

CHAPTER 1

Labour and Welfare Bureau

Vocational Training Council

Administration of apprentice training

**Audit Commission
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ADMINISTRATION OF APPRENTICE TRAINING

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PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines its objectives and scope.

Background

1.2 In 1976, the Government enacted the Apprenticeship Ordinance (Cap. 47) to promote proper apprentice training and regulate the employment of apprentices in specified trades. The Ordinance empowers the Chief Executive to appoint a Director of Apprenticeship, who administers the Apprenticeship Scheme.

1.3 Under section 45 of the Apprenticeship Ordinance, the Chief Executive may specify any trade or occupation to be a designated trade. As at 31 December 2009, there were 45 designated trades (see Appendix A). Any young person (defined as a person aged between 14 and 18) employed in a designated trade who has not completed an apprenticeship must join the Apprenticeship Scheme. The Ordinance requires the employer of such a person to:

- (a) enter into an apprenticeship contract with him; and
- (b) have the contract registered with the Director of Apprenticeship.

The contract sets out the rights and obligations of both the employer and the apprentice during the period of apprenticeship. For persons who are over 18 years of age or not working in designated trades, joining the Scheme is voluntary. They may enter into an apprenticeship contract with their employers, and may request the Director to register the contract under the Scheme. The Director oversees the legislative control, and training and employment of apprentices registered under the Scheme.

1.4 Apprentices receive on-the-job training from their employers. The duration of an apprenticeship, which varies among different trades, normally lasts for two to four years. The employers need to release the apprentices to attend relevant vocational programmes according to the instruction of the Director of Apprenticeship. An apprentice who has completed the apprenticeship is awarded a certificate of completion. Table 1 shows the number of apprentices registered under the Apprenticeship Scheme for the period 2005 to 2009.

Table 1
Number of registered apprentices as at 31 March
(2005 to 2009)

Year	Number
2005	2,910
2006	2,782
2007	2,908
2008	3,000
2009	2,974

Source: Vocational Training Council records

Vocational Training Council

1.5 In 1991, the Executive Director (ED) of the Vocational Training Council (VTC) was appointed the Director of Apprenticeship. According to the VTC Ordinance (Cap. 1130), one of the objectives of the VTC is to promote the training of apprentices. Under section 6(1)(f) of the VTC Ordinance, the VTC shall consider and recommend which trades should be specified as designated trades under section 45 of the Apprenticeship Ordinance. The Committee on Apprenticeship and Trade Testing (CATT) of the VTC advises the VTC on matters relating to apprentice training.

1.6 The ED, VTC in her capacity as the Director of Apprenticeship administers the Apprenticeship Scheme through the Apprenticeship Unit (AU) of the VTC. Inspectors of the AU visit regularly workplaces where apprentices are employed to ensure that apprenticeships are properly implemented. As at 31 December 2009, the AU had an establishment of 40 staff headed by a Chief Inspector of Apprentices. The organisation chart of the AU as at 31 December 2009 is at Appendix B.

1.7 The VTC receives subvention from the Labour and Welfare Bureau (LWB) for administering the Apprenticeship Scheme. For the three financial years 2006-07 to 2008-09, the annual expenditure of the AU increased from \$17.6 million to \$18.8 million (see Table 2).

Table 2
Annual expenditure of AU
(2006-07 to 2008-09)

Year	Expenditure (\$ million)
2006-07	17.6
2007-08	18.1
2008-09	18.8

Source: VTC records

Office Instructions

1.8 The AU issued a set of Office Instructions to provide guidance to staff for the proper administration and functioning of the AU. The AU requires its staff to follow the Office Instructions strictly and apply them prudently to their work.

Audit review

1.9 The Audit Commission (Audit) has recently carried out a review of the administration of apprentice training under the Apprenticeship Scheme. The audit has focused on the following areas:

- (a) designated trades (PART 2);
- (b) the work of the inspectorate (PART 3);
- (c) administration of apprenticeship contracts (PART 4); and
- (d) performance reporting (PART 5).

Audit has found that there are areas where improvements can be made and has made a number of recommendations to address the issues.

General response from the VTC

1.10 The VTC welcomes the audit report and fully appreciates that Audit has made many very useful recommendations. The **ED, VTC** has said that:

- (a) the VTC will endeavour to implement and follow up proactively the relevant recommendations;
- (b) the recommendations will no doubt drive the VTC's process of continuous improvements; and
- (c) in response to Audit's observations, the VTC has decided to initiate a business process re-engineering study on the current work procedures and operations in the AU with a view to streamlining and rationalising them, in order to better meet the needs of the industries, and aligning them with the overall development in youth training services.

General response from the Administration

1.11 The **Secretary for Labour and Welfare** welcomes the value for money audit on the administration of apprentice training. He is grateful for the useful comments and recommendations that Audit has made. He has said that the LWB will take appropriate follow-up action on the recommendations relating to the legislative and policy aspects of the Apprenticeship Scheme.

Acknowledgement

1.12 Audit would like to acknowledge with gratitude the full cooperation of the staff of the LWB and the VTC during the course of the audit review.

PART 2: DESIGNATED TRADES

2.1 This PART examines the issues relating to designated trades.

Descriptions of designated trades

2.2 The AU publishes on the VTC's website a list of the 45 designated trades. Brief descriptions of the trades are given on the website to provide general guidelines for employers. Audit examined the descriptions and found areas for improvement.

Audit observations and recommendations

Need to regularly review and update descriptions of designated trades

2.3 Technological advancements in various industries have caused changes in the mode of operation in some designated trades. **Audit noted that the AU had not regularly reviewed and updated the descriptions of the designated trades to ensure that they were up-to-date.** For example, the AU's description of the trade "Offset Litho Plate-Maker" was "Imposes films and produces offset plates for printing by photomechanical method". However, the photomechanical method had become outdated and was no longer the common method used by the trade.

Designated trades with identical descriptions

2.4 **Audit noted that two designated trades, "Radio/Television Mechanic" and "Audio-Visual and Radio-Frequency Mechanic", had identical descriptions. Similarly, the descriptions of another two designated trades, "Vehicle Panel Beater/Body Builder" and "Vehicle Body Repairer/Builder", were identical (see Table 3).**

Table 3**Trades with identical descriptions**

Trade	Description
Radio/Television Mechanic	Installs, services and repairs radios, television receivers, consumer audio-video equipment and communal antenna systems
Audio-Visual and Radio-Frequency Mechanic	
Vehicle Panel Beater/Body Builder	Constructs, repairs, converts and modifies motor vehicle bodies
Vehicle Body Repairer/Builder	

Source: VTC records

2.5 In November 2009, the AU informed Audit that the two designated trades “Radio/Television Mechanic” and “Audio-Visual and Radio-Frequency Mechanic” were in fact the same trade. The former name had become obsolete and the latter name was the current name of the trade. Similarly the designated trades “Vehicle Panel Beater/Body Builder” and “Vehicle Body Repairer/Builder” referred to the same trade. The former name had become obsolete and the current name of the trade was the latter one. Audit considers that it is undesirable for the same trade to appear as two separate trades with identical descriptions on the list of designated trades. This not only creates confusions, but is also misleading in counting the total number of designated trades covered by the Apprenticeship Scheme.

AU’s descriptions different from those of industries

2.6 Audit noted that the AU’s descriptions of the designated trade “Electrician” were different from those adopted by the relevant Training Boards (Note 1) of the VTC. Details are shown in Table 4.

Note 1: *The Training Board of an industry advises the VTC on the manpower demand and supply, and training needs of the industry. As at 31 December 2009, the VTC had 21 Training Boards.*

Table 4
Different descriptions of designated trade “Electrician”

Unit/Board	Description
AU	Installs electrical wiring system of low voltage. Installs, tests, maintains and repairs electrical installations .
Electronics and Telecommunications Training Board	Installs, maintains, tests and repairs electrical wiring, devices and equipment, and building services in buildings and other structures in accordance with regulations and specifications.
Plastics Training Board	Installs, tests, services and repairs electrical systems/ electronic devices of machinery and equipment; undertakes maintenance of plant electrical wiring systems.

Source: Website of VTC

2.7 As can be observed in Table 4, the AU’s descriptions of “Electrician” did not cover “building services in buildings and other structures” and “electronic devices” mentioned in the descriptions of the Electronics and Telecommunications Training Board and the Plastics Training Board respectively.

2.8 In November 2009, the AU informed Audit that the AU’s descriptions in Table 4 were just those published on the website. The descriptions of designated trades on the website were not meant to be exhaustive as too many details might clutter up the webpage and would not be appealing to the public. Members of the public who wished to have more detailed information of the designated trades might approach the AU. Audit considers that maintaining different descriptions of designated trades is not conducive to the transparency of the Apprenticeship Scheme. The Apprenticeship Scheme would be more client oriented if the comprehensive descriptions are readily available on the website.

Audit recommendations

2.9 **Audit has recommended that the VTC should:**

- (a) **regularly review and update the descriptions of the designated trades;**
- (b) **devise a mechanism to update the obsolete names on the list of designated trades instead of adding new ones to the list; and**

- (c) **publish comprehensive descriptions of the designated trades on the website so as to facilitate access to such information by the public.**

Response from the VTC

2.10 The **ED, VTC** has said that:

- (a) the AU will consider improving the format of presentation of the website to facilitate easy access to information by the public; and
- (b) the current format of the descriptions on the website does not affect the administration of apprentice training. The training needs of apprentices are assessed with reference to the industry's requirements.

