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INDEPENDENT COMMISSION AGAINST CORRUPTION

防止貪污處 Corruption Prevention Department

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Our Ref. : CPD/ASM/TOC/2010/036

Tel. No. : 2826 3227

RESTRICTED (ADMIN)

15 November 2010

Mr. Philip Yung, JP  
Commissioner for Tourism  
2nd Floor, East Wing  
Central Government Offices  
Lower Albert Road  
Central, Hong Kong

Dear Philip,

**Assignment Report No. 36/2010  
Tourism Commission (TC)  
Administration of Mega Events Fund**

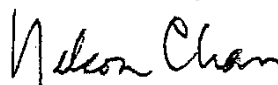
I am pleased to enclose four copies of the above Assignment Report which was endorsed by the Corruption Prevention Advisory Committee (CPAC) at its meeting on 30 September 2010.

In endorsing the report, CPAC Members recommended that TC should issue more stringent guidelines for staff in evaluating events that involved substantial grants and carried a commercial name. Members also doubted the need for continuing the Scheme which was set up at the time of financial difficulties, and, in view of the changed economic situation, suggested that TC should consider returning the unused funds to the Government.

I should be grateful if you would let us have your comments on the report's recommendations and those of the CPAC. To facilitate your implementation of these recommendations, we would be happy to give a presentation on the major corruption risks identified and the key recommendations to your staff, if necessary.

We would like to express our gratitude for the assistance and support rendered by your staff in the course of this study. Please feel free to contact me or Mr. Kenneth Wong at 2826 3180 if you have any questions.

Yours sincerely,

  
(Nelson Chan)

for Director of Corruption Prevention  
Independent Commission Against Corruption

\* 委員會秘書附註：本文件只備英文本。

Restricted (Administration) 內部文件 (行政)

**Assignment No. 36/2010**

**Assignment Report**

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**Tourism Commission**

**Administration of Mega Events Fund**

# Corruption Prevention Department

防止貪污處

30 September 2010

**Group : G**  
**Head : Mr. Nelson Chan**  
**Officer : Mr. Kenneth Wong**



Restricted (Administration) 內部文件 (行政)

# RESTRICTED (ADMINISTRATION) 內部文件(行政)

*Ref. : CPD/ASM/TOC/2010/036*

**Assignment No. 36/2010**

**Assignment Report**

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**Tourism Commission**

**Administration of Mega Events Fund**

**30 September 2010**

<b>Group</b>	<b>:</b>	<b>G</b>
<b>Head</b>	<b>:</b>	<b>Mr. Nelson Chan</b>
<b>Officer</b>	<b>:</b>	<b>Mr. Kenneth Wong</b>

*Reading members are welcome to contact the CPD officers to discuss the report prior to the meeting. All members are requested to bring their copies of the report to the meeting, or, if unable to attend, to return them to the Secretary in due course.*

**C O N T E N T S**

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## **A P P E N D I C E S**

1. List of Approved Applications for Mega Events Fund
2. Implementation Status of CPD Recommendations Made on the Mega Events Fund Previously
3. Marking Scheme for the Assessment of Mega Events Fund Applications

**ABBREVIATIONS**

AC	Assessment Committee
B/D	Bureaux/Departments
CPD	Corruption Prevention Department
MEF	Mega Events Fund
PS/CIT	Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)
TC	Tourism Commission

**LIST OF PERSONS CONSULTED**

Miss Rosanna Law	Deputy Commissioner for Tourism
Mr. Vicent Fung	Assistant Commissioner for Tourism
Ms. Jane Tong	Manager (Tourism)
Ms. Judith Lau	Assistant Manager (Tourism)
Mr. Gabriel Li	Assistant Manager (Tourism)

## **Part I – Executive Summary**

### **Origin**

In May 2009, the Government earmarked a sum of \$100 million to set up the Mega Events Fund (MEF, 盛事基金), for a period of three years, to assist non-profit-making organizations to host mega arts, cultural or sports events. Since the inception of the MEF, the Corruption Prevention Department (CPD) has been offering advice on the funding procedures to the Tourism Commission (TC) which is responsible for managing the fund. In view of the risk of abuse, such as unfairness, in fund approval and enforcement of funding conditions, TC and CPD agreed that a follow-up study should be conducted to review the adequacy of the safeguards built in TC's procedures.

### **Scope**

2. The study covers TC's procedures and practices for processing funding applications, monitoring the grantees' performance and enforcing the funding conditions.

### **System Overview**

3. A designated team headed by an Assistant Commissioner of TC is responsible for the administration of the MEF (para. 12), from screening applications for funding (against specified assessment criteria, para. 18) and making recommendations for approval of funds, to monitoring deliverables by the grantees. An Assessment Committee (AC) comprising non-official members from the arts, sports, cultural and tourism sectors and senior government officials assesses the screened-in applications based on the laid down criteria using a marking scheme. All funding proposals are approved by the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (para. 23).

4. While no maximum amount has been set on the level of funding for individual events, the grantees are required to meet at least 50% of the total actual cost of their events (e.g. sponsorship or donation in cash or in kind, or event admission fees). The value of sponsorship or donation in kind is assessed for the purpose of calculating the amount of grants for approval. Any surplus fund should be returned to the Government (para. 10). So far, 46 applications were received, 34 rejected and 10 approved, involving a total grant of \$45 million (para. 11).

