

**A brief account of Chapter 4 of Report 68
“Provision of district council funds for community involvement projects”
by the Director of Audit
at the Public Hearing of the Public Accounts Committee
of the Legislative Council on Tuesday, 17 October 2017**

Chairman,

Thank you for inviting me here to give a brief account of Chapter 4 of Report No. 68 of the Director of Audit, entitled “Provision of district council funds for community involvement projects”.

This Report comprises four parts.

Part 1 of the Report, namely "Introduction", describes the background of the audit.

As an important vehicle for community building, community involvement projects (CI projects) comprise District Council projects (DC projects) and Leisure and Cultural Services Department projects (LCSO projects). CI projects aim at enhancing community spirit and social cohesion and promoting well-being of the people in the 18 districts of Hong Kong. The Home Affairs Department (HAD) provides funds to District Councils (DCs) for implementing CI projects in districts annually (DC-CIP funds). In 2015-16, the provision of DC-CIP funds amounted to \$360 million, and the annual provision will be increased to \$460 million in 2017-18. Both government departments and non-governmental organisations (NGOs) can apply to DCs for DC-CIP funds to carry out CI projects. The number of CI projects implemented in 2015 was 38,000, which had a total of 19 million participants.

Part 2 of the Report examines the allocation and use of DC-CIP funds.

According to the prevailing mechanism, HAD allocates a portion of DC-CIP funds to individual DCs as basic allocation on a historical or equal basis, and the remaining portion is allocated to individual DCs taking into account a number of factors, including population, socio-economic factors, etc. We found that the HAD had not taken into account changes in the factors in recent years in allocating DC-CIP funds. Therefore, we have recommended that HAD should conduct a review of the allocation of the funds to ensure that they are allocated in the most appropriate manner.

Our analysis of the funds spent on DC projects indicated that a large portion of the funds was spent on three categories, namely arts and cultural activities, recreational and sports activities, and festival celebrations and district festivals, whereas the funds spent on some other categories (e.g. civic education) were small. In addition, for some DC projects targeting specific groups of people, such as people with special needs, the number of

projects and participants was low. We have recommended that the HAD should produce analyses for individual DCs to facilitate them to review whether their existing spending patterns best meet the needs of their districts.

Part 3 of the Report examines the management of conflicts of interest.

It is not unusual for members of DCs to be associated with implementation parties of CI projects. DC standing orders concerning management of conflicts of interest require members to make a first-tier declaration of interests by reporting their registrable interests, such as remunerated directorships and “other declarable interests” at the commencement of each DC term or upon changes in the interests. Members shall also make a second-tier declaration of interests before dealing with matters on DC-CIP funds at meetings.

We noted that as “other declarable interests” had not been clearly defined in DC standing orders, in 122 of the 129 second-tier declarations made by members at meetings, interests (e.g. being the president of implementation party) had not been disclosed in the first-tier declaration. We have recommended that the HAD should provide guidelines to DC members to facilitate the reporting of “other declarable interests”.

We have also noted that in 73 of the 129 declarations made at meetings, rulings (e.g. a member may remain as an observer or withdraw from the meetings) had not been made by the relevant DCs in accordance with the DC standing orders. We have recommended that the HAD should remind DCs that rulings should be made and recorded on interests declared by members at meetings.

DCs and their committees have appointed working groups to help carry out specified functions. We noted that while DC standing orders have stipulated the procedures for managing conflicts of interest, the procedures are not applicable to working group meetings. We have recommended that the HAD should ensure that the stipulated procedures for handling conflicts of interest also apply to working group meetings.

Part 4 of the Report examines the implementation of CI projects.

It is a usual practice that partner NGOs are selected for implementing CI projects in partnership with DCs through invitation. However, for one DC, partner NGOs are nominated by DC members in charge of CI projects. There is scope for enhancing the openness and transparency of this selection process. We have recommended that the HAD should provide, for DCs’ reference, guidelines on the selection of partner NGOs.

According to the HAD Manual, a DC should have an evaluation system in place to monitor the effectiveness of CI projects. Audit noted that certain DCs had not implemented any evaluation systems, nor had they set any criteria for selecting projects for evaluation purpose. We have recommended that the HAD should take measures to ensure

that DCs set up an evaluation system as well as proper criteria for selecting CI projects for evaluation.

Our views and recommendations were agreed by relevant departments. I would like to take this opportunity to acknowledge with gratitude their full cooperation, assistance and positive response during the course of the audit review.

Thank you, Chairman.