

CreateSmart Initiative

The Audit Commission ("Audit") conducted a review of the administration of the CreateSmart Initiative administered by Create Hong Kong ("CreateHK") under the Commerce and Economic Development Bureau.

2. The Committee noted the following findings from the Director of Audit's Report:

- because CreateHK was late in sending declaration forms to CreateSmart Initiative Vetting Committee members for completion, few members returned their declarations on time;
- of the 15 projects examined by Audit, some expenditures (\$547,000 for two projects) did not have supporting documents. Grantees of 12 projects did not keep a designated bank account. Grantees of three projects used funds to cover unallowable costs (\$63,000). The grantee for one project examined (and its two earlier projects) was allowed, under an alternative funding approach, to retain the unspent balances (\$1.35 million for the three projects) and use funds to cover otherwise unallowable costs (\$100,000 for the project examined); and
- for projects funded by two instalments, CreateHK neither reviewed their progress nor informed the CreateSmart Initiative Vetting Committee of their progress. For 30 projects reviewed by Audit, all site visits were attendance to open ceremonies, press conferences, exhibitions or music shows and for 18 of the projects, inspecting officers did not even meet the project staff.

3. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the details of the CreateSmart Initiative projects, the control of use of funds and the monitoring and evaluation of projects. The replies from the **Permanent Secretary for Commerce and Economic Development (Communications and Technology)** are in *Appendix 33*.

4. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.