

# **CHAPTER 10**

**Labour and Welfare Bureau  
Social Welfare Department**

**Child Development Fund**

**Audit Commission  
Hong Kong  
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*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. 73 of the Director of Audit contains 10 Chapters which are available on our website at <https://www.aud.gov.hk>

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# CHILD DEVELOPMENT FUND

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# CHILD DEVELOPMENT FUND

## Executive Summary

1. In April 2008, the Government set up the Child Development Fund (CDF) with an initial allocation of \$300 million. CDF seeks to: (a) support the longer-term development of children from a disadvantaged background; (b) encourage these children to plan for the future and cultivate positive attitudes; (c) provide them with more personal development opportunities; and (d) help them formulate and implement personal development plans (PDPs), develop an asset-building habit, and accumulate financial as well as non-financial assets. In 2015, the Government increased the financial commitment on CDF by \$300 million. In 2018, the financial commitment on CDF was further increased by \$300 million. The Government expected that, with a total financial commitment of \$900 million, CDF would benefit some 30,000 children. Non-governmental organisations (NGOs) and schools can apply for funding to operate CDF projects. Children participating in projects are those aged between 10 and 16 (or studying at Primary 4 to Secondary 4), coming from a disadvantaged background, and not having participated in CDF projects before. Each project lasts for 3 years. One of the key components of CDF projects is the targeted savings (TS) programme, under which each participant is required to set a savings target and accumulate savings for realising his/her PDP. Project operators are provided with funding provisions on a per-participant basis.

2. The management of CDF involves different parties, namely: (a) Labour and Welfare Bureau (LWB) which is the policy bureau for CDF; (b) Steering Committee on CDF (SCCDF) which steers the design, and oversees and monitors the implementation of CDF; (c) Vetting Committee which assesses the quality aspects of applications for CDF projects; and (d) Social Welfare Department (SWD) which assists LWB in the day-to-day administration and monitoring of projects. As at 30 June 2019, 193 projects had been launched and 18,140 children had participated in the projects. The Audit Commission (Audit) has recently conducted a review on CDF.

### **Planning the launch of projects and commissioning project operators**

3. *Planning the launch of projects.* According to the information provided to the Legislative Council (LegCo) by LWB in 2008 and 2009, it was envisaged that at least 13,600 children (i.e. participants) would benefit from the first financial commitment of \$300 million created for CDF, and that CDF would be fully implemented by batches in 3 to 5 years (para. 2.5). Audit noted the following issues:

- (a) *Need to provide LegCo with updated information on CDF.* In 2017, the accumulated number of participants in CDF reached 14,796. The envisaged number of 13,600 participants was therefore attained. Meanwhile, 8 years had elapsed since the first batch of CDF projects was launched in 2009. This did not appear to tally with the envisaged time frame of fully implementing CDF in 3 to 5 years. In September 2019, LWB and SWD informed Audit that (paras. 2.6 and 2.7):
  - (i) the time frame which LegCo was informed of (i.e. fully implementing CDF by batches in 3 to 5 years) was only a very rough estimate. The schedule for launching subsequent batches of CDF projects was subsequently adjusted (para. 2.7(a) and (b)); and
  - (ii) the funding provision for each CDF participant was adjusted upwards in 2014 and 2016. The original estimated number of 13,600 participants would become smaller in light of the increase in per-head provision for each CDF participant. To simplify the presentation in the papers submitted to LegCo when seeking increases in the financial commitment in 2015 and 2018, LWB did not mention the latest estimate of the total number of participants in relation to the first funding allocation (para. 2.7(c) and (e)).

According to a speech given at a ceremony celebrating CDF 10th anniversary in March 2019, the estimated total number of participants (i.e. funded by the financial commitment of \$900 million) was updated to 30,000. However, LegCo was not separately informed of this updated number. CDF projects had yet to be launched for many (11,860 or 30,000 less 18,140 (see para. 2)) children and LWB needs to keep in view any need for expediting the launch of future CDF projects. In Audit's view, there is also scope for improving public accountability in the launch of CDF



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projects by providing updated information to LegCo (paras. 2.7 to 2.9, 2.11 and 2.12); and

- (b) ***Need for launching NGO-run projects regularly.*** In April 2013, LWB informed LegCo Members of its annual target for launching new projects (i.e. 20 new projects for 2,000 to 2,300 new participants). Audit noted that in the 7 years from 2013 to 2019, for 2 years (i.e. 2013 and 2016), no NGO-run projects were launched. The lapse of time between the launch of a batch of NGO-run projects and the launch of an ensuing batch varied, ranging from 18 to 21 months. On the other hand, arrangements had been made for launching school-based projects every year since 2014. In August and September 2019, LWB and SWD informed Audit that a timetable had been drawn up for regularly launching future NGO-run and school-based projects (paras. 2.13 and 2.14).

4. ***Commissioning project operators.*** NGO-run projects and school-based projects are launched in different batches. For each batch, LWB sets a target of the number of projects to be launched. For NGO-run projects, SWD divides the target number among different districts. The number so allocated to a district serves as its quota. Applications for projects were required to meet basic requirements (referred to as “mandatory requirements” by SWD) and to undergo a quality assessment (para. 2.19). Audit noted the following issues:

- (a) ***Applications exceeding quotas for some districts.*** For CDF projects launched in the period from April 2009 to June 2019, a considerable proportion of applications (35% or 62 applications) for NGO-run projects were unsuccessful (i.e. not resulting in the award of projects). Of the 62 unsuccessful applications, 51 had met the mandatory requirements and passed the quality assessment but were not awarded projects, because the district quotas had been reached or exceeded. In contrast, for 2 districts (each involving the launch of one batch of NGO-run projects in the period), no applications were submitted for NGO-run projects, and the quotas concerned were therefore not used (paras. 2.21, 2.22 and 2.24);
- (b) ***Need to improve setting of district quotas.*** SWD records showed that district quotas for NGO-run projects were set based on 2 parameters, namely, the number of children (aged 10 to 16) living on Comprehensive Social Security Assistance (CSSA) over the territory, and the number of projects operated in previous batches in the districts. Audit noted that this

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methodology did not take into account the number of other children who, while not living on CSSA, were having a disadvantaged background and eligible to join CDF projects (e.g. those whose household income was less than 75% of the median monthly domestic household income). Audit further noted that the number of such other children would be considerable (i.e. in the order of 150,000) (paras. 2.25 and 2.26); and

- (c) ***Need to improve quality assessment of school-based project applications.*** For school-based projects, no passing marks were set for the quality assessment. In contrast, a passing mark of 50% had been adopted for the quality assessment of NGO-run projects (para. 2.29).