5. The grantees are required to sign a funding agreement which sets out the event details (e.g. deliverables) and the funding conditions (e.g. payment methods,

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ethical commitment, procurement by competitive means, and reporting and auditing requirements) (paras. 26 & 27). Grants for the approved events are normally paid by two installments, i.e. an upfront payment of up to 50% of the approved grant and the balance upon event completion (para. 28). TC monitors compliance with the approved objectives and deliverables of the funded events mainly by conducting progress meetings with the grantees, making site visits (para. 33), and reviewing the audit reports and event reports from the grantees (para. 35). In case of breaches of the funding conditions or failure to meet the performance targets or deliverable, TC may cut the approved funds or even terminate the agreement (para. 29).

### **Key Findings**

6. The main concerns in the system under study are possible perception of unfairness or favouritism in the approval of grants, and connivance at shortfalls in meeting the pledged deliverables. There is also the risk of abuse by the staff of grantees when they make procurement or recruit temporary staff for the approved events. With CPD's input at the development stage of the system, TC has built in a number of safeguards, e.g. the AC members are subject to probity requirements (para. 15); the application procedures and selection criteria are publicized (para. 14); and the grantees are contractually committed to probity requirements (para. 16), including the obligation to adopt open and competitive procedures in procurement and staff recruitment (para. 27).

7. The study has identified a few areas for further improvement to prevent corrupt practices and abuse. The major issues are highlighted below:

- (a) **Scrutiny of the Applicants' Competence in Organizing Mega Events** - The success of the mega events hinges largely on the capability and experience of the organizers. TC does not include in the marking scheme the applicants' organization structure and experience in organizing similar events to ensure that only competent and bona fide non-profit-making organizations are selected for the scheme (para. 20).
- (b) **Monitoring of Deliverables of Approved Events** - Despite the pledges made in the funding agreement, some grantees have failed to meet the deliverables (e.g. failing to spend the approved funds on the pledged activities). TC has yet to establish a system to check the deliverables and take action against non-compliance in a consistent manner (paras. 35 & 36).
- (c) **Safeguards Against Payment Fraud** - There are also inadequate measures to prevent the grantees from using falsified purchasing and payroll records to deceive payments (para. 34).



## **Summary of Recommendations**

8. CPD's recommendations given to TC are summarized at *Appendix 2*, the majority of them have been implemented. The following recommendations are made to further enhance the application procedures and to establish an effective framework for monitoring of events after approval. TC should:

### **Application Procedures**

- (a) include the applicants' background and governance structure, track records, and human, financial and technical resources in the marking scheme to ensure that the successful applicants are capable of operating the events to the Government's satisfaction (para. 20);
- (b) verify the values of sponsorships in kind included in the proposed budgets against the market prices of the sponsored items as appropriate (para. 25);

### **Monitoring and Enforcement Procedures**

- (c) provide a copy of the Best Practice Checklists on procurement and staff recruitment issued by CPD to the grantees and advise them to seek CPD's assistance in adopting the best practices (para. 31(a));
- (d) require the grantees to establish a two-tier approval system for the hiring of key personnel or award of major procurement contracts to enhance checks and balances (para. 31(b));
- (e) issue guidelines on the disposal of the equipment acquired with the MEF funds, requiring the grantees either to sell the equipment and return the proceeds to the Government or, if the grantees are allowed to keep the equipment, to properly record it for audit checks (para. 32);
- (f) design a standard monitoring report form for recording the observations made in site visits by TC's staff and the AC members (para. 33);
- (g) require the staff concerned to randomly verify the number of staff employed by the grantees when making site visits, and the number and price of the equipment purchased (para. 34); and
- (h) issue guidelines on different levels of enforcement action for non-compliance with the funding conditions, taking into account the nature of the breaches (para. 36).

## Part II – Background

### Mega Events Fund

9. To promote Hong Kong as the events capital of Asia and to attract tourists, the Mega Events Fund (MEF, 盛事基金) of \$100-million was set up in May 2009 to fund local non-profit-making organizations (para. 18) in hosting mega arts, cultural or sports events for a period of three years.

10. Under the MEF scheme, there is no upper limit on the financial support for individual events and successful applicants (i.e. the grantees) may be awarded up to 50% of the budgeted expenditure of their proposed events. The remaining expenses are to be met by the grantees' internal resources or other sources of income (e.g. sponsorship, donation, or admission fees) (para. 25). Any surplus of the event must be returned to the Government. Existing events that normally receive public funding or are self-sufficient financially will be approved only if the MEF grant will be used solely for organizing additional activities which can significantly enlarge the scale of the event or raise its international profile.

11. So far, three rounds of applications have been processed, and a total of \$45 million has been committed for 10 successful applications (a list of which is at *Appendix I*), with the approved funds for individual events ranging from about \$800,000 to \$10 million. Seven of the ten approved events were completed, one was withdrawn<sup>1</sup>, and the remaining two will be held in January and April 2011 respectively. The table below shows a breakdown of the applications processed in the three rounds of application.

