

The Audit Commission ("Audit") conducted a review of the Hong Kong Academy for Performing Arts ("HKAPA").

2. HKAPA was established in 1984 by The Hong Kong Academy for Performing Arts Ordinance (Cap. 1135) to foster and provide training, education and research in the performing arts and related technical arts. HKAPA offers undergraduate degree programmes, sub-degree programmes and junior programmes with government funding. It also offers self-financing Master's degree programmes. The Home Affairs Bureau ("HAB") oversees the funding and operations of HKAPA. In the financial year 2014-2015 (ended on 30 June 2015), government subvention to HKAPA amounted to \$309 million, accounting for 66% of HKAPA's total income of \$467 million. With a total expenditure of \$437 million, HKAPA recorded a surplus of \$30 million in 2014-2015.

3. The Committee noted the following findings from the Director of Audit's Report:

- HKAPA sets student enrolment targets every year. For undergraduate degree and sub-degree programmes, there were enrolment shortfalls in the academic years 2012-2013 to 2015-2016, increasing from 14 places (2%) in 2012-2013 to 40 places (5%) in 2015-2016. In 2015-2016, local students only filled 85% of the enrolment target of 825. The shortfall was partially made up by non-local students;
- for undergraduate degree programmes, HKAPA has adopted the policies of aligning the tuition fee with that of University Grants Committee-funded institutions (set for some years at \$42,100 a year), and charging non-local students the same tuition fee. By contrast, University Grants Committee-funded institutions are required to charge non-local students tuition fee at a level that was at least sufficient to recover all additional direct costs. In 2015-2016, their fees ranged from \$110,000 to \$146,000;
- there had been an increasing trend in HKAPA's student unit cost, which increased by 80% from \$171,000 in 2005-2006 to \$308,000 in 2014-2015;
- in migrating to a four-year undergraduate degree structure, some sub-degree programmes were phased out, resulting in a 47% drop in the total number of HKAPA graduates from 418 in 2011-2012 to 222

in 2014-2015, reducing the supply of HKAPA graduates to the performing arts sector;

- the administrative arrangements entered between HAB and HKAPA in 2001 have not been updated to incorporate some important reporting requirements specified in subvention guidelines issued by the Administration after 2001, such as the requirement to submit an audited annual financial report on subvented programmes with an auditor's opinion on the compliance with all government requirements and subvention guidelines;
- audit analysis based on available records indicated that the average utilization rates of HKAPA's teaching venues in 2014-2015 were (a) 32% to 79% for those at Wanchai Campus; (b) 3% to 28% for those at the Bethanie Campus; and (c) 12% to 35% for those at leased premises at commercial buildings. The utilization rates recorded for some teaching venues were low, although according to HKAPA records there have been repeated comments of acute shortage in teaching space;
- the Finance Committee of the Legislative Council ("LegCo") approved a funding of \$444.8 million for HKAPA to carry out the Wanchai Campus expansion project. In March 2014, HAB made a proposal to the Financial Services and the Treasury Bureau ("FSTB") to seek supplementary provision of \$150 million to meet the increased expenditure not included in the original project scope. FSTB commented that it was highly undesirable for HKAPA to initiate changes that would affect approved project estimate after funding approval, and asked HAB and HKAPA to critically review the project scope and works specifications to contain the project cost within approved project estimate. In June 2014, HAB and HKAPA worked out a cost containment proposal to contain the project cost within approved project estimate by excluding the construction of a one-storey lightweight structure on the roof of an existing block. However, HAB and HKAPA had not reported such change in project scope to LegCo; and
- the Wanchai Campus expansion project, originally scheduled for completion in December 2015, is expected to be completed in December 2017, two years behind schedule.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding HKAPA's policy on the admission of non-local students, tuition fee for non-local students, the increase in student unit cost, governance and monitoring of HKAPA by the Administration, utilization of venues and the implementation of the Wanchai Campus expansion project. The consolidated replies from Secretary for Home Affairs and Director of HKAPA are in *Appendix 14*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.