# THE LANGUAGE FUND

# Executive Summary

1.    The Language Fund (LF) was set up in March 1994 and held in trust by the Permanent Secretary for Education Incorporated as the Trustee to provide financial support for initiatives aiming at improving Hong Kong people's proficiency in Chinese (including Putonghua) and English languages.  The Standing Committee on Language Education and Research (SCOLAR) was established in 1996 to advise the Government on the use of the LF and language education issues in general.  SCOLAR is supported by the SCOLAR Secretariat, which is the Language Education and SCOLAR Section of the Education Bureau (EDB).

2.    In the 23-year period from February 1994 to February 2017, the Finance Committee of the Legislative Council (LegCo) approved seven capital injections into the LF totalling $8,000 million.  For the first six injections ($3,000 million in total), both the principal and accrued interest were used to support initiatives funded by the LF.  For the seventh injection, $5,000 million was injected into the LF in the form of seed capital to provide a stable stream of investment income to facilitate a longer term strategic planning and development for language education.

3.    Initiatives funded by the LF can be classified by nature into three broad categories: (a) support measures to schools and teachers; (b) language education community projects; and (c) research and development (R&D) projects.  In the 22-year period from the establishment of the LF in March 1994 to June 2016, the Trustee of the LF approved $3,703 million to fund 544 initiatives.  As at 30 June 2016, the actual expenditure of these 544 initiatives was $2,754 million.  In October 2016, the Audit Commission (Audit) commenced a review of the LF.

## Management of initiatives

4.    *Management of support measures to schools and teachers.*  In the period from March 1994 to June 2016, the Trustee approved $2,978 million for 47 initiatives to support schools and teachers.  Audit examined the management and achievements of five key initiatives, which accounted for $2,226 million (75%) of

the total approved funding of $2,978 million.  Audit found a number of areas for improvement, including:

(a)     in July 2007, the Trustee approved funding of $225 million to launch the Scheme to Support Schools in using Putonghua to teach the Chinese Language Subject.  This six-year pilot scheme aimed to assist schools in the implementation of using Putonghua as the medium of instruction for teaching the Chinese Language subject (PMIC), and a total of 160 schools (132 primary schools and 28 secondary schools) participated in the Scheme.  For the four years beginning from 2008/09 academic year (all years mentioned hereinafter refer to academic years), 40 schools were selected each year to participate in the pilot scheme.  The funds were disbursed primarily as grants for schools to help teachers implement their school plans on using PMIC and attend relevant professional development programmes.  In 2012, the SCOLAR Secretariat commissioned an evaluative study of the Scheme.  Among the 160 participating schools, only four schools that participated in the last phase of the six-year pilot scheme were selected for the study.  The findings were inconclusive as to whether using PMIC was more effective than using Cantonese as the medium of instruction.  The study recommended that more resources and assistance should be given to facilitate the implementation of using PMIC. It has been more than 16 years since the Government adopted the long-term vision of using PMIC for all schools.  Further research that provides more conclusive findings is needed;

(b)     to support secondary schools in strengthening the teaching and learning in English, in February 2006 and October 2010, $880 million and $323 million were earmarked for the English Enhancement Scheme (EES) and the Refined English Enhancement Scheme (REES) respectively. From 2006/07 to 2013/14, 439 secondary schools participated in the EES over an eight-year period (3 schools subsequently withdrew) and from 2010/11 to 2013/14, 386 secondary schools participated in the REES over a four-year period (1 school subsequently withdrew).  The funds were used to purchase teaching and learning materials, and employ additional teachers and assistants.  The EES and the REES were administered by the Education Commission and Planning Division (ECPD) of the EDB, instead of by the SCOLAR Secretariat.  Audit noted that the ECPD had neither provided implementation information nor submitted the evaluation report of the EES and the REES to SCOLAR.  According to the evaluation report, 177 (41%) schools participated in the EES and

175 (45%) schools participated in the REES did not show satisfactory performance in meeting the pledged targets;

(c)  to prepare primary school students for their needs of learning English in secondary schools, an allocation of $270 million was approved in January 2010 for the English Enhancement Grant Scheme (EEGS), a four-year grant scheme that lasted from 2010/11 to 2013/14. Audit examined 20 EEGS projects and found that there were delays in the submission of progress reports and final reports, and delays in the return of unspent funds. In addition, many targets set were not easily measurable; and

