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9 June 2020

Clerk to the Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Mr Anthony CHU)

Dear Mr CHU,

**Public Accounts Committee**  
**Consideration of Chapter 2 of the Director of Audit's Report No. 74**  
**Sports Federation & Olympic Committee of Hong Kong, China**

Thank you for your letter of 2 June 2020 to the Secretary for Home Affairs on the captioned matter. Our response to questions raised therein are set out in **Annex** please.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Cheng', written over a light blue horizontal line.

( Paul CHENG )  
for Secretary for Home Affairs

- c.c. Honorary Secretary General, Sports Federation & Olympic Committee of Hong Kong, China (Fax No.: 2891 3657)  
Executive Director, Sports Federation & Olympic Committee of Hong Kong, China (Fax No.: 2891 3657)  
Secretary for Financial Services and the Treasury (Fax No.: 2147 5239)  
Director of Audit (Fax No.: 2583 9063)

**Public Accounts Committee**  
**Questions relating to Chapter 2 of the Director of Audit's Report No. 74**  
**Sports Federation & Olympic Committee of Hong Kong, China**  
**Response from the Home Affairs Bureau**

**Part 2: Operation of the Sports Federation & Olympic Committee of Hong Kong, China**

- (a) with reference to paragraph 2.54 of the Audit Report, the collaborative efforts to be made by the Home Affairs Bureau (“HAB”) in taking forward the redevelopment of the Olympic House with the Sports Federation & Olympic Committee of Hong Kong, China (“SF&OC”) and the short-term and long-term measures taken to address the problem of over-crowding in the Olympic House and the long-term requirement for office spaces by the “national sports associations” (“NSAs”);

The Financial Secretary announced in the 2018-19 Budget to conduct a technical feasibility study on the redevelopment of the Olympic House with a view to providing more office and activity space for SF&OC, its affiliated companies, NSAs and sports-related organisations. We have been actively following up the matter and joined hands with SF&OC to take forward the preparatory work. SF&OC, in consultation with various NSAs, has preliminarily worked out the overall requirements of office and activity space. We are assessing their proposal with the relevant departments and conducting the traffic and noise impact assessments. Upon completion of the assessments, we will consult the Wan Chai District Council and work with the Architectural Services Department to commence the technical feasibility study and devise a works schedule. We will work closely with SF&OC and continue to take forward the redevelopment project.

On the other hand, SF&OC will explore the feasibility of reallocating areas of office space to NSAs and converting some meeting rooms into office space.

### **Part 3 : Government funding and monitoring**

- (b) with reference to Table 14 in paragraph 3.7 of the Audit Report, the reasons for the long delays in making the second quarterly payment of recurrent subventions by HAB to SF&OC in 2017-2018 (i.e. 104 days of delay), and the last three quarterly payments in 2018-2019 (over 30 days of delay for each instalment); and the measures taken/to be taken by HAB to ensure timely disbursement of recurrent subventions to SF&OC and the Management Company of Olympic House Limited (MCOHL);**

The delay in making the second quarterly payment of subvention to SF&OC in 2017-18 was because the staff handling the case failed to process the disbursement in a timely manner, whereas the delay in the last three quarterly payments in 2018-19 was due to a misunderstanding by the staff handling the case that the disbursements should be made after the latest quarterly report was scrutinised. They were administrative errors in both cases. HAB agrees with the audit recommendations that quarterly payments should be disbursed to SF&OC in a timely manner. In this regard, we will step up our internal monitoring to make sure that the matter is attended to by the handling officer in good time. We will also arrange internal staff redeployment to ensure that the subvention is disbursed in accordance with the payment schedule as specified in the subvention agreement. In addition, we are following up with MCOHL on the audit recommendations to prescribe a payment schedule of disbursement and suitably adjust the deadline for submission of the quarterly management accounts by revising relevant clauses in the subvention agreement. We expect to complete the amendment work within June this year.

- (c) according to R74/2/GEN2, the respective funding agreements between the Government and SF&OC and MCOHL for the provision of subventions in 2019-2020 were signed in July 2019. Please explain the three months of delay in signing the agreements, and advise whether such delay had caused late disbursement of recurrent subventions to SF&OC and MCOHL, and hence resulted in their operational difficulties;**

As a general practice, SF&OC submits its annual work plan and budget (including that of MCOHL) for the next financial year for HAB's consideration at the beginning of the year (usually in January or February). After vetting of the work plan and budget, HAB will have discussions with SF&OC to agree on the details before signing the subvention agreements with SF&OC and MCOHL respectively. As

this process would take about four months, the subvention agreements are normally signed in May or June each year.