### Implementation of projects

5. ***Practices in project delivery.*** In June and July 2019, Audit visited 5 project operators to examine their project delivery. A total of 10 completed projects were examined (para. 3.2). Audit noted the following issues:

- (a) ***Need to ensure compliance with requirements in service agreements.*** A service agreement is signed between SWD and the operator for each CDF project, stipulating the scope of service and funding conditions. In the 10 projects examined, Audit noted 6 incidents of non-compliance with requirements on insurance and procurement. While SWD had conducted site visits to the operators concerned, for 4 of the 6 incidents, SWD did not identify the non-compliance during the site visits (paras. 3.3 to 3.5);
- (b) ***Need to ensure effective use of training provisions.*** Training provisions are granted to operators on a per-participant basis. Audit analysed 50 training programmes which were conducted with training provisions, and found a wide variation in programme types (e.g. lunch/dinner events and overseas tours) and in programme costs (ranging from \$28 to \$6,773 per person). In September 2019, SWD informed Audit that for projects launched from 2018 onwards, it was set out that operators were required to use 60% of training provisions for participants directly. However, Audit noted that no SWD guidelines had been issued setting out other principles of using training provisions (e.g. on the types and costs of programmes) (paras. 3.7 to 3.10); and

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- (c) ***Need to disseminate good practices on monitoring participants' use of TS.*** For the 10 projects examined, Audit analysed operators' practices on monitoring participants' use of TS. Of the 5 operators involved, 4 had adopted control measures on making purchases with TS (i.e. requirements on the number of quotations were imposed, ceilings were set on the purchase of certain goods/services, and/or participants were required to submit applications to the operator for using TS before making the purchases). The fact that one operator had not adopted any such control measures was less than satisfactory (paras. 3.13 and 3.14).
6. ***Financial monitoring of projects.*** Operators are required to submit audited financial reports on CDF projects. The due dates of submission are set out in service agreements (para. 3.24). Audit noted the following issues:
- (a) ***Need to ensure timely submission of reports.*** Audit analysed the timeliness of submission of audited financial reports for 83 completed CDF projects. As at 31 July 2019, of the 295 reports required to be submitted, 247 (84%) reports had been overdue, with delays ranging from 1 to 1,092 days (averaging 229 days). For the 10 projects examined (see para. 5), SWD had not taken adequate follow-up actions on delay cases (e.g. of the 30 delayed submissions in these 10 projects, written reminders were not issued in 24 (80%) cases). Delays in the submission of audited financial reports would hamper SWD's financial monitoring of CDF projects (paras. 3.25, 3.26 and 3.28); and
- (b) ***Need to ensure timely clawing back of surplus funds.*** For the 10 projects examined, audited financial reports indicated surplus funds in 6 projects. Audit noted that these surplus funds had not been clawed back promptly, and that considerable time (e.g. 956 days for a project) had been taken to complete the review of the audited financial reports. As at 31 July 2019, of the 6 projects, only 2 projects had the surplus funds clawed back (para. 3.31).
7. ***Attainment of intended outputs and outcomes.*** For each CDF project, the service agreement stipulates the output and outcome indicators, as well as the standards agreed for each indicator. Operators report to SWD the progress of meeting these standards through the submission of statistical returns (para. 3.35). Audit noted the following issues:

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- (a) ***Need to improve attainment of intended outputs and outcomes.*** For the 83 completed projects (see para. 6(a)), there were 10 or 11 indicators stipulated in their service agreements totalling 895 indicators in aggregate. Audit noted that, of the 895 indicators, the agreed standards had not been attained for 136 (15%) indicators (para. 3.36); and
- (b) ***Need for adequate remedial actions.*** According to SWD's internal guideline, for projects which do not attain the output standards and/or outcome standards, follow-up actions will be taken (e.g. operators are required to work out an improvement plan). Audit examined the 3 projects which had attained less than half of the standards. Audit noted that follow-up actions of SWD were less than satisfactory (paras. 3.39 and 3.40).

### Governance and other administrative matters

8. ***Governance issues.*** SCCDF and the Vetting Committee are the two committees set up for CDF (para. 4.2). Audit noted the following issues:

- (a) ***Need to keep SCCDF informed of progress of CDF projects.*** For the monitoring of CDF, a range of information (e.g. statistics on output and outcome indicators) was provided to SCCDF. Audit noted that, over the years, less information was provided to SCCDF as more batches of projects were implemented. In September and October 2019, LWB explained that as more batches of projects were implemented, the focus of materials presented to SCCDF had changed to, for example, reporting key changes of CDF. In Audit's view, there is a need to ensure that the materials and information presented can keep up with any changes in SCCDF's information need (paras. 4.3 to 4.6); and
- (b) ***Room for improving practices on declaration of interests.*** LWB and SWD have laid down guidelines on handling conflicts of interest. Audit noted one case where an SCCDF member's declaration of interests had not been recorded in the minutes of meeting as required. Moreover, records did not show that LWB had reviewed, from time to time, SCCDF's system for declaration of interests having regard to the memorandum issued by the Secretary for Home Affairs in 2005. By the memorandum, bureaux and departments are reminded to review from time to time the system for

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declaration of interests for advisory and statutory bodies under their purview (paras. 4.7 to 4.10).

9. ***Publicity and other supporting activities.*** In support of CDF, a range of activities are conducted, including general publicity activities for raising the community's awareness of CDF, targeted promotion for engaging stakeholders and partners, and value-added activities for widening participants' horizons (para. 4.14). Audit noted the following issues:

- (a) ***Need to step up promotion efforts.*** In a consultancy study completed in March 2017, a recommendation was to step up publicity and promotion efforts to increase the awareness of CDF projects in schools and among school teachers. In March 2017, SCCDF was informed that follow-up actions would be taken on the recommendation (e.g. LWB and SWD would explore opportunities to reach out to teachers and principals via related bodies such as associations of teachers, and experience sharing sessions would be arranged). Audit noted that, as at 15 August 2019, about 17 months had elapsed since a sharing/collaboration session was last held in February 2018. Moreover, teachers and principals had not been reached out via related bodies as intended (paras. 4.15, 4.16 and 4.18); and
- (b) ***Need to sustain efforts in arranging value-added activities.*** In 2015, LWB informed the LegCo Panel on Welfare Services that it would step up efforts in arranging value-added activities. Audit noted that, from 2014 to 2018, the total number of value-added activities had dropped from its peak of 38 in 2016, by 18% to 31 in 2018, and that the total number of participants in the activities had also dropped from its peak of 2,602 in 2017, by 24% to 1,973 in 2018 (paras. 4.24 and 4.25).

10. ***Way forward.*** Set up in 2008 and having a total financial commitment of \$900 million, CDF is expected to benefit 30,000 underprivileged children under its projects. As at 30 June 2019, CDF had only launched projects for some 18,000 children. In 2017, a "Further Study on the Long Term Development of CDF Project Participants" ("Further Study") was commissioned. In October 2019, the study was still in progress. In Audit's view, taking into account the experience gained over the years in implementing CDF projects, it is worth re-examining by the Government some parameters of CDF (e.g. intended number of participants, time frame for launching projects, and output and outcome standards). LWB needs to keep

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in view the results of the Further Study, and consider the way forward for CDF (paras. 4.29, 4.31, 4.33 and 4.34).