Date	Received	Approved	Rejected	Withdrawn
July 2009	17	6	11	0
November 2009	11	1	10	0
April 2010	18	3	13	2
<b>Total</b>	<b>46</b>	<b>10</b>	<b>34</b>	<b>2</b>

### Organization

#### Tourism Commission

12. The Tourism Commission (TC) under the Commerce and Economic Development Bureau is responsible for managing the MEF scheme. Headed by

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<sup>1</sup> The Royal Hong Kong Yacht Club, organizer of the "Louis Vuitton Hong Kong Trophy" scheduled to be held in January 2011, has withdrawn its application.

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an Assistant Commissioner for Tourism, a secretariat staffed by a Manager and two Assistant Managers provides administrative support for the scheme.

### **Assessment Committee**

13. The Assessment Committee (AC), appointed by the Secretary for Commerce and Economic Development, assesses applications and makes recommendations to the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PS/CIT) on the selection of successful applications, the funding amount, and the grant terms and conditions. The AC consists of six non-official members (including the chairman) from the arts, sports, cultural, event management and tourism sectors and three officials at the Deputy Secretary level from the Home Affairs Bureau, the Information Services Department and the Tourism Commission.

### **Guidelines and Instructions**

14. TC has publicized an MEF Guide to Applications on its website, setting out the eligibility criteria, the application and assessment procedures, the rules on the administration and financial management of the funded events, and the monitoring and evaluation arrangements. It has also issued internal guidelines on the assessment of applications and monitoring of approved events.

### **Probity Requirements**

#### **Assessment Committee**

15. Upon CPD's advice (para. 17), TC has issued a set of probity guidelines for the AC members, covering acceptance of advantage and entertainment, declaration of conflict of interest, handling of confidential and privileged information and misuse of one's official capacity. The AC members are also required to declare their interests, including employment in public and other services, which are open for public inspection upon request.

#### **Grantees**

16. As advised by CPD (para. 17), the MEF funding agreement subject the grantees and their directors, employees and related parties to anti-bribery clauses and the requirement to declare conflict of interest. Any breach of these conditions may lead to termination of the funding agreement.

### **CPD Advice Given**

17. Between May and November 2009, CPD offered advice to TC on the MEF application procedures, probity requirements for the AC members as well as applicants, and the funding agreement conditions. The majority of the

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recommendations have been accepted and implemented. A summary of the recommendations and their implementation status is at *Appendix 2*.

## Part III – System Under Study

### Eligibility Criteria

18. The MEF is open for application by bona fide<sup>2</sup> non-profit-making organizations, such as sports organizations, non-governmental organizations, art associations etc. To be qualified for the MEF, the proposed events should meet the following criteria:

- (a) ability to raise the profile of Hong Kong internationally, create a branding impact, attract visitors to Hong Kong specifically for the event, and generate local and overseas media coverage;
- (b) events of a considerable scale, with at least 10,000 people involved (including participants, spectators and reporters);
- (c) a non-local element, including participants from the Mainland and overseas; and
- (d) participation by the local public.

19. TC has drawn up a marking scheme (*Appendix 3*) for the assessment of applications against the laid down selection criteria, including the financial and technical viability of the proposed events. Applications have to attain over 60% in each of the five assessment criteria to be qualified for funding. The marking scheme and the weightings of individual criteria are announced in the Guide to Application (para. 14).

20. *Previous CPD studies on the governance structure of non-profit-making organizations observed that some of them lack the relevant expertise and resources to manage government funded projects. Although TC requires the applicants to submit, together with their applications, information on their background and organization structure for verification of their bona fide status (para. 21), these elements are not specifically included in the marking scheme (para. 19). As the grants dished out under the MEF are substantial (para. 11), there is the concern that the grantees may not have the expertise and resources to properly manage mega arts, cultural and sports events, hence increasing the risk of misuse or abuse of funds by unscrupulous staff of the grantees.*

**Recommendation:** To address the concern, TC should include in the marking scheme the background and governance structure of the applicants' organization, their track records in organizing similar events, and their human, financial and

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<sup>2</sup> Applicants should be non-profit-making organisations registered under the Societies Ordinance, or incorporated under the Companies Ordinance, or formed by statute in Hong Kong, or on the list of approved charitable institutions or trusts of a public character under the Inland Revenue Ordinance.

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technical resources to ensure that the successful applicants have the capacity to implement and operate the events to the satisfaction of the AC and the Government.

