

Report No. 54 of the Director of Audit — Chapter 1

ADMINISTRATION OF APPRENTICE TRAINING

Summary

1. The Apprenticeship Ordinance (Cap. 47) empowers the Chief Executive to appoint a Director of Apprenticeship to administer the Apprenticeship Scheme. 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 Scheme. For persons who are over 18 years of age or not working in designated trades, joining the Scheme is voluntary. In 1991, the Executive Director (ED) of the Vocational Training Council (VTC) was appointed the Director of Apprenticeship. The ED, VTC administers the Scheme through the Apprenticeship Unit (AU) of the VTC. The Audit Commission (Audit) has recently conducted a review of the VTC's administration of apprentice training under the Scheme.

Designated trades

2. *Descriptions of designated trades.* The AU had not regularly reviewed and updated the descriptions of the designated trades. 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. Moreover, the AU's descriptions of the designated trade "Electrician" were different from those adopted by the relevant Training Boards of the VTC. *Audit has recommended that the VTC should: (a) regularly review and update the descriptions of the designated trades; and (b) publish comprehensive descriptions of the designated trades on the website.*

3. *Designation of new trades.* In April 2003, the then Education and Manpower Bureau 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. Up to November 2009, the Ordinance had not yet been amended. Furthermore, over the years, different sets of criteria have been adopted in designating trades. It took four and six years respectively for two new trades to be designated in 2003. *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. Audit has also recommended that the Secretary for Labour and Welfare should revisit the issue of delegation of power to designate new trades.*

4. **Removal of designated trades.** There was no provision under the Apprenticeship Ordinance for the removal of designated trades. 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. *Audit has recommended that the VTC should: (a) evaluate whether it is desirable to update the list of designated trades by removing the obsolete ones; and (b) explore the best way to achieve the desired outcomes.*

The work of the inspectorate

5. **Re-engineering of the work of the inspectorate.** In October 1999, the VTC informed the Legislative Council (LegCo) Panel on Manpower that the inspectorate would be downsized by two phases, and the AU would re-engineer its processes. After the downsizing in Phase 1 and Phase 2, the number of inspectors would be reduced to 35 and 8 respectively. In the event, the Phase 2 downsizing was shelved and the AU had not re-engineered its processes according to the 1999 submission to the LegCo Panel on Manpower. In November 2009, the AU informed Audit that it would commission a business process re-engineering study on its work procedures and operation. *Audit has recommended that the VTC should: (a) report the justifications for shelving the Phase 2 downsizing exercise to the LegCo Panel on Manpower; (b) ensure that the proposed business process re-engineering study is completed in a timely manner; and (c) take effective measures to rationalise the establishment of the AU.*

6. **Planning the work of the AU.** The AU did not have a detailed operational plan setting out its work priorities and the allocation of staff resources. In 2008-09, the AU's three Branch Offices placed different emphasis on promotion and enforcement visits. Moreover, of the visits conducted, 12,294 (68%) were mainly routine, promotion and enforcement visits. The remaining 5,822 (32%) were classified as "other visits". Records were not available to show that the AU had reviewed the necessity to conduct a large number of such visits, or had taken measures to minimise them. *Audit has recommended that the VTC should: (a) draw up an operational plan for the AU; (b) define the work priorities of the AU; and (c) review the necessity of conducting a large number of "other visits" and take action to minimise them.*

7. **Routine visits.** For the period 2006-07 to 2008-09, the frequencies of routine visits conducted by the Kwai Chung and Pokfulam Branch Offices were lower than the target of 2.6 visits per apprentice per year. Of 30 apprenticeship contracts examined by Audit, the interval between routine visits varied from 49 days to 387 days, with an average of 164 days. Moreover, the AU had not issued any guidelines governing the timing of the first routine visit after the registration of a contract. For 28 of the 30 contracts examined, the first visits were made 13 days to 337 days after the registration of the contracts, with an average of 101 days. In 14 contracts, the final routine visits were not conducted within the last month of the contracts as required by the Office Instructions. In 5 contracts, the responsible Inspectors of Apprentices (IAs) had not recorded on the Assessment Forms any grading on the training skills acquired by the apprentices. *Audit has recommended that the VTC should: (a) review the appropriateness of the target of 2.6 routine visits per apprentice*

per year; (b) ensure that the IAs achieve the target number of routine visits; (c) consider setting a maximum time interval between routine visits and guidelines for the timing of conducting the first routine visit; (d) ensure that the final routine visit is conducted as required by the Office Instructions; and (e) ensure that Assessment Forms are properly completed.

