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27 May 2019

Mr Anthony CHU  
Clerk to Public Accounts Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Mr CHU,

**Public Accounts Committee**  
**Consideration of Chapter 6 of the Director of Audit's Report No. 72**  
**Hong Kong Arts Festival Society Limited**

I refer to your letter dated 15 May 2019 requesting response and/or further information from the Leisure and Cultural Services Department (LCSD) regarding the programme management, funding and governance and administrative issues of the Hong Kong Arts Festival Society Limited (HKAFSL).

Our reply in both languages is set out in the **Appendix** for the Public Accounts Committee's consideration.

Should you have any question, please contact the Chief Manager (Performing Arts Services), Richie LAM at 2601-8093.



Yours sincerely,

( Elaine YEUNG )

for Director of Leisure and Cultural Services

Encl.

c.c. Secretary for Home Affairs (fax no. 2591 5536)

Executive Director, Hong Kong Arts Festival Society Limited

(e-mail: tisa.ho@hkaf.org)

Secretary for Financial Services and the Treasury (fax no. 2147 5239)

Director of Audit (fax no. 2583 9063)

**Public Accounts Committee**  
**Consideration of Chapter 6 of the Director of Audit's Report No. 72**  
**Hong Kong Arts Festival Society Limited**

**For the Leisure and Cultural Services Department**

**Part 2: Programme Management**

**Q2. According to paragraph 2.34, LCSD will work with HKAFSL on the reporting requirements on attendance and specify separate performance indicators in funding and service agreements. What progress has been made?**

A2. LCSD has discussed with HKAFSL on the reporting requirements on attendance and will specify the following separate performance indicators in future funding and services agreements:

- (a) Number of paid audience for performances excluding complimentary tickets
- (b) Attendance rate of paid audience for performances excluding complimentary tickets in %\*
- (c) Number of paid audience for Festival Plus

$$* \text{ attendance rate} = \frac{\text{number of paid audience}}{\text{number of tickets available for sale}} \times 100\%$$

**Part 3: Funding of the Hong Kong Arts Festival Society Limited**

**Q3. According to paragraph 3.5(c)(iii), LCSD will review the effectiveness of the five-year funding in meeting the specific objectives, and consider in due course if the funding should be extended or regularized. Is there a timetable for the review? If yes, when will the review be conducted? If not, why no timetable has been set?**

A3. Since the five-year funding will expire in 2023-24, LCSD plans to commence a review in 2020-21. In the meantime, LCSD will monitor the performance and progress of HKAFSL for proper and effective use of the five-year time-limited subvention in meeting the specific objectives to groom local artists and to stage performance in the New Territories regions. Further extension or regularisation of the time-limited funding will be subject to the findings of the review and the availability of funding to be sought under the established mechanism.

**Q4. According to paragraph 3.12(b), HKAFSL has already made an application to the Government for specific support with regard to the senior citizens' discount. What are the details and the updated progress?**

A4. As a financially autonomous organisation, HKAFSL has the discretion to decide on, among other things, the ticketing policy (such as the pricing and discounts) of Hong Kong Arts Festival's programmes. For example, it can decide whether or not to offer concessionary tickets to a particular group of audience regardless of the availability of additional funding from the Government.

On the other hand, the Government has increased funding to support the activities of HKAFSL in recent years, both on a time-limited basis and on a recurrent basis. With the passage of the Appropriation Bill 2019 by the Legislative Council, the Government will increase the recurrent subvention to HKAFSL by 10% to \$18.898 million each year from 2019-20. We will not attach any condition on the use of this additional recurrent funding and HKAFSL may deploy it in areas as it thinks fit.

**Q5. With reference to Table 8 of paragraph 3.13(b), please explain/provide:**

(a) **the reasons for having no records on whether the reports had been submitted as stipulated in Note 4 to Table 8 and whether HKAFSL/LCSD consider the situation unsatisfactory.**

(b) **the improvement measures that have been/will be taken to avoid recurrence of the above problems in future, including whether a checklist has been devised and action taken would be documented.**

A5. There was room for improvement in the keeping of records as both HKAFSL/LCSD failed to file relevant reports in early years of the review period.

Starting from 2017-18, true copies of the reports submitted by HKAFSL have been stamped with date chop. LCSD will further enhance the registry of reports submitted by HKAFSL and reinforce the arrangement by devising a checklist to step up the monitoring on the timely submission of reports and ensuring the documentation of action taken.

**Q6. With reference to paragraph 3.20(c), please advise the progress on revising the performance indicators, and provide details of the revised performance indicators (if any). When will the new indicators be adopted?**

A6. We have already worked with HKAFSL to revise the performance indicators taking into account the actual performance results. The performance indicators for 2018-19 were set higher than the preceding year upon provision of the time-limited subvention of \$8 million, i.e. an overall increase of four more programmes in 19 more performances and 86 more educational and community activities.

#### **Part 4: Governance and Administrative Issues**

**Q7. According to paragraphs 4.5 and 4.6, 35% to 54% of the Executive Committee and its supporting committees members in HKAFSL did not sign the undertakings on declaration of conflicts of interest, and HKAFSL has not adopted a two-tier reporting system for the declaration of conflicts of interest. Please advise:**

- (a) whether HKAFSL/LCSD was aware of the non-compliance with the “Guide to Corporate Governance for Subvented Organisations” before Audit raised the issue to HKAFSL. If yes, why is it the case?**
- (b) the measures that have been taken to address the issue, and whether HKAFSL has adopted a two-tier reporting system for declaration of conflicts of interest as suggested by Audit in paragraph 4.11(b). If not, the reasons for not implementing the two-tier reporting system.**
- (c) the updated progress of the signing of undertakings (see paragraph 4.12), and when will the follow-up actions be completed.**

**A7. According to the prevailing practice, members of the Executive Committee and its supporting committees of HKAFSL declare their potential interest during meeting. The acknowledgement and the follow-up action, if any will be documented on minutes.**

HKAFSL will adopt the two-tier reporting system for declaration of conflicts of interest as suggested by Audit by the end of this calendar year. In the meantime, HKAFSL will also follow up with those current members who have not signed the undertaking on declaration of conflicts of interest within three months.