### **Invitation and Receipt of Applications**

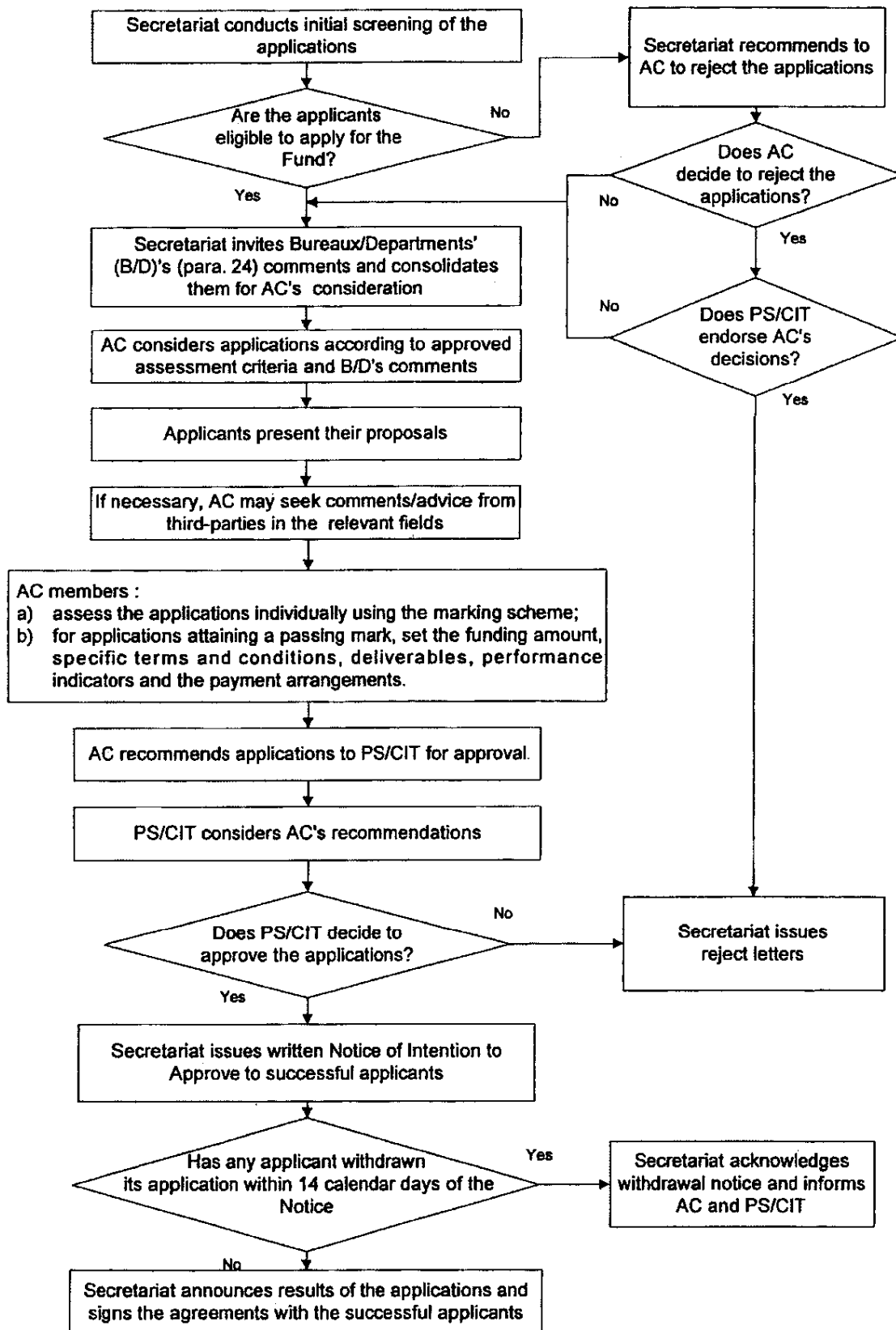
21. Applications are invited twice a year through the mass media and TC's website. Applicants are required to complete a standard application form, providing information about their organization and objectives, plans for implementation and promotion of the proposed events, deliverables, performance indicators, staffing, and financial proposals (including sources of income such as sponsorship and admission fees), together with documentary proof of the applicants' non-profit making status (e.g. constitution or Memorandum and Articles of Association and organization structure). Apart from the Guide to Application (para. 14), TC has also posted a set of frequently asked questions on its website and has set up a hotline for enquiry about the scheme.

22. The Manager, with the support of an Assistant Manager (para. 12), is responsible for the receipt of applications. All applications received are date-chopped and acknowledged in writing.

### **Assessment and Approval of Applications**

23. The assessment and approval procedures for the MEF applications are illustrated in the flowchart below:

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### Observations

24. TC has incorporated measures in the assessment and approval process to prevent abuse, including consultation with other bureaux/departments<sup>3</sup> (and third-party experts if necessary), independent scoring by the AC members and final approval by the PS/CIT. Deliberations are also fully documented.

### Assessment of Sponsorship in Kind

25. TC requires the applicants to source other resources, including sponsorship in cash or in kind, to meet the expenses of the proposed events not covered by the MEF grant. As the MEF grant is capped at 50% of the event's total expenses (para. 10), the estimated value of sponsorships in kind (e.g. souvenirs and free beverage for participants/spectators) would impact on the amount of MEF grant to be approved. *However, there are no guidelines on the evaluation of sponsorships in kind to ensure that all incomes are accurately reflected in the budget of a proposed event. Any over or under valuation of such sponsorships may give rise to perception of unfairness in the assessment of proposals.*

**Recommendation:** TC should issue guidelines requiring the staff, when assessing the proposed budgets of applications, to verify the values of sponsorships in kind against the market prices of the sponsored items, as appropriate.

