

## **CHAPTER 2**

### **Education Bureau**

**Hong Kong Council for Accreditation of  
Academic and Vocational Qualifications**

**Audit Commission  
Hong Kong  
28 March 2012**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 58 of the Director of Audit contains 8 Chapters which are available on our website at <http://www.aud.gov.hk>.

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# HONG KONG COUNCIL FOR ACCREDITATION OF ACADEMIC AND VOCATIONAL QUALIFICATIONS

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## **PART 1: INTRODUCTION**

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

### **Background**

1.2 The **Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ)** was established in October 2007 as a statutory body under the HKCAAVQ Ordinance (Cap. 1150). Its predecessor was the Hong Kong Council for Academic Accreditation. The change of the name to HKCAAVQ was to reflect the expansion of the HKCAAVQ's scope of work to include vocational accreditation, as well as its role as both the Accreditation Authority and the Qualifications Register Authority under the Accreditation of Academic and Vocational Qualifications Ordinance (Cap. 592). The **Education Bureau (EDB)** has the overall policy responsibility for the HKCAAVQ's work.

1.3 The governing body of the HKCAAVQ is its Council. According to the HKCAAVQ Ordinance, the Council shall consist of:

- (a) not less than 15 and not more than 21 members appointed by the Chief Executive of the Hong Kong Special Administrative Region. Of the appointed members, not less than 4 and not more than 7 shall be persons who are not residents of Hong Kong. The Chief Executive shall appoint a Chairman and a Vice-chairman from among the appointed members (Note 1);
- (b) the Permanent Secretary for Education or his representative; and
- (c) the Executive Director (ED) of the HKCAAVQ.

1.4 As at 31 December 2011, the Council had 20 members, including one Chairman, one Vice-chairman, six non-local members, a Deputy Secretary for Education (representing the Permanent Secretary for Education) and the ED. The Council meets formally twice a year with meetings of local members held between full Council meetings. The work of the Council is supported by three committees (see para. 2.18).

1.5 The ED is appointed by the Council. As the principal executive officer of the HKCAAVQ, he is responsible for the daily operation of the HKCAAVQ. As at 31 December 2011, the HKCAAVQ had 78 staff, including the ED. They were organised into three divisions (the Division of Academic Accreditation, the Division of Vocational

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**Note 1:** *The Chief Executive has delegated the authority to appoint members of the Council, including the Chairman and the Vice-chairman, to the Secretary for Education.*

Accreditation and the Division of Assessment) and several support units (e.g. the Qualifications Framework and Qualifications Register Unit). An organisation chart of the HKCAAVQ is at Appendix A.

### **The Accreditation Authority and Qualifications Register Authority**

1.6 In 2004, the Chief Executive in Council approved the establishment of the Qualifications Framework. Under the Accreditation of Academic and Vocational Qualifications Ordinance, the HKCAAVQ was specified as the Accreditation Authority and the Qualifications Register Authority for the Qualifications Framework. The Framework was officially launched in May 2008. The Framework is a seven-level hierarchy covering academic, vocational, and continuing education sectors. The HKCAAVQ, as the Accreditation Authority, is responsible for:

- (a) developing and implementing the standards and mechanism for accreditation to underpin the Framework; and
- (b) conducting accreditation tests and producing accreditation reports.

1.7 The HKCAAVQ, as the Qualifications Register Authority, maintains the Register. Only qualifications that have been quality assured will be listed on the Register. They may either be higher education qualifications offered by local self-accrediting institutions (i.e. the University Grants Committee-funded institutions and the Open University of Hong Kong) or qualifications that have been quality assured by the HKCAAVQ.

### **Income and expenditure**

1.8 The HKCAAVQ is a self-financing and non-profit-making organisation. It does not receive recurrent subvention from the Government. The HKCAAVQ derives its income mainly from the provision of the following services on a full-cost recovery basis:

- (a) academic and vocational accreditation services; and
- (b) assessment services.

1.9 The HKCAAVQ's income also includes fees from consultancy and advisory services, Qualifications Register fees, investment returns and government grants for assisting the implementation of the Qualifications Framework.

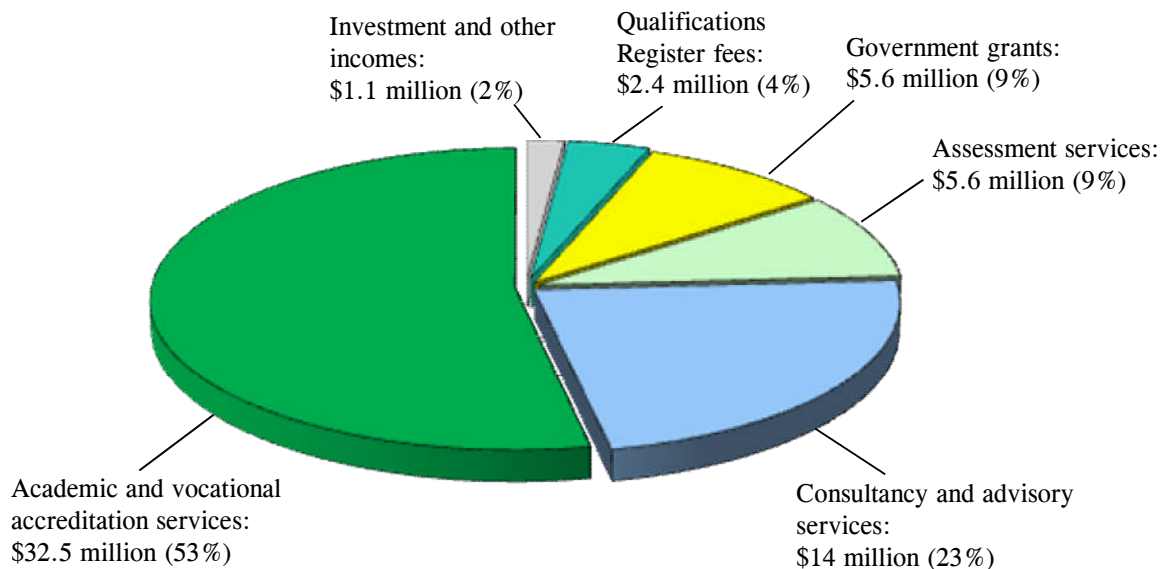
1.10 In 2010-11, the HKCAAVQ's income was \$61.2 million and its expenditure was \$50.9 million (see Figure 1). The surplus for the year was \$10.3 million.



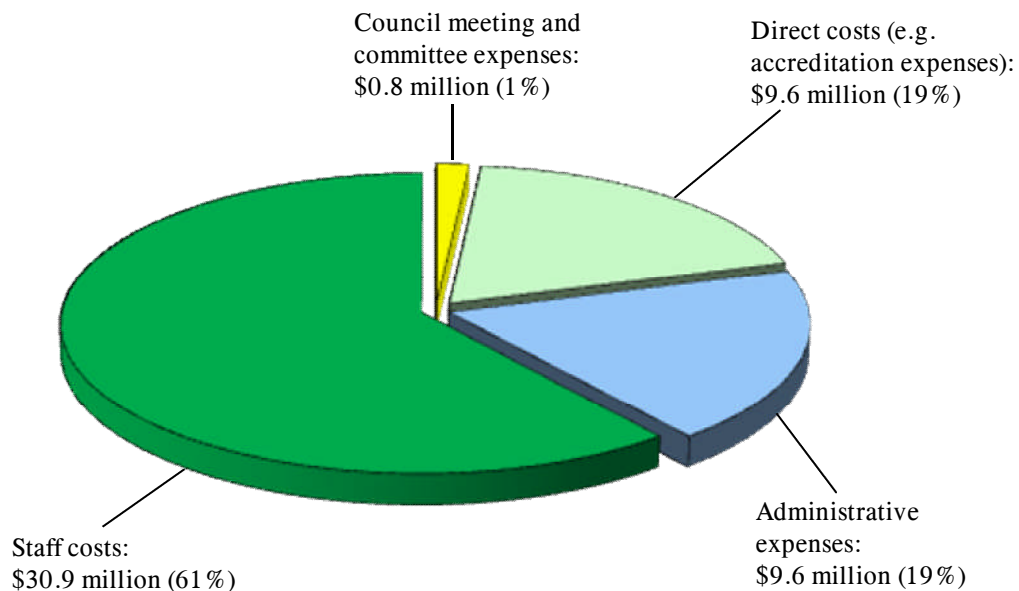
Figure 1

**Income and expenditure of the HKCAAVQ  
(2010-11)**

**(A) Income: \$61.2 million**



**(B) Expenditure: \$50.9 million**



Source: HKCAAVQ records

## **Audit review**

1.11 The Audit Commission (Audit) has recently conducted a review of the HKCAAVQ, focusing on the following areas:

- (a) corporate governance (PART 2);
- (b) accreditation services (PART 3);
- (c) assessment services (PART 4);
- (d) human resource management (PART 5);
- (e) financial and administrative matters (PART 6); and
- (f) performance management and reporting (PART 7).

1.12 Audit has found that there is room for improvement in the above areas and has made a number of recommendations to address the issues.

## **General response from the Administration and the HKCAAVQ**

1.13 The **Secretary for Education** welcomes the audit review of the HKCAAVQ and is grateful for the useful comments and recommendations. The EDB will work with the HKCAAVQ in taking appropriate follow-up action on the recommendations.

1.14 The HKCAAVQ welcomes the audit review. It agrees with the audit recommendations and considers them useful for identifying areas for improvement. The **ED, HKCAAVQ** has said that the Council and the HKCAAVQ are committed to implementing measures to improve the HKCAAVQ's operations in response to Audit's recommendations.

## **Acknowledgement**

1.15 Audit would like to acknowledge with gratitude the full cooperation of the staff of the EDB and the HKCAAVQ during the course of the audit review.

## **PART 2: CORPORATE GOVERNANCE**

2.1 This PART examines the corporate governance issues of the HKCAAVQ.

### **Governance framework**

2.2 In September 2004, the Government issued Financial Circular No. 9/2004 “Guidelines on the Management and Control of Government Funding for Subvented Organisations”. To supplement the Circular, in December 2008, the Government promulgated General Circular No. 8/2008 “Governance of Government-owned or Funded Statutory Bodies”, which sets out the following key principles and elements of a governance framework for government-owned or funded statutory bodies:

- (a) clarity of objectives;
- (b) clear delineation of roles and responsibilities between the Government, the governing body and the chief executive officer; and
- (c) robust internal control and reporting/monitoring systems.

