

**A brief account of Chapter 1 of Report No. 74  
“Management of funding for sports development through the Arts and Sport  
Development Fund (Sports Portion)”  
by the Director of Audit  
at the Public Hearing of the Public Accounts Committee  
of the Legislative Council on Saturday, 16 May 2020**

Mr. Chairman,

Thank you for inviting me here to give a brief account of Chapter 1 of Report No. 74 of the Director of Audit, entitled “Management of funding for sports development through the Arts and Sport Development Fund (Sports Portion)”.

This Audit Report comprises six PARTs.

**PART 1 of the Report, namely “Introduction”, describes the background of the audit.**

The sports portion of the Arts and Sport Development Fund (hereinafter referred to as ASDF) is an important source of funding for sports development in Hong Kong. ASDF primarily funds: (1) projects of the Sports Federation & Olympic Committee of Hong Kong, China (SF&OC) and National Sports Associations (NSAs) for supporting Hong Kong athletes to prepare for and participate in major international games; (2) projects for hosting international sports events locally by NSAs and sports organisations; (3) projects for the development of local football by the Hong Kong Football Association (HKFA); and (4) other sports programmes and schemes. In 2018-19, the total number of approved projects was 166 with an approved amount of \$123.8 million.

The Home Affairs Bureau (HAB) is responsible for formulating policies relating to sports development and the administration of ASDF. The Leisure and Cultural Services Department (LCSD) and the District Offices (DOs) assist HAB in vetting some of the funding applications and monitor the results of the projects concerned.

**PART 2 of the Report examines funding for Hong Kong athletes to prepare for and participate in international games.**

Regarding funding for Hong Kong athletes to prepare for and participate in international games, the Audit Commission (Audit) examined 28 approved applications and found room for improvement in the monitoring of the funding. For instance, there were

7 applications of which the grantees did not set any performance targets; 12 applications with some achievements not reported against the targets set; and 24 applications of which the grantees did not provide any explanations for the significant variances between estimated and actual amounts of expenditure and/or between those of income. Besides, in 2018-19, about 50% of cases failed to meet the requirement that a programme report should be submitted within four months after the completion of a preparation programme or sports competition. Regarding the return of unspent balances, there were cases of miscalculation and delayed return of unspent balances.

**PART 3 of the Report examines ASDF's funding for hosting international sports events locally by NSAs and sports organisations.**

International sports events include three types of events, namely "M" Mark events (MMEs), Major Local International Events (MLIEs) and Local International Events (LIEs). In the 10 funding applications examined, Audit found that 1 application was not properly assessed. There was also scope for improvement in performance reporting. For instance, in 2018-19, there was delay in submission of programme reports and audited accounts for 78% of MLIEs. LCSD did not prepare inspection reports after inspecting some events, and some information (e.g. number of spectators) was missing in some inspection reports.

Audit also noted that only MME grantees were required to return surpluses, whereas MLIE and LIE grantees were required to return unspent balances only. In addition, unspent balances of some MLIEs and LIEs were returned a long time (e.g. about 10 months) after the submission of audited accounts to LCSD for checking. There was also room for improvement in the accuracy of information on international sports events reported to the Legislative Council by HAB.

**PART 4 of the Report examines ASDF's funding for football development.**

HKFA is responsible for promoting football development in Hong Kong and operating the Hong Kong football team. Audit found room for improvement in HKFA's governance and human resource management. For instance, in the football seasons 2014/15 to 2018/19, some members attended less than half of the meetings, and none of the members made first-tier declaration of conflicts of interest. As for recruitment exercises, despite the fact that certain job applications were received after the deadlines or not sent to the designated recipient, some of these applications were accepted by the Human Resources Department and the applicants took up the appointment. There was also scope to improve declarations of conflicts of interest in recruitment exercises.

Regarding spectator attendance in football matches, Audit found that up to 14.6% of spectators in 2018-19 were complimentary ticket holders; and in the football seasons 2014/15 to 2017/18, gate receipts decreased from \$16.8 million to \$4.6 million, and sponsorship income decreased from \$21.1 million to \$4.5 million.

According to the funding agreement between HAB and HKFA, HKFA is required to report on a half-yearly basis on the achievements against performance targets and indicators. In the period 2015-16 to 2018-19, the number of under-achievements against performance targets and indicators ranged from 2 to 11. In addition, up to September 2019, some key targets set in the 2009 consultancy report on football development had not been achieved, and some achievements were even lower than the achievements in 2009.

**PART 5 of the Report examines funding for other sports programmes and schemes.**

Audit found that for the Five-Year Development Programme for Team Sports, 9 of the 12 teams that participated in the 2018 Asian Games did not achieve the performance targets; whereas for the District Football Funding Scheme, all of the 18 district football teams had failed to fully meet the 4 performance targets throughout the funding periods 2014/15 to 2018/19, and 10 of them had not provided any explanation.

**PART 6 of the Report examines the governance matters of the Sports Commission (SC) and its three underpinning committees.**

HAB is advised by SC on the strategies and provision of funding for sports development in Hong Kong. Regarding meetings of SC and its three underpinning committees, Audit found room for improvement in frequency of meetings and members' attendance. For the period 2015 to 2019, the number of members who did not attend any meetings totalled 32. Audit also noted occasions where SC members attended meetings without adequately declaring their potential conflicts of interest.

In the light of the audit findings, Audit has made recommendations to HAB and LCSD, and both have accepted our recommendations. I would like to take this opportunity to acknowledge with gratitude the full cooperation, assistance and positive response of the staff of HAB, DOs, LCSD, SF&OC and NSAs during the course of the audit review.

Thank you, Mr. Chairman.