Designation of new trades

2.11 By designating a trade under the Apprenticeship Ordinance, the rights of the apprentices employed in the trade would be protected. They would be given organised on-the-job training and opportunities to attend related vocational courses.

Audit observations and recommendations

Delegation of power to designate new trades

2.12 In April 2003, the then Education and Manpower Bureau (EMB — Note 2) informed the Legislative Council (LegCo) Panel on Manpower that it proposed to amend the Apprenticeship Ordinance to transfer the authority of designation of trades from the Chief Executive to the Secretary for Education and Manpower. The EMB stated that it aimed to introduce the relevant Amendment Bill to LegCo in July 2003. However, in July 2003, the EMB decided to defer the amendment so that the Bureau could handle other priorities. **Up to November 2009, the Apprenticeship Ordinance had not yet been amended.**

Need to promulgate criteria for designating new trades

2.13 The former Hong Kong Training Council (Note 3) adopted the following five criteria in recommending trades for designation:

Note 2: *In July 2007, following the reorganisation of the Government Secretariat, the policy responsibilities of apprentice training were transferred to the LWB.*

Note 3: *The Hong Kong Training Council was the authority responsible for the training of craftsmen before it was taken over by the VTC in 1982.*

- (a) degree of skill and risks involved in the trade;
- (b) size of the trade and its importance to the industry;
- (c) ready availability of related complementary technical education facilities;
- (d) spare capacity of the technical institutes for the trade; and
- (e) degree of administrative difficulty in enforcing the Ordinance in respect of the trade.

At its meeting in 1984, the CATT stated that only criteria (a) and (b) of the five criteria should be adopted. However, in 1997 and 1998, criteria (a) to (c), and (e) were adopted by the CATT when it considered the designation of two trades.

2.14 In 2002, the VTC suggested six criteria to its Training Boards and General Committees (Note 4) for their consideration in suggesting new trades for designation. The VTC stated that these criteria were essential but not exclusive. The criteria were:

- (a) need for organised on-the-job training to master the essential skills of the trade;
- (b) importance of the trade to the community;
- (c) future demand for skilled workers in the trade;
- (d) employment size of the trade;
- (e) technological changes in the trade; and
- (f) impact of the trade on public safety.

2.15 In 2003, LegCo was informed that the VTC took into account the following criteria in determining the appropriateness of the designation of a trade:

- (a) benefits of designation in terms of enhancing job safety, developing proper training and skill standards, and establishing a steady pool of skilled labour to meet the need of the industry;

Note 4: *The General Committees advise the VTC on training areas such as apprenticeship and information technology. As at 31 December 2009, there were five General Committees for different training areas.*

- (b) the degree of skill, risk and public safety involved in the trade; and
- (c) the size of the trade and its importance to the industry.

2.16 **Over the years, different sets of criteria have been adopted in designating trades.** The parties concerned, e.g. the Training Boards and the General Committees, may be confused as to the latest views of the VTC on the criteria that should be adopted in suggesting trades for designation. The VTC should review the current situation of the industries and trades, and promulgate a set of up-to-date criteria to facilitate the recommendation of trades for designation.

Need to expedite the process of designating new trades

2.17 The VTC proposed designation of two new trades “Audio-Visual and Radio-Frequency Mechanic” and “Building Services Mechanic” to the EMB in 1997 and 1999 respectively. However, they were only designated in 2003 (i.e. after six years and four years respectively).

Audit recommendations

2.18 **Audit has recommended that the VTC should:**

- (a) **promulgate clear criteria that should be adopted in recommending new trades for designation; and**
- (b) **in conjunction with the Secretary for Labour and Welfare, explore measures to expedite the designation of new trades.**

2.19 **Audit has recommended that the Secretary for Labour and Welfare should revisit the issue of delegation of power to designate new trades under the Apprenticeship Ordinance.**

Response from the VTC

2.20 The VTC agrees with the audit recommendations and will take appropriate follow-up action. The **ED, VTC** has said that:

- (a) the VTC will formally promulgate the criteria for recommending new designated trades; and

- (b) the criteria provided to LegCo in 2003 remain valid for considering designation of a trade. They are in essence similar to those presented to the Training Boards and the General Committees in 2002.

Response from the Administration

2.21 The **Secretary for Labour and Welfare** agrees with the audit recommendations. He has said that:

- (a) the LWB and the VTC will explore measures to expedite the designation of new trades; and
- (b) the LWB will look into the issue of delegation of power to designate new trades under the Apprenticeship Ordinance.

Removal of designated trades

2.22 The Apprenticeship Scheme was introduced more than 30 years ago. Over the years, many designated trades have become obsolete. Keeping the list of designated trades up-to-date would improve the attractiveness of the Scheme to young entrants, their parents and the potential employers.

Audit observations and recommendations

2.23 There was no provision under the Apprenticeship Ordinance for the removal of designated trades. In 1995, the Printing Industry Training Board reviewed the designated trades of the printing industry. It recommended that the designated trade “Compositor” should be deleted because:

- (a) typesetting operation was no longer a highly skilled job and the demand for compositors would significantly drop in future; and
- (b) there had been no new apprentice of Compositor since 1990.

However, as there was no provision for the removal of designated trades under the Ordinance, no follow-up action had been taken. Similarly, the VTC reported to the EMB in February 2001 that, although the relevant Training Boards had recommended the removal of the designated trade “Repairman (Electronics Manufacturing)”, there was no provision for its removal.

2.24 At the CATT meeting held in May 2001, members agreed that the Director of Apprenticeship should be empowered to remove obsolete designated trades. **However, up to December 2009, the AU had not devised an effective mechanism to remove obsolete designated trades. As a result, there are many obsolete designated trades in which no apprenticeship contract has been registered for a long time** (as at 31 December 2009, 18 of the 45 designated trades did not have any registered apprentices — see Appendix C).

Audit recommendations

2.25 **Audit has recommended that the VTC should, in conjunction with the Secretary for Labour and Welfare:**

- (a) **evaluate whether it is desirable to update the list of designated trades by removing the obsolete ones; and**
- (b) **in the light of the results of the evaluation, explore the best way to achieve the desired outcomes.**

Response from the VTC

2.26 The VTC agrees with the audit recommendations. The **ED, VTC** has said that the VTC will, upon discussion with the LWB, evaluate whether it is desirable to update the list of designated trades by removing the obsolete ones.

Response from the Administration

2.27 The **Secretary for Labour and Welfare** agrees with Audit that an evaluation is necessary to thrash out the full implications of removal of any designated trades, and to explore the most appropriate way to achieve the desired outcomes. He has said that the LWB and the VTC will follow up the audit recommendations accordingly.

PART 3: THE WORK OF THE INSPECTORATE

3.1 This PART examines the planning and monitoring of the work of the inspectorate.

Background

3.2 The AU inspectorate consists of inspectors of three ranks, namely Chief Inspector of Apprentices (CIA), Senior Inspector of Apprentices (SIA) and Inspector of Apprentices (IA). As at 31 December 2009, the inspectorate had 27 inspectors. Two of them worked at the Head Office and 25 worked at the three Branch Offices located in Kowloon Bay, Kwai Chung and Pokfulam. The AU has developed a computerised information system to monitor the work of the IAs. Every month, information on the IAs' work is input into the computer system to generate reports for review by the management.

3.3 The inspectorate conducts visits to apprentices, employers and other stakeholders (e.g. parents of apprentices). The AU classifies the visits into six types:

- (a) routine visits to assess apprentices' progress and inquire into their welfare;
- (b) promotion visits to promote apprentice training;
- (c) enforcement visits to ensure compliance with the Apprenticeship Ordinance (e.g. to identify young persons engaged in designated trades, and explain to employers the provisions of the Apprenticeship Ordinance);
- (d) training facility visits to assess the employers' capability to provide adequate training to apprentices;
- (e) conciliation visits to resolve disputes between employers and apprentices; and
- (f) other visits to perform any other duties (e.g. to follow up the signing of the contracts of apprenticeship and the issuing of the certificates of completion).

The AU measures the workload of visits in terms of inspection units. One inspection unit is performed by conducting one visit.

Re-engineering of the work of the inspectorate

3.4 In October 1999, the VTC informed the LegCo Panel on Manpower that:

- (a) the inspectorate would be downsized by two phases:

- (i) **Phase 1.** The number of inspectors would be reduced from 71 in October 1999 to 35 by October 2000; and
 - (ii) **Phase 2.** Subject to a review in 2001, the number of inspectors would be further reduced to the ultimate strength of two SIAs and six IAs;
- (b) the AU would re-engineer its processes to ensure effective operation of the inspectorate at its ultimate strength. By then, the AU would operate differently. Inspectors would carry out visits only for exceptional cases, as follows:
- (i) **Checking of training facilities.** The inspectors would collect information from employers and would carry out visits only for doubtful cases;
 - (ii) **Explanation of contents of apprenticeship contracts.** A VCD would be distributed to each apprentice. He and his guardian could telephone or visit the AU for clarification and assistance;
 - (iii) **Enrolment in technical education courses.** It was expected that modular courses would be taken by the apprentices and full-scale monitoring would not be required;
 - (iv) **Inspection of training to assess progress.** Employers had to report training progress periodically. Visits would be made on randomly selected cases;
 - (v) **Investigation of complaints and conciliation of disputes.** The AU would continue to investigate complaints and mediate in disputes; and
 - (vi) **Issuance of certificates of completion.** A computer programme would be developed to facilitate the completion, printing and distribution of certificates;
- (c) with the Apprenticeship Ordinance having been enacted for more than 20 years and the community being well aware of the Apprenticeship Scheme, intensive enforcement of the legislation was no longer necessary. There had been no case of prosecution being brought about as a result of the monitoring/enforcement visits in the past; and
- (d) it would review the position in 2001 to work out the implementation plan for the Phase 2 downsizing.