2.3 Statutory bodies which receive only one-off capital injection or other forms of non-recurrent financial assistance from the Government are not covered by these circulars. For these bodies, bureaux and departments are encouraged to make reference to the governance guidelines in the circulars, having regard to the circumstances in individual cases.

### **Audit observations and recommendation**

2.4 As a self-financing statutory body, the HKCAAVQ does not receive recurrent funding from the Government. Notwithstanding this, the HKCAAVQ has a very close working relationship with the EDB. For instance:

- (a) the EDB is responsible for overseeing the work of the HKCAAVQ. Representatives of the Permanent Secretary for Education sit on the Council and the Committees of the HKCAAVQ;
- (b) it has to seek the Secretary for Education’s approval on many aspects of its operation, e.g. programme of proposed activities, estimates of income and expenditure, fee charging policy, fee schedule and the remuneration of the ED;

- (c) it is entrusted by the Government to administer the Qualifications Register. It actively assists the EDB in the development and implementation of the Qualifications Framework, and has to periodically report to the EDB progress and expenditure of activities funded by the Qualifications Framework grants;
- (d) it provides assessment service to the EDB for non-local courses registered under the Non-local Higher and Professional Education (Regulation) Ordinance (Cap. 493); and
- (e) it has been allocated premises at Siu Sai Wan for use as its office at a nominal monthly rent of \$1 for a period of five years commencing September 2011. In return, the HKCAAVQ is obliged to make its best efforts to support and facilitate the development and implementation of the Qualifications Framework under the direction of the Government.

2.5 Each of the relationships mentioned in paragraph 2.4 is governed by individual instruments as appropriate, e.g. ordinance, tenancy agreement and service agreement. That said, for better governance and in the light of the observations identified in this audit report, Audit considers that there are merits for the EDB and the HKCAAVQ to consolidate the instruments, where appropriate, into an overarching governance instrument based on the principles and guidelines stipulated in Financial Circular No. 9/2004 and General Circular No. 8/2008.

#### *Audit recommendation*

2.6 **Audit has recommended that the Secretary for Education should, in collaboration with the HKCAAVQ, consider devising an appropriate overarching governance instrument setting out the relationship between the Government and the HKCAAVQ, and defining the roles and responsibilities of each party.**

#### **Response from the Administration**

2.7 The **Secretary for Education** has said that the EDB would, in consultation with the HKCAAVQ, revisit existing governance instruments with a view to identifying possible areas for improvement. He has also said that:

- (a) the HKCAAVQ is not a subvented organisation. It has clearly defined functions and objectives. It enjoys operational autonomy in discharging the roles and responsibilities set out in the statute;

- (b) an overarching governance instrument is primarily applicable to subvented organisations; and
- (c) the EDB will look for ways to enhance the governance of the HKCAAVQ.

### **Submissions to the Secretary for Education**

2.8 According to the HKCAAVQ Ordinance, the HKCAAVQ shall, not later than five months before the close of each financial year, submit to the Secretary for Education for his prior approval a programme of proposed activities, estimates of its income and expenditure, a statement of fee charging policy, and a schedule of proposed fees for the next financial year. According to the Accreditation of Academic and Vocational Qualifications Ordinance, the HKCAAVQ, as the Accreditation Authority and the Qualifications Register Authority, shall in each year submit to the Secretary for Education for his prior approval a statement of fee charging policy and a schedule of fees.

### **Audit observations and recommendation**

2.9 Audit examined the records of submissions to the EDB in the period 2007-08 to 2010-11 and noted that the HKCAAVQ had not submitted the programmes of proposed activities for 2008-09 to 2011-12 and the statements of fee charging policy for 2009-10 to 2011-12.

2.10 The HKCAAVQ submitted the statement of fee charging policy under the HKCAAVQ Ordinance for 2008-09 in January 2008. The submission was late because the statement should have been submitted not later than 31 October 2007.

#### ***Audit recommendation***

2.11 **Audit has recommended that the HKCAAVQ should submit in a timely manner the programme of proposed activities and statement of fee charging policy to the Secretary for Education for his approval.**

### **Response from the HKCAAVQ**

2.12 The HKCAAVQ agrees with the recommendation. The ED, HKCAAVQ has said that in future, the HKCAAVQ will submit the programme of proposed activities and the statement of fee charging policy to the EDB in a timely manner.

## Grants for development and implementation of Qualifications Framework

2.13 In 2005 and 2006, the then Education and Manpower Bureau (Note 2) approved, under the authority delegated by the Finance Committee of the Legislative Council, the provision of one-off grants totalling \$14.67 million to the HKCAAVQ for it to assist the Bureau in the development and implementation of the Qualifications Framework. In 2007, the Finance Committee approved further one-off grants totalling \$36.39 million to the HKCAAVQ. Total grants approved amounted to \$51.06 million (Note 3).

2.14 According to the terms and conditions of the grants, for the purpose of monitoring and control, the HKCAAVQ is required to:

- (a) for the grants approved in 2005 and 2006, report to the EDB, on a bi-monthly basis, the progress in carrying out the specified tasks and the expenditure position in respect of the grants; and
- (b) for the grants approved in 2007, submit to the EDB, on a half-yearly basis, a report on the progress of the specified activities and the expenditure position of the grants.

## Audit observations and recommendation

2.15 Audit examined the records of reporting progress and the expenditure position to the EDB in the period January 2005 to November 2011 and noted that:

- (a) the HKCAAVQ had not reported the expenditure position to the EDB in the periods May 2006 to February 2009 (for the grants approved in 2005) and July 2007 to February 2009 (for the grants approved in 2006 and 2007);
- (b) since March 2009, the HKCAAVQ had not submitted reports on the expenditure position to the EDB on a bi-monthly basis (for the grants approved in 2005 and 2006) or on a half-yearly basis (for the grants approved in 2007); and

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**Note 2:** *Upon the reorganisation of the Government Secretariat on 1 July 2007, the Education and Manpower Bureau was renamed the EDB.*

**Note 3:** *The one-off grants covered the expenses of the HKCAAVQ for the development and implementation of various systems and mechanism under the Qualifications Framework, including the development and enhancement of computer system for the Qualifications Register, training of professional and supporting staff for vocational accreditation and establishment of a Qualifications Framework special unit, etc.*

- (c) some reports on the expenditure position were submitted about two years after the periods covered by the reports. For instance, the report for the period April 2006 to March 2007 was submitted on 9 July 2009 and the report for the period April 2007 to March 2008 was submitted on 21 January 2010.

### *Audit recommendation*

2.16 **Audit has recommended that the HKCAAVQ should comply with the terms and conditions of the grants for the development and implementation of the Qualifications Framework by reporting the progress and expenditure position to the EDB in a timely manner.**

### **Response from the HKCAAVQ**

2.17 The HKCAAVQ agrees with the recommendation. The **ED, HKCAAVQ** has said that:

- (a) as at February 2012, all tasks included in the development grants approved in 2006 were completed except one item. The HKCAAVQ will ensure that the progress and expenditure position of the outstanding task are reported to the EDB on a bi-monthly basis in accordance with the terms and conditions of the grants;
- (b) apart from submitting the progress reports to the EDB, the HKCAAVQ reports the progress of the activities at working level meetings and regular liaison meetings held between the EDB and the HKCAAVQ; and
- (c) for the grants approved in 2007, only a few activities are outstanding as at February 2012. The HKCAAVQ will ensure that the progress and expenditure position of these activities are reported to the EDB on a half-yearly basis.

### **Council and Committees**

2.18 There are three committees under the Council, namely the Qualifications and Accreditation Committee, the Personnel and Administration Committee and the Finance Committee.

## **Audit observations and recommendations**

### ***Passing of resolutions by circulation***

2.19 According to the HKCAAVQ Ordinance, the Council may transact any of its business by the circulation of papers amongst members whether such members are in or outside Hong Kong, and a resolution in writing which is approved by a majority of the members shall be as valid and effectual as if it had been passed at a meeting of the Council.

2.20 Audit examined the records of the circulation of Council papers in the period October 2008 to September 2011. Audit found that the resolution circulated on 4 July 2011 was considered passed even though only 2 (11%) of the 19 members approved the resolution. In January 2012, the HKCAAVQ informed Audit that the mistake arose because the 17 members who had not responded were wrongly counted as members approving the resolution.

### ***Minutes of Council/Committee meetings***

2.21 It is a good practice that minutes of Council/Committee meetings are issued to members as soon as possible after each meeting. This would enable members to comment on the minutes or suggest amendments while their memory of the meeting is still fresh. The HKCAAVQ did not set a time target (e.g. number of days after a meeting was held) to ensure the issue of draft meeting minutes in a timely manner. Audit examination of the records of all the 62 Council/Committee meetings held in the period October 2007 to September 2011 revealed that the average time taken for issuing draft minutes to members was 38 days. For 21 (34%) meetings, the issue of the draft minutes took 30 days or longer. In the longest case, the draft minutes were issued 159 days after the meeting was held.

### ***Management of conflicts of interest***

2.22 An organisation must manage conflicts of interest properly. In January 2007, the Council decided that there should be a regular system to remind members to make declarations of interests. Under the system, each Council member is required to submit a declaration form of his personal or business interest, direct or indirect, pecuniary or otherwise, on appointment and thereafter, on an annual basis.

2.23 Audit examined the declaration forms submitted in the period 2006-07 to 2011-12 (up to December 2011) and noted that some members had submitted the declaration forms late or had not submitted the forms (see Table 1).