(d)  in February 2003 and March 2005, a total of $528 million was earmarked for the Professional Development Incentive Grant Scheme for Language Teachers (PDIGS). Since 2004/05, all new language teachers are required to have qualifications recommended by SCOLAR. Serving language teachers who joined the teaching profession before 2004/05 without the recommended qualifications are encouraged to acquire the relevant qualifications as soon as possible. In this regard, the PDIGS was launched under the LF in 2003/04 to provide financial incentive to encourage language teachers to pursue recognised programmes of studies for enhancing their subject knowledge and pedagogy in the language they taught. Audit noted that the number of applications for the PDIGS has been decreasing since its launch. As at 30 June 2016, $311 million (59%) of the $528 million earmarked for the PDIGS remained unspent (paras. 2.2, 2.4 to 2.16, 2.18, 2.19 and 2.21).

5.  *Management of language education community projects.* Through language education community projects, the LF aims to promote the importance of language education through nurturing closer partnership and forming stronger alliance with various stakeholders such as non-governmental organisations, private sectors and the community at large. In the period from March 1994 to June 2016, the Trustee approved $558 million for 378 language education community projects. The funding represented 15% of the total approved funding of $3,703 million for the period. Up to 30 June 2016, of the $558 million, $536 million was approved for 345 promotional projects (which were fully-funded by the LF) and $22 million for 33 sponsorship projects (which were partially-funded by the LF). Audit found that: (a) of 63 project reports submitted by project grantees for ten completed promotional projects, 45 (71%) were submitted late. The delays were over

3 months (94 days) on average, ranging from 3 to 432 days. In one project (a writing programme), among the awards given out were 26 book coupons issued by a publisher, who was related to the grantee. The face values of the 26 coupons were then charged by the grantee to the project vote. Audit noted that the project agreement did not stipulate the measures to be taken by the grantee in managing related party transactions. In four of the ten projects examined by Audit, there were non-compliances of procurement requirements stipulated in the project agreement; and (b) over the years, sponsorship projects have not been popular for a variety of reasons (paras. 2.24, 2.29 to 2.32 and 2.34).

6.       *Management of R&D projects.*   In the period from March 1994 to June 2016, the Trustee approved $167 million for 119 R&D projects, representing 5% of the total approved funding of $3,703 million. Starting from March 2014, apart from the top-down approach, SCOLAR has also adopted a bottom-up approach of inviting applications for R&D projects. Each application for bottom-up R&D projects was assessed by three members of the Vetting Committee by each completing a standard vetting form indicating whether or not to recommend the application for funding approval. Audit examined all the 24 projects approved from March 2014 to June 2016. Audit found that in one project applying for funding of $7.5 million, the three members of the Vetting Committee recommended the project for approval, but their recommendations were subject to reservations or conditions on making the budget more realistic and providing further justification of certain expenditures. There was no documentary evidence showing that the SCOLAR Secretariat had taken follow-up action on the reservations. Measures are needed to distinguish and deal with qualified recommendations (paras. 2.37 to 2.39).

## Governance and administrative issues

7.       *Governance of SCOLAR.*   As at 30 November 2016, SCOLAR comprised a non-official chairman, 12 non-official members and six ex-officio members. The term of each SCOLAR membership is two years. The current term of membership is from 1 July 2015 to 30 June 2017. Since July 2015, SCOLAR has adopted a two-tier reporting system to manage conflicts of interest. Audit found a number of areas for improvement, including: (a) the SCOLAR Secretariat only sent Declaration Forms to members after the commencement of the term. Nine members returned the Forms more than 30 days after the commencement of the term; (b) the annual declaration for the second year of the current term should have been returned by 1 July 2016. However, up to 31 January 2017, four members had

not returned the declarations; and (c) for the five SCOLAR meetings held between 1 July 2015 and 31 October 2016, the average attendance rate of the 19 members was 74%. However, the attendance rates of four members were below 50% (paras. 3.2 to 3.6, 3.8 and 3.9).