Audit observations and recommendations

3.5 Before the downsizing exercise was due for a review in 2001, the VTC had decided that the Phase 2 downsizing would not go ahead. In May 2000, the VTC informed the CATT that while it would implement the Phase 1 downsizing, the Phase 2 downsizing would be shelved. **Moreover, the AU had not re-engineered its processes according to the 1999 submission to the LegCo Panel on Manpower.** Documentation was not available showing that the VTC had conducted a review to justify the shelving of the Phase 2 downsizing and the re-engineering exercise. In the event, instead of conducting visits only for exceptional cases as the LegCo Panel on Manpower was informed in 1999, the AU conducts about 19,000 visits a year.

3.6 In November 2009, the AU informed Audit that the Phase 2 downsizing exercise proposed to the LegCo Panel on Manpower in 1999 might not suit the present day circumstances. The AU would commission a business process re-engineering study on its current work procedures and operation, with a view to streamlining and rationalising them to better meet the needs of the industries, and aligning them with the overall development in youth training services. The findings and recommendations of the study would be submitted to the CATT, the Council of the VTC and the LWB for their consideration.

Audit recommendations

- 3.7 **Audit has recommended that the VTC should:**
- (a) **report the justifications for shelving the Phase 2 downsizing exercise proposed in 1999 to the LegCo Panel on Manpower;**
 - (b) **ensure that the proposed business process re-engineering study on the work procedures and operation of the AU is completed in a timely manner; and**
 - (c) **in light of the results of the business process re-engineering study, take effective measures to rationalise the establishment of the AU.**

Response from the VTC

3.8 The VTC agrees with the audit recommendations and will take appropriate follow-up action. The **ED, VTC** has said that, owing to several office relocations and staff changes, full records on the development in the re-engineering proposed in 1999 cannot be traced. According to colleagues who were aware of the issue, the Phase 2 downsizing was not pursued because:

- (a) possible development of services in youth training needed to be further considered; and
- (b) there was strong staff reaction.

Planning the work of the Apprenticeship Unit

3.9 Every year, the VTC prepares a three-year rolling Strategic Plan, including the administration of the Apprenticeship Scheme. The Strategic Plan 2008-09 to 2010-11 included three planned activities, namely to maintain the number of designated trades and apprentices at 45 and 3,300 respectively and to conduct 15,000 visits.

Audit observations and recommendations

Need to improve strategic planning process

3.10 Audit examined the Strategic Plan 2008-09 to 2010-11 and found that it did not specify the strategies to attain the three planned activities. According to good practices, a strategic plan should provide a framework for detailed planning to achieve the strategic objectives. **However, the AU did not have a detailed operational plan setting out its work priorities and the allocation of staff resources for achieving them.** Without defining the strategies and a detailed operational plan, the AU may not be able to achieve the strategic objectives efficiently and effectively.

Need to establish work priorities

3.11 The AU had not established any guidelines in allocating staff resources to the various types of visits. Audit reviewed the visits conducted by the Branch Offices in 2008-09, and noted that they placed different emphasis on promotion visits and enforcement visits (see Table 5).

Table 5
Visits conducted by Branch Offices
(2008-09)

Branch Office	Routine visit	Promotion visit	Enforcement visit	Training facility visit	Conciliation visit	Other visits	Total
Kowloon Bay	2,401 (39%)	466 (8%)	1,188 (20%)	140 (2%)	16 (0%)	1,848 (31%)	6,059 (100%)
Kwai Chung	3,269 (40%)	1,404 (17%)	716 (9%)	66 (1%)	61 (1%)	2,658 (32%)	8,174 (100%)
Pokfulam	1,556 (40%)	791 (21%)	2 (0%)	57 (1%)	161 (4%)	1,316 (34%)	3,883 (100%)
Overall	7,226 (40%)	2,661 (15%)	1,906 (11%)	263 (1%)	238 (1%)	5,822 (32%)	18,116 (100%)

Source: VTC records

3.12 Table 5 showed that among the three Branch Offices, the percentages of routine visits and training facilities visits were about 39% to 40% and 1% to 2% respectively. However, the percentages of promotion visits varied from 8% to 21% and those of enforcement visits varied from 0% to 20%.

One-third of visits classified as other visits

3.13 Audit also noted that 5,822 (32%) of the visits conducted by the three Branch Offices were classified as other visits (see Table 5). Audit reviewed 15 such visits and found that their purposes were mainly to bring contracts or forms to the apprentices and employers, or to explain to them the various requirements of the Apprenticeship Ordinance. Records were not available to show that the AU had reviewed the necessity for the IAs to conduct a large number of such visits, or had taken measures to minimise them.

Audit recommendations

3.14 **Audit has recommended that the VTC should:**

- (a) **draw up an operational plan to translate the strategic objectives in the strategic plan into operational goals for the AU;**

- (b) **define the work priorities of the AU to ensure coherence in the work of the Branch Offices; and**
- (c) **review the necessity of conducting a large number of “other visits” and take action to minimise them.**

Response from the VTC

3.15 The VTC agrees with the audit recommendations and will consider appropriate follow-up action in the light of the findings of the business process re-engineering study to be commissioned. The **ED, VTC** has said that:

- (a) she agrees that it is good management practice to have the operational plan documented; and
- (b) the Apprenticeship Scheme has been in operation for many years. The AU is very experienced with the procedures and operations of the Scheme.

Routine visits

3.16 The objectives of routine visits are to assess the progress and skills achieved by the apprentices and to ensure that the working conditions and safety level provided by their employers are satisfactory. During routine visits, the IAs would interview the apprentices and the employers to assess whether the terms and conditions of the apprenticeship contracts are complied with.

Audit observations and recommendations

Frequency of routine visits

3.17 According to the Office Instructions, an apprentice would be visited “normally four times a year”. However, in practice, the AU used a target of 2.6 routine visits per apprentice per year to monitor the work of the IAs. Audit analysed the frequency of the routine visits conducted by the Branch Offices for the period 2006-07 to 2008-09. The frequencies for the Kwai Chung and Pokfulam Branch Offices were lower than the target of 2.6 visits per apprentice per year (see Table 6).

Table 6
Frequency of routine visits
(2006-07 to 2008-09)

Branch Office	Year	Frequency (per apprentice per year)
Kowloon Bay	2006-07	2.80
	2007-08	2.61
	2008-09	2.63
Kwai Chung	2006-07	2.54
	2007-08	2.38
	2008-09	2.33
Pokfulam	2006-07	2.11
	2007-08	2.05
	2008-09	2.12

Source: VTC records

3.18 On the first working day of each month, the computer system generates for each IA a list of apprentices under his responsibility who have not been visited for more than 6 months (i.e. about 183 days). In order to visit each apprentice 2.6 times a year (i.e. the AU's target), or 4 times a year (i.e. the requirement of the Office Instructions), the computer system should have generated lists of apprentices who have not been visited for 140 days ($365 \text{ days} \div 2.6$) or 91 days ($365 \text{ days} \div 4$), instead of 183 days.

Interval between visits

3.19 The IAs visit the apprentices to give advice to the apprentices and/or the employers. Audit examination of the routine visits of 30 apprenticeship contracts completed in 2006-07 to 2008-09 revealed that the interval between visits varied from 49 days to 387 days, with an average of 164 days. If an apprentice is not visited for a long period of time, it would be difficult for the AU to monitor the progress of the apprentice, inquire into the welfare of the apprentice, and give advice if necessary.

First routine visits

3.20 The AU had not issued any guidelines governing the timing of the first routine visit after the registration of an apprenticeship contract. For 28 of the 30 contracts examined, Audit noted that the interval between the registration of the contracts and the first visits ranged from 13 days to 337 days. On average, the first visit was made 101 days after the registration of the contract (Note 5). Even for contracts of the same trade, the timing of the first routine visits varied significantly (see Table 7).

Table 7**Timing of first routine visits for contracts of the same trade**

Trade	Number of contracts	Timing of first routine visit after registration (Days)
Electrician	3	113, 150 and 191
Refrigeration/ Air-conditioning Mechanic	3	93, 135 and 147
Vehicle Mechanic	3	13, 20 and 56
Assistant Jewellery Designer	2	54 and 101
Electrical Fitter	2	41 and 187
Mechanical Fitter	2	73 and 118
Plumber	2	24 and 108
Overall	17	13 to 191

Source: VTC records

Remarks: The remaining 11 contracts examined by Audit were contracts of 11 different trades. The first visits for these contracts were conducted 15 days to 337 days after registration.

Note 5: For the remaining two contracts, the first visits were conducted six and eight days before registration.

Final routine visit not conducted

3.21 According to the Office Instructions, the responsible IA should conduct a final routine visit to the apprentice within the last month of the apprenticeship to ensure that the apprentice has received appropriate training up to the end of the contract. On the first working day of each month, the computer system generates a list for each IA showing all the contracts under his responsibility that would be completed within one month. However, Audit noted that in 14 of the 30 contracts examined, the final routine visits were not conducted within the last month of the contracts. Of these 14 contracts, the timing of the final routine visit was as follows:

- (a) in 2 contracts, the final routine visits were conducted 1 and 10 days respectively after the contracts had been completed;
- (b) in 5 contracts, the final routine visits were conducted 2 to 3 months before the completion of the contracts; and
- (c) in 7 contracts, the final routine visits were conducted more than 3 months before the completion of the contracts.