Table 1

**Non-submission and late submission of declaration of interests forms  
(December 2011)**

| Year                             | Number of declarations |   |
|----------------------------------|------------------------|---|
|                                  | Not submitted          | Submitted late  |
| 2006-07                          | 1                      | 8<br>(delays ranged from<br>2 to 22 days, on average<br>12 days)  |
| 2007-08                          | 1                      | 10<br>(delays ranged from<br>8 to 85 days, on average<br>27 days) |
| 2008-09                          | 1                      | —   |
| 2009-10                          | 3                      | 4<br>(delays ranged from<br>3 to 11 days, on average<br>6 days)   |
| 2010-11                          | 2                      | 2<br>(delays ranged from<br>3 to 6 days, on average<br>5 days)    |
| 2011-12 (up to<br>December 2011) | 2                      | 6<br>(delays ranged from<br>5 to 25 days, on average<br>19 days)  |

*Source: Audit analysis of HKCAAVQ records*

2.24 In August 2005, the Home Affairs Bureau issued a circular memorandum to all government bureaux and departments stipulating that all advisory and statutory bodies should make their members' declarations of interests available for public inspection in order to achieve greater transparency. However, the HKCAAVQ had not made their members' declarations available for public inspection.

*Audit recommendations*

- 2.25 **Audit has recommended that the HKCAAVQ should:**
- (a) **review the validity of the resolution passed by circulation as mentioned in paragraph 2.20 and, if necessary, take remedial action;**
  - (b) **ensure that draft minutes of Council/Committee meetings are issued in a timely manner and consider setting a target time for their issue;**
  - (c) **take necessary action to ensure that all Council/Committee members submit their declaration of interests forms in a timely manner; and**
  - (d) **consider making Council/Committee members' declarations of interests available for public inspection.**

**Response from the HKCAAVQ**

- 2.26 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that the HKCAAVQ:
- (a) has sought legal advice and will take appropriate remedial action in respect of the resolution mentioned in paragraph 2.20;
  - (b) will ensure that, in future, all draft minutes of Council/Committee meetings are issued within one month after the meetings;
  - (c) will ensure that Council members submit the declaration of interests forms on time in future; and
  - (d) will consider the recommendation of making Council/Committee members' declarations of interests available for public inspection with reference to the Government's Code of Access to Information and the practices of other statutory bodies and public organisations.

## **PART 3: ACCREDITATION SERVICES**

3.1 This PART examines the accreditation services provided by the HKCAAVQ.

### **Accreditation process**

3.2 An accreditation exercise involves the following steps:

- (a) the HKCAAVQ signs a service agreement with the operator;
- (b) a panel is formed to conduct the accreditation exercise. The panel comprises a chairman and members who are specialists in the relevant area. A professional staff of the HKCAAVQ will serve as a member and the secretary of the panel;
- (c) the panel will assess the operator and/or the programme based on the documents submitted by the operator. It may conduct on-site visits, if necessary; and
- (d) the panel secretary will prepare an accreditation report.

### **Specialists**

3.3 The HKCAAVQ maintains two specialist databases, namely the Database Management System and the Qualifications Framework Specialists System for specialists from academic disciplines and industry sectors respectively. As at 30 September 2011, the Database Management System and the Qualifications Framework Specialists System contained records of 801 and 721 specialists respectively.

3.4 The HKCAAVQ developed an Operational Manual to provide guidance on management of specialists. The HKCAAVQ has also made available on its website a Register of Specialists. Specialists who have given consent will be included in the Register.

## **Audit observations and recommendations**

### *Integration of specialist databases*

3.5 In 2001, the HKCAAVQ set up its first specialist database, namely the Database Management System, for recording information of specialists from academic disciplines. The Database Management System contained limited information about the specialists, such as their contact information, qualifications, job positions and accreditation experience. In 2005, the HKCAAVQ established the second specialist database, namely the Qualifications Framework Specialists System. Additional information such as dates of approval and expiry of appointment and training attendance records was kept in the Qualifications Framework Specialists System to facilitate the identification of specialists for various accreditation exercises. Since then, the HKCAAVQ has maintained two specialist databases.

3.6 In September 2009, the HKCAAVQ proposed to the Qualifications and Accreditation Committee that it would enhance the specialist databases so that it was easier and quicker to identify relevant specialists for various exercises and to establish an overview of the profile of the specialists in totality. In the Three-year Strategic Plan (September 2009 to August 2012) approved by the Council in September 2009, the HKCAAVQ stated that an integrated specialist database would be available by 2010. Audit however noted that as at February 2012, the HKCAAVQ was still in the process of data migration from the two databases to the new integrated database.

### *Specialists' performance in accreditation exercise*

3.7 After each accreditation exercise, HKCAAVQ staff will review the performance of the specialists and classify the specialists into three categories on their suitability to serve as panel members in future accreditation exercises, namely "Recommended", "Recommended with reservations", and "Not recommended". Audit noted that the HKCAAVQ maintained a record of specialists who were classified as "Not recommended". In the record, detailed information was not kept as to why the specialists were so classified. Moreover, no record was maintained for specialists who were classified as "Recommended" or "Recommended with reservations".

### *Audit recommendations*

3.8 **Audit has recommended that the HKCAAVQ should:**

- (a) **take effective measures to expedite the integration of the specialist databases; and**

- (b) ensure that information on the performance of specialists is properly maintained in the new integrated database.

### **Response from the HKCAAVQ**

3.9 The HKCAAVQ agrees with the recommendations. The ED, HKCAAVQ has said that:

- (a) action to integrate the specialist databases has commenced and is expected to be completed in 2012; and
- (b) the HKCAAVQ will ensure that the performance of specialists is properly maintained in the new integrated database.

### **Accreditation panels**

3.10 A panel is formed for each accreditation exercise. Panel members serve on a voluntary basis. The HKCAAVQ promulgated guidelines on accreditation exercises, including selection of panel members, management of conflicts of interest and preparation of accreditation reports.

### **Audit observations and recommendations**

3.11 Audit reviewed 20 accreditation exercises which were conducted in the period 2008-09 to 2011-12 (up to September 2011) and identified room for improvement.

#### ***Appointment of panel members***

3.12 According to the HKCAAVQ's guidelines, the list of panel members for each academic exercise and vocational accreditation exercise has to be approved by the Director of Accreditation and Assessment and the Division Head concerned respectively. Audit found that for 2 (10%) of the 20 accreditation exercises reviewed, the required approvals were not obtained.

#### ***Conflicts of interest***

3.13 Each panel member is required to submit a declaration form on conflicts of interest to the HKCAAVQ. Audit noted that out of the 102 panel members engaged in the 20 accreditation exercises, 25 (25%) did not submit their declaration forms. Furthermore, for 2 exercises, none of the panel members submitted their declaration forms.

3.14 The HKCAAVQ set out examples of conflicts of interest in its guidelines. Such examples include, being an adviser to the operator, or being a friend of the operator. Audit found that two panel members were appointed even though they might have a potential conflict of interest. One panel member was a member of the Advisory Committee of the operator. The other panel member was acquainted with the chief executive of the operator. However, documentary evidence was not available showing the justifications for their appointments as panel members.

#### *Accreditation reports*

3.15 According to guidelines of the HKCAAVQ, the panel secretary should:

- (a) submit the accreditation report to the Director of Accreditation and Assessment and the Deputy ED for approval;
- (b) send the approved report to panel members for comments; and
- (c) send the approved report to the operator for checking the accuracy of the facts.

3.16 Audit examined 16 accreditation reports of the 20 accreditation exercises (Note 4). Of the 16 reports, Audit found that:

- (a) for 13 (81%) reports, the approvals of the Director of Accreditation and Assessment and the Deputy ED were not obtained;
- (b) 1 (6%) report was not sent to panel members for comments; and
- (c) 1 (6%) report was not sent to the operator for checking the accuracy of the facts.

#### *Audit recommendations*

3.17 **Audit has recommended that the HKCAAVQ should ensure that:**

- (a) **the lists of panel members are approved according to the requirements stipulated in the guidelines;**
- (b) **all panel members submit their declaration of interests forms;**

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**Note 4:** *At the time of audit, the report for one accreditation exercise had not been completed and three exercises had been withdrawn.*

- (c) **specialists who have potential conflicts of interest with the operators are not appointed as panel members;**
- (d) **approvals from the Director of Accreditation and Assessment and the Deputy ED are obtained for all accreditation reports; and**
- (e) **all accreditation reports are sent to panel members for comments, and to operators for checking the accuracy of the facts in the reports.**

### **Response from the HKCAAVQ**

3.18 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that:

- (a) the mechanism for documenting the approval of the lists of panel members and the submission of declaration of interests forms by panel members will be enhanced;
- (b) the HKCAAVQ will revise the guidelines on appointment of specialists as panel members and the staff concerned will be reminded not to appoint specialists who have conflicts of interest with the operators;
- (c) the guidelines on approval of accreditation reports were revised so that the reports could be approved by either the Deputy ED or the Director of Accreditation and Assessment; and
- (d) the mechanism for documentation has been enhanced to ensure that records of commentary on reports by panel members and checking for factual accuracy by operators are properly recorded and filed.

## **PART 4: ASSESSMENT SERVICES**

4.1 This PART examines the assessment services provided by the HKCAAVQ.

### **Non-local higher and professional education courses**

4.2 Under the Non-local Higher and Professional Education (Regulation) Ordinance, all courses conducted in Hong Kong which lead to the award of non-local higher academic or professional qualifications (i.e. non-local courses) must be registered (registered courses), unless they have been exempted from registration (exempted courses). Non-local courses conducted in collaboration with a local institution of higher education are exempted courses. The Permanent Secretary for Education, or an officer appointed by him, acts as the Registrar under the Ordinance. As at 30 November 2011, there were 419 registered courses and 723 exempted courses.

4.3 The Registrar will approve the registration of a non-local course if it meets specified criteria. Such criteria include:

- (a) for non-local higher academic qualification, effective measures are in place to ensure that the standard of the course offered is maintained at a level comparable with a course leading to the same qualification conducted in the home country of the non-local institution, and is recognised as such by that institution, the academic community in that country and the relevant accreditation authority in that country; and
- (b) for non-local professional qualification, the course is recognised by the professional body for the purpose of awarding the qualification or preparation for its examination.

4.4 To ensure continuous compliance with the registration criteria, operators of registered courses are required to submit annual returns to the EDB. They are also required to notify the EDB in writing of any major changes that may affect the meeting of any registration criteria (e.g. change in the course content) within one month of such change.

