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Clerk to the Panel on Home Affairs
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Ms Joanne MAK)

Dear Ms Mak,

**Panel on Home Affairs
Letter from Hon Andrew WAN**

Thank you for your letter of 13 February 2019 to the Secretary for Home Affairs regarding the letter from Hon Andrew WAN on the review of the Sports Subvention Scheme.

To support the promotion and development of sports in the community, the Leisure and Cultural Services Department (LCSD) provides subvention to “national sports associations” (NSAs) through the Sports Subvention Scheme (SSS). NSAs may use the subvention to cover the personnel, office and programme expenses. Subvention is also provided to eligible sports organisations (SOs) through SSS to support their programme expenses on a project basis.

LCSD commenced a comprehensive review of SSS in mid-2018 with a view to identifying areas for improvement and enhancing the corporate governance of NSAs. The review mainly covers the following areas –


- (1) eligibility and guiding principles for providing funding to NSAs/SOs;
- (2) funding cycle and mechanism;
- (3) funding principles and subvention level;

- (4) ways to attract and retain talents in NSAs/SOs;
- (5) good corporate governance and best practices for internal control of NSAs/SOs; and
- (6) monitoring system.

The review is underway and expected to be completed by the end of 2019. Based on the review findings and views collected, LCSD will draw up practical measures to optimise the administration of SSS and formulate strategies to enhance the corporate governance of NSAs, including measures to ensure the proper use of the resources and facilities allocated to NSAs/SOs in order to meet the needs of sports development as well as public expectation. We will report the review findings to the Panel on Home Affairs of the Legislative Council in due course.

A summary on the improvement measures taken by LCSD to enhance the corporate governance of subvented NSAs in recent years is at **Annex** for your information. Thank you for your concern on sports subvention matters.

Yours sincerely,



(Paul CHENG)
for Secretary for Home Affairs

**Measures Taken by
the Leisure and Cultural Services Department to Enhance
the Corporate Governance of Subvented National Sports Associations**

The Leisure and Cultural Services Department (LCSD) has taken the following measures to enhance the corporate governance of the subvented “national sports associations” (NSAs) in recent years -

1. Providing internal guidelines on good practices

- Promulgated internal guidelines for NSAs to ensure timely follow-up on the recommendations made by the Quality Assurance Section of LCSD; and
- Provided a set of “Good practices of Internal Control for NSAs” which was compiled by the Independent Commission Against Corruption (ICAC) in 2011 to help NSAs improve their governance and internal controls against corruption.

2. Organising briefings and workshops for the NSAs

- Co-organised with ICAC a series of seminars for NSAs between 2011 and 2016 on topics including “Corporate Governance on NSAs”, “Selection of Athletes”, “Integrity Management and Internal Control”, “Integrity Management of NSAs”, “Management of Coaches and Umpires” and “Selection of Athletes & Administration of Membership” to help NSAs improve their management and internal controls; and
- Invited the Competition Commission to conduct a briefing on the Competition Ordinance for NSAs in 2016.

3. Strengthening the corporate governance of subvented NSAs

- To enhance the corporate governance and transparency of NSAs, and to protect the interest of NSAs and their members, all 60 subvented NSAs have completed their registration under the Companies Ordinance in accordance with the requirement of LCSD;
- Required all subvented NSAs to increase their transparency by uploading their Memorandum and Articles of Association/Articles of Associations, the latest audited financial statements in relation to the

subvention as well as athlete-selection information onto their official websites since 2013-14; and

- Revised the provisions in the Subvention Agreement by requiring the NSAs to (a) submit their audited annual accounts and (b) operate strictly according to their Memorandum and Articles of Association/Articles of Association.

4. Enhancing the monitoring of subvented NSAs

- Required all subvented NSAs to formulate and comply with the Accounting Procedures Guidelines and the Procurement Practices and Guidelines to avoid conflicts of interest since 2016-17;
- Conducted five seminars related to “Corporate Governance in National Sports Associations” including “New Companies Ordinance”, “Directors’ Duties & Fiduciary Duties”, “Board Practices”, “Finance for Directors of NGOs – NSAs”, etc. as induction training for all office-bearers and senior staff members of NSAs to get them familiarised with the responsibilities of NSAs’ board members since 2017; and
- To enhance the corporate governance of NSAs, LCSD continued organising the above-mentioned four core seminars and one topical seminar on “NSAs Crisis Management on PR Perspective” in 2018-19 to raise the awareness of the office bearers and management staff of NSAs of their roles and responsibilities in strategic planning, effective board practices and risk management so as to promote the sustainable sports development in Hong Kong.

5. “Output-based” approach for monitoring the use of subvention

- Adopted an "output-based" approach for NSAs to use the subvention more flexibly to enhance cost-effectiveness so long as they fulfil their commitment and comply with other broad funding principles in order to enhance the efficiency of both NSAs and LCSD in their operation.