

(Translation)

**Public Accounts Committee
16 May 2020**

**Report No. 74 of the Director of Audit
Management of funding for sports development through the Arts
and Sport Development Fund (Sports Portion) (Chapter 1)**

**Opening Speech of the Second Public hearing
for the Secretary of Home Affairs**

Mr. Chairman,

Part 4 of the Director of Audit's Report (Audit Report) reviews the Arts and Sport Development Fund (ASDF) (sports portion) in respect of the funding for the development of football. It also sets out a number of recommendations on improving the performance of the Hong Kong Football Association (HKFA) in terms of its management, implementation of the Five-year Strategic Plan (the Five-year Plan) and other administrative issues. I, as well as my colleagues from the Home Affairs Bureau (HAB), and Chairman and the Chief Executive Officer of the HKFA are prepared to respond to Members' questions. To facilitate the discussion later on, I will first set out the relationship between the Government and the HKFA.

Autonomy of HKFA

2. The HKFA is a member of the Federation Internationale de Football Association (FIFA), the Asian Football Confederation (AFC) and the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC). It is responsible for promoting football development in Hong Kong and the selection of athletes to participate in international events. Like all other "national sports associations" (NSAs), the HKFA is an independent legal entity with full autonomy to run its affairs and should not be subject to political or religious pressures as stipulated in the Olympic Charter and the FIFA Statutes.

3. The HKFA was registered in 1954 in accordance with the Companies Ordinance. The Board manages and controls all matters of the HKFA pursuant to its Articles of Association. It is within the HKFA's purview to set the priorities and objectives in the promotion and development of football in Hong Kong. The HKFA organises local leagues and international matches, as well as selects and supervises Hong Kong Teams (including men's team, women's team, youth team and futsal team) that play in international competitions.

The Government's Monitoring Responsibility

4. The Government respects the principles of autonomy in the organisation, management and operations of sports under the Olympic Charter and the FIFA Statutes. We will not participate in the internal governance or daily operations of the HKFA. We work in partnership with the HKFA in promoting and developing football primarily through the provision of funding and venue support.

5. The HAB has been providing the HKFA with funding support under the ASDF for the implementation of its Five-year Plan since 2015. To ensure the proper and effective use of public funding, we oversee the HKFA in achieving the performance targets and indicators as stipulated in the Five-year Plan funding agreement.

6. While the Government has the responsibility to monitor the use of public funding by the HKFA, the Government would not and should not intervene in its management or interfere with its daily operations. The HKFA Management is responsible for conducting the daily operations, and it is the responsibility of the HKFA Board to oversee the performance of the Management.

Role of the Football Task Force (FTF)

7. In May 2010, the HAB set up the FTF to assist the HKFA in implementing the various recommendations under Project Phoenix. The FTF is chaired by the Permanent Secretary for Home Affairs and comprised of members from the sports and other sectors. The FTF's current terms of reference is to advise the Secretary for Home Affairs on matters relating to the development of football in Hong Kong, in particular to monitor the progress of the HKFA in implementing its Five-year Plan against the agreed targets and indicators; monitor and advise on the allocation of funding earmarked for the HKFA to implement the Five-year Plan; exchange views with stakeholders on the further development of football in Hong Kong; and advise on any other strategic matters relating to the further development of football in Hong Kong.

Monitoring Mechanism

8. The HAB and the HKFA entered into a funding agreement to ensure the effective use of funding provided to the HKFA for its implementation of the Five-year Plan. According to the funding agreement, the HKFA must allow the Government and the Director of Audit to have unhindered access and to enquire, examine and audit the records and accounts in relation to the funding and the management and control procedures, and to follow and act upon any corruption prevention advice rendered by the Independent Commission Against Corruption and the Government. Furthermore, when required, the HKFA

must agree to disclose all the information relating to the funding. The HKFA must adopt and comply with the Code of Conduct, accounting and payment procedural guidelines and procurement guidelines to avoid conflict of interest and ensure compliance with procedures. The funding agreement also requires the HKFA to submit to the Government an annual account examined by a registered public accountant and an annual budget application with details of each funding item clearly stated.

9. We have included performance indicators and targets in our funding agreement with the HKFA to facilitate our monitoring of its implementation of the Five-year Plan. It is stipulated in the agreement that the HKFA should submit half-yearly reports on the progress against these performance indicators and targets. According to the HKFA's half-yearly report in March 2020, the HKFA ultimately achieved 23 of the 33 final indicators and targets in the funding agreement. The related information was provided to the Committee yesterday. It is also stipulated in the agreement that the HKFA should submit to the Government an annual budget application with details of each funding item clearly stated. The HAB would consider the HKFA's annual budget application in consultation with the FTF to review the merits of the funding sought by the HKFA.