4.5 Since 1997, agreements have been signed between the HKCAAVQ and the EDB. The current agreement covers a period of three years from 16 December 2010 to 15 December 2013. Under the agreement, the HKCAAVQ is responsible for providing assessment service on operators' applications for course registration, annual returns and notifications of major changes.



## Audit observations and recommendations

### *Time taken for assessment*

4.6 In the period 2009-10 to 2011-12 (up to September 2011), the HKCAAVQ completed assessments of 130 applications for registration, 636 annual returns and 252 notifications of changes. According to the agreement with the EDB, the HKCAAVQ is required to complete the assessments of registration applications, annual returns and notifications of changes within specified timeframes (e.g. 4 months for assessment of annual returns). Audit found that the HKCAAVQ could not meet the timeframes for a large percentage of the cases (see Table 2).

**Table 2**

**Time taken for assessment of non-local courses  
(2009-10 to 2011-12)**

| Assessment service           | Maximum time allowed according to agreement (months) | Average time taken (months) |         |                                | Percentage of cases exceeding maximum time |         |                                |
|------------------------------|--|-----------------------------|---------|--------------------------------|--|---------|--------------------------------|
|                              |  | 2009-10                     | 2010-11 | 2011-12 (up to September 2011) | 2009-10                                    | 2010-11 | 2011-12 (up to September 2011) |
| Application for registration | 3  | 5.7                         | 5.7     | 4                              | 97.1%                                      | 80%     | 100%                           |
| Annual return                | 4  | 7.1                         | 4.8     | 2.1                            | 75.8%                                      | 60.4%   | 7.7%                           |
| Notification of changes      | 1.5 (Note)   | 3.3                         | 2.6     | 1.7                            | 94.1%                                      | 93%     | 55.3%                          |

Source: Audit analysis of HKCAAVQ records

Note: Prior to 16 December 2010, the maximum time allowed was 1 month.

*Assessment of annual return and notification of changes*

4.7 Under the Non-local Higher and Professional Education (Regulation) Ordinance, the operator of a registered course is required to submit to the EDB, within six months after the end of an academic year, an annual return for that academic year. Information contained in the annual return includes updates on the operator's details, enrolment statistics and teaching activities. Audit selected 20 registered courses and examined whether the annual returns were submitted in a timely manner for academic years ended in 2009 and 2010 (40 returns in total). Audit found that 17 (43%) of the returns were submitted late.

4.8 Under the Ordinance, operators of registered courses are required to notify the EDB in writing of changes in registration details (such as course contents or arrangement for payment and refund of fees and charges) within one month of such changes. Audit reviewed 10 notifications assessed by the HKCAAVQ in the period 2008-09 to 2011-12 (up to October 2011), and found that for 3 (30%) cases, there were delays in notifying the EDB (the delay ranged from 4 months to 8 years).

4.9 According to the EDB/HKCAAVQ agreement, the HKCAAVQ should advise the EDB on whether the criteria and conditions of registration are complied with. For operators who had not submitted the annual returns or the notifications of changes before the specified deadlines, Audit noted that the HKCAAVQ did not report to the EDB that the operators had breached the related condition of registration.

*Audit recommendations*

4.10 **Audit has recommended that the HKCAAVQ should:**

- (a) **take effective measures to streamline the assessment procedures with a view to meeting the required completion time; and**
- (b) **for each case of late submission of annual return or notification of changes, inform the EDB that the operator concerned had breached the related condition of registration.**

## Response from the HKCAAVQ

4.11 The HKCAAVQ agrees with the recommendations. The ED, HKCAAVQ has said that:

- (a) the HKCAAVQ has thoroughly reviewed the assessment process and put in place a range of administrative measures to streamline the assessment procedures. They include:
  - (i) seeking appropriate assistance from the EDB to get overdue responses from the operators; and
  - (ii) providing additional manpower support during times of high demand for assessment; and
- (b) the HKCAAVQ will make it a standard procedure to inform the EDB of late submission of annual return or notification of changes.

## Continuing Education Fund courses

4.12 In June 2002, the Government set up the Continuing Education Fund (CEF) to subsidise adults with learning aspirations to pursue continuing education and training. Under the agreed arrangement with the Labour and Welfare Bureau, the HKCAAVQ is responsible for advising the Bureau on the suitability of courses to be included in the list of reimbursable courses under the CEF (CEF courses). Operators of CEF courses are required to submit their applications to the HKCAAVQ for assessment to ensure that these courses meet the CEF's requirements in areas such as course contents, learning activities and teaching premises. After assessment, the HKCAAVQ will recommend to the Bureau on whether such courses should be registered. As at 30 November 2011, there were about 7,400 courses provided by about 300 course providers registered under the CEF.

4.13 According to the arrangement agreed between the Bureau and the HKCAAVQ, the HKCAAVQ conducts surprise inspections on the operators in order to monitor the quality of CEF courses and to ensure that the courses are operated in compliance with the terms and conditions of the CEF. In 2008-09, the HKCAAVQ conducted 25 surprise inspections. In 2009-10 and 2010-11, the HKCAAVQ conducted 80 surprise inspections each year.

## **Audit observations and recommendations**

### *Application for registration*

4.14 According to the service standard set by the HKCAAVQ, an assessment of CEF course should be completed within 8 weeks. Audit analysed all the 327 assessments completed in the period April 2008 to August 2011 and noted that for 131 (40%) cases, the time taken to complete the assessment was more than 8 weeks. The average delay was about 6 weeks. Audit examined 10 delayed cases and noted that the HKCAAVQ did not always conduct the assessment in a timely manner. For instance, in 5 cases, the staff did not take prompt action to contact the operators for clarifications after receiving the applications for 4 weeks or more.

### *Management of inspections*

4.15 Every year, the HKCAAVQ submits to the Labour and Welfare Bureau an inspection plan for the following year. Information such as the number of inspections, fees charged and the criteria for selecting operators are included in the plan. Audit noted that there was room for improvement in the management of inspections. Audit examined 30 inspections conducted in the period April 2008 to August 2011 and noted that:

- (a) in February 2010 and March 2011 respectively, an inspection was conducted at a time when the place of inspection was not open. If the inspection staff had found out the opening hours of the venues before the inspections, they would have succeeded in conducting the inspections. Furthermore, the inspection staff recorded in the inspection reports that another inspection would be arranged within six to nine months. However, the follow-up inspection for the first case was only conducted 19 months later in September 2011, and up to December 2011, no inspection had been arranged for the second case;
- (b) 3 inspections were conducted on inactive operators. According to the inspection records, 2 of the operators had not delivered any CEF courses since they became registered operators. The remaining operator had not delivered any CEF courses for 13 months before the inspection. As a result, many checking steps (e.g. checking of marked assessment records) could not be carried out; and
- (c) for 10 inspections conducted in the period December 2008 to March 2011, the inspection staff recorded in the inspection reports that follow-up inspections should be conducted in the near future to ensure that irregularities identified had been rectified and improvement measures had been taken. However, up to December 2011, no follow-up inspections had been arranged.

*Inspection on operators requiring special attention*

4.16 In May 2008, the Labour and Welfare Bureau and the HKCAAVQ agreed that some operators required special attention (special operators). Such operators were:

- (a) registered under the CEF after April 2007;
- (b) subjects of complaints; and
- (c) problematic operators identified during vetting, authentication and reimbursement exercises.

4.17 In the same month, the HKCAAVQ informed the Bureau that there were 59 special operators, and inspections on them would be spread over a period of three years from 2008-09 to 2010-11. The list of these operators was not available for audit inspection. Audit was unable to ascertain whether or not inspections on them had been conducted.

4.18 In October 2011, the HKCAAVQ provided Audit with three lists of special operators dated April 2009 (with 47 operators), January 2010 (with 67 operators) and December 2010 (with 12 operators). In total, there were 84 operators who appeared on one or more of these lists. The HKCAAVQ informed Audit in February 2012 that inspections on 21 of the 84 special operators were not necessary either because the complaints against them were not substantiated or because they had ceased running CEF courses. Audit examined the records of inspections for the period April 2008 to August 2011 and noted that:

- (a) the list of special operators had not been updated since December 2010. Four new complaint cases were reported in 2011 but the operators concerned were not added to the list; and
- (b) no inspection had been conducted on 13 of the remaining 63 special operators.

*Audit recommendations*

4.19 **Audit has recommended that the HKCAAVQ should:**

- (a) **take necessary action to ensure that assessments of CEF courses are completed within the service standard of eight weeks as far as possible;**
- (b) **take effective measures to avoid conducting futile inspections on operators who are not open at the time of the inspections;**

- (c) **review whether it is justified to conduct inspections on inactive operators;**
- (d) **conduct follow-up inspections in a timely manner to ensure that irregularities identified are rectified;**
- (e) **regularly update the list of operators requiring special attention; and**
- (f) **consider conducting more inspections on operators requiring special attention.**

### **Response from the HKCAAVQ**

4.20 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that:

- (a) improvement measures have been implemented since May 2011 to reduce the assessment time. The average assessment time has been reduced to 6.7 weeks for applications received during the period April 2011 to mid-January 2012;
- (b) the HKCAAVQ has enhanced its procedures to minimise the probability of visiting inactive operators. For instance, the HKCAAVQ has taken measures and revised its internal guidelines to ensure that inspections are only undertaken following closer checking of the status of the operators. These measures include ascertaining with the Office of the CEF if the operators have any recent record of their students seeking course fee reimbursement, and verifying the operating hours and status of activities of the operators. With these efforts, the number of futile inspections was kept to less than 4% of the total number of inspections made in 2010-11. The HKCAAVQ will continue to keep under review the procedures in consultation with the Labour and Welfare Bureau and the Office of the CEF;
- (c) the HKCAAVQ will conduct follow-up inspections in respect of the 10 cases mentioned in paragraph 4.15(c);
- (d) the HKCAAVQ plans to update the list of operators requiring special attention in consultation with the Labour and Welfare Bureau and the Office of the CEF on a half-yearly basis; and
- (e) the HKCAAVQ will consider the feasibility of inspecting the operators requiring special attention at least once a year.

