

Report No. 45 of the Director of Audit — Chapter 1

ADMINISTRATION OF THE CONTINUING EDUCATION FUND

Summary

1. In April 2002, the Finance Committee of the Legislative Council (LegCo) approved a commitment of \$5 billion to launch the Continuing Education Fund (CEF). The aim of the CEF is to provide subsidy to people for the pursuit of continuing education so as to better prepare Hong Kong's workforce for the knowledge-based economy.

2. Hong Kong residents aged between 18 and 60 can apply for the CEF subsidy. An eligible applicant will be reimbursed 80% of the course fees, subject to a maximum sum of \$10,000, upon successful completion of approved courses under the following sectors: Logistics, Financial Services, Business Services, Tourism, Language, Design, Creative Industries, and Interpersonal and Intrapersonal Skills for the Workplace (IISW).

3. The Education and Manpower Bureau (EMB) is the authority to approve the registration of courses under the CEF. The Student Financial Assistance Agency (SFAA) controls the fund amount of \$5 billion. The Office of the Continuing Education Fund (OCEF) of the SFAA processes applications and makes payments to applicants. As at 31 May 2005, there were 4,163 approved courses and 183,725 approved applications under the CEF. The total fund committed and used were \$1,077 million and \$481 million respectively.

Audit review

4. The Audit Commission (Audit) has recently conducted a review of the administration of the CEF. Audit notes that there is room for improvement in a number of areas.

Meeting the objectives of the Continuing Education Fund

5. *Relaxation of eligibility criteria to include degree holders.* At its launch in June 2002, the CEF only subsidised those persons who did not possess a university degree

as they were the ones who might be less adaptable in the new knowledge-based economy. Since September 2003, the eligibility to apply for the CEF has been relaxed to include degree holders. The EMB anticipated that the relaxation would not have an enormous impact on the funding available to other eligible applicants as it only entailed about 10% of the total funding of the CEF. However, a 2004 evaluation of the CEF indicated that about 39% of the applicants had university degrees.

6. Audit considers that relaxing the eligibility criteria could expose the CEF to the risk of attracting continually a large number of degree holders. Consequently, this might result in a smaller proportion of the funds available to non-degree holders. *Audit has recommended that the Secretary for Education and Manpower should collect continually information on the number of applications from degree and non-degree holders, and take necessary measures to encourage applications from non-degree holders.*

7. ***Evaluation of the Continuing Education Fund.*** According to the 2001 Policy Address, the CEF subsidy was intended to encourage more people to enrol in various continuous learning courses in their spare time so as to upgrade themselves. Audit considers that the CEF's success depends very much on whether it could attract people who would not pursue continuous education without the subsidy. In the evaluations conducted by a consultant on the effectiveness of the CEF, no assessment had been made as to whether the CEF was successful in drawing new people to pursue continuous education. *Audit has recommended that the Secretary for Education and Manpower should, in each evaluation, ascertain the extent to which the CEF has encouraged applications from new learners, and based on the evaluation results, formulate policies and draw up plans to encourage more people to upgrade themselves.*

8. ***Gauging the views of applicants.*** The EMB monitors the performance of the CEF through periodic evaluation surveys. The conduct of surveys takes time and presents only a snapshot position of the performance of the CEF. This hampers the EMB's ability to monitor closely the performance of the CEF. *Audit has recommended that the Secretary for Education and Manpower should consider putting in place a system to gauge continually the views of applicants on the CEF.*

Operating arrangements of the Continuing Education Fund

9. ***Single quotation for evaluating the Continuing Education Fund.*** In July 2002, the EMB approved a single quotation of \$480,000 from a consultant to evaluate the effectiveness of the CEF. In June 2004, the EMB approved another single quotation of \$1,054,000 from the same consultant to conduct another evaluation of the CEF. Audit noted that, instead of resorting to a single quotation, the EMB had sufficient time to invite quotations from other consultants that could provide similar services. *Audit has*

recommended that the Secretary for Education and Manpower should ensure that the acquisition of outside services is always made on a fair and competitive basis.