## Funding Agreements

### Performance Targets and Deliverables

26. TC signs with the successful applicants a funding agreement which sets out in detail the approved event, restrictions on fund usage (e.g. only for overseas publicity or, in the case of an existing event, only for additional activities), payment arrangements, and project deliverables, targets and milestones which usually covers the following key aspects:

- (a) number of participating teams or individuals, spectators and reporters;
- (b) number of overseas visitors coming to Hong Kong specifically for the event;
- (c) number and nature of paid jobs created by the event;
- (d) special tourist packages developed and promoted in specified countries or regions; and
- (e) publicity campaigns carried out locally and outside Hong Kong.

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<sup>3</sup> These include the Home Affairs Bureau (supported by the Leisure and Cultural Services Department), Information Services Department, Government Economist, and the Hong Kong Tourism Board (as TC's executive arm).



### **Funding Conditions**

27. The grantees are also required to comply with, among others, the following major funding terms and conditions:

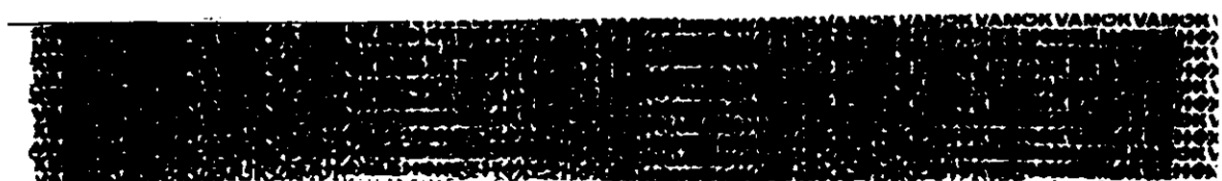
- (a) prohibit all directors, employees and agents from offering, soliciting or accepting advantage in relation to the event and require them to declare any conflict of interest;
- (b) abide by open, fair and competitive principles in the procurement of goods and services and recruitment of staff for the event;
- (c) keep a register of the equipment procured costing \$5,000 or more and follow TC's instructions on their disposal after the event;
- (d) submit progress reports as and when required by TC and the following final reports within three months after the event completion:
  - an evaluation report detailing the achievement and actual incomes and expenditures as against the pledged deliverables and approved budget;
  - a publicity report containing a summary of all publicity materials and local and overseas media coverage; and
  - audited accounts, with the auditor's certification of compliance with the funding terms and condition.
- (e) maintain all books of accounts and records of the event for seven years and allow access by the Government for audit or inspection purposes.

### **Disbursement of Funds**

28. The AC and PS/CIT decide the payment arrangement upon approving an application. For all 10 events approved so far, the funds are to be paid in two instalments. The first installment (usually 50%<sup>4</sup> of the approved funds) is to be paid upon signing of the funding agreement and the second installment after satisfactory completion of the event and submission of the required reports and audited accounts (para. 35).

### **Sanctions Against Breaches**

29. Should the grantees, without reasonable explanation, fail to meet the project deliverables and targets or breach any funding terms and conditions, TC could stop payment of any outstanding funds or even terminate the agreement. Upon termination of an agreement, the grantee is required to return all unspent



funds and may have to, upon TC's instruction, repay the total amount of the funds to Government.

**Observations**

30. With CPD's input (para. 17), the funding agreement has incorporated provisions to ensure the proper use and management of funds by the grantees. However, areas for further improvement are proposed in the following paragraphs.

***Procurement and Staff Recruitment Procedures***

31. The grantees are required under the funding agreement to commit to open, fair and competitive principles in procurement and staff recruitment, and to comply with the probity requirements (para. 27 (a)&(b)). *As some new or small-scale non-profit-making organizations may not have in place a proper governance structure or established procedures for the said activities, some grantees may have difficulties in meeting the said requirements. There is also the concern that the lack of good governance or proper procedures would give rise to loopholes for corrupt practices.*

**Recommendations:** To assist the grantees to comply with the requirements in respect of procurement and staff recruitment, TC should:

- (a) provide the grantees with the Best Practice Checklists on procurement and staff recruitment issued by CPD upon approval of funds and advise them to seek CPD's assistance in adopting the best practices to suit their operations;
- (b) require the grantees to establish a two-tier vetting and approval system so that recruitment of key personnel or award of major goods or service contracts (e.g. those exceeding a specified value or percentage of the approved fund) are subjected to enhanced checks and balances (e.g. to be recommended by a senior officer and approved by the Chief Executive or the Board of the grantee).

***Disposal of Equipment***

32. While TC has stipulated in the agreement with the grantees that, if so required by TC, they have to dispose of the equipment procured for their events with the MEF funds and return the sale proceeds if any to the Government, *there are no guidelines on the handling of equipment held by the grantees after completion of the events (e.g. by sale or retention). The lack of guidelines may lead to inconsistent disposal practices and the risk of misappropriation by the staff of the grantees.*

**Recommendations:** To prevent abuse, TC should issue guidelines setting out the general requirement for the grantees to sell the equipment of value and return the proceeds to the Government. In the special circumstances that the grantees are allowed to keep the equipment or dispose of them as waste, it should be properly

certified by a responsible staff member of the grantee and recorded in inventory books to facilitate audit checks.