For 2019-20, the subvention agreements were signed in July 2019. SF&OC had included a funding proposal for a new initiative in its 2019-20 work plan and budget which involved some discussions between HAB and SF&OC before the work plan and budget were finalised. In addition, HAB had reviewed, in consultation with SF&OC and MCOHL, the text of the subvention agreements and made some textual amendments. For reasons above, it took more time than usual before the subvention agreements could be finalised. After the subvention agreements were signed on 11 July 2019, the first quarterly payment for 2019-20 was disbursed to SF&OC on 24 July 2019 which was in compliance with the payment schedule as prescribed in the subvention agreement (i.e. the first quarterly payment should be disbursed within ten working days after the signing of the agreement). As SF&OC was well aware of the progress of our processing of its subvention, they had made appropriate arrangements in its operations. We accept the suggestion of the Public Accounts Committee and will work closely with SF&OC to expedite the signing of subvention agreements in future.

- (d) with reference to paragraphs 3.14 and 3.15(d) of the Audit Report, the follow-up actions taken by HAB in respect of the Audit Commission's suggestion of including MCOHL in the list of organizations receiving recurrent funding from the Government in accordance with the Financial Circular No. 9/2004;**

We note that not all organisations receiving recurrent funding from the Government are explicitly spelt out in the list of organisations receiving recurrent funding from the Government of the Financial Circular No. 9/2004. For example, some organisations are listed out by category only. We are consulting the Financial Services and Treasury Bureau on the audit recommendations and expect to conclude the relevant follow-up action within June this year.

- (e) **with reference to Table 17 in paragraph 3.24 of the Audit Report, whether HAB had taken any follow-up actions in respect of the under-achievement in performance indicators by SF&OC and MCOHL in the period 2014-2015 to 2018-2019; if yes, the details; if no, reasons for that;**

HAB has been monitoring the use of subvention by SF&OC and MCOHL through their submission of quarterly reports and management accounts. Unfortunately, when vetting the quarterly reports and management accounts of SF&OC and MCOHL during the period from 2014-15 to 2018-19, the officer handling those submissions failed to take follow-up action on the under-achievement of the performance indicators. We have reminded the handling officer of the need to carefully examine the reports and take appropriate follow-up action. We will also prepare a checklist to assist relevant officers in their assessment of performance of SF&OC and MCOHL against the indicators. In addition, we will step up the monitoring of the performance of SF&OC and MCOHL by deploying staff to review the quarterly reports and take follow-up action as appropriate.

- (f) **with reference to paragraphs 3.28 and 3.29 of the Audit Report, please explain why HAB had not followed up with MCOHL the non-disclosure of the remuneration of staff of all the top three tiers by MCOHL in its annual report as required by the subvention agreement signed between the two parties; and**

In its annual reports for the past five years, MCOHL has disclosed the total remuneration of its top three management staff (i.e. one Manager and two Assistant Managers). The handling officer of HAB had mistaken such disclosure as being compliant with the requirement in the subvention agreement. HAB agrees with the audit recommendations and will remind MCOHL of the need to disclose the remuneration of staff of the top three tiers in its annual report in accordance with the requirement in the subvention agreement. We will monitor MCOHL's follow-up action in this regard.

- (g) with reference to paragraphs 3.34 and 3.35 of the Audit Report, the actions taken/to be taken by HAB to follow up the implementation of the outstanding items of best practices in Table 21 by SF&OC, particularly those relating to enhancing the transparency of the admission of membership system.**

SF&OC indicated that they would endeavour to implement the best practices as laid down in the “Best Practice Reference for Governance of National Sports Associations - Towards Excellence in Sports Professional Development” (“Best Practice Reference”), including those relating to enhancing the transparency of the admission requirements for membership, for example by uploading the application form, admission requirements and procedures to its website. For the five-year period starting 2020-21, HAB will provide a time-limited funding of \$5 million per year to support SF&OC’s work to review the operation and internal monitoring mechanism of all NSAs. SF&OC will establish a dedicated team to carry out the relevant tasks of the review, including the formulation of a code of governance for compliance by all NSAs. The implementation of the best practices in the “Best Practice Reference” will be an important component of the code.

To set a good example, SF&OC will conduct a review on its own operation and internal monitoring mechanism, and comply with the code to be formulated. HAB will closely monitor the progress of review through the reports to be submitted by SF&OC on the implementation of the code of governance.