Routine Inspection Reports

3.22 After each routine visit, an IA was required to record the details of the visit in a Routine Inspection Report, which included a part on “Performance of apprenticeship according to management”. After completion by the IA, the Report was submitted to the responsible SIA and CIA, who would record their instructions and recommendations on the Report. There were 215 Routine Inspection Reports prepared for the 30 contracts examined. Of the 215 Reports, Audit noted that:

- (a) in 25 (12%) Reports, the IAs had not completed the part on “Performance of apprenticeship according to management”; and
- (b) in 113 (53%) Reports, the CIAs had neither given any instructions and recommendations nor signed the Reports.

Assessment Form

3.23 During each routine visit, the IA should grade the apprentice (from Grade A for good knowledge to Grade C for little knowledge) for each of the required trade skills on an Assessment Form. The IA should also record on the Form whether the apprentice’s progress was satisfactory and whether the training provided was adequate. Based on the IA’s assessment, the responsible SIA would give his overall assessment on the Form before recommending to the CIA on the issuing of the certificate of completion to the apprentice. **In 5 of the 30 contracts examined, the responsible IAs had not recorded on the**

Assessment Forms any grading on the training skills acquired by the apprentices. The IAs only put tick marks for the skills. Moreover, they had not recorded their assessment on whether the progress of the apprentices was satisfactory and whether the training provided was adequate. Although the Assessment Forms were submitted to the SIAs and CIAs, they had not rectified the omissions.

Audit recommendations

3.24 **Audit has recommended that the VTC should:**

- (a) **review the appropriateness of setting the target of 2.6 routine visits per apprentice per year;**
- (b) **modify the computer system so that the list generated by the system for planning routine visits will dovetail with the target frequency of visits;**
- (c) **take necessary measures to ensure that the IAs achieve the target number of routine visits per apprentice per year;**
- (d) **consider setting:**
 - (i) **a maximum time interval between routine visits; and**
 - (ii) **guidelines for the timing of conducting the first routine visit after the registration of the apprenticeship contract;**
- (e) **ensure that the final routine visit is conducted as required by the Office Instructions; and**
- (f) **ensure that Routine Inspection Reports and Assessment Forms are properly completed.**

Response from the VTC

3.25 The VTC agrees with the audit recommendations and will take appropriate follow-up action. The **ED, VTC** has said that:

- (a) the AU has reduced the target frequency of 4 routine visits to 2.6 visits per year. Unfortunately, the Office Instructions have not been updated to reflect the reduced target;
- (b) the interval between routine visits should normally be within six months. However, the time frame may not always be met due to factors beyond the control of the AU. For example, the apprentices may have to perform duties not

at a fixed work location, or the supervisors of the apprentices may not be available for visits;

- (c) it had been very difficult to arrange routine visits to the apprentice, who was not visited for a period of 387 days (see para. 3.19), because he worked mainly in the evening or at night and at different work sites. The IA concerned had maintained telephone contact with the apprentice to keep track of his conditions;
- (d) the apprentice who was first visited 337 days after the registration of his contract (see para. 3.20) worked in an isolated area in Tung Chung. No public transport was available and his employer was unwilling to arrange transportation for the IA. The IA concerned had maintained telephone contact with the apprentice to keep track of his conditions;
- (e) as a good management practice, she agrees that guidelines should be issued to govern the timing of the first routine visit;
- (f) to allow sufficient time for advice to be given and remedial action to be taken, final routine visits are conducted within the last three months of the apprenticeship. Unfortunately, the Office Instructions have not been updated to reflect the current practice;
- (g) the part of the Routine Inspection Report on “Performance of apprenticeship according to the management” was sometimes not completed because the supervisors of the apprentices were not available at the work site during the visits. Some Routine Inspection Reports were not signed by the CIAs because since June 2009 the signing of such reports has been delegated to the SIAs; and
- (h) measures have been introduced since July 2009 to ensure that the IAs record their assessment of the training skills acquired by the apprentices by gradings on the Assessment Forms.

Enforcement visits

3.26 Enforcement visits are conducted to ensure that the provisions of the Apprenticeship Ordinance are complied with. For the purposes of monitoring enforcement visits, the AU has developed a computerised Establishment Database. According to the Operation Manual for Enforcement Inspection issued by the AU, the SIAs would select establishments from the Database for assigning to the IAs to carry out enforcement visits.

Audit observations and recommendations

SIA's monitoring of enforcement visits

3.27 According to the Operation Manual for Enforcement Inspection, the SIAs should carry out one field checking in every 25 enforcement visits conducted by the IAs. **Audit reviewed 150 Enforcement Visit Reports and found that no documentary evidence was available showing that the SIAs had carried out the field checkings.**

Information kept in Establishment Database not updated

3.28 Audit examined 25 of the 150 Enforcement Visit Reports to ascertain whether the Establishment Database was properly updated after the enforcement visits. These 25 Reports were prepared in December 2008 and January 2009. Audit found that in 10 of the 25 Reports, the IAs reported that the establishments had moved. However, up to 30 September 2009, no follow-up action had been taken to update the information of the 10 establishments in the Establishment Database.

Information kept in Establishment Database not complete

3.29 Audit reviewed the information maintained in the Establishment Database relating to the 150 Enforcement Visit Reports. Audit found that the Database was not fully utilised in all the three Branch Offices. **For 68 (45%) of the 150 visits, the dates of the visits were not recorded in the Database.**

Information on new industrial undertakings

3.30 Each month, the Labour Department provides the AU with information of new industrial undertakings (including their names, addresses, telephone numbers and nature of trades/products). Audit examined the information on 50 new industrial undertakings that was provided to the AU in 2008-09. Audit noted that up to 30 September 2009, the information on 47 of them had not yet been input into the Establishment Database.

Audit recommendations

3.31 **Audit has recommended that the VTC should ensure that:**

- (a) **the SIAs properly monitor the enforcement visits conducted by the IAs, and document in the Enforcement Visit Reports the results of the checkings carried out, as required by the Operation Manual for Enforcement Inspection;**

- (b) **the information of the establishments kept in the Establishment Database is timely updated;**
- (c) **the information of enforcement visits kept in the Establishment Database is complete; and**
- (d) **the information on new industrial undertakings provided by the Labour Department is promptly input into the Establishment Database.**

Response from the VTC

3.32 The VTC agrees with the audit recommendations and will take appropriate follow-up action. The ED, VTC has said that:

- (a) currently the SIAs monitor enforcement visits by making telephone calls to the employers instead of carrying out field checkings. The requirement of checking 1 in every 25 enforcement visits has broadly been followed; and
- (b) the dates of the enforcement visits, which are not recorded in the Establishment Database, can be found in the hard copies of the records.

Visits to training facilities

3.33 Under the Apprenticeship Ordinance, the Director of Apprenticeship should ensure that adequate facilities are provided by employers for training of apprentices. According to the Office Instructions, assessment of training facilities should be conducted if no such assessment has been made for five years or more.

Audit observations and recommendation

3.34 Audit selected 19 establishments and analysed the time periods from the last visit to training facilities up to 30 September 2009. **Audit noted that for 11 (58%) establishments, the time during which assessment of training facilities had not been made varied from 8.9 years to 20.8 years. The average time interval was 13.1 years.** In November 2009, the AU informed Audit that assessments of the adequacy of training facilities were often conducted during routine visits. Where such assessments have been conducted, no separate training facilities visit will be made. However, documentary evidence was not available showing that the assessments had been conducted.

Audit recommendation

3.35 **Audit has recommended that the VTC should ensure that assessments of training facilities of employers are conducted according to the frequency as required by the Office Instructions.**

Response from the VTC

3.36 The ED, VTC has said that the Office Instructions will be updated to reflect the current practice that assessments of training facilities are often conducted during routine visits.

Handling of non-compliance cases

3.37 During visits to establishments (see Table 5 in para. 3.11) employing registered apprentices, a number of non-compliance cases involving breaches of the Apprenticeship Ordinance were identified by the IAs. The non-compliance cases identified in 2005-06 to 2008-09 are shown in Table 8.

Table 8
Non-compliance cases identified during visits
(2005-06 to 2008-09)

Nature of non-compliance	Number of cases			
	2005-06	2006-07	2007-08	2008-09
(a) Inadequate training to apprentices	302	409	303	208
(b) Employment of young persons in designated trades without contracts under Apprenticeship Ordinance	20	21	24	18
(c) Delay in payment of salaries	3	3	2	2
(d) Delay in paying course fees for the apprentices	2	5	2	8
Total	327	438	331	236

Source: VTC records

Audit observations and recommendations

3.38 For the non-compliance cases identified in 2005-06 to 2007-08, the LWB informed LegCo in March 2008 that, following the advice given by the IAs, the employers concerned had made improvements and fully complied with the Ordinance. Therefore, no

prosecution action was required. In November 2009, the AU informed Audit that the files for the non-compliance cases identified in 2005-06 to 2008-09 could not be readily traced. To identify such cases, all the case files for the four years had to be scrutinised. As a result, Audit could not ascertain whether the AU had taken effective action in handling these non-compliance cases.

Audit recommendations

3.39 **Audit has recommended that the VTC should ensure that:**

- (a) **suitable action is taken in handling non-compliance cases identified during visits; and**
- (b) **detailed information (e.g. file reference and nature of non-compliance) on all non-compliance cases is properly maintained so that the case files can be readily traced when necessary.**

Response from the VTC

3.40 The VTC agrees with the audit recommendations and will take appropriate follow-up action. The ED, VTC also agrees that there is room for improvement in the record management system, which should facilitate monitoring and control, and easy retrieval of information, of the non-compliance cases.