### **Audit recommendations**

11. **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 Labour and Welfare should:**

- (a) **keep LegCo updated on relevant information about the implementation progress of CDF (para. 2.17(a));**
- (b) **keep in view any need for expediting the launch of future CDF projects (para. 2.17(b));**
- (c) **take measures to launch new batches of NGO-run projects regularly in accordance with the timetable drawn up (para. 2.17(c));**
- (d) **keep SCCDF appropriately informed of the progress of CDF projects (para. 4.12(a));**
- (e) **record declaration of interests made by committee members in minutes of meetings (para. 4.12(b));**
- (f) **review, having regard to the memorandum issued by the Secretary for Home Affairs in 2005, the system for declaration of interests for SCCDF as necessary (para. 4.12(c));**
- (g) **take measures to step up efforts in promoting CDF among NGOs and schools (para. 4.27(a));**
- (h) **take measures to sustain the efforts in arranging value-added activities for CDF participants (para. 4.27(b)); and**
- (i) **keep in view the results of the Further Study which is currently in progress, and consider the way forward for CDF taking into account other relevant factors, including the results of this audit review (para. 4.35).**

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12. **Audit has *recommended* that the Director of Social Welfare should:**
- (a) **in setting district quotas for CDF projects, adequately take into account relevant factors (para. 2.33(a));**
  - (b) **in consultation with the Vetting Committee, consider setting a passing mark for the quality assessment of school-based projects (para. 2.33(b));**
  - (c) **step up efforts in ensuring project operators' compliance with requirements in the service agreements during project delivery (para. 3.22(a));**
  - (d) **consider issuing guidelines to set out the principles of using training provisions (para. 3.22(b));**
  - (e) **consider disseminating good practices on the use of TS for wider adoption among operators (para. 3.22(c));**
  - (f) **closely monitor any delays in the submission of audited financial reports, and take adequate follow-up actions on delay cases (para. 3.33(a));**
  - (g) **take measures to expedite the clawing back of surplus funds (para. 3.33(b)); and**
  - (h) **closely monitor the attainment of output and outcome standards of projects, and ensure that adequate remedial actions are taken on projects which fail to meet the standards (para. 3.42(a) and (b)).**

### Response from the Government

13. The Secretary for Labour and Welfare and the Director of Social Welfare agree with the audit recommendations.





## **PART 1: INTRODUCTION**

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

### ***Background***

1.2 The Government attaches great importance to the poverty issue and poverty alleviation work in Hong Kong. In 2005, the Government established an advisory committee (i.e. the former Commission on Poverty — Note 1) with a view to addressing poverty problems. A recommendation made by the committee in 2006 was to set up a Child Development Fund (CDF).

1.3 In April 2008, the Government set up CDF with an initial allocation of \$300 million (Note 2). CDF seeks to:

- (a) support the longer-term development of children from a disadvantaged background;
- (b) encourage these children to plan for the future and cultivate positive attitudes;
- (c) provide them with more personal development opportunities; and

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**Note 1:** *The Commission was chaired by the Financial Secretary. Other members included legislators, businessmen, community leaders, representatives from non-governmental organisations and academics. The Commission was dissolved in 2007 after submitting a report with recommendations on supporting the underprivileged. In 2012, the Government re-established the Commission on Poverty.*

**Note 2:** *In February 2007, the Financial Secretary announced in the 2007-08 Budget Speech that the Government would earmark \$300 million to set up CDF. In April 2008, upon the approval of the Finance Committee of the Legislative Council, a new commitment of \$300 million was created for the establishment of CDF as a non-recurrent expenditure item of the Labour and Welfare Bureau under the General Revenue Account.*

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- (d) help them formulate and implement personal development plans (PDPs), develop an asset-building habit, and accumulate financial as well as non-financial assets.

1.4 In 2015, in its Estimates of Expenditure, the Government increased the financial commitment on CDF by \$300 million. In 2018, the financial commitment on CDF in the Estimates of Expenditure was further increased by \$300 million. The increases in commitment were to ensure the sustainable development of the fund. The Government expected that, with a total financial commitment of \$900 million, CDF would benefit some 30,000 underprivileged children through its projects (see para. 1.5).

### *CDF projects*

1.5 Non-governmental organisations (NGOs) and schools (primary, secondary and special schools) can apply for CDF funding to operate CDF projects with the following characteristics:

- (a) ***Objectives and target participants.*** CDF projects aim at promoting the longer-term development of children and encouraging them to develop an asset-building habit, thereby reducing inter-generational poverty. Children participating in CDF projects are those aged between 10 and 16 (or studying at Primary 4 to Secondary 4), coming from a disadvantaged background (Note 3), and not having participated in CDF projects before;
- (b) ***Project duration and salient features.*** Each project lasts for 3 years and comprises the following 3 key components:

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**Note 3:** *A participant is regarded as having a disadvantaged background if:*

- (a) *his/her family is receiving financial assistance including Comprehensive Social Security Assistance administered by the Social Welfare Department, Working Family Allowance administered by the Working Family Allowance Office, or full grants from student finance schemes administered by the Student Finance Office; or*
- (b) *his/her household income is less than 75% of the median monthly domestic household income compiled by the Census and Statistics Department.*

- (i) **PDPs.** PDPs enable participants to identify their own long-term visions and motivate them to take steps for pursuing targets that are achievable in the short-run:
- in the first 2 years of a project, guidance is provided to help each participant draw up his/her PDP;
  - the plan should include both short-term and long-term development goals, with specific action steps to achieve them. The development goals should support capacity enhancement, developing knowledge or skills around a particular hobby/interest, or laying the foundation for further education or future careers; and
  - in the third year of the project, a participant can make use of the targeted savings (TS — see (iii) below) to implement his/her PDP (Note 4). The project operator (i.e. an NGO or a school) will monitor the progress of implementation;
- (ii) **Mentorship.** For each participant, the project operator arranges a volunteer mentor for the three-year programme. The mentor provides companionship and guidance on various matters (e.g. helping draw up a PDP, offering career inspirations, and assisting in building up self-esteem and resilience). The mentor keeps in contact with his/her mentee at least once per month; and
- (iii) **TS programme.** Each participant is required to set a savings target, and to accumulate savings over a two-year period for realising his/her PDP. At the same time, the project operator solicits a 1:1 matching donation from donors. Furthermore, CDF provides a grant (i.e. special financial incentive) at a “savings/special financial incentive” ratio of 1:1 starting from 2016 (see Table 1 in para. 1.6). If, for example, a participant sets a savings target of \$200 per month (i.e. the maximum level which CDF allows), he/she will have

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**Note 4:** *Where cases warrant, participants can start using their savings in the middle of second year for implementing their PDPs.*

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\$14,400 (i.e. (\$200 + \$200 + \$200) × 24 months) for implementing his/her PDP (Note 5); and

- (c) **Other services.** The project operator provides training and guidance to participants, parents and mentors on different topics (e.g. financial planning, communication skills and life planning).

1.6 To fund the projects, apart from providing special financial incentive (see para. 1.5(b)(iii)), CDF also provides project operators with training provisions (see para. 1.5(c)) and administrative fees (for operating the projects) on a per-participant basis. The levels of funding are adjusted from time to time taking into consideration relevant factors (e.g. inflation). Table 1 shows the levels of funding over the years.

**Table 1**

**Levels of funding for CDF projects**

Time of launching projects	Funding provision for each CDF participant		
	Training provision	Administrative fee	Special financial incentive
2008 (commencement of CDF) to 2013	\$15,000	\$1,500	\$3,000
2014 and 2015	\$20,000	\$2,000	\$3,000
2016 to 2018	\$22,000	\$2,200	Matching with TS on a 1:1 basis with a minimum of \$3,000 (see para. 1.5(b)(iii))
2019	\$23,100	\$2,310	

Source: Labour and Welfare Bureau records

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**Note 5:** Participants may set a target lower than \$200 per month. Regardless of their lower savings targets, the Government will provide each of them a minimum special financial incentive of \$3,000 upon completion of the two-year savings plan.

