rates, public liability insurance premium and audit fee.



**List of subvented national sports associations in 2011-12**

1.	Hong Kong Archery Association
2.	Hong Kong Amateur Athletic Association
3.	Hong Kong Badminton Association
4.	Hong Kong Baseball Association
5.	Hong Kong Basketball Association
6.	Hong Kong Billiard Sports Control Council
7.	Hong Kong China Bodybuilding and Fitness Association
8.	Hong Kong Boxing Association
9.	Hong Kong Canoe Union
10.	Hong Kong Chinese Martial Arts Dragon & Lion Dance Association
11.	Hong Kong Cricket Association
12.	Hong Kong Cycling Association
13.	Hong Kong Dancesport Association
14.	Hong Kong Dragon Boat Association
15.	Hong Kong Equestrian Federation
16.	Hong Kong Fencing Association
17.	Hong Kong Football Association
18.	Hong Kong, China Gateball Association
19.	Hong Kong Golf Association
20.	Gymnastics Association of Hong Kong, China
21.	Handball Association of Hong Kong, China
22.	Hong Kong Hockey Association
23.	Hong Kong Ice Hockey Association
24.	Judo Association of Hong Kong, China
25.	Karatedo Federation of Hong Kong, China
26.	Hong Kong Kart Club
27.	Hong Kong Kendo Association
28.	Hong Kong Lawn Bowls Association
29.	Hong Kong Life Saving Society
30.	Hong Kong Mountaineering Union
31.	Hong Kong Netball Association
32.	Orienteering Association of Hong Kong
33.	Hong Kong Federation of Roller Sports
34.	Hong Kong, China Rowing Association
35.	Hong Kong Rugby Football Union
36.	Hong Kong Sailing Federation
37.	Hong Kong Schools Sports Federation
38.	Hong Kong Shooting Association
39.	Hong Kong Shuttlecock Association
40.	Hong Kong Skating Union
41.	Hong Kong Softball Association
42.	Hong Kong Sports Association of the Deaf
43.	Hong Kong Sports Association for the Mentally Handicapped
44.	Hong Kong Paralympic Committee & Sports Association for the Physically Disabled
45.	Hong Kong Squash

46.	Hong Kong Amateur Swimming Association
47.	Hong Kong Table Tennis Association
48.	Hong Kong Taekwondo Association
49.	Hong Kong Tennis Association
50.	Hong Kong Tenpin Bowling Congress
51.	Hong Kong Triathlon Association
52.	Hong Kong Underwater Association
53.	University Sports Federation of Hong Kong, China
54.	Volleyball Association of Hong Kong, China
55.	Hong Kong Water Ski Association
56.	Hong Kong Weightlifting and Powerlifting Association
57.	Windsurfing Association of Hong Kong
58.	Hong Kong Wushu Union

*Source: Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2011-12*

## Appendix III

### Subvention to National Sports Associations

	<b>Name of National Sports Association</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
1.	Hong Kong Archery Association	1,299,564	1,346,235	1,385,862
2.	Hong Kong Amateur Athletic Association	4,727,919	4,732,255	4,487,120
3.	Hong Kong Badminton Association	8,388,523	8,759,253	10,278,774
4.	Hong Kong Baseball Association	3,028,179	3,109,797	3,419,609
5.	Hong Kong Basketball Association	8,826,556	9,126,025	9,203,100
6.	Hong Kong Billiard Sports Control Council	2,184,629	1,208,726	1,868,780
7.	Hong Kong China Bodybuilding and Fitness Association	663,993	875,338	750,796
8.	Hong Kong Boxing Association	650,120	808,004	959,711
9.	Hong Kong Canoe Union	2,632,234	2,807,616	2,726,170
10.	Hong Kong Chinese Martial Arts Dragon & Lion Dance Association	1,353,650	1,393,922	1,873,304
11.	Hong Kong Cricket Association	2,151,700	2,056,907	2,600,387
12.	Hong Kong Cycling Association	5,462,536	5,636,349	6,619,220
13.	Hong Kong Dancesport Association	2,041,401	1,989,592	2,318,150
14.	Hong Kong Dragon Boat Association	1,566,231	1,646,804	1,715,150
15.	Hong Kong Equestrian Federation	1,506,165	1,515,729	1,493,686
16.	Hong Kong Fencing Association	4,138,085	5,137,215	4,979,080
17.	Hong Kong Football Association	7,306,164	7,506,215	8,920,534
18.	Hong Kong, China Gateball Association	869,588	1,045,229	1,031,483
19.	Hong Kong Golf Association	1,344,902	1,385,683	1,463,518
20.	Gymnastics Association of Hong Kong, China	3,682,723	3,860,388	4,557,600