Other duties performed by inspectors

3.41 Apart from conducting visits, the inspectorate also performs other duties relating to apprentice training. These duties include providing placement services for people seeking apprentice training and conducting publicity/special activities. The workload of placement services and publicity/special activities is measured in terms of inspection units. One inspection unit is performed by carrying out 1.5 hours' work on placement services or publicity/special activities. According to the Office Instructions, the IAs should record in their diaries the work they performed. Clerical duties of the AU are performed by clerical staff. As at 31 December 2009, the AU had 12 clerical staff.

Audit observations and recommendations

Need to record details of publicity/special activities

3.42 Audit noted that the IAs spent a lot of time engaged in publicity/special activities. Upon enquiry, the AU informed Audit that publicity/special activities included such activities as publicising the Apprenticeship Scheme in roadshows and giving talks to graduates of courses run by training providers. In 2008-09, the IAs reported that the time they spent on publicity/special activities was equivalent to 4,087 inspection units. On average, such activities constituted 17% of the work of the IAs (see Table 9).

Table 9

**IA's publicity/special activities
(2008-09)**

Branch Office	Total inspection unit	Inspection unit of publicity/special activities	Percentage
Kowloon Bay	8,845	1,942	22%
Kwai Chung	10,630	1,587	15%
Pokfulam	4,921	558	11%
Overall	24,396	4,087	17%

Source: VTC records

3.43 In June 2009, 19 IAs reported that they had conducted publicity/special activities. Audit reviewed their diaries (one working day per IA) and found that:

- (a) for 7 (37%) working days, the time spent on publicity/special activities recorded in the diaries was less than that reported to management;
- (b) for 7 (37%) working days, the start time and the end time of the activities were not recorded and the duration of the activities could not be ascertained;
- (c) for 4 (21%) working days, the duties performed were not publicity/special activities; and
- (d) for 1 (5%) working day, no information on the publicity/special activities was recorded.

3.44 There is a need for the IAs to enhance their accountability in relation to such activities, for example, by recording relevant details in their diaries for checking by the SIAs. **Without recording accurate information of the publicity/special activities, the AU was unable to ensure that the time spent on them was correctly reported.**

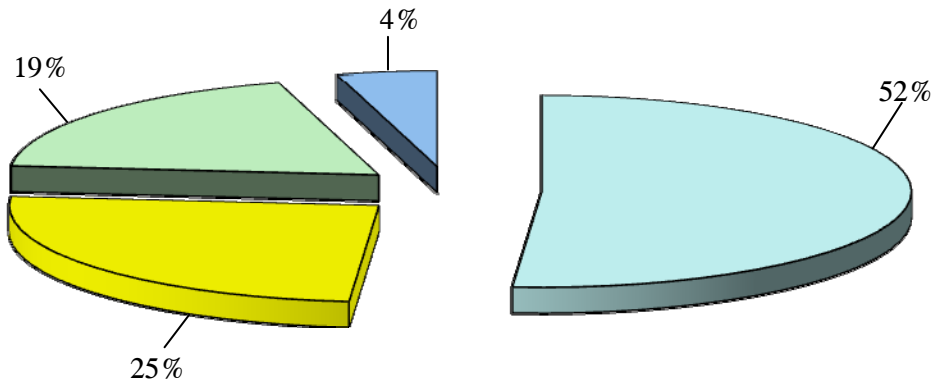
Need to review the time spent on office work

3.45 Audit analysed the diaries of the IAs for December 2008 and June 2009. The analysis showed that the IAs only spent about half of their time on visits (including the time spent at the premises visited and the related travelling time). For the remaining half of their time, the IAs stayed in the office performing office work. Figure 1 shows the details of the analysis.

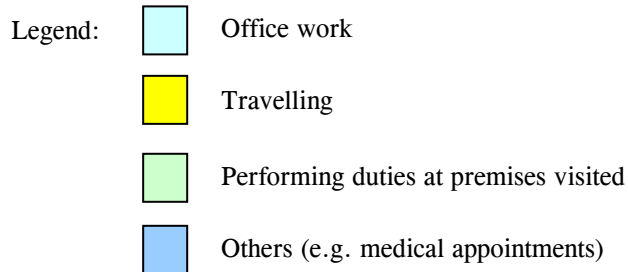
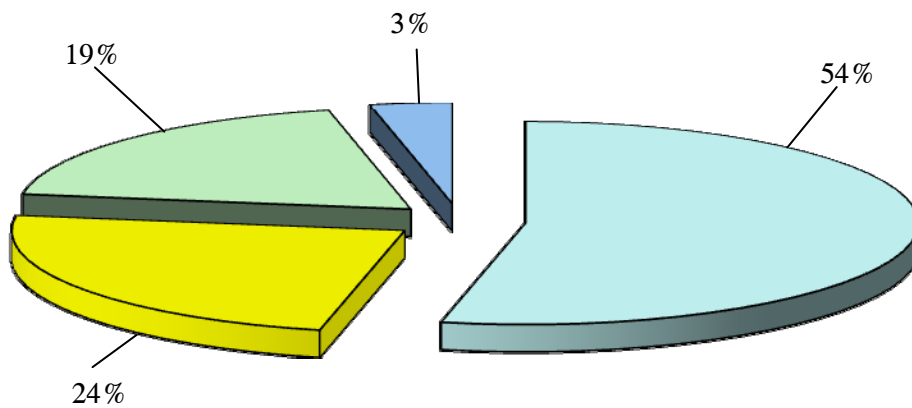
Figure 1

Analysis of time spent by IAs
(December 2008 and June 2009)

(A) December 2008



(B) June 2009



Source: *Audit analysis of VTC records*

Remarks: *The lunch hours and leaves taken by the IAs in these two months have been excluded from the analysis.*

3.46 The significant proportion of time spent on office work could be a cause for concern. Over the years, the management of the AU had on many occasions urged the IAs to spend more time on visits instead of staying in the office. Upon Audit enquiry, the AU explained that the office work conducted by the IAs involved activities such as writing visit reports and liaising with outside parties. According to the Office Instructions, if the nature of office work is “dealing with normal correspondence, files and similar matter”, the IAs only need to put down “Routine Duty” in the diary. For “anything special or extraordinary, outside what might be called routine duty”, the IAs are required to “briefly mention” it in the diary. **To help identify room for streamlining office procedures and improve the deployment of staff resources, there is a need for the AU to ensure that the IAs record more details of their office work in the diary and in the computer system to facilitate effective monitoring of their performance.** For instance, the time spent on various types of office work relating to visits should be clearly recorded.

Audit recommendations

3.47 **Audit has recommended that the VTC should:**

- (a) **require the IAs to record details of their work in their diaries and in the computer system for better accountability; and**
- (b) **take effective measures to encourage the IAs to spend more time on visits, and ensure that they are engaged in appropriate duties efficiently when they are in the office.**

Response from the VTC

3.48 The ED, VTC has said that the issues raised by Audit will be covered in the AU’s business process re-engineering study (see para. 1.10(c)) and followed up appropriately.

Performance of Inspectors of Apprentices

3.49 The AU requires each of the Branch Offices to achieve a target of 1,130 inspection units per IA per year. Audit analysed the performance of the IAs of the Branch Offices for the period 2006-07 to 2008-09.

Audit observations and recommendation

3.50 Audit found that the Kwai Chung Branch Office failed to achieve the target inspection units in 2007-08 and 2008-09. Furthermore, the Pokfulam Branch Office failed to achieve the target inspection units throughout the period 2006-07 to 2008-09 (see Table 10).

Table 10
Number of inspection units per IA
(2006-07 to 2008-09)

Branch Office	Year	Target (a)	Actual (b)	Actual as percentage of target (c) = (b)/(a) × 100%
Kowloon Bay	2006-07	1,130	1,171	103.6%
	2007-08	1,130	1,160	102.7%
	2008-09	1,130	1,226	108.5%
Kwai Chung	2006-07	1,100 (Note)	1,118	101.6%
	2007-08	1,130	1,126	99.6%
	2008-09	1,130	1,108	98.1%
Pokfulam	2006-07	1,100 (Note)	1,068	97.1%
	2007-08	1,130	994	88.0%
	2008-09	1,130	1,038	91.9%

Source: VTC records

Note: For 2006-07, the target number of inspection units for the Kwai Chung and Pokfulam Branch Offices was set at 1,100 units per IA per year.

Audit recommendation

3.51 **Audit has recommended that the VTC should take steps to improve the performance of the IAs who do not achieve the target inspection units.**

Response from the VTC

3.52 The ED, VTC has said that:

- (a) many apprentices are not employed on Hong Kong Island and the IAs of the Pokfulam Branch Office have to spend more time on travelling;
- (b) the target of inspection units per IA per year should be reviewed; and

- (c) the business process re-engineering study to be undertaken will identify measures to streamline the work of the IAs and improve their performance.

Office Instructions on work of the Inspectors of Apprentices

3.53 As at 30 November 2009, the AU had a total of 37 Office Instructions covering the work of the IAs, such as maintenance of diaries, reporting and planning of work, and registration of contracts of apprenticeship. Of the 37 Office Instructions, one was issued in 2007 and 36 were issued in the 1990s or before. Table 11 shows the issue dates of the 37 Office Instructions.