## Continuing Professional Development programmes

4.21 The HKCAAVQ was commissioned by the Insurance Authority and the Estate Agents Authority to provide assessment service for their Continuing Professional Development (CPD) Programmes for insurance intermediaries and estate agents respectively. The HKCAAVQ is responsible for setting the assessment criteria and assessing activities before they become approved CPD programmes. Approved CPD programmes are subject to re-assessment on an annual basis.

### Audit observations and recommendation

4.22 On its website, the HKCAAVQ publishes the requirements relating to the assessment service on CPD programmes. One of the requirements is that the operators are required to submit to the HKCAAVQ a copy of the finalised schedule (including venue information) of the CPD activities seven working days before the activities are held. The purpose is to enable the HKCAAVQ and the respective authorities to conduct surprise inspections. The requirement is also stated in the letters issued to the operators approving their activities as CPD programmes. Audit selected 10 operators to examine whether this requirement had been complied with. Audit noted that 8 of the 10 operators had not submitted the required schedules for many years. There was no documentary evidence indicating that the HKCAAVQ had taken any action to follow up with the operators on their failure to submit the schedules. Moreover, the HKCAAVQ had not carried out any surprise inspections on the CPD activities as they were outside the scope of services agreed with the Insurance Authority and the Estate Agents Authority.

### *Audit recommendation*

4.23 **Audit has recommended that the HKCAAVQ should discuss with the Insurance Authority and the Estate Agents Authority the need to conduct surprise inspections on the operators of CPD programmes and to require them to submit the activity schedules to the HKCAAVQ before the delivery of the activities.**

### Response from the HKCAAVQ

4.24 The HKCAAVQ agrees with the recommendation. The **ED, HKCAAVQ** has said that the HKCAAVQ will bring this issue to the attention of the Insurance Authority and the Estate Agents Authority for their consideration.

## **Non-local qualifications of individuals**

4.25 The HKCAAVQ provides assessment service on non-local qualifications of individuals. The purpose is to assist a third party (e.g. employers, education providers or government departments) in understanding an individual's academic attainment. In 2010-11, the HKCAAVQ completed about 2,600 assessments.

## **Audit observations and recommendations**

4.26 According to the HKCAAVQ's assessment guidelines, the responsible Executive Assistant should inspect the applicant's original supporting documents to check the authenticity of the copies submitted. The Assistant Registrar should conduct the assessment and submit the results to the Registrar for review before the Registrar approves the assessment report.

4.27 Audit reviewed 60 assessments completed in the period April 2008 to October 2011 and noted that:

- (a) in 12 (20%) cases, there was no evidence indicating that the Registrar had reviewed the Assistant Registrar's assessment results before approving the assessment reports; and
- (b) in 4 (7%) cases, there was no evidence indicating that the responsible Executive Assistant had inspected the original supporting documents.

The HKCAAVQ informed Audit in February 2012 that for the 12 cases mentioned above, the Assistant Registrar concerned was experienced and it was not necessary for the Registrar to review the assessment results before approving the assessment reports. Audit however noted that such arrangement was not provided for in the HKCAAVQ's assessment guidelines. Moreover, documentation was not available showing that this special arrangement applied to the Assistant Registrar concerned.

## ***Audit recommendations***

4.28 **Audit has recommended that the HKCAAVQ should:**

- (a) **stipulate in the assessment guidelines that for assessments conducted by experienced Assistant Registrars, it is not necessary for the Registrar to review the assessment results before approving the assessment reports, and keep proper record of the Assistant Registrars to whom such an arrangement applies; and**



- (b) **ensure that assessments of non-local qualifications are conducted according to the assessment guidelines.**

### **Response from the HKCAAVQ**

4.29 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that:

- (a) the HKCAAVQ will update the assessment guidelines to stipulate that for assessments conducted by experienced Assistant Registrars, it is not necessary for the Registrar to review the assessment results before approving the assessment reports, and keep proper record of the Assistant Registrars to whom such an arrangement applies. The need to ensure proper records of the assessment results will be included in the guidelines; and
- (b) the mechanism for documentation has been enhanced to ensure that evidence of review of assessment results and inspection of original documents are adequately recorded.

## **PART 5: HUMAN RESOURCE MANAGEMENT**

5.1 This PART examines human resource management issues of the HKCAAVQ.

### **Background**

5.2 The HKCAAVQ Ordinance stipulates that:

- (a) the Council may appoint or engage such employees as it may determine on such terms of remuneration and conditions of service as the Council thinks fit; and
- (b) the Council shall not delegate the power to determine the remuneration or any other term or condition of employment of any HKCAAVQ employees.

5.3 The Staff Manual of the HKCAAVQ includes its policies on appointments, salary administration and performance management, which were approved by the Council in September 2009.

### **Staff remuneration**

5.4 According to the Staff Manual, new appointees will be offered a salary within the relevant salary range of the respective job ranks. According to the HKCAAVQ Ordinance, the Council's approval is required for the salary ranges.

### **Audit observations and recommendations**

#### ***Payment of revised salary before Council's approval***

5.5 On 18 January 2008, the Council approved new salary ranges for Executive Assistant and Assistant Registrar with retrospective effect from 1 January 2008. In April 2008, the Council approved new salary ranges for Senior Registrar, Registrar and other administrative teams with retrospective effect from 1 January 2008. Audit examined the approval records and salary payment records. Audit found that on 5 February 2008, a Registrar was paid new salary according to the new range with retrospective effect from 1 January 2008 before the range was approved by the Council in April 2008.

***Salary ranges not approved by the Council***

5.6 Audit found that the Council's approval was not obtained for the salary ranges for the Principal Registrar and the Deputy ED. The incumbents of the Principal Registrar and the Deputy ED posts were on contract basis. Their salaries were determined with reference to the salary ranges which had not been approved by the Council.

***Audit recommendations***

5.7 **Audit has recommended that the HKCAAVQ should:**

- (a) **ensure that in future, Council's prior approval is obtained before implementing any revisions in the remuneration of staff; and**
- (b) **seek the Council's covering approval for the salary ranges for the Principal Registrar and the Deputy ED, and ensure that in future the Council's approval is obtained for all salary ranges.**

**Response from the HKCAAVQ**

5.8 The HKCAAVQ agrees with the recommendations. The ED, HKCAAVQ has said that:

- (a) the HKCAAVQ has already instituted procedures since 2009 to require that all matters in regard to the terms and conditions of the employment of staff are approved by the Council. The HKCAAVQ will continue to follow the procedures to ensure that approval for any matters in regard to the terms and conditions of the employment of staff, including salary revisions and salary ranges, will be sought from the Council and properly recorded before implementation; and
- (b) for the posts of Principal Registrar and Deputy ED, there is a record showing that the review of the salary ranges was brought up for discussion at the Personnel and Administration Committee and the Council meetings. However, there is no record of the Council's approval of the salary ranges for the two posts. The HKCAAVQ will seek formal approval from the Council of the salary ranges.

## Home Financing Allowance

5.9 Staff who joined the HKCAAVQ before October 2007 were entitled to a monthly Home Financing Allowance (HFA) under a Home Financing Scheme for a maximum period of 120 months. According to the provisions governing the Scheme, an officer's entitlement period would be reduced by the period of assistance the staff or the spouse of the staff has received in the Government or a publicly-funded organisation from schemes which provide assistance:

- (a) for acquiring accommodation; or
- (b) for a specified entitlement period for renting or for acquiring accommodation.

5.10 Staff applying for HFA were required to submit declaration forms stating whether or not they and/or their spouse had received housing assistance before.

## Audit observations and recommendations

5.11 Audit examined the personnel records of six staff who had received HFA. Audit found that for one staff (Staff A), HFA had been overpaid. For three other staff (Staff B, C and D), information on their entitlement periods was not available in their personnel records and Audit could not ascertain whether or not they had been overpaid HFA. The details are shown in paragraphs 5.12 to 5.14.

### *Staff A*

5.12 Audit examination of the personnel record revealed that the entitlement period of Staff A had not been reduced according to the provisions of the Home Financing Scheme. The staff and the staff's spouse had already received housing assistance in a publicly-funded organisation for a total of 31 months before the staff joined the HKCAAVQ. However, the staff received HFA for 114 months and 11 days up to 20 April 2006 instead of the reduced entitlement period of 89 months. The total amount of overpaid HFA for 25 months and 11 days was \$849,783.

### *Staff B*

5.13 Staff B received HFA from the HKCAAVQ for 96 months before leaving service. When applying for HFA, Staff B submitted a declaration form. It was stated in the form that Staff B had received housing assistance which should be taken into account in determining the entitlement period under the Home Financing Scheme. However, no documentary evidence was available showing that the HKCAAVQ:

- (a) had asked Staff B to provide information about the length of the period in which Staff B had received housing assistance; or
- (b) had taken action to ensure that HFA would only be paid up to the end of the reduced entitlement period.

### *Staff C and D*

5.14 Staff C and D received HFA for 71.7 months and 7.7 months respectively before they left the HKCAAVQ. In their personnel records, there were no declaration forms or information on whether or not they had received housing assistance before applying for HFA. No documentary evidence was available showing that the HKCAAVQ had taken any action to ascertain whether their entitlement period should be reduced.

### *Audit recommendations*

5.15 **Audit has recommended that the HKCAAVQ should:**

- (a) **take action to recover from Staff A the overpaid HFA of \$849,783 (see para. 5.12); and**
- (b) **carry out a comprehensive review of HFA payments in past years to ascertain whether any staff, including Staff B, C and D, had been overpaid HFA in excess of their entitlement.**

### **Response from the HKCAAVQ**

5.16 The HKCAAVQ agrees with the recommendations. The ED, HKCAAVQ has said that the HKCAAVQ:

- (a) will take appropriate action to recover the overpayment; and
- (b) has confirmed that Staff C did not receive HFA in excess of the entitlement. The HKCAAVQ is conducting a comprehensive review of the records of payment of HFA to ascertain if any other staff, including Staff B and D, had been paid HFA in excess of their entitlement.