	<b>Name of National Sports Association</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
21.	Handball Association of Hong Kong, China	3,085,221	3,377,234	4,589,230
22.	Hong Kong Hockey Association	1,693,484	1,704,757	2,137,573
23.	Hong Kong Ice Hockey Association	604,405	615,415	766,021
24.	Judo Association of Hong Kong, China	1,979,597	2,016,557	2,700,968
25.	Karatedo Federation of Hong Kong, China	1,240,675	973,766	2,119,136
26.	Hong Kong Kart Club	325,470	507,543	517,924
27.	Hong Kong Kendo Association	702,539	711,512	753,216
28.	Hong Kong Lawn Bowls Association	1,696,434	1,719,512	1,892,870
29.	Hong Kong Life Saving Society	3,602,626	3,711,587	4,492,215
30.	Hong Kong Mountaineering Union	1,921,567	2,066,389	2,157,508
31.	Hong Kong Netball Association	902,619	701,982	880,252
32.	Orienteering Association of Hong Kong	2,025,710	2,047,427	2,124,668
33.	Hong Kong Federation of Roller Sports	1,542,373	1,562,804	1,692,865
34.	Hong Kong, China Rowing Association	6,266,776	6,394,103	6,549,611
35.	Hong Kong Rugby Football Union	3,625,735	3,622,495	3,923,644
36.	Hong Kong Sailing Federation	914,355	892,986	968,724
37.	Hong Kong Schools Sports Federation	6,363,500	6,624,361	6,600,230
38.	Hong Kong Shooting Association	1,872,854	1,906,167	2,597,786
39.	Hong Kong Shuttlecock Association	723,575	622,901	732,743
40.	Hong Kong Skating Union	954,631	962,907	1,030,614
41.	Hong Kong Softball Association	1,127,795	1,176,191	1,232,569
42.	Hong Kong Sports Association of the Deaf	453,162	448,598	476,937
43.	Hong Kong Sports Association for the Mentally Handicapped	4,320,364	4,394,100	5,357,704
44.	Hong Kong Paralympic Committee & Sports Association for the Physically	3,870,104	3,965,462	5,083,992

	<b>Name of National Sports Association</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
	Disabled			
45.	Hong Kong Squash	8,479,737	9,049,716	10,201,665
46.	Hong Kong Amateur Swimming Association	8,192,222	8,426,071	8,943,425
47.	Hong Kong Table Tennis Association	7,662,296	7,716,022	10,009,906
48.	Hong Kong Taekwondo Association	1,412,495	1,420,948	1,995,254
49.	Hong Kong Tennis Association	6,027,793	6,281,024	6,575,498
50.	Hong Kong Tenpin Bowling Congress	3,314,365	3,351,944	4,429,751
51.	Hong Kong Triathlon Association	3,560,334	3,680,143	4,155,227
52.	Hong Kong Underwater Association	1,074,184	1,044,441	1,061,719
53.	University Sports Federation of Hong Kong, China	610,875	1,121,063	650,969
54.	Volleyball Association of Hong Kong, China	5,832,014	6,049,976	7,598,248
55.	Hong Kong Water Ski Association	581,434	587,012	656,552
56.	Hong Kong Weightlifting and Powerlifting Association	532,964	552,340	858,180
57.	Windsurfing Association of Hong Kong	6,352,652	6,529,455	7,743,791
58.	Hong Kong Wushu Union	3,368,681	3,106,824	3,872,770
	<b>Total</b>	<b>172,642,479</b>	<b>177,591,017</b>	<b>202,783,989</b>

*Source: Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2011-12*

**Subvention agreement between the Leisure and Cultural Services Department  
("LCSD") and the National Sports Associations ("NSAs")**

Under the subvention agreement in 2004, NSAs are required to –

- (a) report expenditure position and activity progress to LCSD at quarterly intervals;
- (b) submit annual audit reports prepared by certified public accountants within six months after the close of financial year;
- (c) seek prior approval for any use of subvention outside the scope of approved budget;
- (d) inform LCSD on every election of office bearers and any changes of their Memorandum and Articles of Association;
- (e) allow unhindered access for the Government and the Audit Commission to enquire, examine and audit all records and accounts in respect of the subvention;
- (f) accept and act on any advice rendered by the Independent Commission Against Corruption ("ICAC") and the Government to improve public transparency and accountability in their operation; and
- (g) disclose all information relevant to the subvention funding as and when necessary.