Table 11

Issue dates of Office Instructions

Year	Number
2007	1
1990 to 1999	27
1980 to 1989	6
1970 to 1979	3
Total	37

Source: Audit analysis of VTC records

Audit observations and recommendation

3.54 The AU has not regularly updated the Office Instructions, despite 36 of them were issued in the 1990s or before. Some information in the Office Instructions was outdated. For example, according to an Office Instruction issued in 1997, leave applications submitted by SIAs would be approved by a Senior Industrial Training Officer. However, the Senior Industrial Training Officer was no longer on the establishment of the AU. Since 2005, leave applications submitted by SIAs had been approved by the CIA in charge of the AU.

Audit recommendation

3.55 **Audit has recommended that the VTC should ensure that the Office Instructions are updated on a regular and timely basis.**

Response from the VTC

3.56 The VTC agrees with the audit recommendation and will take appropriate follow-up action.

PART 4: ADMINISTRATION OF APPRENTICESHIP CONTRACTS

4.1 This PART examines the AU's administration of apprenticeship contracts.

Employment of young persons in designated trades

4.2 According to section 6(1) of the Apprenticeship Ordinance, an employer may employ a young person in a designated trade only if the young person is an apprentice under a valid contract of apprenticeship or has completed an apprenticeship. According to section 15 of the Ordinance, every apprenticeship contract entered into in compliance with section 6(1) shall be sent to the Director of Apprenticeship within 14 days after it is executed (i.e. signed) for registration.

Audit observations and recommendations

4.3 Audit examined the 30 registered apprenticeship contracts completed in 2006-07 to 2008-09 (see para. 3.19) and noted that 5 contracts involved employment of young persons in designated trades. Of these 5 contracts, 4 (80%) were executed 14 to 165 days after their commencement. Audit also noted that the 5 contracts were registered:

- (a) 15 to 173 days after their commencement; and
- (b) 1 to 34 days after their execution (see Table 12).

Whilst the statutory time limit for registration (i.e. 14 days after execution) was exceeded in three contracts, no documentation was available showing the action taken by the AU.

Table 12

Delays in execution and registration of five apprenticeship contracts

Commencement date	Execution date	Registration date	Time lapse from commencement to		Time lapse from execution to registration (Days)
			execution (Days)	registration (Days)	
27.2.2003	11.8.2003	19.8.2003	165	173	8
21.4.2004	5.5.2004	8.6.2004	14	48	34
28.5.2004	18.7.2004	9.8.2004	51	73	22
5.7.2004	28.6.2004	20.7.2004	—	15	22
1.2.2006	28.6.2006	29.6.2006	147	148	1

Source: Audit analysis of VTC records

Audit recommendations

- 4.4 **Audit has recommended that the VTC should:**
- (a) **take effective measures to reduce the number of non-compliance cases in future; and**
 - (b) **take appropriate action against employers repeatedly breaching the provisions of the Apprenticeship Ordinance.**

Response from the VTC

4.5 The VTC agrees with the audit recommendations and will take appropriate follow-up action. The ED, VTC has said that there is considerable difficulty in securing training opportunities for the young people. It is more effective to solicit employers' support of the Apprenticeship Scheme by way of encouragement and facilitation.

Submission of medical certificates and half-yearly reports

4.6 According to "A Guide to the Apprenticeship Ordinance and the Apprenticeship Regulations" issued by the Director of Apprenticeship, every apprenticeship contract submitted for registration must be accompanied by a medical certificate certifying the fitness of the apprentice for employment in that trade.

4.7 According to the Apprenticeship Regulations, an employer employing a registered apprentice is required to maintain half-yearly reports on the apprentice's work performed, progress made, overtime worked, and absences from work or specified course of instruction. The AU requires the employers to submit the reports to it.

Audit observations and recommendations

4.8 The AU issues a standard letter to an employer who submits an apprenticeship contract for registration without a medical certificate certifying the fitness of the apprentice. In the letter, the employer is requested to report to the AU if the medical examination finds that the apprentice is not fit to be employed in the trade concerned. If no response is received from the employer, the AU assumes that the apprentice has been medically examined as to his fitness for employment in the trade. Audit considers that this approach is not entirely satisfactory because there may be many reasons that an employer does not respond to the AU's request. **The lack of response from the employer should not be interpreted as a confirmation of the medical fitness of the apprentice.**

- 4.9 Audit noted that, of the 30 apprenticeship contracts examined:
- (a) 5 contracts were accompanied by medical certificates; and
 - (b) 25 contracts were not accompanied by medical certificates. For 7 of these 25 contracts, records were not available to show that standard letters were issued to the employers.
- 4.10 Audit found that in only 4 (13%) of the 30 contracts examined, the employers had submitted all the half-yearly progress reports as required by the AU. Details are shown in Table 13.

Table 13

Submission of half-yearly progress reports by employers

	Number of contracts	Percentage
No reports submitted	16	54%
Some reports submitted	10	33%
All reports submitted	4	13%
Total	30	100%

Source: VTC records

Audit recommendations

- 4.11 **Audit has recommended that the VTC should take action to ensure that:**
- (a) **every apprentice who enters into an apprenticeship contract in a designated trade has been medically examined as to his fitness to be employed in the trade; and**
 - (b) **employers of registered apprentices submit all the half-yearly reports on the apprentices.**

Response from the VTC

4.12 The VTC agrees with the audit recommendations and will follow up as far as practicable within the spirit of the law. The ED, VTC has said that employers who have not submitted half-yearly progress reports are issued with reminders.

Reduction of the period of apprenticeship

4.13 Under section 46 of the Apprenticeship Ordinance, the period of apprenticeship for a designated trade will be specified by the Director of Apprenticeship. Under section 23 of the Ordinance, the Director may reduce the specified period of apprenticeship by a period not exceeding one year for people who have obtained specified qualifications before entering into the apprenticeship contracts.

Audit observations and recommendation

4.14 Audit noted that the specified periods of apprenticeship were reduced in 10 of the 30 contracts examined (see Table 14). It can be observed that:

- (a) the apprenticeship periods of two contracts were reduced by more than one year, contrary to the provision of section 23 of the Apprenticeship Ordinance. The periods were reduced by one year because the apprentices had obtained specified qualifications before entering into the apprenticeship contracts. As the apprentices had also received training in the trades, the AU further reduced the periods by six months in accordance with the provision of the contract of apprenticeship, which was specified by the Director of Apprenticeship under section 46 of the Ordinance; and
- (b) documentary evidence showing that the apprentices had obtained the specified qualifications/training before entering into the apprenticeship contracts was not available in two contracts.

Table 14

Reduction of apprenticeship period

Number of contract	Period of reduction	Documentary evidence on qualifications/training (Yes/No)
7	Not exceeding 1 year	Yes
1	Not exceeding 1 year	No
1	1.5 years	Yes
1	1.5 years	No

Source: Audit analysis of VTC records

Audit recommendation

4.15 **Audit has recommended that the VTC should ensure that the requirements of section 23 of the Apprenticeship Ordinance are complied with in reducing the specified period of apprenticeship for designated trades.**

Response from the VTC

4.16 The VTC agrees with the audit recommendation and will take appropriate follow-up action. The **ED, VTC** has said that the AU always verifies the qualifications of the apprentices before reducing the apprenticeship periods.

Courses of instruction for registered apprentices

4.17 According to section 4(1)(a) of the Apprenticeship Ordinance, the Director of Apprenticeship shall cooperate with technical institutions for the purpose of ensuring that registered apprentices obtain the necessary instruction appropriate to the trade to which they are apprenticed.

Audit observations and recommendation

4.18 Audit examination of the 30 apprenticeship contracts (see para. 4.3) revealed that in 3 contracts of 3 different non-designated trades, the registered apprentices had not attended any training courses. As regards designated trades, the AU informed Audit in October 2009 that suitable courses were not available for 10 of the 45 trades. As at 30 September 2009, there were 12 registered apprentices employed in 3 of these 10 trades.

Audit recommendation

4.19 **Audit has recommended that the VTC should enhance the cooperation with suitable training providers with a view to ensuring that registered apprentices obtain the necessary instruction appropriate to the trades to which they are apprenticed.**

Response from the VTC

4.20 The ED, VTC has said that the VTC is planning the introduction of a more flexible and modular new Craft Certificate Course in 2010 for apprentices. The new course would help address the issue.

Trade skill guides for designated trades

4.21 The AU prepared a set of essential trade skill guides for designated trades. These guides are used by the IAs to design the skill lists for assessing whether the progress of the apprentices is satisfactory and whether the training provided to them is adequate.

Audit observations and recommendation

4.22 Audit reviewed the essential trade skill guides and found that for 12 of the 45 designated trades, no such guides were available. As at 31 October 2009, there were 248 registered apprentices in 6 of these 12 designated trades. To facilitate the IAs to properly monitor the progress of the apprentices, essential trade skill guides should be prepared for all designated trades.

Audit recommendation

4.23 **Audit has recommended that the VTC should ensure that essential trade skill guides are prepared for all designated trades, with priority given to designated trades with registered apprentices.**

Response from the VTC

4.24 The VTC agrees with the audit recommendation and will take appropriate follow-up action.

Apprenticeship contracts not in designated trades registered as those in designated trades

4.25 Section 15 of the Apprenticeship Ordinance provides for the compulsory registration of apprenticeship contracts in designated trades. Section 17 provides for the voluntary registration of other apprenticeship contracts.

Audit observations and recommendations

4.26 As at 30 September 2009, 72 apprenticeship contracts of the trade “Mechanical Fitter” were registered under the Ordinance. **Although “Mechanical Fitter” was not a designated trade, 27 of the 72 contracts were registered under section 15. The remaining 45 contracts were voluntarily registered under section 17.** For these 27 contracts, the AU should have advised the employers and apprentices concerned that it was not compulsory to register their contracts under the Apprenticeship Ordinance. If they wished to do so, the AU should have registered the contracts under section 17.

