

Report No. 58 of the Director of Audit — Chapter 2

HONG KONG COUNCIL FOR ACCREDITATION OF ACADEMIC AND VOCATIONAL QUALIFICATIONS

Summary

1. 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). The governing body of the HKCAAVQ is its Council. There are three committees under the Council. As at 31 December 2011, the HKCAAVQ had 78 staff. The HKCAAVQ is a self-financing and non-profit-making organisation. It derives its income mainly from the provision of accreditation and assessment services. In 2010-11, the HKCAAVQ's income was \$61.2 million and its expenditure was \$50.9 million. The Audit Commission (Audit) has recently conducted a review of the HKCAAVQ.

Corporate governance

2. **Governance framework.** The HKCAAVQ works closely with the Education Bureau (EDB) in various aspects. Although an instrument is in place to govern each of these working relationships, there are merits for the EDB and the HKCAAVQ to consolidate the instruments, where appropriate, into an overarching governance instrument. *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.*

3. **Submissions to the Secretary for Education.** Before the close of each financial year, the HKCAAVQ is required to make a number of submissions to the Secretary for Education for approval, including a programme of proposed activities and a statement of fee charging policy. Audit found 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. *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 approval.*

4. **Grants for development and implementation of Qualifications Framework.** From 2005 to 2007, grants totalling \$51.06 million were provided to the HKCAAVQ for it to assist in the development and implementation of the Qualifications Framework. The HKCAAVQ is required to report to the EDB the expenditure position on a bi-monthly basis (for grants approved in 2005 and 2006) or on a half-yearly basis (for grants approved in 2007). Audit found that the HKCAAVQ had not reported the expenditure position to the EDB in the period May 2006 to February 2009. Since March 2009, the HKCAAVQ had not submitted reports on the expenditure position to the EDB on a bi-monthly basis or half-yearly basis. Furthermore, some reports were submitted two years after the periods covered. *Audit has recommended that the HKCAAVQ should report the expenditure position to the EDB in a timely manner.*

5. **Council and Committees.** The HKCAAVQ did not set a time target to ensure the issue of draft Council/Committee meeting minutes to members in a timely manner. For the meetings held in the period October 2007 to September 2011, the average time taken for issuing draft minutes was 38 days. Furthermore, for the period 2006-07 to 2011-12 (up to December 2011), some members submitted their declaration of interests forms late or had not submitted the forms. *Audit has recommended that the HKCAAVQ should: (a) ensure that draft minutes of Council/Committee meetings are issued in a timely manner and consider setting a target time for their issue; and (b) ensure that all Council/Committee members submit their declaration of interests forms in a timely manner.*

Accreditation services

6. A panel is formed for each accreditation exercise. Members of the panel include specialists in the relevant area and HKCAAVQ professional staff. The panel assesses the operator and/or the programme and prepares an accreditation report.

7. **Specialists.** The HKCAAVQ maintains two specialist databases. According to the Three-year Strategic Plan approved by the Council in 2009, an integrated specialist database would be available in 2010. However, as at February 2012, the new database was not yet available. Moreover, information on the performance of the specialists was incomplete. *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.*

8. **Accreditation panels.** The list of panel members has to be approved by the management. Each panel member is required to submit a declaration form on conflicts of interest. The accreditation report has to be submitted to the management for approval, and sent to the panel members for comments and to the operator for checking the accuracy of the facts. Audit found that there were cases where: (a) the required approvals were not obtained for the panel member lists; (b) the panel members did not submit their declaration forms;

(c) appropriate approvals were not obtained for the accreditation reports; or (d) the accreditation reports were not sent to the panel members for comments or to the operators for checking the accuracy of the facts. *Audit has recommended that the HKCAAVQ should ensure that the requirements for accreditation exercises are complied with.*

Assessment services

9. ***Non-local higher and professional education courses.*** According to the agreement signed between the HKCAAVQ and the EDB, the HKCAAVQ is required to complete the assessments for registration applications, annual returns and notifications of changes within specified timeframes. It is also required to advise the EDB on whether the operators have complied with the criteria and conditions of registration. Audit found that: (a) the HKCAAVQ could not meet the timeframes for a large percentage of the assessment cases; and (b) for operators who had not submitted the annual returns or the notifications of changes before the deadlines, the HKCAAVQ did not report to the EDB that the operators had breached the related condition of registration. *Audit has recommended that the HKCAAVQ should: (a) streamline its 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.*

