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20 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 13 May 2004.

With reference to the questions raised in paragraph 3 of your letter, I set out the information as follows:

- (a) *Why Audit made reference to the 1988 guidelines in commenting on the form of financing the Harbour Fest?*

In paragraph 2.34 of the Audit Report, it is stated that “given that the Government paid for the bulk of the cost of the Harbour Fest, and in view of the need to account for such a large sum of public expenditure, Audit considers that sponsorship did not seem to be an appropriate form of financing this project”. Audit held this view because sponsorship in this case had resulted in entrusting a large sum of public money to AmCham without stringent controls. Audit considered the amount of sponsorship should normally be a small portion of the sponsored project cost. This principle should always be followed. In making these remarks, it was noted that the

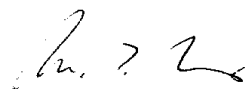
Government guidelines "Miscellaneous Subventions — Guidelines on the Management and Control of Government Subventions" issued in 1988 had already referred to sponsorship as "a contribution, usually a token amount, to help meet part of an organisation's operational expenses and to demonstrate support for the organisation's objectives". Audit therefore considered it relevant to refer to the principle and good practice set out in these guidelines.

- (b) *Whether Audit has any evidence that the Director-General of Investment Promotion had made reference to these guidelines in relation to the Harbour Fest?*

I confirm that Audit did not find any evidence in this respect.

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)