## **Monitoring of Approved Events**

### **Monitoring Visits**

33. The funded events are subject to continuous monitoring by TC and the AC. TC arranges a few progress review meetings with the grantees and pays monitoring visits before and during the events to ensure their smooth planning and implementation. As TC's staff and the AC members may also be invited to perform the role of officiating guests of the events, they could take the opportunity to monitor the events in progress. *However, no records are kept on the observations made. As any breaches of the funding conditions observed may lead to reduction of the funding amount (para. 29), the absence of monitoring records may affect the fair enforcement of the funding conditions, giving rise to perception of connivance at breaches.*

**Recommendation:** To address the concern, TC should require the responsible officers and AC members to record their observations of the events and design a report form for use by them.

### **Documentary or Physical Checks**

34. *During the on-site monitoring, TC's staff rarely conduct documentary or physical checks on the equipment procured for the events and the payroll records of the temporary staff employed, etc. [REDACTED] there are loopholes inherent in the administration of funding schemes, particularly when matching grants are involved, such as falsifying purchase and payroll records to deceive the monitoring body for payments.*

**Recommendation:** To reduce the risk of abuse, TC should require the staff concerned to randomly verify the number of staff employed by the grantees when performing on-site monitoring, and check the number and price of the equipment purchased for the events. Any irregularities should be reported to the AC for follow up action.

### **Examination of Reports**

35. The grantees are required to submit evaluation reports, publicity reports and the audited accounts within three months after completion of the events (para. 27(d)). TC's staff examine these reports and all incomes and expenditures. Special attention is paid to any failure in achieving the pledged performance targets and deliverables, and any expenditure items which have deviated substantially from the approved budgets. Taking into account any breaches and deduction of any unbudgeted items, TC's staff will recommend a final funding amount to the AC, and then PS/CIT, for approval. [REDACTED]

### Enforcement of Funding Conditions

36. At the time of fact-finding for this study, only two events had been completed with the grantees submitted their final reports, one of them [REDACTED] was found unable to comply with a major funding condition, resulting in a reduction of the final payment [REDACTED]. File research also revealed that other events had failed to complete one or more pledged deliverables [REDACTED].

[REDACTED] According to TC, enforcement action would be taken in future although TC has yet to draw up any enforcement guidelines. The absence of objectivity and consistent guidelines in taking enforcement action may give rise to perception of unfairness and favouritism.

**Recommendation:** TC should draw up guidelines on the different levels of enforcement action for non-compliance with the funding conditions, taking into account the nature of the breaches (e.g. failure to meet the project deliverables (para. 26) or non-compliance with rules on procurement and staff recruitment (para. 27)). Possible sanctions may include termination of agreement (para. 29), reduction of funding amount and blacklisting the grantees from future application.

List of Approved Applications for Mega Events Fund

Applicant/ Organization	Project Title and Nature	Event Date(s)	Funds Sought	Approved Amount (Max.)	
Hong Kong Philharmonic Orchestra	"Symphony Under the Stars" (「港樂·星夜·交響曲」)- Large-scale outdoor classical concert	13 November 2009	\$2,000,000	\$1,400,000	
Hong Kong Tennis Patrons' Association	Hong Kong Tennis Classic 2010 (香港網球精英賽 2010) - International tennis tournament	6 - 9 January 2010	\$5,500,000	\$9,000,000	
Hung Shing Festival Preparatory Committee Limited (洪聖誕籌備委員 會有限公司)	Mui Wo Water Lantern and Sky Lantern Festival (梅窩水燈及天燈節) - Traditional cultural activity	26 - 29 March 2010	\$3,073,000	\$1,500,000	
The Hong Kong Federation of Youth Groups (香港青年協會)	Hong Kong 2010 International <i>a</i> <i>cappella</i> Festival (香港 2010 國際無伴奏合唱節) - Large-scale musical festival	27 March - 22 April 2010	\$1,323,130	\$800,000	

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Applicant/ Organization	Project Title and Nature	Event Date(s)	Funds Sought	Approved Amount (Max.)	[REDACTED]
Springtime Experimental Theatre (春天實驗劇團), Perry Chiu Experimental Theatre (魚蝦實驗劇團), Lo's Productions (阿盧製作), and Chung Ying Theatre Company (中英劇團)	Hong Kong Musical Festival (香港音樂劇展演) – Large-scale musical opera festival	29 March -21 April 2010	\$3,506,250	\$2,500,000	[REDACTED]
The Birch Foundation	"Hope and Glory" multi-media arts exhibition (「Hope and Glory」多媒體藝術展) – Large-scale multimedia arts exhibition	8 April – 30 May 2010	\$3,401,000	\$2,000,000	[REDACTED]
Hong Kong Dragon Boat Association (香港龍舟協會); and Hong Kong Tourism Board (香港旅遊發展局)	Hong Kong Dragon Boat Carnival (香港龍舟嘉年華)	23 – 25 July 2010	\$5,000,000	\$5,000,000	[REDACTED]