10. ***Continuing Education Fund courses.*** Audit found that 40% of assessments of applications for registration were not completed within the service standard of eight weeks. Moreover, there were inadequacies in the management of inspections on operators in that: (a) inspections were conducted on inactive operators; (b) follow-up inspections had not been arranged where appropriate; and (c) the list of operators requiring special attention had not been updated since December 2010 and no inspection had been conducted on some of such operators. *Audit has recommended that the HKCAAVQ should: (a) ensure that assessments are completed within the service standard as far as possible; (b) review whether it is justified to conduct inspections on inactive operators; (c) conduct follow-up inspections in a timely manner; and (d) regularly update the list of operators requiring special attention and consider conducting more inspections on such operators.*

Human resource management

11. ***Home Financing Allowance.*** Staff who joined the HKCAAVQ before October 2007 were entitled to a monthly Home Financing Allowance (HFA) for a maximum period of 120 months. The entitlement period will be reduced by the period of assistance the staff or the spouse of the staff has received from similar schemes in the Government or a publicly-funded organisation. Audit examined the records of six staff and found that: (a) one staff (Staff A) had received overpaid HFA of \$0.8 million; and (b) for three other staff, no documentary evidence was available showing that the HKCAAVQ had taken action to ensure

that HFA would only be paid to the staff up to the end of their entitlement period. *Audit has recommended that the HKCAAVQ should: (a) take action to recover from Staff A the overpaid HFA; and (b) carry out a comprehensive review of HFA payments in past years to ascertain whether any staff had been overpaid HFA in excess of their entitlement.*

12. **Payment of salary in excess of salary range.** In April 2006, the Personnel and Administration Committee of the HKCAAVQ decided to integrate Staff A's HFA into the staff's salary. Audit noted that, after the integration, Staff A's salaries exceeded the maximum of the respective salary ranges by \$21,000 (21%) to \$37,895 (46%) in the period April 2006 to July 2008. 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 (including the gratuity that would be paid upon expiry of the existing contract) in excess of the salary ranges was about \$1.3 million. Approval of the Council or the then Secretary for Education and Manpower had not been obtained. *Audit has recommended that the HKCAAVQ should take necessary action to rectify the situation.*

13. **Staff turnover.** The staff turnover rates of the HKCAAVQ for the three years from September 2008 to August 2011 were high. Because of the high turnover rate, many staff had only short service experience. The large proportion of less experienced staff may affect the HKCAAVQ's service quality. The HKCAAVQ has planned to commission a staff opinion survey and conduct a review of the remuneration structure. *Audit has recommended that the HKCAAVQ should: (a) closely monitor the problem of high staff turnover; and (b) in the light of the results of the staff opinion survey and review of remuneration structure, take timely measures to address the staff turnover problem.*

Financial and administrative matters

14. **Management of investment.** The HKCAAVQ had not developed investment guidelines and operational manual. Moreover, it did not obtain quotations before placing or renewing bank deposits. No record was available showing that the HKCAAVQ had prepared cash flow forecast to determine the best tenure. *Audit has recommended that the HKCAAVQ should: (a) develop a set of investment guidelines and an operational manual; (b) before placing or renewing fixed deposits, obtain quotations of interest rates from several banks; and (c) prepare cash flow forecast with a view to placing fixed deposits for optimal tenures.*

15. **Monitoring of staff time spent on projects.** 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 cost is a major cost component. However, it did not have a system of keeping track of staff time spent on individual projects. *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.*

16. *Air passages.* Audit examined 12 claims of air passage made by non-local panel members in 2010-11 and noted that: (a) in 6 cases, there was no documentary evidence showing that the HKCAAVQ had checked whether the routes were the most direct ones as required; and (b) in 11 cases, there was no documentary evidence indicating that the members had provided quotations from two airlines. Moreover, the HKCAAVQ also provides air passages on business class to non-local Council members for attending Council meetings. Audit examined 7 claims in 2010-11 and noted that in 3 cases, each member claimed reimbursement for two persons travelling on economy class (with a companion) instead of one person on business class. Such practice has been disallowed since 2006. *Audit has recommended that the HKCAAVQ should ensure that air passage claims made by non-local panel members and non-local Council members comply with the requirements.*

Performance management and reporting

17. *Performance pledges.* The HKCAAVQ sets 29 performance pledges. There was no evidence indicating that the HKCAAVQ had tracked and monitored 28 of these pledges. *Audit has recommended that the HKCAAVQ should put in place a mechanism to collect information and measure achievements for its performance pledges.*

Response from the Secretary for Education and the HKCAAVQ

18. The Secretary for Education and the HKCAAVQ agree with the audit recommendations.

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