Audit recommendations

- 4.27 **Audit has recommended that the VTC should:**
- (a) **seek legal advice to ascertain the legality of the registration of the 27 apprenticeship contracts which had been wrongly registered under section 15, instead of section 17, of the Apprenticeship Ordinance;**
 - (b) **in the light of the legal advice, take action to rectify the registration of the 27 apprenticeship contracts, if necessary; and**
 - (c) **implement suitable control measures to prevent registration of apprenticeship contracts in non-designated trades under the legal provision for registration of contracts in designated trades.**

Response from the VTC

4.28 The VTC agrees to seek legal advice to confirm the legality of the registration concerned and to take appropriate follow-up action to ensure proper registration of contracts under the Apprenticeship Ordinance. The ED, VTC has said that “Fitter”, which is a designated trade, is often referred to as “Mechanical Fitter” in the industry.

Traineeship administered by Director of Apprenticeship

4.29 The Director of Apprenticeship administers the Apprenticeship Scheme in accordance with the Apprenticeship Ordinance. The Ordinance provides for the registration of contracts of apprenticeship under sections 15 to 17 and the issue of certificates of completion of apprenticeship under section 28.

Audit observations and recommendations

4.30 Audit examined the records of the AU and found that up to December 2007, the Director of Apprenticeship had administered traineeship for trainees in some industries such as accounting and insurance. **The employers entered into contracts of traineeship with the trainees and registered them under the Apprenticeship Ordinance.** The AU administered these contracts as if they were contracts of apprenticeship. After the trainees had completed their traineeship, the Director of Apprenticeship gave them certificates entitled “Certificate of Completion of Traineeship”. **On the certificate, the Apprenticeship Ordinance was quoted and a statement was printed “The Director of Apprenticeship is satisfied that the trainee has completed the traineeship”.** Up to December 2007, about 400 Certificates of Completion of Traineeship had been issued.

4.31 **Audit examined the Apprenticeship Ordinance and found that there were no provisions on traineeship covering:**

- (a) **the registration of contracts of traineeship;**
- (b) **the administration of traineeship; and**
- (c) **the issue of Certificates of Completion of Traineeship.**

Audit recommendations

4.32 **Audit has recommended that the VTC should:**

- (a) **seek legal advice to ascertain the legality of:**

- (i) **the registration of the traineeship contracts under the Apprenticeship Ordinance; and**
 - (ii) **the issue of the Certificates of Completion of Traineeship under section 28 of the Ordinance; and**
- (b) **in the light of the legal advice, take prompt action to rectify the situation, if necessary.**

Response from the VTC

4.33 The VTC agrees to seek legal advice to remove any doubts on the status of the traineeship scheme and to take follow-up action if necessary. The ED, VTC has said that the VTC has taken a liberal view on the generic meaning of the term “apprentice” as defined under the Apprenticeship Ordinance. Where the convention of a specific trade refers to apprentices by another name, the title of their training scheme follows suit.

Apprenticeship contracts terminated before completion

4.34 During the period 2004-05 to 2008-09, 3,953 registered apprenticeship contracts were successfully completed. However, during the same period, 4,321 registered contracts were terminated before completion (see Table 15).

Table 15

**Number of completed and terminated apprenticeship contracts
(2004-05 to 2008-09)**

Year	Successfully completed	Terminated
2004-05	1,073	776
2005-06	884	826
2006-07	636	961
2007-08	626	895
2008-09	734	863
Total	3,953	4,321

Source: VTC records

Audit observations and recommendations

Need to reduce termination rate

4.35 From 2003-04 to 2005-06, 4,051 apprenticeship contracts were registered under the Apprenticeship Scheme. Audit analysis (Note 6) indicated that up to 30 September 2009, 1,737 (43%) of these 4,051 contracts had been successfully completed and 2,266 (56%) had been terminated (Note 7). **The termination rates in five industries with the largest number of registered contracts ranged from 46% to 64% (see Table 16). Audit considers that there is a need for the AU to take effective action to reduce the termination rate.**

Table 16

**Number of apprenticeship contracts in five industries
(30 September 2009)**

Industry	Registered contract	Terminated contract	
		Number	Percentage (%)
Lift	123	56	46
Automobile	670	345	51
Air-conditioning	607	316	52
Construction	764	488	64
Electrical	1,069	684	64
Overall	3,233	1,889	58

Source: Audit analysis of VTC records

Remarks: The apprenticeship contracts were registered during the period 2003-04 to 2005-06.

Note 6: *Apprenticeship contracts registered after 2005-06 were not included in this analysis because up to 30 September 2009, many of them had not been completed.*

Note 7: *As at 30 September 2009, 48 (1%) of the 4,051 registered contracts had not yet been completed.*

Need to ascertain the reasons for terminated contracts

4.36 Under section 30 of the Apprenticeship Ordinance, not less than 14 days' notice in writing shall be given to the Director of Apprenticeship if an apprenticeship contract is terminated:

- (a) by agreement of the parties of the contract;
- (b) in accordance with any expressed provision in the contract; and
- (c) by the apprentice in the event of his marriage.

4.37 Section 32 of the Apprenticeship Ordinance requires the employers of terminated apprenticeship contracts to send a notice to the Director of Apprenticeship in a specified form unless the contracts were terminated by mutual agreement, in accordance with the terms of the contract, because of marriage or by the AU. The specified form provides three choices for the employers to complete as the reason for the termination:

- (a) cessation within probationary period;
- (b) death of the apprentice; and
- (c) others.

If the employer selects "others", he needs to specify the reason.

4.38 Audit selected 30 apprenticeship contracts terminated in 2008-09 for analysis. In 15 of the 30 contracts, written notices under section 30 were submitted to the AU. In the remaining 15 contracts, the specified form under section 32 were submitted to the AU. According to these notices and forms, the reasons for the termination of the contracts are shown in Table 17.

Table 17

Reasons for termination of contracts

Reason	Number of contract
Agreement of the parties	15
Cessation within probationary period	9
Resignation	6
Total	30

Source: Audit analysis of VTC records

4.39 Audit considers that the reasons for termination reported to the AU were too general and were not conducive to identifying effective measures for reducing the termination rate. To enable the AU to better understand the problems, effective measures should be taken to collect more precise information on the factors leading to the termination of the apprenticeship contracts. For instance, the design of the specified form may be improved by including more specific reasons for termination, such as lack of interest in the trade, or poor relationship with the employer.

Audit recommendations

4.40 **Audit has recommended that the VTC should:**

- (a) **take effective measures to analyse the reasons for early termination of registered apprenticeship contracts, for example, by collecting more precise information through improving the design of the specified form for reporting termination of apprenticeship contracts; and**
- (b) **in the light of the analysis, take effective action to reduce the termination rate of registered apprenticeship contracts.**

Response from the VTC

4.41 The VTC agrees with the audit recommendations. The **ED, VTC** has said that:

- (a) a number of the apprentices who have terminated their contracts have in fact signed new apprenticeship contracts;
- (b) the retention rates of registered apprentices in the Apprenticeship Scheme after one year for 2005-06 to 2007-08 were about 67%, 72% and 75% respectively. Experience shows that most drop-outs occurred during the first three to six months, after which most apprentices tend to remain in the Scheme; and
- (c) apprentices are generally young and may not be sure about their goals in life when they first join the Scheme. Some of them may decide to go for other pursuits later when they have a better idea of the direction of their future developments.

PART 5: PERFORMANCE REPORTING

5.1 This PART examines the performance reporting of apprentice training in the LWB's Controlling Officer's Report (COR).

Reporting of performance in Controlling Officer's Report

5.2 The LWB reported two key performance indicators (KPIs) for apprentice training in its COR. The two KPIs were:

- (a) inspections of establishments employing registered apprentices; and
- (b) registered apprentices as at the end of the financial year (see Table 18).

Table 18

KPIs for apprentice training reported in CORs (2006-07 to 2009-10)

KPI	2006-07 Actual (Number)	2007-08 Actual (Number)	2008-09 Revised Estimate (Number)	2009-10 Estimate (Number)
Inspections of establishments employing registered apprentices	15,421	15,421	15,000	15,000
Registered apprentices as at the end of the financial year	3,194	3,303	3,300	3,300

Source: LWB records

Audit observations and recommendations

Inspections of establishments employing registered apprentices

5.3 Audit reviewed the information reported in the 2009-10 COR on the inspections of establishments employing registered apprentices. Audit found that:

- (a) due to oversight, the 2006-07 figure of 15,421 inspections was reported as the 2007-08 figure;

- (b) the number of inspections reported in the COR was not the actual number of inspections. The reported figure was the total of:
 - (i) the actual number of routine visits;
 - (ii) half of the actual number of enforcement visits, promotion visits, training facilities visits and “other visits” (see Table 5 in para. 3.11); and
 - (iii) the inspection units performed by IAs in respect of placement services; and
- (c) the number of enforcement visits to establishments not employing registered apprentices was included in the number of visits to establishments employing registered apprentices.

Registered apprentices as at the end of the financial year

5.4 Audit reviewed the information reported in the 2009-10 COR on the registered apprentices as at the end of the financial year. Audit found that:

- (a) the registered apprentice figure reported therein included the trainees of another scheme. The trainees of this scheme were not registered apprentices;
- (b) the figure reported was the average number of registered apprentices for the months October to March, instead of the figure as at the end of the financial year; and
- (c) the correct number of registered apprentices as at the end of 2007-08 should be 3,000 instead of 3,303 as reported in the COR.