10. ***Duration of courses and qualifications attained.*** In December 2001, the EMB informed the LegCo Panel on Manpower that, in order to differentiate from other short-term learning and skills upgrading courses, the CEF courses should be of high intensity and relatively longer duration. After consulting the course providers and industry representatives, the EMB expressed the view that only courses with a duration of at least 100 hours would add value to those working in the sectors concerned. However, when the CEF was launched in June 2002, the minimum duration of CEF courses was reduced to 30 hours. *Audit has recommended that the Secretary for Education and Manpower should review the minimum duration requirements of courses reimbursable under the CEF.*

11. ***Review of sector-specific competencies.*** The EMB had set up Focus Groups to advise the Government on the scope and competencies required in various sectors. Audit noted that the Focus Groups had helped identify the competency requirements for the relevant sectors prior to the launch of the CEF and the expansion of coverage of sectors. However, they had not held regular meetings to ascertain whether there should be further refinements. *Audit has recommended that the Secretary for Education and Manpower should examine the need to convene Focus Group meetings regularly.*

12. ***Inspection of reimbursable courses.*** The Hong Kong Council for Academic Accreditation (HKCAA) conducts inspections to monitor the quality of reimbursable courses. Audit noted that there were agreements between the EMB and the HKCAA on how inspections should be proceeded. However, the documentation of these agreements was fragmented. *Audit has recommended that the Secretary for Education and Manpower should draw up a formal inspection plan, and ensure that inspections are conducted in accordance with the plan.*

13. ***Inspection of courses under the Interpersonal and Intrapersonal Skills for the Workplace sector.*** The quality of courses under the IISW sector is monitored by an Assessment Panel, which comprises representatives of the EMB, business organisations, and non-profit-making organisations. Up to July 2005, the Assessment Panel had not carried out any inspections on IISW courses, nor had the EMB worked out any inspection plans with the Panel. *To monitor properly the quality of IISW courses, Audit has recommended that the Secretary for Education and Manpower should draw up an inspection plan for IISW courses and monitor its implementation.*

Processing of applications

14. ***Prevention of duplicate subsidies.*** CEF applicants are prohibited from receiving financial assistance from other publicly-funded financial assistance schemes for the same courses and examinations. The OCEF started to receive applications in June 2002. However, it was not until November 2003 (i.e. 17 months later) that the OCEF implemented measures to prevent duplicate subsidy claims under other publicly-funded financial assistance schemes administered outside the SFAA. *Audit has recommended that the Controller, SFAA should implement timely measures to mitigate the risk of duplicate subsidies.*

15. ***Reimbursement payments for course modules.*** It is a requirement of the CEF that applicants should have successfully completed a reimbursable course before obtaining reimbursement payments. Audit noted that the OCEF made reimbursement payments for modules which were not individually registered reimbursable courses, but were only components of registered reimbursable courses of a longer duration. This may have allowed applicants to receive subsidies without having acquired the required competencies/intended award. *Audit has recommended that the Secretary for Education and Manpower should require all course providers to register individual modules of a course as independent reimbursable courses in future.*

16. ***Reimbursement payments for language courses.*** It is a practice of the OCEF to allow applicants who have attended language courses to obtain reimbursement, as long as they have completed their courses and attained the minimum level of specified benchmark examinations. Audit considers that this practice is undesirable as it is doubtful that applicants attaining the minimum benchmark level will be equipped to meet the needs of the knowledge-based economy. *Audit has recommended that the Controller, SFAA should, in consultation with the Secretary for Education and Manpower, review the existing practice of using the attainment of minimum benchmark level as a condition for reimbursement.*

17. ***Authentication Exercises.*** After making reimbursement, the OCEF conducts Authentication Exercises to verify with course providers the validity of reimbursement claims. A full cycle of Authentication Exercise comprises two parts, namely the First Authentication Exercise and the Second Authentication Exercise. In the First Authentication Exercise, the OCEF sends reports containing the selected applicants' reimbursement records to course providers for checking and confirmation. In the Second Authentication Exercise, the OCEF selects randomly from the First Authentication Exercise about 5% of the reimbursement records, and conducts on-site inspections of course providers' records.

18. In the Authentication Exercise conducted by the OCEF in 2004, Audit found that despite the complete check of the 8,111 reimbursement records in the First Authentication Exercise, some irregularities could only be detected during the Second Authentication Exercise. In the Second Authentication Exercise, the OCEF had not included any surprise elements in the inspection process. Audit also noted that in 71% of the 8,111 reimbursement records, the OCEF did not complete the Authentication Exercise until more than one year after applicants had received reimbursement payments. *Audit has recommended that the Controller, SFAA should review the cost-effectiveness of the First Authentication Exercise, consider relying more on on-site inspections during the Second Authentication Exercise, incorporate surprise elements in conducting on-site inspections, and consider conducting Authentication Exercises promptly after making reimbursement payments.*

Response from the Administration

19. The Administration generally agrees with the audit recommendations.

November 2005