Since 2008-2009, the subvention agreement has further required NSAs to –

- (h) provide the Government with the declarations of interests made by their office-bearers and staff, and the official records of management decisions for examination of compliance with the Code of Conduct ("Code") and procurement guidelines ("Guideline") provided by ICAC;
- (i) inform the Government of any amendment to their Code and Guidelines; and
- (j) include in annual audit reports an opinion of the auditors of NSAs as to NSA's compliance with the Subvention Agreement, their Code and Guidelines.

**Extract from  
The Government Minute in response to the  
Report of the Public Accounts Committee No. 55 of February 2011  
(tabled on 18 May 2011)**

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**Administration of the Sports Subvention Scheme** (Chapter 1 of Part 8 of PAC Report No. 53)

***Comprehensive review of the Sports Subvention Scheme***

34. The Steering Committee (SC) chaired by the Director of Leisure and Cultural Services completed a review of the Sports Subvention Scheme (the Scheme) in June 2010 and recommended a number of measures to improve its overall efficiency and effectiveness. LCSD consulted the Sports Federation & Olympic Committee of Hong Kong, China (SF&OC) and the National Sports Associations (NSAs) in late 2010, and finalised the recommendations in January 2011. Details of the major improvement measures, most of which will be implemented with effect from 2011-12, are set out in the ensuing paragraphs.

***(1) Allocation of Subvention***

***(a) Eligibility criteria***

35. SC recommends that new applicants for funding under the Scheme should satisfy a set of criteria, namely, the applicant should be affiliated to SF&OC and the international federations of the respective sport; and the sport concerned should be or would likely become one of the sport of major games such as the Olympic or Asian Games. LCSD will upload these criteria onto its website in July 2011 for inviting applications for subvention in 2012-13. This provides an objective and transparent mechanism for new applicants.

***(b) Performance-based approach to determine allocation of subvention***

36. SC has identified four key performance areas (KPA), namely: Organisation of Programmes; Performance of Athletes; Development of Sport; and Corporate Governance and Compliance. In line with the Audit recommendations,

NSAs will be required to set more objective and quantitative performance targets for each of these KPAs for inclusion in their annual plans. LCSD will take into account the targets set and NSAs' achievements of the targets when assessing the allocation of subvention, thereby adopting a performance-based approach in determining the subvention level starting from 2011-12. LCSD has devised guidelines to assist NSAs in setting these targets.

37. To address the problem of late submission of financial and programme reports by NSAs, SC recommends including timely submission of reports as one of the targets under the KPA on Governance and Compliance, and that, consideration will be given to deduct the quarterly subvention by 1% if NSA concerned fails to submit the required reports on time and cannot make the necessary rectification within the specified timeframe despite repeated reminders. A one-year transition period will be provided for NSAs to familiarise their staff with the new system, so subvention deduction (if any) will be implemented from 2012-13 onwards. An appeal mechanism will also be put in place.

38. SC further recommends the introduction of a Mid-year Review, to be conducted by the senior directorate of LCSD in October each year starting from 2011-12, to assess NSAs' achievement of performance targets and compliance with the subvention requirements. Assistance will be provided to NSAs where needed.

*(c) Standardising and rationalising the subvention approaches*

39. SC has reviewed the two different calculation methods currently used (one taking income into consideration and the other not) for determining the subvention for different categories of sports programme, and recommends that they be standardised. In determining the amount of subvention to be granted to an NSA for all categories of programme in 2011-12, LCSD will take into account the estimated income that can be derived from the programmes as well as the maximum subvention level for the eligible expenditure of the category of programme concerned.

40. Based on SC's recommendations, LCSD will continue to adopt the lump-sum approach in allocating the subvention for five categories of programme, namely, international competitions held outside Hong Kong, national and junior squad training, regional squad training, training of officials, and meetings and conferences. The programmes will be processed in the form of "wish lists"



whereby NSAs set out their proposals in order of priority and LCSD will provide subvention having regard to funding availability. As recommended by SC, LCSD will also continue to allocate the subvention on a programme basis for the remaining five categories of programme, namely, local international competitions, development schemes, local competitions, school sports programmes and community sports clubs projects.

## ***(2) Monitoring the Use of Subvention and Internal Controls of NSAs***

### *(a) Output-based approach to monitoring the use of subvention*

41. To simplify the subvention system and increase the flexibility for NSAs, SC recommends the adoption of an “output-based” approach whereby LCSD will not vet the individual expenditure items against the corresponding items in the approved budget. This will enable NSAs to use the approved subvention more flexibly so long as they meet their commitment on deliverables and fulfill the broad funding principles.

42. Nevertheless, to prevent possible abuses, LCSD will set conditions for the use of certain expenditure items (e.g., air fares, hotel accommodation and pay rates for coaches and officials) to ensure that public money will be spent properly and that coaches and officials are appropriately remunerated.