## **Payment of salary in excess of salary range**

5.17 Staff of the HKCAAVQ are paid salaries according to salary ranges applicable to the ranks of the staff.

## **Audit observations and recommendation**

5.18 In April 2006, the Personnel and Administration Committee discussed the renewal of contract for Staff A. The Committee decided to integrate Staff A's HFA into the salary of the new contract. Before the integration, Staff A had received HFA for 114 months and 11 days. Audit compared the salaries paid to Staff A since the integration and the relevant salary ranges applicable to Staff A. Audit found that, in the period April 2006 to July 2008, Staff A's salaries exceeded the maximum of the salary range by \$21,000 (21%) to \$37,895 (46%). In August 2008, Staff A was promoted and was entitled to a higher salary range. The salary became \$7,000 (6%) higher than the ceiling of the new salary range. Up to December 2011, the total amount of salary paid to Staff A in excess of the salary ranges was about \$1.3 million (including the contract gratuity on the excess salary that would be paid to Staff A upon expiry of the existing contract).

5.19 According to the Hong Kong Council for Academic Accreditation Ordinance then in force, the remuneration of staff should be determined by the Council after obtaining the approval from the then Secretary for Education and Manpower. No document was available showing that the approval of the Council or the Secretary had been obtained for paying Staff A salaries in excess of the relevant salary ranges.

### ***Audit recommendation***

5.20 **As both the Council and the then Secretary for Education and Manpower had not approved the arrangement since April 2006 to pay Staff A salaries in excess of the relevant salary ranges, Audit has *recommended* that the HKCAAVQ should take necessary action to rectify the situation.**

## **Response from the HKCAAVQ**

5.21 The HKCAAVQ agrees with the recommendation. The **ED, HKCAAVQ** has said that:

- (a) according to the HKCAAVQ's records, the Personnel and Administration Committee arrived at a decision at its meeting on 20 April 2006 that on an individual basis the contract of Staff A should be renewed with the housing element integrated into the salary. However, there is neither record nor clear evidence that the payment of Staff A's salary in excess of the relevant salary range as a result of the integration of housing element into salary was discussed or approved by the Council. There is also no record of submitting the proposal to the Secretary for Education (or the then Secretary for Education and Manpower) for approval; and
- (b) the HKCAAVQ will take appropriate action to rectify the situation. It will review and consider adjustment to the remuneration package of Staff A upon renewal of contract.

### **Performance appraisal**

5.22 According to good practices, staff appraisals should be conducted at least annually for each staff member. The Staff Manual states that all staff are subject to annual performance appraisal with appraisal period from 1 April of a year to 31 March of the following year.

### **Audit observations and recommendation**

5.23 In March 2008, the incumbent ED was appointed for three years from 1 May 2008 to 30 April 2011. In March 2011, the Secretary for Education approved under the HKCAAVQ Ordinance the re-appointment of the ED for two years from 1 May 2011 to 30 April 2013. Audit noted that performance appraisal of the ED was not conducted on an annual basis as required by the Staff Manual. Since the commencement of the appointment in May 2008, only one performance appraisal was conducted in July 2010 covering a period of 26 months from 1 May 2008 to 30 June 2010. For the period 1 July 2010 to 28 February 2011 (before the ED was re-appointed), only an informal performance appraisal was conducted in October 2011 (Note 5).

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**Note 5:** *In October 2011, the Chairmen of the Council and its Committees discussed with the ED about the ED's performance based on a self-assessment prepared by the ED. The Chairmen considered this an informal performance appraisal.*

### *Audit recommendation*

5.24 **Audit has recommended that the HKCAAVQ should conduct formal performance appraisal for the ED annually as required by the Staff Manual.**

### **Response from the HKCAAVQ**

5.25 The HKCAAVQ agrees with the recommendation. The **ED, HKCAAVQ** has said that the HKCAAVQ will ensure that formal performance appraisal for the ED will be conducted annually as required by the Staff Manual.

### **Staff recruitment**

5.26 As stated in the Staff Manual, the HKCAAVQ aims to recruit high calibre staff to support its vision and mission. All posts are filled by open recruitment. All recruitment advertisements are placed on the website of the HKCAAVQ, and where appropriate, local advertising channels. The Office of Corporate Services conducts an initial screening of applications received against the advertised job requirements. The respective Division/Unit/Office Head/Director of Accreditation and Assessment/Deputy ED, where appropriate, reviews applications received to shortlist suitable candidates for interview.

5.27 In the period January 2010 to September 2011, the HKCAAVQ conducted 27 recruitment exercises. Audit reviewed 15 exercises and found that there was room for improvement.

### **Audit observations and recommendations**

#### *Shortlisting criteria for selecting candidates for interview*

5.28 The number of candidates shortlisted for interview ranged from 4 to 17 candidates. The percentage of candidates shortlisted ranged from 4% to 28%. The ratio of the number of candidates shortlisted to the number of vacancies ranged from 2:1 to 9:1.

5.29 In all the 15 recruitment exercises, there was no document showing the shortlisting criteria (e.g. years of relevant working experience). Audit could not ascertain:

- (a) whether shortlisting criteria had actually been drawn up; and
- (b) if shortlisting criteria had been drawn up, whether the applicants were shortlisted according to the shortlisting criteria.



*Selection interview*

- 5.30 According to good practices, an organisation should:
- (a) design an assessment form showing the attributes for assessment and the corresponding marks or weightings, and require individual selection panel members to give marks on their own;
  - (b) record the combined scores of each candidate after the interview and the comments of the selection panel members on the form; and
  - (c) prioritise the candidates according to their scores (if the first candidate does not accept the offer, the offer should go to the next on the priority list and so on to ensure fairness).

- 5.31 Audit examination of the 15 recruitment exercises revealed that:
- (a) in every exercise, an interview assessment form showing the attributes for assessment was designed. However, no corresponding marks or weightings were assigned for each attribute to calculate the combined scores of each candidate; and
  - (b) the selection panel members did not use the interview assessment form for assessment. They also did not record the marks and comments on individual candidates. No documentation was available to substantiate the panel members' decision of recommending or not recommending individual candidates for appointment.

*Audit recommendations*

- 5.32 **Audit has recommended that the HKCAAVQ should:**
- (a) **ensure that shortlisting criteria for selecting candidates for interview are drawn up and documented;**
  - (b) **include the corresponding marks or weightings for each attribute in the assessment forms; and**
  - (c) **require selection panel members to record the scores and the comments for each candidate after the interview.**

## Response from the HKCAAVQ

5.33 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that the HKCAAVQ will review the existing guidelines on staff appointment and revise the system and procedures for the recruitment and selection of candidates in accordance with Audit's recommendations.

## Staff turnover

5.34 The HKCAAVQ monitors the staff turnover in each 12-month period from September of a year to August of the following year. Audit noted that the staff turnover rates for the three years from September 2008 to August 2011 were high (see Table 3).

**Table 3**

**Staff turnover rate and headcount  
(September 2008 to August 2011)**

| Year                | Staff turnover rate | Headcount as at year end |
|---------------------|---------------------|--------------------------|
| Sep 2008 — Aug 2009 | 26.7%               | 62                       |
| Sep 2009 — Aug 2010 | 16.2%               | 68                       |
| Sep 2010 — Aug 2011 | 28.3%               | 74                       |

*Source: HKCAAVQ records*

5.35 During exit interviews, the HKCAAVQ requires staff to fill in a form explaining the major reasons for resignation. From time to time, the HKCAAVQ analyses the staff's reasons for leaving and reports the staffing status to the Personnel and Administration Committee.

## Audit observations and recommendations

5.36 Audit noted that the annual staff turnover rates of some staff performing accreditation and assessment works, namely Registrar and Executive Assistant grade staff, were high (see Table 4). An analysis of the reasons for resigning revealed that the Registrar and Executive Assistant grade staff left the HKCAAVQ mainly because they had new jobs which offered better job opportunities and/or higher pay.

**Table 4**  
**Turnover rate of Registrar and Executive Assistant grade staff**  
**(September 2008 to August 2011)**

| Grade               | September 2008<br>to August 2009 | September 2009<br>to August 2010 | September 2010<br>to August 2011 |
|---------------------|----------------------------------|----------------------------------|----------------------------------|
| Registrar           | 22.6%                            | 16.7%                            | 23.1%                            |
| Executive Assistant | 36.4%                            | 17.4%                            | 28.0%                            |

*Source: Audit analysis of HKCAAVQ records*

5.37 Because of the high turnover rate, many staff had only short service experience. Only 20% of the staff had more than four years of experience (see Table 5). The large proportion of less experienced staff may affect the HKCAAVQ's service quality.

**Table 5**  
**Distribution of staff by years of service in HKCAAVQ**  
**(August 2011)**

| Year of service   | < 1 year                  | 1 – 4 years               | > 4 years                 | Total                      |
|---|---------------------------|---------------------------|---------------------------|----------------------------|
| Directorate   | —                         | 2                         | 1                         | 3                          |
| Registrar grade   | 9                         | 20                        | 10                        | 39                         |
| Executive Assistant grade   | 11                        | 11                        | 2                         | 24                         |
| Financial Controller/<br>Executive Manager/<br>Assistant Executive Manager/<br>Office Assistant | 5                         | 1                         | 2                         | 8                          |
| <b>Total</b>  | <b>25</b><br><b>(34%)</b> | <b>34</b><br><b>(46%)</b> | <b>15</b><br><b>(20%)</b> | <b>74</b><br><b>(100%)</b> |

*Source: HKCAAVQ records*

5.38 The HKCAAVQ has planned the following initiatives to address the staff turnover problem:

- (a) commissioning a staff opinion survey in the first half of 2012 to better understand staff concerns in order to determine specific action for attracting, developing, and retaining staff; and
- (b) conducting a review of the remuneration structure by an external consultant.

*Audit recommendations*

5.39 **Audit has recommended that the HKCAAVQ should:**

- (a) **closely monitor the problem of high staff turnover;**
- (b) **take measures to collect more precise information about the reasons for resignation during exit interviews, including for example:**
  - (i) **revising the design of the interview form; and**
  - (ii) **obtaining more detailed information about the reasons for resignation with the staff concerned; and**
- (c) **in the light of the results of the forthcoming staff opinion survey and review of the remuneration structure, and the detailed information collected during exit interviews, take timely measures to address the staff turnover problem.**

**Response from the HKCAAVQ**

5.40 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that:

- (a) the HKCAAVQ has implemented a number of strategies and taken action to retain staff;
- (b) the Personnel and Administration Committee regularly reports to the Council the turnover rate and major reasons for staff departure. The Committee also regularly makes recommendations to the Council on how to reduce the turnover rate; and
- (c) the HKCAAVQ will continue to monitor the staffing position closely and consider measures as recommended by Audit to ascertain the reasons for staff resignation and to address the staff turnover problem.