8. **Enforcement visits.** Of 150 Enforcement Visit Reports reviewed by Audit, no documentary evidence was available showing that the Senior Inspectors of Apprentices carried out field checkings. The information of 10 establishments which had moved was not updated in the Establishment Database. For 68 (45%) of the 150 visits, the dates of the visits were not recorded in the Database. Furthermore, up to 30 September 2009, the information on 47 of 50 new industrial undertakings provided by the Labour Department to the AU in 2008-09 had not yet been input into the Database. *Audit has recommended that the VTC should ensure that: (a) the Senior Inspectors of Apprentices properly monitor the enforcement visits conducted by the IAs; and (b) the information kept in the Establishment Database is complete and timely updated.*

9. **Handling of non-compliance cases.** The files for the non-compliance cases identified by the AU during visits in 2005-06 to 2008-09 could not be readily traced. Therefore, Audit could not ascertain whether the AU had taken effective action in handling the non-compliance cases. *Audit has recommended that the VTC should ensure that: (a) suitable action is taken in handling non-compliance cases; and (b) detailed information on all non-compliance cases is properly maintained.*

10. **Other duties performed by inspectors.** In 2008-09, the IAs reported that, on average, 17% of their work was on publicity/special activities. However, the IAs did not record accurate information of these activities in their diaries. Without such information, the AU was unable to ensure that the time spent on the activities was correctly reported. Moreover, for December 2008 and June 2009, the IAs only spent about half of their time on visits. For the remaining half of their time, the IAs stayed in the office performing office work. *Audit has recommended that the VTC should: (a) require the IAs to record details of their work in their diaries; and (b) 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.*

11. **Performance of IAs.** The Kwai Chung Branch Office IAs failed to achieve the target inspection units in 2007-08 and 2008-09. Also, those of the Pokfulam Branch Office failed to achieve the target inspection units from 2006-07 to 2008-09. *Audit has recommended that the VTC should improve the performance of the IAs who do not achieve the target inspection units.*

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

Administration of apprenticeship contracts

13. ***Employment of young persons in designated trades.*** Audit examined 30 apprenticeship contracts and noted that the statutory time limit for registration (i.e. 14 days after execution) was exceeded in 3 contracts. However, no documentation was available showing the action taken by the AU. *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.*

14. ***Submission of medical certificates and half-yearly reports.*** In 7 of the 30 apprenticeship contracts examined, records were not available showing that the apprentices had been medically examined as to their fitness to be employed in the trades. Furthermore, only in 4 of the 30 contracts, the employers had submitted all the half-yearly progress reports as required by the AU. *Audit has recommended that the VTC should 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.*

15. ***Reduction of the period of apprenticeship.*** According to section 23 of the Apprenticeship Ordinance, the Director of Apprenticeship may reduce the apprenticeship period by not more than one year. The apprenticeship periods of 2 of the 30 apprenticeship contracts examined were reduced by more than one year, contrary to the provision in the Ordinance. *Audit has recommended that the VTC should ensure that the requirements of section 23 of the Apprenticeship Ordinance are complied with.*

16. ***Courses of instruction for registered apprentices.*** Of the 30 apprenticeship contracts examined, the registered apprentices of 3 contracts in 3 different non-designated trades had not attended any training courses. As regards designated trades, suitable courses were not available for 10 of the 45 trades. *Audit has recommended that the VTC should enhance the cooperation with suitable training providers to ensure that registered apprentices obtain the necessary instruction.*

17. ***Trade skill guides for designated trades.*** The AU prepared a set of essential trade skill guides for designated trades. However, 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. *Audit has recommended that the VTC should ensure that essential trade skill guides are prepared for all designated trades.*

18. ***Apprenticeship contracts not in designated trades registered as those in designated trades.*** 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. Although “Mechanical Fitter” was not a designated trade, 27 apprenticeship contracts of the trade were registered under section 15 of the Apprenticeship Ordinance as a designated trade. *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 of the Apprenticeship Ordinance; and (b) take action to rectify the registration of the 27 contracts, if necessary.

19. **Traineeship administered by Director of Apprenticeship.** Up to December 2007, the Director of Apprenticeship had administered traineeship for trainees in some industries. In the Apprenticeship Ordinance, there were no provisions on traineeship covering the registration of contracts of traineeship, the administration of traineeship and the issue of Certificates of Completion of Traineeship. *Audit has recommended that the VTC should: (a) seek legal advice to ascertain the legality of the registration of the traineeship contracts and the issue of the Certificates of Completion of Traineeship under the Apprenticeship Ordinance; and (b) take prompt action to rectify the situation, if necessary.*

20. **Apprenticeship contracts terminated before completion.** From 2003-04 to 2005-06, 4,051 apprenticeship contracts were registered under the Apprenticeship Scheme. Up to 30 September 2009, 2,266 (56%) of these 4,051 contracts had been terminated. For 30 contracts examined, the reasons for termination were agreement of the parties, cessation within probationary period and resignation. The reasons were too general and were not conducive to identifying effective measures for reducing the termination rate. *Audit has recommended that the VTC should: (a) analyse the reasons for early termination of apprenticeship contracts; and (b) take effective action to reduce the termination rate.*

Performance reporting

21. **Reporting of performance in Controlling Officer's Report.** The Labour and Welfare Bureau reported two key performance indicators (KPIs) for apprentice training in its Controlling Officer's Report (COR). The KPIs were: (a) inspections of establishments employing registered apprentices; and (b) registered apprentices as at the end of the financial year. In the 2009-10 COR, the information on the KPIs was inaccurate. Moreover, the performance indicators were output measures. *Audit has recommended that the Secretary for Labour and Welfare should: (a) 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 Administration and the VTC

22. The Secretary for Labour and Welfare and the VTC agree with the audit recommendations.

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