### *Publicity and other supporting activities*

- 1.7 The Government carries out a range of activities in support of CDF:
- (a) **Publicity and promotion.** Activities are conducted to enhance public awareness and understanding of CDF projects, and to engage stakeholders and partners (e.g. project operators). Such activities also help attract members of the public, businesses and other community groups to support CDF in mentor recruitment and providing matching donations. Activities which have been conducted included kick-off-cum-certificate presentation ceremonies for witnessing the achievements of completed projects and for launching new projects, and a year-round campaign during April 2018 to March 2019 for celebrating the 10th anniversary of CDF (see Photograph 1); and

#### **Photograph 1**

#### **The CDF 10th anniversary signature programme (April 2018)**



Source: CDF website

- (b) **Value-added activities.** Activities are organised with supporting organisations to widen participants' horizons and help them make informed life and career planning. Activities organised in the past included visits to different industries and professions, activities to explore arts, music and culture, and activities to equip participants with knowledge on financial management and life planning. Photograph 2 shows a value-added activity.

### Photograph 2

#### A value-added activity: Junior Teacher's Classroom (November 2016)



*Source: CDF website*

### *Management and operation of CDF*

1.8 The management of CDF involves different parties:

- (a) ***Labour and Welfare Bureau (LWB)***. LWB is the policy bureau overseeing the implementation and operation of CDF. It also carries out publicity and lines up value-added activities in support of CDF (see para. 1.7). As at 31 March 2019, the management of CDF involved 4 LWB staff (i.e. the CDF Team) (Note 6). The Team also serves as the secretariat of the Steering Committee on CDF (SCCDF — see (b) below). Appendix A shows an extract of LWB's organisation chart;

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**Note 6:** *The LWB expenditure on managing CDF is subsumed in its programme area of "Social Welfare". For 2019-20, the programme area has a staff establishment of 96 and an estimated expenditure of \$518 million.*

- (b) **SCCDF.** In 2008, when seeking funding approval for setting up CDF, LWB informed Legislative Council (LegCo) that a steering committee would be set up to give policy steer to the design, and to oversee and monitor the implementation of CDF. In the same year, SCCDF was set up. It is chaired by the Permanent Secretary for Labour and Welfare (Note 7);
- (c) **Vetting Committee.** In 2008, LWB also informed LegCo that a dedicated vetting committee would be set up to consider service proposals from interested organisations. Accordingly, the Vetting Committee has been set up, which comprises representatives of LWB and the Social Welfare Department (SWD — see (d) below). The Vetting Committee assesses the quality aspects of applications for CDF projects; and
- (d) **SWD.** It assists LWB in the implementation of CDF projects. A CDF Office has been established under its Youth and Corrections Branch for the day-to-day administration and monitoring of CDF projects, including:
  - (i) inviting and preliminary vetting of applications for CDF projects;
  - (ii) supporting the Vetting Committee in assessing and selecting project applications;
  - (iii) preparing and signing service agreements with project operators;
  - (iv) disbursing funding to project operators and monitoring the use of funding; and

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**Note 7:** *SCCDF has a chairperson, 13 non-official members and one ex-officio member (a representative of the Director of Social Welfare). Its terms of reference are to:*

- (a) oversee and monitor the implementation of CDF;*
- (b) oversee the promotion of CDF to facilitate community engagement;*
- (c) oversee and monitor the consultancy of CDF; and*
- (d) consider other matters related to CDF.*

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- (v) facilitating and/or advising project operators on project implementation and monitoring their performance.

As at 31 March 2019, 13 SWD staff were responsible for administering CDF projects (Note 8). Appendix B shows an extract of SWD's organisation chart.

1.9 At the inception of CDF in 2008, all projects were operated by NGOs. With a view to strengthening the community's capability in supporting CDF projects, as well as extending the reach of projects to benefit more children from a disadvantaged background, a school-based approach has also been adopted since the 2013/14 academic year. Both NGOs and schools are now operating CDF projects.

### *Monitoring service performance of project operators*

1.10 For each CDF project, a service agreement (see para. 1.8(d)(iii)) stipulates:

- (a) ***Scope of service.*** It defines the services provided, such as recruitment of participants and mentors, provision of training and guidance to participants as well as parents and mentors, solicitation of donations, handling of complaints relating to the project, and conduct of overall project evaluation;
- (b) ***Output indicators.*** Indicators are set on project output (e.g. "total number of participants" and "total number of mentors") and standards are agreed for each indicator. Appendix C shows the 9 output indicators and their standards applicable to CDF projects launched in or after 2015 (Note 9); and

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**Note 8:** *The SWD expenditure on managing CDF projects is subsumed in its programme area of "Young People (Government sector)". For 2019-20, the programme area has a staff establishment of 25 and an estimated expenditure of \$110 million.*

**Note 9:** *Output indicators, outcome indicators and their agreed standards are subject to amendments by SWD from time to time. As at the time of audit, the prevailing indicators/standards were those set for projects launched in or after 2015.*



- (c) ***Outcome indicators.*** Two indicators are set on project outcome. For projects launched in or after 2015 (see also Note 9 to (b) above), the 2 indicators are “proportion of participants who can complete the two-year savings plan” and “proportion of participants who can achieve short-term targets of PDPs with utilisation of some TS in the third year”. The agreed standards for both indicators are “70% or above”.

1.11 SWD takes various measures relating to the monitoring of project operators’ service performance:

- (a) ***Regular reporting from project operators.*** An operator is required to provide quarterly and yearly statistical returns on the attainment of output and outcome standards, and to provide audited financial reports (certified by two authorised persons of the operator and a certified public accountant) on compliance with funding terms and conditions;
- (b) ***Site visits and user satisfaction surveys.*** SWD conducts announced and unannounced visits to assess project operators’ service quality, investigate problems identified and follow up complaints. As and when necessary, SWD also conducts user satisfaction surveys on project operators’ responsible service units;
- (c) ***Guidelines.*** SWD issues guidelines (e.g. “General Guides on drawing up PDP and use of TS in relation to the PDP”) to project operators for adoption and distribution to relevant parties (e.g. mentors);
- (d) ***Briefing and sharing sessions.*** SWD arranges briefing sessions for potential project applicants when inviting applications, and for successful applicants to elaborate the key components of service agreements. SWD also arranges sharing sessions for operators to share experiences on the implementation of projects; and
- (e) ***Presentations on progress of projects.*** As and when required, SWD invites operators to give presentations on the progress of their projects at SCCDF meetings.

## Introduction

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### *Progress of project implementation*

1.12 *“One-plus-one” approach.* CDF projects are launched by batches. According to LWB and SWD, for some NGOs, it would be difficult to do long-term project planning if they have doubt about the prospect of being awarded CDF projects for a longer period. To facilitate NGOs’ forward planning and resource allocation, since the launch of the 5th batch of projects operated by NGOs, CDF has adopted a “one-plus-one” approach. Under this approach, each successful application is awarded 2 consecutive projects of three-year duration each. The implementation of the second project is subject to the satisfactory performance of the NGO in implementing the first project, which will be assessed in an interim assessment (Note 10).