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Applicant/ Organization	Project Title and Nature	Event Date(s)	Funds Sought	Approved Amount (Max.)	
Royal Hong Kong Yacht Club  <i>(Withdrawn by the organiser in August 2010)</i>	Louis Vuitton Hong Kong Trophy (Louis Vuitton 盃帆船大賽 - 香港站) - International yacht racing competition	9 - 23 January 2011	\$10,000,000	\$10,000,000	
Hong Kong Tennis Patrons' Association Ltd. (香港網球贊助人協會有限公司)	Hong Kong Tennis Classic 2011 "World Team Challenge" (香港網球精英賽 2011)	5 - 8 January 2011	\$8,500,000	\$5,000,000	
Hong Kong Golf Association Limited (香港高爾夫球總會有限公司)	The Hong Kong Women's Open (香港女子高爾夫球公開賽)	25 April - 1 May 2011	\$14,630,000	\$8,000,000	

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## RESTRICTED (ADMINISTRATION) 内部文件(行政)

### Implementation Status of CPD Recommendations Made on the Mega Events Fund Previously

Recommendations	Acceptance/Implementation Status
<ul style="list-style-type: none"> <li>• While TC may provide either a one-off grant or an interest-free loan for the selected projects, it is not clear whether an applicant would be asked to indicate his option. TC may wish to clarify this and if necessary, draw up different sets of assessment criteria for each type of funding support.</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable. The idea of offering an interest-free loan to the selected events has been given up.</li> <li>• The MEF scheme now only provides direct grants.</li> </ul>
<ul style="list-style-type: none"> <li>• TC should specify the maximum amount of grant or loan for each project type.</li> </ul>	<ul style="list-style-type: none"> <li>• As the nature and scale of individual event vary significantly, the AC has decided not to set a funding ceiling for individual events other than the Finance Committee's requirement that the actual funding for an individual event should not exceed 50% of its total actual cost.</li> </ul>
<ul style="list-style-type: none"> <li>• TC should require the fund recipient and his agents/staff to declare any conflict of interest in relation to procurement and staff recruitment.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented.</li> </ul>
<ul style="list-style-type: none"> <li>• TC should include a clause in the funding agreement to prohibit the fund recipient and his agents, employees &amp; associates from solicitation and acceptance of advantage under the Prevention of Bribery Ordinance in relation to the approved projects, specifying that in the event that an offence is committed under the Ordinance, the Government may terminate the funding agreement and hold the fund recipient liable for any loss or damage caused.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented.</li> </ul>
<ul style="list-style-type: none"> <li>• TC should draw up a comprehensive Code of Conduct instead of general guidelines on conflict of interest to enhance the ethical standards of AC members.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented.</li> </ul>



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Recommendations	Acceptance/Implementation Status
<ul style="list-style-type: none"> <li>• To deter applicants from abusing the payment arrangements, TC may wish to :               <ul style="list-style-type: none"> <li>(a) where appropriate, consider tightening up the payment procedures by only releasing payments to the recipient organizations after their own contributions have been used up;</li> <li>(b) carefully assess the applications to prevent inflated budgets and review the budgets regularly to adjust any over-budgeted amounts to prevent over-payment; and</li> <li>(c) determine the possibility of only releasing payments to the recipient organizations upon achievement of clearly defined milestones and tangible deliverables to encourage good performance of the recipient organizations.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Advice taken.               <ul style="list-style-type: none"> <li>(a) In practice for some of the selected events, MEF payment was only released to the applicant well after or close to the event's completion.</li> <li>(b) The project budget was carefully scrutinized by TC, with strong input by relevant bureaux/departments. If necessary, TC may consult outside parties for independent views.</li> <li>(c) The final payment (at least 50% of the approved funds) was paid to the applicant only after the event was completed to PSCIT and AC's satisfaction and subject to full compliance with the funding conditions.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• TC should lay down the application screening criteria for compliance of the staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented</li> </ul>
<ul style="list-style-type: none"> <li>• The Secretariat should conduct random checks to verify the bona fide of supporting documents provided.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented. If the bona fide of an applicant is doubtful, the Secretariat will require it to clarify and give supplementary supporting evidence.</li> </ul>
<ul style="list-style-type: none"> <li>• To enhance objectivity, a marking scheme should be drawn up to set out the weightings and the passing marks to be attached to each assessment criterion.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented.</li> </ul>
<ul style="list-style-type: none"> <li>• Members of the AC should carry out the assessment individually based on objective marking guidelines and should not discuss the markings before Committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented.</li> </ul>
<ul style="list-style-type: none"> <li>• The marks given, the changes made during the Committee meetings, if any, and the reasons, and any dissenting views should be fully documented.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented.</li> </ul>