## **PART 6: FINANCIAL AND ADMINISTRATIVE MATTERS**

6.1 This PART examines the financial and administrative matters of the HKCAAVQ.

### **Management of investment**

6.2 According to section 12 of the HKCAAVQ Ordinance, all money of the HKCAAVQ which is not immediately required shall be deposited in banks or invested in such other forms of investments as may be approved in advance by the Secretary for Education. In December 2004, the then Secretary for Education and Manpower approved the HKCAAVQ to expand its investment to local, low-risk debt securities and equities.

6.3 As at 31 March 2011, the HKCAAVQ's investment amounted to \$63.8 million, comprising securities (\$11.9 million), bonds (\$9.9 million) and bank deposits (\$42 million). In 2010-11, income from investment was \$1 million.

### **Audit observations and recommendations**

#### *Investment strategies and guidelines*

6.4 In December 2004, the then Secretary for Education and Manpower provided a copy of the Investment Guide issued by the Treasury to the HKCAAVQ for reference. According to the Investment Guide, to maintain effective control over fund management, comprehensive investment guidelines and an operational manual should be developed setting out the investment objectives, policies and strategies, responsibilities of staff, and operational procedures for investment dealing.

6.5 The Fund Management Sub-committee is a sub-committee under the Finance Committee of the HKCAAVQ. It is responsible for setting the investment strategy and making major investment decisions. Audit noted that the HKCAAVQ had not developed investment guidelines and operational manual. Audit considers that the Sub-committee needs to oversee the development of the guidelines and the manual.

**Bank deposits**

6.6 Fixed deposits of the HKCAAVQ are placed mainly in two banks (Bank A and Bank B). Audit noted that the HKCAAVQ did not obtain quotations before placing or renewing deposits. Audit examined the records of all the 44 fixed deposits placed or renewed in the period March to September 2011. Audit found that, except on two occasions (Note 6), every time a deposit matures, the principal and interest were re-deposited with the same bank. Audit also found that the interest rates offered by the two banks were very different. As shown in Table 6, on the two different dates, a deposit at Bank A would earn interest income much higher than that at Bank B.

**Table 6**  
**Interest rate of one-month fixed deposit**  
**(17 March and 20 June 2011)**

| <b>Date</b> | <b>Bank</b> | <b>Principal<br/>(\$ million)</b> | <b>Interest rate<br/>(%)</b> |
|-------------|-------------|-----------------------------------|------------------------------|
| 17.3.2011   | A           | 4.9                               | 1.16                         |
|             | B           | 5                                 | 0.68                         |
| 20.6.2011   | A           | 4.9                               | 1.25                         |
|             | B           | 5                                 | 0.70                         |

*Source: Audit analysis of HKCAAVQ records*

6.7 Audit noted that of the 44 fixed deposits placed or renewed in the period March to September 2011, 26 (\$78.1 million in total) were 1-month deposits, 13 (\$55.1 million in total) were 2-month deposits and 5 (\$22.5 million in total) were 3-month deposits. No record was available showing that the HKCAAVQ had prepared cash flow forecast to determine the best tenure. If deposit tenures had been determined according to cash flow forecast, some of the deposits might have been placed for longer tenures and earned higher interest income.

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**Note 6:** *On two occasions, funds were transferred from one bank to another for reasons not related to interest rates.*

**Audit recommendations**

- 6.8 **Audit has recommended that the HKCAAVQ should:**
- (a) **develop a set of investment guidelines and an operational manual, with reference to the Treasury's Investment Guide, setting out the investment objectives, policies and strategies, responsibilities of staff, and operational procedures for investment dealing;**
  - (b) **before placing or renewing fixed deposits, obtain quotations of interest rates from several banks and take into account the interest rates in determining the most suitable bank for placing the deposits; and**
  - (c) **prepare cash flow forecast with a view to maximising interest income by placing fixed deposits for optimal tenures.**

**Response from the HKCAAVQ**

6.9 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that the HKCAAVQ:

- (a) will review and where appropriate revise the existing guidelines and operational manual on investment with reference to the Treasury's Investment Guide and Audit's recommendations;
- (b) has implemented procedures to obtain quotations of interest rates from several banks and to take into account the interest rates in determining the most suitable bank for placing deposits; and
- (c) has implemented procedures to place fixed deposits taking into account the cash flow forecast.

**Monitoring of staff time spent on projects**

6.10 The HKCAAVQ is a self-financing statutory body. Its fee charging policy is to set fees for all its services on a full-cost recovery basis. To monitor the full costs of each project, the HKCAAVQ needs to maintain a system to capture the staff time spent on each project as staff costs is a major cost component. In 2010-11, staff costs amounted to \$30.9 million, representing 61% of all costs of the HKCAAVQ.

## **Audit observations and recommendation**

6.11 Audit found that the HKCAAVQ did not have a system of keeping track of staff time spent on individual projects undertaken by it. The HKCAAVQ required project staff to submit a timesheet every six months. In the timesheets, the staff reported the percentages of their time spent on each type of projects, instead of individual projects. The HKCAAVQ informed Audit in January 2012 that:

- (a) in 2006, the HKCAAVQ introduced a computerised system, namely the Management Information System, to record staff time spent on projects;
- (b) with the restructuring of the HKCAAVQ in 2007, the Management Information System was no longer suitable for the intended purposes;
- (c) there was a need to upgrade the Management Information System; and
- (d) the Management Information System was currently used to keep track of the project deadlines.

### *Audit recommendation*

6.12 **Audit has recommended that the HKCAAVQ should consider upgrading the Management Information System or developing a new system so that accurate information on staff time spent on projects is available and fees are charged at appropriate levels according to the fee charging policy of the HKCAAVQ.**

## **Response from the HKCAAVQ**

6.13 The HKCAAVQ agrees with the recommendation. The **ED, HKCAAVQ** has said that the HKCAAVQ operates a time sheet system to monitor staff costs for each line of business. As this may not give a precise record of staff time allocation on an individual project basis, the HKCAAVQ will consider the costs and benefits of upgrading the existing Management Information System or developing a new system.

## **Air passages**

6.14 In 2010-11, there were:

- (a) 37 air passage claims by non-local panel members amounting to \$1.7 million; and
- (b) 9 air passage claims by non-local Council members amounting to \$0.3 million.



## Audit observations and recommendations

### *Air passages for non-local panel members*

6.15 The HKCAAVQ provides air passages (on business class) to non-local panel members participating in accreditation exercises in Hong Kong. According to the HKCAAVQ's requirements, non-local panel members should:

- (a) take the most direct route; and
- (b) obtain quotations from two airlines and send the itineraries and quotations to the HKCAAVQ for approval.

6.16 Audit examined 12 of the 37 claims in 2010-11 (see para. 6.14(a)) and noted that:

- (a) in 6 cases, the members did not take direct flights to Hong Kong. In all these 6 cases, there was no documentary evidence showing that the HKCAAVQ had checked whether the routes were the most direct ones; and
- (b) in 11 (92%) cases, there was no documentary evidence indicating that the panel members had provided quotations from two airlines to the HKCAAVQ.

### *Air passages for non-local Council members*

6.17 According to the guidelines on air passages promulgated by the HKCAAVQ in 2006, non-local Council members are entitled to return air passage on business class for attending Council meetings. Unlike the air passage arrangement for non-local panel members, the HKCAAVQ does not specify any additional requirements on air passage claims by non-local Council members.

6.18 Audit examined 7 of the 9 claims of air passage in 2010-11 (see para. 6.14(b)) and noted that in 3 cases, each non-local Council member claimed reimbursement for two persons travelling on economy class (with a companion) instead of one person on business class. The HKCAAVQ informed Audit in January 2012 that:

- (a) prior to 2006, members were allowed to claim for alternative travel arrangements as long as the amount claimed was within the entitlement to a business class return ticket; and
- (b) the arrangement in (a) above had been disallowed since 2006. However, the non-local Council members and the staff of the HKCAAVQ concerned might not be aware of the new rules.

### *Audit recommendations*

- 6.19 **Audit has recommended that the HKCAAVQ should:**
- (a) **ensure that air passage claims made by non-local panel members and non-local Council members comply with the requirements;**
  - (b) **ensure that both non-local Council members and staff of the HKCAAVQ are fully aware of the latest requirements relating to reimbursement of air passages; and**
  - (c) **consider requiring non-local Council members claiming air passages for attending Council meetings to:**
    - (i) **take the most direct route; and**
    - (ii) **obtain quotations from two airlines and send the itineraries and quotations to the HKCAAVQ for approval.**

### **Response from the HKCAAVQ**

6.20 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that:

- (a) the HKCAAVQ will review the current guidelines governing air passages for non-local panel members and non-local Council members, taking into account Audit's recommendations;
- (b) the policy of providing air passages to non-local Council members has been changed since 2011, and Council members have been reminded that each member cannot claim reimbursement for economy class tickets for more than one person in place of business class ticket for one person, even though the amount involved does not exceed the entitlement; and
- (c) the HKCAAVQ will ensure that the guidelines and requirements are brought to the attention of non-local panel members and non-local Council members and all staff who are responsible for processing the claims.

### **Entertainment expenses**

6.21 Public organisations are expected to implement suitable policies and control procedures on entertainment expenses. In 2010-11, the HKCAAVQ incurred entertainment expenses of about \$273,000, including \$125,000 of meals with panel members.

6.22 According to the HKCAAVQ's guidelines, expenditure on meals with panel members should not exceed \$150 and \$250 per person for lunch and dinner respectively. Claims should be supported by receipts and approved by the supervisor of the staff claiming reimbursements. However, the guidelines did not require the claimant to provide the names of the persons attending the function.