1.13 As at 30 June 2019, 193 CDF projects had been launched and 18,140 children had participated in the projects (see Table 2).

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**Note 10:** *The interim assessment is conducted during the third year of the first project. The assessment takes into consideration the project performance on the output and outcome indicators in the service agreement.*

**Table 2**  
**Number of CDF projects and participants**  
**(30 June 2019)**

<b>Batch</b>	<b>Project commencement date (Note 1)</b>	<b>No. of projects (Note 2)</b>	<b>No. of participants (Note 3)</b>
<b><i>NGO-run projects</i></b>			
1	April 2009	7	750
2	October 2010	15	1,518
3	January 2012 (Note 4(a))	18	2,155
4	January 2014	21	2,247
5	July 2015 (Note 4(b))	27	2,898
6	April 2017	27	2,856
7	December 2018 (Note 4(c))	27	2,814
Sub-total		142	15,238
<b><i>School-based projects</i></b>			
1	January 2014 (Note 4(d))	7	457
2	November 2015	10	556
3	November 2016	13	756
4	November 2017	11	603
5	November 2018	10	530
Sub-total		51	2,902
Total		193	18,140

*Source: LWB and SWD records*

*Note 1: All projects had a duration of 3 years.*

*Note 2: The projects were run by 32 NGOs and 50 schools.*

*Note 3: Each NGO-run project had 81 to 132 participants (averaging 107), and each school-based project had 50 to 113 participants (averaging 57).*

*Note 4: Some projects started after the commencement dates:*  
*(a) 2 of the 18 projects started in April 2012;*  
*(b) 7 of the 27 projects started in October 2015;*  
*(c) 7 of the 27 projects started in March 2019; and*  
*(d) 2 of the 7 projects started in April 2014.*

## Introduction

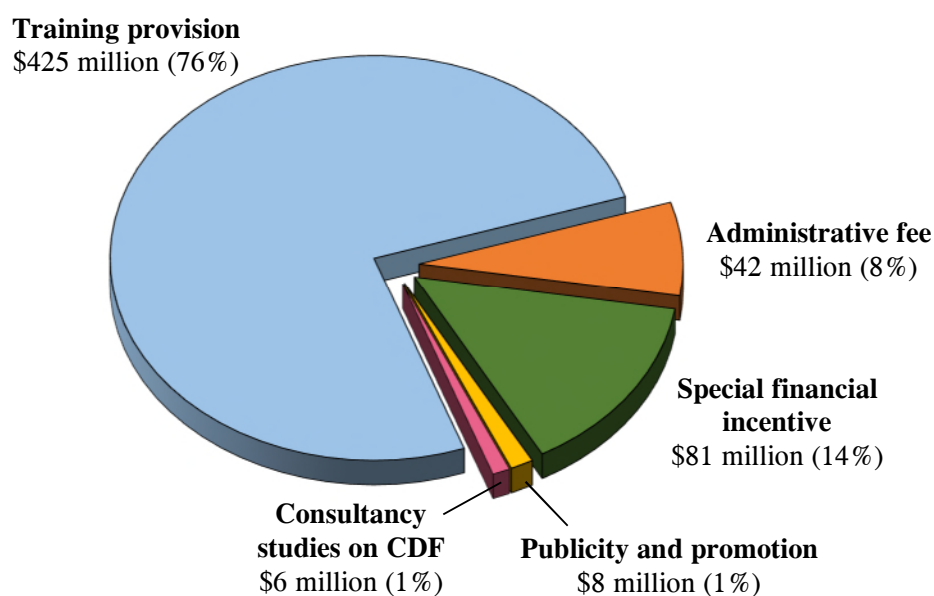
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### *Use of funding*

1.14 As at 31 March 2019, of the \$900 million funding for CDF (see para. 1.4), \$562 million had been utilised (Note 11), leaving a balance of \$338 million. Figure 1 shows a breakdown of the CDF funding which had been utilised.

**Figure 1**

**Utilised funding of CDF  
(31 March 2019)**



Source: LWB records

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**Note 11:** *The utilised funding comprised:*

- (a) *an accumulated expenditure of \$345 million; and*
- (b) *a project commitment of \$217 million. This amount was committed to CDF projects which had been awarded. The amount would be disbursed to projects by instalments after 31 March 2019.*

### Audit review

1.15 In April 2019, the Audit Commission (Audit) commenced a review to examine the management of CDF, focusing on:

- (a) planning the launch of projects and commissioning project operators (PART 2);
- (b) implementation of projects (PART 3); and
- (c) governance and other administrative matters (PART 4).

Audit has found room for improvement in the above areas and has made recommendations to address the issues.

1.16 In conducting this review, Audit carried out data analyses and examination of records at LWB and SWD. Audit also visited 5 project operators to examine their records relating to the implementation of 10 projects (see PART 3):

- (a) for the conduct of audit visits, Audit grouped operators into 3 classes according to the number of projects they had run, namely, “Class A” (i.e. with 1 project completed), “Class B” (i.e. with 2 or 3 projects completed) and “Class C” (i.e. with 4 to 8 projects completed) (Note 12). Table 3 shows the operators visited and projects examined for each class; and

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**Note 12:** *As at 30 June 2019, 7 batches of a total of 105 projects had been completed. The first 2 batches of NGO-run projects (totalling 22 projects) were pilot in nature and SWD’s database for monitoring their performance had not been fully developed. For the remaining 83 (i.e. 105 — 22) CDF projects, the projects had been implemented by 45 operators. Of these operators, according to Audit’s classification, 27 were Class A operators, 11 were Class B operators and 7 were Class C operators.*

**Table 3**

**Audit visits to project operators  
(June and July 2019)**

<b>Class of operators</b>	<b>No. of operators visited</b>	<b>No. of projects examined</b>
A	2 (Note 1)	2
B	2 } (Note 2)	5
C	1 }	3
Total	5	10

*Source: Audit visits to project operators*

*Note 1: The operators were schools.*

*Note 2: The operators were NGOs.*

- (b) key matters examined during audit visits were operators' compliance with requirements in service agreements, and operators' practices in the use of funding provisions and monitoring of participants' use of TS.

## General response from the Government

1.17 The Secretary for Labour and Welfare and the Director of Social Welfare appreciate Audit's efforts in conducting this study and making recommendations on the administration of CDF. They have said that:

- (a) they appreciate the observations and recommendations made by Audit in the study; and
- (b) LWB and SWD will follow up and implement the recommendations as appropriate.

## Acknowledgement

1.18 Audit would like to acknowledge with gratitude the full cooperation of the staff of LWB, SWD and the project operators visited during the course of the audit review.

## **PART 2: PLANNING THE LAUNCH OF PROJECTS AND COMMISSIONING PROJECT OPERATORS**

2.1 This PART examines issues relating to the launch of CDF projects, focusing on:

- (a) planning the launch of projects (paras. 2.2 to 2.18); and
- (b) commissioning project operators (paras. 2.19 to 2.34).

