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來函檔號 Your Ref.: CB(3)/PAC/R42

10 May 2004

Ms Miranda HON
Clerk
Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

(Fax No. 2537 1204)

Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 42)**

Chapter 4: Hong Kong Harbour Fest

Thank you for your letter of 5 May 2004, asking me to advise whether Audit, having regard to the Director-General of Investment Promotion's evidence given at the public hearing on 3 May 2004, still considers that its observations in paragraph 2.25 of the Audit Report are valid.

Audit was aware that Invest Hong Kong (InvestHK) had considered the detailed budget submitted by the American Chamber of Commerce in Hong Kong (AmCham) and had sought clarifications from AmCham by emails about some of the items in the budget. In conducting the review on Harbour Fest, Audit had examined the email correspondence between InvestHK and AmCham regarding the consideration of the detailed budget.

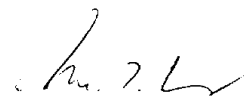
However, as stated in paragraph 2.24 of the Audit Report, Audit noted that InvestHK had neither sought the assistance of government departments with experience/expertise in the entertainment field (e.g. the Leisure and Cultural Services Department, and the Radio Television Hong Kong), nor engaged experts in the show business, to vet AmCham's detailed budget for the Harbour Fest project. Audit noted that InvestHK only adopted a "*common-sense approach*" in checking the completeness and reasonableness of the detailed budget submitted by AmCham.

In Audit's view, this "*common-sense approach*" of vetting did not provide a sound basis for InvestHK to satisfy itself that AmCham's detailed budget for the project was reasonable and acceptable to the Government (see para. 2.25 of the Audit Report). Without the benefit of expert advice and information on the market prices of performances by international artists, InvestHK was unable to properly assess the reasonableness of the venue construction and operations costs and the talent costs in AmCham's detailed budget (see para. 2.24 of the Audit Report).

Therefore, notwithstanding that InvestHK had considered the detailed budget submitted by AmCham and had sought clarifications from AmCham by emails, I maintain that the observations in paragraph 2.25 of the Audit Report that "Audit could not ascertain the basis on which InvestHK was able to satisfy itself that AmCham's detailed budget for the project was reasonable and acceptable to the Government. It is unclear whether InvestHK had conducted a proper appraisal of AmCham's budget proposal, as required by the ERWG...." are valid.

A Chinese translation of this letter will be forwarded to you shortly.

Yours sincerely,



(David Leung)
for Director of Audit

c.c. Financial Secretary
Director-General of Investment Promotion
Secretary for Financial Services and the Treasury
(Attn: Mr Manfred WONG)