## **Audit observations and recommendations**

### ***Meals with panel members***

6.23 In 2010-11, there were about 110 meals with panel members. Audit examined expenses for 20 such meals and noted that:

- (a) for 13 (65%) meals, the number and the names of the persons attending the function were not provided because there was no such requirement. As a result, the expenses per person could not be ascertained;
- (b) for 1 (5%) lunch, the actual expenses incurred was \$163 per person, which exceeded the ceiling of \$150 per person; and
- (c) for 7 (35%) meals, there was no documentary evidence showing that approval had been obtained from the supervisor.

### ***Other entertainment expenses***

6.24 According to the HKCAAVQ's guidelines, the prior agreement of the ED should be obtained for entertainment expenses other than meals with panel members. However, Audit noted that the HKCAAVQ did not promulgate guidelines on:

- (a) the ceiling of the expenses per person; and
- (b) the requirement for the claimant to provide the names of the persons attending the function.

6.25 Audit examined 12 claims (totalling \$98,000) and found that:

- (a) for 2 (17%) claims, prior agreement of the ED had not been obtained; and
- (b) for 4 (33%) claims, the names of the persons attending the functions were not provided by the claimants because there was no such requirement.

*Audit recommendations*

- 6.26 **Audit has recommended that the HKCAAVQ should:**
- (a) **ensure that the requirements set out in the guidelines on entertainment expenses are complied with;**
  - (b) **set appropriate ceiling per person for all entertainment expenses; and**
  - (c) **require the claimants of entertainment expenses to provide the names of the persons attending the function.**

**Response from the HKCAAVQ**

6.27 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that the HKCAAVQ will:

- (a) review its guidelines on entertainment expenses taking into account Audit's recommendations;
- (b) take action to ensure that the guidelines are fully complied with by staff in future; and
- (c) review the current ceiling per person for all entertainment expenses with reference to the Government's rules and practices.

**Procurement of goods and services**

6.28 According to the HKCAAVQ's guidelines, the number of quotations required and the approving authority for procurement of goods and services are shown in Table 7.

Table 7

**Quotations required and approving authority  
for procurement of goods and services**

| Amount                | Number of quotations required | Approving authority  |
|-----------------------|-------------------------------|----------------------|
| Below \$20,001        | 3 verbal quotations           | Financial Controller |
| \$20,001 - \$50,000   | 3 written quotations          | Financial Controller |
| \$50,001 - \$200,000  | 5 written quotations          | Deputy ED            |
| \$200,001 - \$500,000 | 5 written quotations          | ED                   |
| Over \$500,000        | Open tender                   | Tender Board         |

*Source: HKCAAVQ records*

### **Audit observations and recommendations**

#### ***Quotations***

6.29 Audit examined 35 procurements with amounts below \$20,001 and 15 procurements with amounts between \$50,001 to \$200,000 in 2010-11 and 2011-12 (up to September 2011). Audit found that the required number of quotations had not been obtained for:

- (a) 20 (57%) of the 35 procurements with amounts below \$20,001. For each of these procurements, only one quotation (instead of three quotations as required) was obtained; and
- (b) 7 (47%) of the 15 procurements with amounts between \$50,001 to \$200,000. The number of quotations obtained for each of these procurements was less than five.

#### ***Tendering***

6.30 In December 2010, the HKCAAVQ conducted an Expression of Interest invitation for the tendering exercise for the consultancy of conversion of a primary school into office accommodation for the HKCAAVQ. The evaluation criteria on Expressions of Interest were specified in the invitation document. Eleven consultants submitted responses. Seven of them were shortlisted for invitation to submit tenders. Audit noted that there was no documentary evidence showing that the Expressions of Interest were shortlisted according to the evaluation criteria.

*Audit recommendations*

- 6.31 **Audit has recommended that the HKCAAVQ should:**
- (a) **obtain sufficient number of quotations in accordance with its guidelines on procurement of goods and services; and**
  - (b) **evaluate the responses to Expression of Interest invitation according to the pre-determined evaluation criteria.**

**Response from the HKCAAVQ**

6.32 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that the HKCAAVQ will review its existing guidelines on procurement of goods and services with reference to the Government's rules and practices, and will ensure that future procurement exercises comply with the guidelines.

## **PART 7: PERFORMANCE MANAGEMENT AND REPORTING**

7.1 This PART examines issues relating to performance management and reporting.

### **Performance pledges**

7.2 Performance pledges state the standards of service that the public can expect to receive from an organisation. The pledges help engender a customer service culture within the organisation and improve the service standards. They enable the organisation to monitor its performances in service delivery and enhance such performances where practicable. The HKCAAVQ sets 29 performance pledges. Examples of the pledges include:

- (a) respond to all general enquiries within two working days;
- (b) for qualifications assessment, inform the applicant the assessment outcome or progress of the assessment within 15 working days;
- (c) for assessment of CPD programmes for insurance intermediaries and estate agents, complete the assessment report or inform the applicant on the progress of the assessment four weeks after the date of application; and
- (d) for assessment of CEF courses, recommend to the Labour and Welfare Bureau on the course registrability within 40 working days.

### **Audit observations and recommendations**

7.3 Audit noted that there was no evidence indicating that the HKCAAVQ had tracked and monitored the achievements of its performance pledges, except the pledge on answering e-mail enquiries relating to the Qualifications Register. As a result, such information was not available to the Council and the Committees for monitoring the performance of the HKCAAVQ. Even for the pledge the achievement of which was tracked and monitored, the Council and the relevant Committees were not informed of the achievement.

*Audit recommendations*

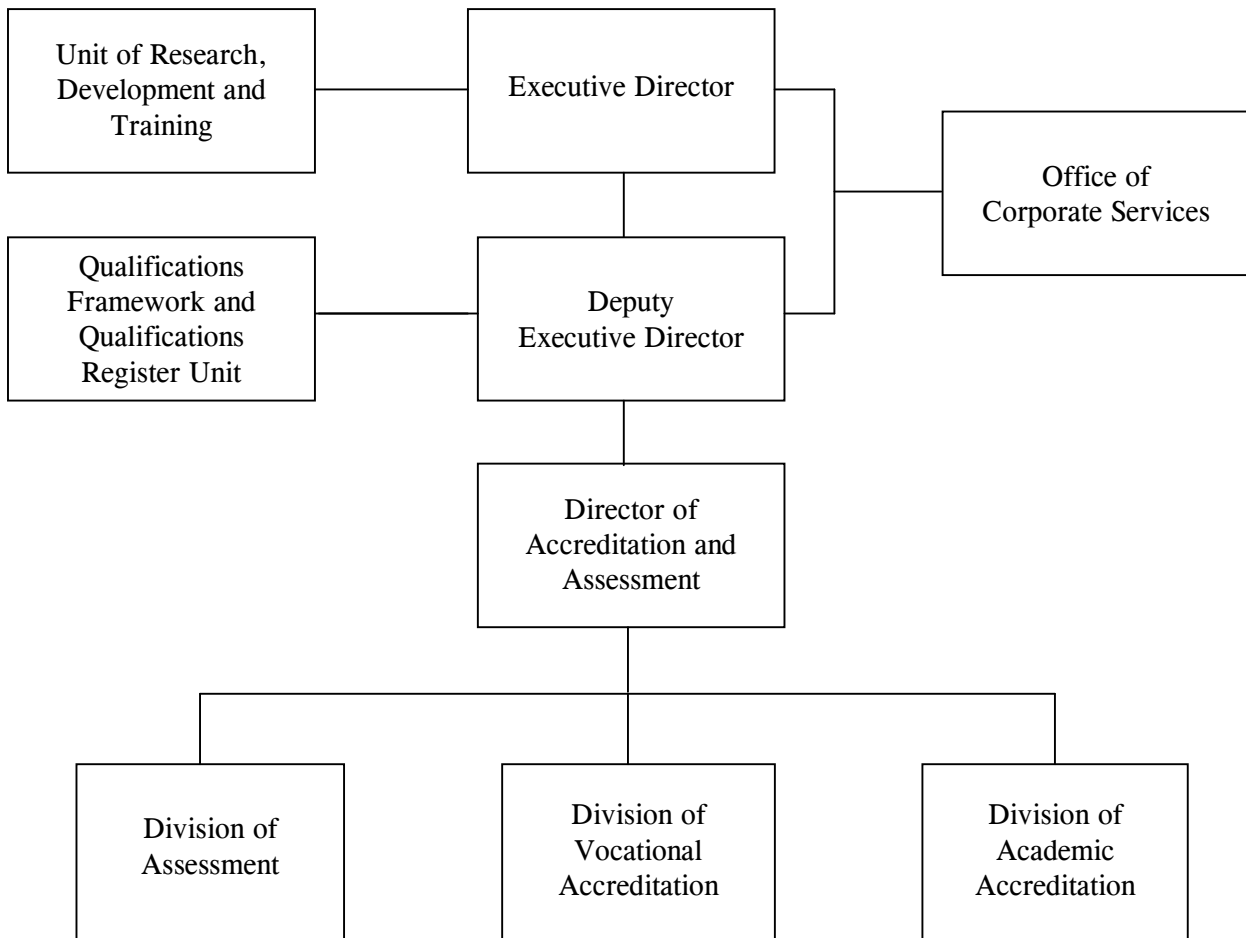
- 7.4 **Audit has recommended that the HKCAAVQ should:**
- (a) **put in place a mechanism to collect information and measure achievements for its performance pledges; and**
  - (b) **report the achievements of its performance pledges to the Council and the relevant Committees regularly.**

**Response from the HKCAAVQ**

7.5 The HKCAAVQ agrees with the recommendations. The **ED, HKCAAVQ** has said that in 2012, the HKCAAVQ will review the appropriateness of the existing set of performance pledges and its current mechanism for determining, measuring and reporting achievements against them. The outcome of the review will be submitted to the Council for consideration.



**HKCAAVQ**  
**Organisation chart**  
**(31 December 2011)**



Source: HKCAAVQ records

**Acronyms and abbreviations**

|         |   |
|---------|---|
| Audit   | Audit Commission  |
| CEF     | Continuing Education Fund   |
| CPD     | Continuing Professional Development   |
| ED      | Executive Director  |
| EDB     | Education Bureau  |
| HFA     | Home Financing Allowance  |
| HKCAAVQ | Hong Kong Council for Accreditation of Academic and Vocational Qualifications |