### **Planning the launch of projects**

2.2 In April 2008, when seeking funding approval for setting up CDF, LWB informed LegCo Members that:

- (a) the first batch of CDF projects would comprise 7 pioneer projects;
- (b) in the light of experience, subsequent batches of projects would be rolled out in future; and
- (c) with a funding commitment of \$300 million, it was estimated that at least 13,600 children would benefit from CDF, if the proposed model of the first batch of pioneer projects was to be adopted.

2.3 In May 2008, through SWD, LWB invited applications for the first batch of CDF projects for launching (i.e. commencement) in 2009. In July 2009, two LegCo Members enquired about the Government's concrete timetable for implementing subsequent batches of CDF projects. In its reply, LWB envisaged that CDF would be fully implemented by batches in 3 to 5 years. LWB also remarked that the timetable for launching subsequent batches of CDF projects could be reviewed in the light of practical experience in implementing the first batch of pioneer projects.

## **Planning the launch of projects and commissioning project operators**

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2.4 In April 2013, LWB further informed LegCo Members that the Government's target was to roll out (i.e. launch) 20 new projects every year for 2,000 to 2,300 new participants.

### ***Need to provide LegCo with updated information on CDF***

2.5 According to the information provided to LegCo by LWB in 2008 and 2009, it was envisaged that at least 13,600 children (i.e. participants) would benefit from the first financial commitment of \$300 million created for CDF (see para. 2.2(c)), and that CDF would be fully implemented by batches in 3 to 5 years (see para. 2.3).

2.6 In 2017, the accumulated number of participants in CDF reached 14,796 (see Table 4). The envisaged number of 13,600 participants was therefore attained (i.e. the number benefitting from the first \$300 million financial commitment — see para. 2.5). Meanwhile, 8 years had elapsed since the first batch of CDF projects was launched in 2009. This did not appear to tally with the envisaged time frame of fully implementing CDF in 3 to 5 years (see para. 2.5). The chronology of events relating to setting out the estimated number of participants (i.e. the 13,600 participants and additional participants benefitting from subsequent increases of the financial commitment on CDF), as well as the time frame for launching projects for these participants, are shown in Table 5.



## Planning the launch of projects and commissioning project operators

**Table 4**

**Accumulated numbers of  
CDF projects launched and participants in the projects  
(30 June 2019)**

Year	Project			Participant		
	No. of projects launched in the year			Accumulated no. of projects launched since 2009	No. of new participants in the year	Accumulated no. of participants since 2009
	NGO-run (a)	School-based (Note 1) (b)	Total (c) = (a) + (b)			
2009	7	N.A.	7	7	750	750
2010	15	N.A.	15	22	1,518	2,268
2011	0	N.A.	0	22	0	2,268
2012	18	N.A.	18	40	2,155	4,423
2013	0	N.A.	0	40	0	4,423
2014	21	7	28	68	2,704	7,127
2015	27	10	37	105	3,454	10,581
2016	0	13	13	118	756	11,337
2017	27	11	38	156	3,459	14,796
2018	20	10	30	186	2,682	17,478
2019	7	0 (Note 2)	7	193	662	18,140

*Source: LWB and SWD records*

*Note 1: School-based projects were first launched in January 2014.*

*Note 2: Figures in the Table show the position as at 30 June 2019. According to LWB and SWD, a further batch of 14 school-based projects would be launched in November 2019.*

## Planning the launch of projects and commissioning project operators

**Table 5**

**Chronology of events relating to  
setting out the estimated number of CDF participants  
and the time frame for launching projects for these participants  
(April 2008 to June 2019)**

Date	Event
April 2008	<p>(a) The Government set up CDF with an initial allocation of \$300 million (see para. 1.3).</p> <p>(b) LegCo Members were informed that, with a funding commitment of \$300 million, it was estimated that at least 13,600 children would benefit from CDF.</p>
April 2009	(c) The first batch of CDF projects (comprising 7 NGO-run projects) was launched.
July 2009	(d) LWB informed LegCo Members that CDF, as LWB envisaged, would be fully implemented by batches in 3 to 5 years, and that the Government would consider the timing on how to further develop CDF into a longer-term model taking into account the practical experience in implementing the first batch of pioneer projects.
May 2015	<p>(e) The Government increased the financial commitment on CDF by \$300 million (see para. 1.4).</p> <p>(f) LWB informed LegCo Members that this could benefit an additional number of 9,700 participants in the future batches of projects to be launched beyond 2015.</p>
December 2017	<p>(g) The actual number of participants had accumulated to 14,796 (see Table 4).</p> <p>(h) The envisaged number of 13,600 participants (i.e. the number estimated to be benefitted by the first financial commitment) was attained and exceeded.</p>
May 2018	<p>(i) The Government further increased the financial commitment on CDF by \$300 million (see para. 1.4).</p> <p>(j) LWB informed LegCo Members that this could benefit an additional number of 9,000 participants in the future batches of projects.</p>
March 2019	(k) In publicising information for commemorating the CDF 10th anniversary, LWB took into account the funding provision for each CDF participant for different batches of CDF projects, and provided an update on the estimated number of participants in CDF. Accordingly, the total number of participants funded by the financial commitment of \$900 million was estimated to be 30,000.
June 2019	(l) The actual number of participants in CDF projects accumulated to 18,140 (see Table 4). Projects had yet to be launched for 11,860 children (i.e. the estimated total number of 30,000 minus 18,140 participants).

Source: *Audit analysis of LWB records*

## **Planning the launch of projects and commissioning project operators**

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2.7 In September 2019, Audit sought clarifications of the total number of participants which CDF intended to benefit as of April 2008, May 2015 and May 2018 (see items (b), (f) and (j) of Table 5 in para. 2.6), as well as the time frame for launching projects for these participants (see items (d), (f) and (j) of Table 5 in para. 2.6). In reply, LWB and SWD informed Audit that:

- (a) the time frame which LegCo was informed of in 2009, i.e. fully implementing CDF by batches in 3 to 5 years (see item (d) of Table 5 in para. 2.6), was only a very rough estimate. As explained to LegCo in July 2009, the Government would consider the timing on how to further develop CDF into a longer-term model taking into account the practical experience in implementing the first batch of pioneer projects;
- (b) the schedule for launching subsequent batches of CDF projects was subsequently adjusted, having regard to the practical experience gained in implementing the first 3 batches of CDF projects;
- (c) the funding provision for each CDF participant was adjusted upwards in 2014 and 2016 (see Table 1 in para. 1.6). The original estimated number of 13,600 participants (see item (b) of Table 5 in para. 2.6), which was calculated based on a lower funding provision for each participant, would become smaller in light of the increase in per-head provision for each CDF participant;
- (d) as the level of funding provision for each participant would be adjusted from time to time, which would result in the adjustment of the total number of participants, the envisaged total number of participants was an “estimated total number” instead of an “intended number”; and
- (e) to simplify the presentation in the papers submitted to LegCo when seeking increases in the financial commitment in 2015 and 2018, LWB focused on the number of participants to be funded by the additional funding, without mentioning the latest estimate of the total number of participants in relation to the first funding allocation.