8. ***Administrative issues.*** In January 2014, the LF received the seventh fund injection of $5,000 million and in March 2014 placed the entire amount with the Exchange Fund (see para. 2). To make use of the injection of $5,000 million, the EDB identified six strategic areas and proposed short-term initiatives and medium-and-long-term initiatives under each strategic area. In November 2015 and July 2016, the EDB reported to LegCo the progress of the planning and implementation of the initiatives. Audit noted that: (a) the EDB did not report the impact and achievements of the initiatives. Up to January 2017, no performance indicators had been developed to monitor the effectiveness of the LF; (b) after an initiative was approved, the funding allocated would be earmarked to a project account. Any unused balance of the earmarked funding would be ploughed back to support other initiatives after the completion of the initiative and the closure of the project account. As at 30 June 2016, there were 68 initiatives recorded as "ongoing" in the project database. Audit examination revealed that 13 (19%) of the 68 initiatives had been completed/terminated. Of these 13 initiatives, 6 had been completed/terminated for over 1 year and their unspent balance amounted to $61.1 million; and (c) there is a need to identify and fund more worthwhile initiatives. Audit found that the amount of funding approved by the LF to support new initiatives decreased from $159 million in 2014 (from March to December) to $7 million in 2016 (from January to June). The interest income of $513.3 million earned from the Exchange Fund far exceeded the actual funding of $262 million approved for the period from March 2014 to June 2016 (paras. 3.14, 3.16, 3.19 to 3.21 and 3.24).

# Language proficiency of students and working adults

9. ***Language proficiency of students.*** The EDB uses the Territory-wide System Assessment (TSA) and the Hong Kong Diploma of Secondary Education Examination (HKDSEE) to assess the Chinese and English language proficiency of students at Primary 3, Primary 6, Secondary 3 and Secondary 6. According to the TSA results in the period from 2007 to 2016, over 20% and over 30% of Secondary 3 students did not meet the basic competencies in Chinese Language and English Language respectively. For the HKDSEE, there were about 15% and 20% of Secondary 6 students who did not attain "Level 2" or above in Chinese Language

and English Language (i.e. the minimum language requirement for articulation to sub-degree programmes) respectively in 2016. On the other hand, since the Hong Kong Certificate of Education Examination was discontinued in 2012, no tools have been available to measure the Putonghua proficiency of students (paras. 4.2 to 4.4).

## Audit recommendations

10.    **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Secretary for Education should:**

*Management of support measures to schools and teachers*

(a)    **take measures to improve evaluation studies (such as the scope and the timing) for future LF schemes with a view to enhancing the applicability of their findings (para. 2.22(a));**

(b)    **in relation to the use of PMIC, consider ways to facilitate schools adopting PMIC to implement the recommendations of the evaluative study of the PMIC Support Scheme, and conduct research which would provide more conclusive findings, and determine the way forward (para. 2.22(b));**

(c)    **ensure that management information (e.g. the implementation progress and effectiveness) of LF schemes not administered by the SCOLAR Secretariat is reported to SCOLAR on a regular basis (para. 2.22(c));**

(d)    **strengthen the project monitoring of future LF schemes (para. 2.22(d));**

(e)    **take measures to encourage more applications for the PDIGS (para. 2.22(e));**

(f)    **review the level of funding earmarked for the PDIGS (para. 2.22(f));**

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*Management of language education community projects*

(g) **take measures to ensure timely submission of project reports by grantees (para. 2.35(c));**

(h) **take measures to ensure that expenditures charged to projects are proper (para. 2.35(d));**

(i) **take measures to ensure that the grantees comply with the procurement requirements (para. 2.35(e));**

(j) **take further measures to enhance the appeal of sponsorship projects (para. 2.35(g));**

*Management of R&D projects*

(k) **take measures to ensure that recommendations subject to reservations or conditions, especially those concerning project costs, are clarified and followed up (para. 2.40(a));**

(l) **document the results of the follow-up action to support the recommendations of the Vetting Committee (para. 2.40(b));**

*Governance of SCOLAR*

(m) **take measures to ensure that Declaration Forms on conflicts of interest are submitted by members in a timely manner (para. 3.12(a));**

(n) **take measures to improve the attendance rates of SCOLAR members with low attendance records (para. 3.12(b));**

*Administrative issues*

(o)     **step up efforts in developing suitable performance indicators for the LF and provide more details of the effectiveness of the LF in the progress reports to LegCo (para. 3.25(a));**

(p)     **expedite the closure of project accounts of completed/terminated initiatives with a view to releasing unspent earmarked funding to support other new initiatives (para. 3.25(b));**

(q)     **endeavour to identify and fund more worthwhile initiatives with a view to enhancing the language proficiency of Hong Kong people (para. 3.25(d));**

*Language proficiency of students*

(r)     **monitor the Chinese and English language proficiency of students and, if necessary, seek advice from SCOLAR on the improvement measures (para. 4.5(a)); and**

(s)     **seek advice from SCOLAR on the development of a set of assessment instruments for gauging Putonghua proficiency of students (para. 4.5(b)).**

## Response from the Government

11.     The Government generally agrees with the audit recommendations.