Need to adopt more performance indicators

5.5 The performance indicators for apprentice training published in the COR (i.e. number of inspections and number of registered apprentices) were output measures. Audit considers that, in order to enhance the reporting of the AU’s effectiveness in performing its functions, the VTC and the LWB should establish more performance indicators (preferably outcome indicators) on apprentice training. Examples of such indicators include:

- (a) number of employers employing registered apprentices;
- (b) number of registered apprentices who successfully completed their apprenticeships;

- (c) apprentices' level of satisfaction;
- (d) employers' level of satisfaction;
- (e) employment rate of registered apprentices in the relevant trades after the completion of apprenticeship; and
- (f) number of registered apprentices who continue to work for the same employers after completion of the apprenticeship.

Indicators such as satisfaction level of apprentices and completion rate for apprenticeship are used in some overseas countries for apprentice training.

Audit recommendations

5.6 **Audit has recommended that the Secretary for Labour and Welfare should:**

- (a) **take effective measures to ensure the accuracy of the KPIs reported in the COR; and**
- (b) **consider adopting more performance indicators (preferably outcome indicators) for measuring the performance in apprentice training.**

Response from the VTC

5.7 The VTC agrees to take measures to ensure accuracy of the KPIs reported in the COR. The ED, VTC has said that:

- (a) the number of inspections reported in the COR is in fact the number of equivalent inspections after applying "weighting" to the different types of inspections. The VTC agrees that consideration should be given to refining the descriptions of the KPI so that they would accurately describe the figures reported;
- (b) the number of registered apprentices reported included trainees of another scheme because the indicator shows the performance of the VTC under the Programme which covers the funding for the VTC to administer both the Apprenticeship Ordinance and the other scheme; and
- (c) the average approach to report the number of registered apprentices was adopted to avoid distortion by the figure of a particular month.

Response from the Administration

5.8 The **Secretary for Labour and Welfare** has said that, in consultation with the VTC:

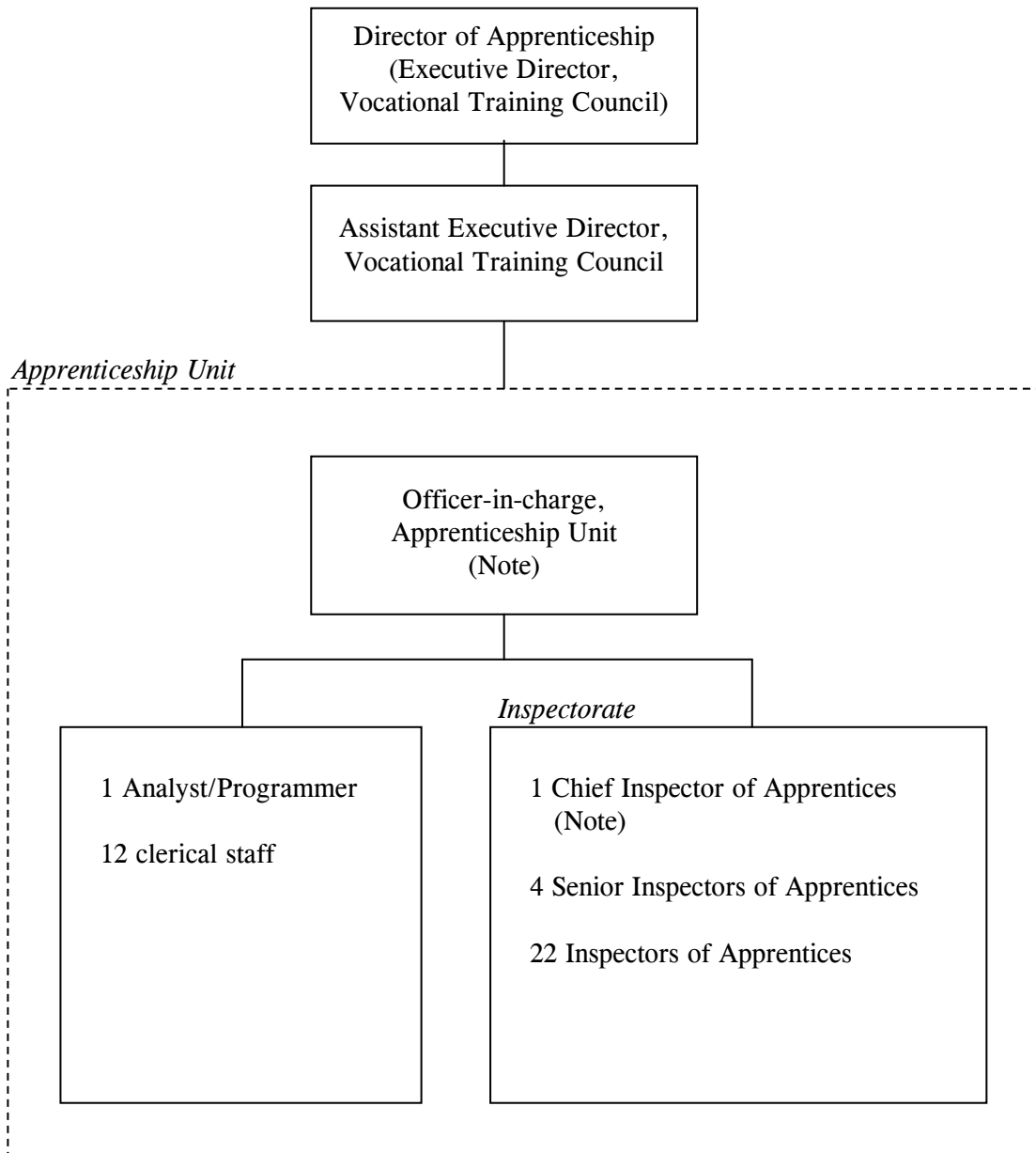
- (a) the LWB will take into account Audit's comments and consider appropriate refinements to the KPIs;
- (b) measures will be taken by the VTC and the LWB to ensure accuracy in reporting the KPIs in the COR; and
- (c) the LWB will consider the need for more performance indicators.

**Designated trades under the Apprenticeship Ordinance
(31 December 2009)**

- | | |
|--|--|
| 1. Audio-Visual and Radio-Frequency Mechanic | 24. Machinist |
| 2. Bamboo Scaffolder | 25. Mould and Die Maker and Repairer |
| 3. Bookbinder | 26. Offset Litho Plate-Maker |
| 4. Bricklayer/Plasterer/Tiler | 27. Overhead Linesman |
| 5. Building Services Mechanic | 28. Painter/Decorator (Furniture) |
| 6. Cable Joints (Power) | 29. Painter/Decorator/Sign Writer |
| 7. Carpenter/Joiner | 30. Plumber |
| 8. Clothing Machine Mechanic | 31. Precious Stone Setter |
| 9. Compositor | 32. Printing Machine Operator (Letterpress) |
| 10. Construction Plant Mechanic | 33. Printing Machine Operator (Offset Litho) |
| 11. Electrical Appliances Service Mechanic | 34. Process Camera Operator |
| 12. Electrical Fitter | 35. Radio/Television Mechanic |
| 13. Electrician | 36. Refrigeration/Air-Conditioning Mechanic |
| 14. Fitter | 37. Repairman (Electronics Manufacturing) |
| 15. Gas Utilisation Fitter | 38. Textile Mechanic |
| 16. Goldsmith (Fine-gold) | 39. Tool and Die Maker |
| 17. Goldsmith (K-gold) | 40. Vehicle Body Repairer/Builder |
| 18. Hotel Cook (Western Style) | 41. Vehicle Electrician |
| 19. Instrument Mechanic | 42. Vehicle Mechanic |
| 20. Knitting Machine Mechanic | 43. Vehicle Painter |
| 21. Lift Electrician | 44. Vehicle Panel Beater/Body Builder |
| 22. Lift Mechanic | 45. Wood Furniture Maker |
| 23. Metal Furniture Maker | |

Source: VTC records

**Apprenticeship Unit
Organisation chart
(31 December 2009)**



Source: Audit analysis of VTC records

Note: The Chief Inspector of Apprentices also acted as the Officer-in-charge

**Designated trades with no registered apprenticeship contract
(31 December 2009)**

	Designated trades	Last contract registration date
1	Clothing Machine Mechanic	According to the AU, the last contracts for these trades were registered at least ten years ago.
2	Compositor	
3	Fitter	
4	Metal Furniture Maker	
5	Painter/Decorator (Furniture)	
6	Process Camera Operator	
7	Repairman (Electronics Manufacturing)	
8	Vehicle Panel Beater/Body Builder	
9	Wood Furniture Maker	
10	Knitting Machine Mechanic	22 December 1999
11	Goldsmith (Fine-gold)	16 January 2001
12	Radio/Television Mechanic	9 August 2001
13	Hotel Cook (Western Style)	31 August 2001
14	Instrument Mechanic	21 August 2003
15	Offset Litho Plate-maker	10 March 2006
16	Mould and Die Maker and Repairer	31 March 2006
17	Tool and Die Maker	24 November 2006
18	Bamboo Scaffolder	5 May 2007

Source: VTC records

Acronyms and abbreviations

AU	Apprenticeship Unit
Audit	Audit Commission
CATT	Committee on Apprenticeship and Trade Testing
CIA	Chief Inspector of Apprentices
COR	Controlling Officer's Report
ED	Executive Director
EMB	Education and Manpower Bureau
IA	Inspector of Apprentices
KPI	Key performance indicator
LegCo	Legislative Council
LWB	Labour and Welfare Bureau
SIA	Senior Inspector of Apprentices
VTC	Vocational Training Council