Audit further noted that according to a speech given by the Chief Executive of the Hong Kong Special Administrative Region at the ceremony celebrating CDF 10th anniversary in March 2019 (see para. 1.7(a)), the estimated total number of participants (i.e. funded by the financial commitment of \$900 million) was updated to

## **Planning the launch of projects and commissioning project operators**

30,000 (see item (k) of Table 5 in para. 2.6). Meanwhile, LegCo was not separately informed of this updated number.

2.8 In Audit's view, there is room for better updating LegCo on relevant information about CDF. Such information includes the latest estimated number of participants, the time frame for launching projects for these participants, and the latest number of children who have benefitted from CDF projects. Audit further noted that there is also room for better updating LegCo on the basis of the annual target of the CDF (see paras. 2.14(b) and 2.15(b)).

2.9 Audit considers that, to improve public accountability, LWB needs to keep LegCo updated on relevant information (see para. 2.8) about the implementation of CDF and about the progress of launch of projects.

2.10 In this connection, Audit noted that, as at 31 March 2019, of the \$900 million financial commitment on CDF, there was an unutilised balance of \$338 million (38%) (see para. 1.14). The balance was equivalent to the sum of:

- (a) the entire \$300 million commitment created in May 2018 (see item (i) of Table 5 in para. 2.6); and
- (b) 13% (i.e. \$38 million) of the \$300 million commitment created in May 2015 (see item (e) of Table 5 in para. 2.6).

2.11 As at 30 June 2019, CDF projects had yet to be launched for many (11,860) children (see item (l) of Table 5 in para. 2.6) under the total financial commitment of \$900 million. Included in this total financial commitment was the \$300 million commitment created in May 2015, a substantial amount (\$38 million) of which had not been utilised after more than 3 years since its creation.

2.12 Audit considers that, with a view to better utilising CDF for benefitting eligible children, LWB needs to keep in view any need for expediting the launch of future CDF projects, having regard to the practical experience in project implementation (see PART 3).

***Need for launching NGO-run projects regularly***

2.13 In April 2013, LWB informed LegCo Members of its annual target for launching new projects (i.e. 20 new projects for 2,000 to 2,300 new participants — see para. 2.4). Audit noted that:

- (a) in the 7 years from 2013 to 2019, the annual target was not met in 3 years, i.e. 2013, 2016 and 2019 (see Table 6):
  - (i) for 2 years (i.e. 2013 and 2016), no NGO-run projects were launched. The lapse of time between the launch of a batch of NGO-run projects and the launch of an ensuing batch varied, ranging from 18 to 21 months (averaging 20 months) during 2013 to 2019; and
  - (ii) on the other hand, arrangements had been made for launching school-based projects every year since 2014 (e.g. records indicated that applications for school-based projects were invited every March during 2016 to 2019, for launching in November of the year); and
- (b) in 2014, 2015, 2017 and 2018, many NGO-run projects were launched (see Table 6). Records indicated that, mainly due to these NGO-run projects, the target numbers of new projects and participants were met and well exceeded in the years. For example, in 2017, 27 NGO-run projects were launched which had 2,856 participants (see Table 2 in para. 1.13), which already exceeded the target number of 20 new projects and the target range of 2,000 to 2,300 new participants.

## Planning the launch of projects and commissioning project operators

**Table 6**

**Meeting the annual target numbers  
of new projects and participants during 2013 to 2019  
(30 June 2019)**

Year	No. of new projects launched in the year			Total no. of participants in the new projects	Meeting the annual target of	
	NGO-run (a)	School-based (Note 1) (b)	Total (c) = (a) + (b)		20 new projects (Yes ✓/ No ×)	2,000 to 2,300 new participants (Yes ✓/ No ×)
<b><i>Projects launched in January 2013 to June 2019</i></b>						
2013	0	N.A.	0	0	×	×
2014	21	7	28	2,704	✓	✓
2015	27	10	37	3,454	✓	✓
2016	0	13	13	756	×	×
2017	27	11	38	3,459	✓	✓
2018	20	10	30	2,682	✓	✓
2019	7 (Note 2)	0	21	1,377 to 1,478 (Note 3)	✓	×
<b><i>Projects to be launched in July to December 2019</i></b>						
2019	0	14 (Note 4)				

Source: LWB and SWD records

Note 1: School-based projects were first launched in January 2014.

Note 2: The 7 NGO-run projects had 662 participants (see Note 4(c) to Table 2 in para. 1.13).

Note 3: Being the total of the number of participants in the 7 NGO-run projects already launched in 2019 (i.e. 662 participants — see Note 2 above) and the number of participants in the 14 school-based projects planned to be launched in 2019 (i.e. 715 to 816 — see Note 4 below).

Note 4: The 14 school-based projects were planned to be launched in November 2019, with an expected number of 715 to 816 participants.

## **Planning the launch of projects and commissioning project operators**

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2.14 Upon enquiry, in August and September 2019, LWB and SWD informed Audit that:

- (a) regarding the lapse of time between the launch of different batches of NGO-run projects:
  - (i) when launching a batch of NGO-run projects, the experience gained in implementing previous batches of CDF projects (e.g. recruitment of participants/mentors and the capacity of NGOs) had been taken into account;
  - (ii) if the time lapse between each batch of NGO-run projects was shortened, it was envisaged that NGO operators would have difficulties in recruiting a sufficient number of participants and mentors in a timely manner, which might not result in an increase in the average number of participants per year; and
  - (iii) in consultation with SWD, LWB had drawn up the timetable for regularly launching future NGO-run and school-based projects; and
- (b) regarding the annual target of rolling out 20 new projects for 2,000 to 2,300 new participants:
  - (i) having regard to the characteristics of NGO-run projects, LWB considered that the annual target should be assessed on an average basis instead of by calendar year; and
  - (ii) from 2013 to 2018, on average, CDF launched projects for 2,176 participants per year. This number was within the annual average target of 2,000 to 2,300 new participants.

Audit noted that, as at 30 September 2019, LWB had not provided LegCo with information on the basis of attainment of the annual target (see (b)(i) above).

2.15 In Audit's view:

- (a) regarding the lapse of time between the launch of different batches of NGO-run projects (see para. 2.14(a)), NGO-run projects were a crucial

## **Planning the launch of projects and commissioning project operators**

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component in the launch of CDF projects. The launching of more NGO-run projects, if assessed to be operationally feasible and practicable, would benefit more eligible children both in terms of number of projects and number of participants; and

- (b) regarding the annual target of rolling out 20 new projects for 2,000 to 2,300 new participants (see para. 2.14(b)), while noting LWB's clarification that the target was assessed on an average basis, for the avoidance of doubt, there is a need for LWB to clarify the basis with LegCo (see para. 2.9).

2.16 Audit considers that LWB needs to take measures to launch new batches of NGO-run projects regularly in accordance with the timetable drawn up. Drawing on the practical experience in project implementation (see PART 3), LWB also needs to sustain its efforts in attaining the annual target on an average basis.

