

LegCo Public Accounts Committee

Report No. 62 of the Director of Audit – Mega Events Fund

Opening Statement for PSCIT

Chairman and members,

My colleagues and I would like to take the opportunity of today's PAC Hearing to explain the Government's view on the observations, comments and recommendations in respect of the Mega Events Fund (the MEF) as set out in Chapter 3 of Report No. 62 of the Director of Audit.

Before we answer members' questions, I wish to briefly set out the Government's position. First of all, as the Controlling Officer of the MEF, I welcome the Director of Audit's Report. The MEF was set up in 2009 when Hong Kong's economy, including the tourism industry, was hard-hit by the global financial tsunami and the swine flu epidemic. New impetus from the Government and the community to revitalize the economy, amongst them measures to attract visitors to return to Hong Kong, was badly needed. It was with this in mind that the Government sought the support of the Finance Committee to set up the MEF for supporting local non-profit-making organizations to host mega events in the arts, culture and sports fields. It was hoped that these mega events would help preserve the attractiveness of Hong Kong as a premier tourism destination and the Events Capital of Asia, and inject vibrancy to our economy through the creation of short-term employment. The MEF was set up initially for three years as we did not expect the economic downturn to persist on a long term basis.

During the initial period of the MEF's operation, both the Tourism Commission, which provided the secretariat for the Fund, and the Mega Events Fund Assessment Committee (MEFAC) were hoping to support mega events of different varieties organised by local non-profit-making bodies in different fields. This would enrich our events calendar, and increase Hong Kong's exposure in overseas and the Mainland through broadcasting of and reports on such events by the media. Both the MEF Secretariat and the MEFAC recognized that non-profit-making organisations possessed comparatively fewer resources, and might have limited experience and capacity in respect of hosting mega events. The focus of the Secretariat and the MEFAC when considering an MEF application and supervising an event's implementation was the

organizer's ability to successfully stage the event, the attendance level of the event, feedback from participants, and whether media reports had been satisfactory.

Staff of the MEF Secretariat supervised the implementation of MEF-supported events through attending relevant meetings with the organizers during the preparatory stage, conducting first-hand and on-site observation during event periods, as well as scrutinizing and cross-checking documents submitted by the organizers and audited accounts prepared by independent auditors. In the past, the Secretariat had identified issues that might be questionable or unclear, and had accordingly demanded rectification of the situations. There were also cases where it was established that the events concerned were unable to reach the pre-set targets or had drawn negative feedback. The Secretariat had therefore recommended imposing sanctions to the relevant organizers for the MEFAC and the Controlling Officer's consideration. The Audit Commission also pointed out in its Report that nine (41%) of the 22 completed MEF events as of February 2014 had been subject to financial sanctions. This was done on the recommendations of the Secretariat and the MEFAC to the Controlling Officer, having examined the outcome of the relevant events.

As regards procurement activities and engagement of event agents, which are areas of greater concern recently, the MEFAC and the Secretariat have been given to understand, through information provided or the briefing to the MEFAC by the organizers, that some members of the organizing committees of certain events would be providing the key performing elements or acting as agents for those events. Notwithstanding this, we agree with the Audit Commission's observation that the Secretariat's work in the area of requiring proper declaration of interest by organizers, supervising event implementation, scrutinizing relevant documents and invoices with a view to ascertaining whether an event has reached its pre-set targets is insufficient. This was particularly so during the initial period of the MEF's operation, when the system for supervision was less than perfect due to lack of experience. We have made it clear that we accept the recommendations in Part 5 of Chapter 3 of the Audit Report, which aim at improving the supervision work.

The Audit Commission's specific recommendations include revising the guidelines for MEF Tier 2 system and the documents provided to applicants and recipients of the MEF. For example, organizers should be required to disclose in their applications and assessment reports their management teams and the related organisations that may take an active

part in staging the events. On this, we will insert a specific entry in the relevant documents to mandate the declaration of potential and possible conflict of interests by applicants. We will also remind applicants to submit all relevant supporting documents. We will implement these measures at once. We will also add as soon as possible staff with accounting knowledge to the MEF Secretariat to enhance the effectiveness and professionalism of the supervision and scrutiny work. Moreover, the MEF Secretariat will more frequently and proactively consult and adopt relevant departments' views and suggestions in respect of MEF events, with a view to perfecting the operation of the MEF.

The Government has also noted the Audit Commission's query on the effectiveness of the MEF. In fact, the Tourism Commission has reviewed the objective, effectiveness and operation of the MEF in 2011. The conclusion was that as Hong Kong gradually recovered from the economic downturn, the MEF as a means to preserve economic vitality and create short-term employment had fulfilled its mission. However, Hong Kong was faced increasingly with challenges caused by the zealous effort of competitor cities such as Singapore, Seoul, Macau and Shanghai in attracting mega events and entertainment projects through providing financial and other incentives. The Government has therefore decided to revamp the MEF by introducing a new Tier 1 system that aims at attracting new or renowned international mega events to Hong Kong, and revising the previous system to form a more flexible Tier 2 system with a view to supporting local non-profit-making bodies to hold events that have the potential of developing into mega events, especially those that could showcase Chinese or local cultural features. We are grateful to the work and recommendations of the Audit Commission. Indeed, taking into account that the MEF has operated for 4 years and that it has been actively identifying suitable Tier 1 events to bring to Hong Kong, the MEFAC has held a brainstorming session in the first quarter of this year to consider how the operation of the MEF could be further improved. The Tourism Commission will follow up the recommendations of both the Audit Commission and the MEFAC in earnest.

Looking ahead, we believe that through the Audit Commission's work, the Government, the MEFAC, as well as the applicants and recipients of the MEF, will have a much clearer and more thorough understanding of the public and the Legislative Council's expectation on the implementation and supervision of MEF-supported events. We will add new staff with accounting knowledge to the Secretariat, and will inject new blood into the MEFAC to enhance the effectiveness of its assessment and supervision work. Meanwhile, we will continue to seek the staging

of more mega events in Hong Kong. In doing so, we will assess with even greater care whether an event is worth supporting, and will supervise the implementation of MEF-supported events in a more detailed manner, particularly for the Tier 1 events. We appreciate that LegCo Members and the media do take some interest on whether Tier 1 events may be introduced in the near future. We will work hard on this, and in the meantime ensure the proper use of public funds.

As regards the future of the MEFAC, given that the allocation for the MEF will run until March 2017, we will conduct a comprehensive review before this date. The Audit Commission's Report will undoubtedly provide fresh perspectives for, and be conducive to, the completion of the review.

Mr Chairman, at the request of the PAC Secretariat, we provided some supplementary information on 25 April for members' reference. The Commissioner for Tourism, his colleagues and myself would be pleased to answer members' questions.