### *(b) Streamlined and simplified reporting requirements*

43. Having reviewed the purpose of and information contained in the various reports currently submitted by NSAs to LCSD, SC recommends streamlining and simplifying the reporting system to tie in with the “output-based” monitoring approach, with a view to reducing the burden on NSAs and enhancing compliance. With the revised system taking effect from 2011-12, NSAs will submit one Programme Report for each programme on a quarterly basis (instead of three reports), and an annual auditor’s report on the entire subvention. The Department has prepared a set of “Best Practices for Internal Processing of Reports and Follow-up Work” to help LCSD staff monitor NSAs.

### *(c) Systematic inspections*

44. In addition to quality assurance inspections conducted by the Quality

Assurance Section (QAS) of LCSD covering all NSAs on a three-year cycle, SC recommends adopting a new risk-based approach from 2011-12 for conducting on-site inspections of subvented programmes. The risk-based approach will help determine the frequency of on-site inspections to be undertaken by LCSD staff in a more systematic manner, taking into account the nature and complexity of the programmes as well as the risk level of NSAs concerned.

*(d) Comprehensive guidelines and best practices*

45. LCSD has devised a checklist of best practices of internal control for implementation by NSAs, covering procurement procedures, handling of receipts and cash, payment procedures and fixed asset control.

46. The Corruption Prevention Department (CPD) of the Independent Commission Against Corruption (ICAC) has all along been working jointly with the LCSD to address the governance issues in NSAs. CPD will in consultation with the Home Affairs Bureau and LCSD compile a best practice checklist to help NSAs further enhance their governance and internal controls. ICAC and LCSD will jointly organise workshops to help NSAs understand and implement the best practices. The ICAC is also ready to provide free and tailor-made corruption prevention advice to individual NSAs.

*(e) Auditing standard and quality assurance inspections*

47. Having regard to the auditing standards adopted by other subvented bodies, SC recommends that the standard for NSAs' audited accounts should be raised to the level of "providing reasonable assurance on NSAs' compliance with the relevant guidelines and requirements". To ensure that QAS's recommendations are properly followed up, LCSD has promulgated guidelines for compliance both by its staff and by staff of NSAs. Moreover, the senior management of LCSD will be kept informed regularly of the work progress of the department's QAS and the follow-up actions taken by NSAs.

*(f) Briefings and IT Support for NSAs*

48. LCSD conducted two workshops in March and April 2010 to remind NSAs' staff of the importance of following proper accounting procedures and best practices for addressing procedural loopholes. It will continue to organise

workshops and seminars to help NSAs improve their governance and internal controls and comply with the accounting and auditing requirements stipulated in the revised Subvention Agreements. It will also hold annual briefings for NSAs to advise them of the latest government policies and initiatives for developing sport as well as to remind them of common problems relating to reporting and compliance.

49. LCSD is developing a computerised system to be implemented in two phases. Phase I will be implemented 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. LCSD has also provided NSAs with a list of suitable accounting software to help them enhance the management of accounts.

***(3) Manpower Support***

50. Recognising the increase in workload arising from the expansion and growing complexity of the Scheme over the years, and rising public expectation with regard to the monitoring of the performance and governance of NSAs, SC recommends enhancing LCSD's monitoring capacity and providing additional resources to NSAs to allow them to strengthen their internal control and accounting capabilities. To follow up the recommendations, LCSD has allocated an additional provision of about \$10 million per annum from 2011-12 onwards.

51. LCSD will oversee the implementation of SC's recommendations and monitor NSAs' compliance with their obligations under the Scheme.

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**Relevant papers on  
National Sports Associations**

<b>Committee</b>	<b>Date of meeting</b>	<b>Paper</b>
Panel on Home Affairs	3.7.2006 (Item II)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Home Affairs	13.4.2007 (Item V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Home Affairs	17.4.2009	<a href="#">CB(2)1206/08-09(01)</a>
Public Accounts Committee	14.12.2009	<a href="#">Programme</a>  <a href="#">Director of Audit's Report No. 53 (Chapter 1)</a>  <a href="#">P.A.C. Report No. 53 Pages 40 - 60</a>  <a href="#">Government Minute in response to P.A.C. Report No. 53 Pages 19 - 22</a>  <a href="#">P.A.C. Report No. 55 Pages 20 - 24</a>  <a href="#">Government Minute in response to the P.A.C. Report No. 55 Pages 9 - 13</a>
Panel on Home Affairs	8.1.2010 (Item V)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Council Meeting	24.11.2010	<a href="#">Written Question</a>