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Recommendations	Acceptance/Implementation Status
<ul style="list-style-type: none"> <li>The criteria for making decisions on the level of funding, the terms and conditions to be imposed and the payment arrangement, etc. should be laid down.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed and implemented. The deliberations of the AC and subsequent decisions made by PS/CIT having regard to the circumstances of individual applications were properly documented.</li> </ul>
<ul style="list-style-type: none"> <li>The assessment criteria should cover if the proposed deliverables, performance indicators, key milestones and evaluation methods are appropriate and acceptable.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed and implemented.</li> </ul>
<ul style="list-style-type: none"> <li>The assessment criteria in broad terms and the associated weightings and passing markings should be made known to the applicants on the application form.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed and implemented.</li> </ul>
<ul style="list-style-type: none"> <li>TC should specify whether unsuccessful applicants are allowed to re-submit applications and if so, the conditions for re-submission.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed and implemented. Unsuccessful applicants are informed in the reject letter that they may re-submit their application in the next round of applications.</li> </ul>
<ul style="list-style-type: none"> <li>The application or any application guidelines should include a warning prohibiting applicants from offering any advantage to any member of the AC or the Government with a view to influencing the award of fund.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed and implemented.</li> </ul>
<ul style="list-style-type: none"> <li>The minimum percentage of tickets to be offered for sale to the public should be specified. This requirement should also be stated in the Guide to Application and the funding agreement.</li> </ul>	<ul style="list-style-type: none"> <li>The Guide to Application states that the proposed events should allow participation by the local public.</li> <li>The admission or ticketing arrangements are required to be stated in the applications. All selected events so far were either free to the public or sold large quantity of tickets to the public.</li> </ul>
<ul style="list-style-type: none"> <li>TC should make known to the applicants whether sponsorships in kind should be accepted.</li> </ul>	<ul style="list-style-type: none"> <li>Agreed and implemented. Applicants are required to state in the Application Form the form of sponsorship obtained, i.e. cash, manpower or consumable.</li> </ul>

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Recommendations	Acceptance/Implementation Status
<ul style="list-style-type: none"> <li>• TC should review the probity clause in the draft funding agreement by make reference to the attached sample clause</li> <li>• To prevent the applicant from making illicit financial gain in the course of organizing the Event (e.g. accepting rebates from suppliers/service providers), TC may consider extending the probity clause to also cover the Applicant.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented. DOJ revised the probity clause taking into consideration ICAC's comments.</li> </ul>
<ul style="list-style-type: none"> <li>• Government does not intend to create any relationship of agency with the applicants. CPD is concerned about the impact that this clause may have on the application of Section 9 of the Prevention of Bribery Ordinance (POBO) in cases where the applicant offers, solicits or accepts advantage in relation to the Event without the Government's consent. TC may therefore wish to seek legal advice to clarify the implication of this clause in relation to the POBO.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed and implemented. DOJ revised the funding agreement to address ICAC's concern.</li> </ul>
<p>To revise the funding agreement to ensure that the Government is entitled to require the grantee to draw up a proper Code of Conduct where necessary.</p>	<ul style="list-style-type: none"> <li>• Agreed and implemented.</li> </ul>

### Mega Events Fund : Assessment Criteria for Applications

Criterion	Brief Description	Maximum Marks <sup>Note</sup>
1. Economic benefits	<ul style="list-style-type: none"> <li>• The events' ability to attract visitors and participants from Mainland and overseas? Is it able to increase visitors' length of stay in Hong Kong?</li> <li>• The number, nature and duration of jobs to be directly created?</li> <li>• The economic impact on related trades and services, such as hotel, airline, food and beverage, retail, etc.?</li> <li>• Can other local bodies, chambers or businesses leverage on the event to create business opportunities, conventions, exhibitions or other related events?</li> </ul>	30
2. Public relations and other benefits	<ul style="list-style-type: none"> <li>• Does the event contain international elements?</li> <li>• To what extent can the event raise Hong Kong's international profile?</li> <li>• To what extent can the event create a positive branding impact for Hong Kong?</li> <li>• Will the event be able to enhance/reinforce Hong Kong's position as the events capital of Asia?</li> <li>• What level of publicity will be generated in local and non-local media?</li> </ul>	20
3. Scale of the event	<ul style="list-style-type: none"> <li>• Over 10 000 participants? Number and coverage of venues? Duration of the event?</li> </ul>	10

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Appendix 3

Criterion	Brief Description	Maximum Marks <sup>Note</sup>
4. Technical feasibility	<ul style="list-style-type: none"> <li>• Is the event manageable?               <ul style="list-style-type: none"> <li>- Is the event's implementation schedule practicable and reasonable?</li> <li>- Is the workplan reasonable?</li> <li>- Is there sufficient expertise to manage the event?</li> <li>- What are the technical and project management capabilities of the applicant(s)?</li> <li>- What are the past performances of the applicant(s)?</li> </ul> </li> </ul>	20
5. Financial viability	<ul style="list-style-type: none"> <li>• Is the event financially sound?               <ul style="list-style-type: none"> <li>- Is the budget prudent and realistic, with sound justifications for the proposed income and expenditure items?</li> <li>- Are there sufficient alternative sources of funding for the event? What are the nature, amount and sources of the alternative funding?</li> <li>- Are the manpower, marketing and promotional plans reasonable?</li> <li>- What are the proposed performance indicators, deliverables and key milestones of the event? Are they appropriate and acceptable?</li> </ul> </li> </ul>	20
	Total :	100

Note: The passing mark for each individual criterion is 60% of their respective maximum mark.