10. Apart from monitoring the work of the HKFA through the funding agreement and the FTF, the HAB also holds liaison meetings with the HKFA management to discuss, advise and assist the HKFA on the implementation of the Five-year Plan, such as fixtures and venues of the Hong Kong Premier League (HKPL) as well as the progress of construction of the Football Training Centre (FTC). For example, the HAB assisted the HKFA in ensuring the smooth construction of the FTC, which was built on a restored landfill site, through liaising with related works departments to resolve obstacles in the design and construction stages.

11. Moreover, the HAB will investigate complaints received on matters related to the Five-year Plan. For example, we received a complaint in August 2018 on compliance issues regarding the recruitment of the Head Coach. After a thorough review of the relevant documents submitted by the HKFA, we found that the HKFA did not follow the relevant recruitment procedures when recruiting the Head Coach, such as failing to seek authorisation from the Board in selecting the candidate by the then Chief Executive Officer. Consequently, the HAB wrote to the HKFA Chairman in September 2018 to express our concern and requested the HKFA to handle the matter seriously. The HKFA Board of Directors engaged an independent audit consultant to review its Staff Recruitment Policy and Procedures. The audit findings indicated that the HKFA management lacked awareness on the Staff Recruitment Policy and Procedures. Also, standard procedures were not put in place on posting recruitment ads, receiving job applications and shortlisting candidates. To address the problems identified, the consultant recommended the HKFA to revise

its Staff Recruitment Policy and Procedures. The Board of Directors endorsed the revised Policy and Procedures in February 2019, the full implementation of which was confirmed by the consultant upon review in April 2019.

Effectiveness of the Plan

12. Pursuant to the terms in the funding agreement, we completed the mid-term review on the HKFA's Five-year Plan in 2018. The review findings indicated that the performance of the HKFA in various areas has improved, including governance and organisational development, football curriculum, coach development and referee development. Credits should be given to the HKFA's promotion of football in the community as the number of participants of grassroots football, women's football and futsal programmes exceeded their performance targets. However, the performance of the HKFA in some areas still required improvement, including the performance of the Hong Kong Team, the organisation of the HKPL, communication and relationship with stakeholders and reliance on public funding. We reported to the Panel on Home Affairs (the Panel) of the Legislative Council the outcomes and recommendations of the mid-term review in July 2018, and the improvement measures adopted by the HKFA to address the concerned areas in May 2019. Part 4 of the Audit Report has identified items requiring improvement by the HKFA, including attendance rates at HKPL matches, reliance on funding from the Government, and certain unachieved performance targets and indicators, which are similar to those identified in the Government's mid-term review. The Panel discussed the issues concerned.

13. Apart from assessing the effectiveness of local football development based on the indicators of the Five-year Plan, there are examples that illustrate the positive development of local football in recent years in addition to the achievements in performance targets and indicators under the Five-year Plan. The Hong Kong Youth Team made it to the finals of the AFC U-16 Championship for the first time in 2014 by beating Singapore, Taipei and Macao in the qualification round. In the 2018 and 2019 Guangdong-Hong Kong Cups, the Hong Kong Team defeated the Guangdong Team and clinched two consecutive titles, which showed the potential and progress of the new generation, while it advanced to the finals in the 2019 East Asian Football Federation E-1 Football Championship and delivered stellar performance in the recent World Cup qualifiers for an increased number of live fans. In addition, the HKFA was awarded the "AFC Member Association of the Year (Developing)" by the AFC in 2015 and 2019 in recognition of its efforts in professional governance and promoting local football development. The HKFA also received the "AFC Dream Asia Awards 2019 – Silver Award" for its contribution to the community. As for the Tseung Kwan O FTC commissioned in 2018, it was a major milestone of the HKFA's Five-year Plan that provides an indispensable base for the long-term development and the routine training of Hong Kong football teams.

14. Football is one of the most popular sports in Hong Kong. However, prior to the Project Phoenix, local football development plunged into an “ice age”, as commonly referred to by the football community, for decades. There was a significant reduction in the number of football fans, inadequate training for the youth, and a decline in the income of players. The Government supported the HKFA to implement the Project Phoenix with an aim to bring Hong Kong football back on the right track to enhance its own professional capabilities and catch up with the rapid growth and development of football in the international arena in recent years. We have seen modest progress made in various aspects of Hong Kong football, including the rise of young players with high potential, increased investment from football clubs, greatly improved remuneration for players and the newly built training base. Football, similar to all other sports, requires time to develop and grow, especially when we started from a low point ten years ago.

15. We understand that there is room for improvement in the HKFA’s work and corporate governance, particularly the irregularities of the management over whom the Board of Directors is responsible to supervise. Regarding the audit recommendations, the HAB has written to urge the HKFA to take effective measures and requested it to submit an action plan on how it intends to address the issues identified in the Audit Report for the FTF’s consideration. When handling the funding application of the HKFA’s new strategic plan, the HAB will take into account the recommendations from the Director of Audit and the HKFA’s action plan. The HAB will continue to assist the HKFA in enhancing corporate governance and promoting local football development, while respecting the HKFA’s autonomy in its operations.

Thank you, Mr. Chairman.