### **Audit recommendations**

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

- (a) **keep LegCo updated on relevant information about the implementation of CDF and about the progress of launch of projects;**
- (b) **keep in view any need for expediting the launch of future CDF projects, having regard to the practical experience in project implementation;**
- (c) **take measures to launch new batches of NGO-run projects regularly in accordance with the timetable drawn up; and**
- (d) **sustain LWB's efforts in attaining the annual target (i.e. rolling out 20 new projects for 2,000 to 2,300 new participants on an average basis), drawing on the practical experience in project implementation.**



### **Response from the Government**

2.18 The Secretary for Labour and Welfare agrees with the audit recommendations. He has said that LWB will:

- (a) keep LegCo updated on relevant information and progress on implementation of CDF (e.g. the latest estimated number of participants, the implementation time frame for launching projects for these participants, the latest number of children having benefitted from CDF projects so far, and the basis of the annual target) as and when appropriate;
- (b) keep in view any need for expediting the launch of future CDF projects, having regard to the practical experience in project implementation; and
- (c) sustain efforts in attaining the average annual target, and oversee SWD to roll out new batches of NGO-run projects in accordance with the drawn up timetable.

### **Commissioning project operators**

2.19 NGO-run projects and school-based projects are launched in different batches. For each batch, LWB sets a target (i.e. batch target) of the number of NGO-run projects or school-based projects to be launched. According to the batch target, SWD invites applications from operators (i.e. NGOs or schools) for running the projects:

- (a) *NGO-run projects.* SWD divides the batch target number of NGO-run projects among different districts (Note 13). The number so allocated to a district serves as its quota. SWD maintains a list of relevant NGOs and sends e-mails to invite them to apply for running projects. SWD takes into account the demand for projects in allocating district quotas (see paras. 2.25 to 2.28); and

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**Note 13:** *As at 30 June 2019, there were 12 districts, comprising 2 districts in Hong Kong and Islands, 5 districts in Kowloon and 5 districts in the New Territories. The districts had been set with reference to the administrative districts of SWD.*

## **Planning the launch of projects and commissioning project operators**

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- (b) *School-based projects.* SWD does not set district quotas. All eligible schools over the territory (i.e. public sector schools and schools under the Direct Subsidy Scheme) can apply for running projects under the batch target number of school-based projects. According to SWD, it sends e-mails to invite all eligible schools to apply for running the projects.

According to SWD records, applications for projects (both NGO-run projects and school-based projects) were required to meet basic requirements (referred to as “mandatory requirements” by SWD — see Appendix D) and to undergo a quality assessment (see Appendix E). The results of assessment (i.e. the meeting of mandatory requirements as well as the results of the quality assessment) were presented to the Vetting Committee (see para. 1.8(c)) for deliberation and consideration.

2.20 As at 30 June 2019, 7 batches of NGO-run projects and 5 batches of school-based projects had been launched (see Table 2 in para. 1.13). SWD had received 231 applications for projects and awarded 193 projects to applicants. The distribution of the 193 projects over the territory and the participants in the projects is at Appendix F.

### ***Applications exceeding quotas for some districts***

2.21 For CDF projects launched in the period from April 2009 to June 2019, a considerable proportion (35%) of applications for NGO-run projects were unsuccessful (i.e. not resulting in the award of projects) (see Table 7).

## Planning the launch of projects and commissioning project operators

**Table 7**

**Number of applications for running CDF projects  
(for projects launched in the period from April 2009 to June 2019)**

Batch	Batch target (No. of projects)	No. of applications		
		Received	Successful (i.e. projects awarded)	Unsuccessful (i.e. projects not awarded)
<i>NGO-run projects</i>				
1	7	16 (100%)	7 (44%)	9 (56%)
2	15	41 (100%)	15 (37%)	26 (63%)
3	21	31 (100%)	18 (58%)	13 (42%)
4	20 (Note 1)	27 (100%)	21 (78%)	6 (22%)
5	20 (Note 1)	32 (100%)	27 (84%)	5 (16%)
6	25 (Note 1)	30 (100%)	27 (90%)	3 (10%)
7	20	N.A. (Note 2)		
Overall		177 (100%)	115 (65%)	62 (35%)
<i>School-based projects</i>				
1	10	7 (100%)	7 (100%)	0 (0%)
2	8	13 (100%)	10 (77%)	3 (23%)
3	10	13 (100%)	13 (100%)	0 (0%)
4	10	11 (100%)	11 (100%)	0 (0%)
5	10	10 (100%)	10 (100%)	0 (0%)
Overall		54 (100%)	51 (94%)	3 (6%)
Overall		231 (100%)	166 (72%) (Note 3)	65 (28%)

*Source: Audit analysis of SWD records*

*Note 1: The number of projects awarded was larger than the batch target because SWD had adjusted the number of projects in individual districts having regard to the quality of proposals received.*

*Note 2: Under the “one-plus-one” approach (see para. 1.12), after an interim assessment, the operators of the 27 NGO-run projects in the 5th batch were allowed to continue implementing projects in the 7th batch. Therefore, no applications for projects were invited for the 7th batch.*

*Note 3: The total number of projects launched in the period from April 2009 to June 2019 was 193, comprising the 166 projects shown in the Table and 27 projects launched under the “one-plus-one” approach in the 7th batch (see also Note 2 above).*

## **Planning the launch of projects and commissioning project operators**

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2.22 Audit noted that, included in the 62 unsuccessful applications for NGO-run projects were 51 applications which:

- (a) had met the mandatory requirements and passed the quality assessment (i.e. meeting or exceeding the passing mark of 50%) but were not awarded projects; and
- (b) were submitted from 11 districts. The number of unsuccessful applications for each district ranged from 1 to 10.

According to SWD records, insofar as the 51 applications were concerned, the district quotas of the 11 districts had been reached or exceeded. In the circumstances, projects had been awarded to other application(s) in the district which had higher score(s).

2.23 Upon enquiry, in September 2019, SWD informed Audit that for NGO-run projects:

- (a) having regard to the quality of the applications received, the number of projects awarded for the 4th to the 6th batches were larger than the batch target (see also Note 1 to Table 7 in para. 2.21). For example, in the 6th batch of projects, one more project each was allocated for 3 districts (applications for projects in these districts had exceeded the district quota); and
- (b) disregarding the first batch of projects, the number of unsuccessful applications was on a decreasing trend (i.e. from 63% to 10% — see Table 7 in para. 2.21).

While noting the above measures for alleviating unsuccessful applications where district quotas had been exceeded, Audit noted room for improving the setting of district quotas (see paras. 2.25 to 2.28).

2.24 In this connection, Audit further noted that for 2 districts (i.e. Shatin and Yuen Long), no applications were submitted for NGO-run projects in the 5th batch and the 6th batch respectively. For these 2 districts, the quotas concerned were therefore not used, in contrast with some districts' keen demand for NGO-run

## Planning the launch of projects and commissioning project operators

projects. In PART 4, Audit noted room for stepping up efforts in promoting CDF among NGOs and schools (see paras. 4.15 to 4.22).

### *Need to improve setting of district quotas*

2.25 SWD records showed that district quotas for NGO-run projects (see para. 2.19(a)) were set based on 2 parameters:

- (a) demand for CDF projects, which was approximated by the number of children (aged 10 to 16) living on Comprehensive Social Security Assistance (CSSA) over the territory; and
- (b) the number of projects operated in previous batches in the districts.

2.26 Audit noted that the above methodology did not take into account the number of other children who, while not living on CSSA, were having a disadvantaged background. Example of such other children were those whose household income was less than 75% of the median monthly domestic household income (see also Note 3 to para. 1.5(a)). Audit further noted that:

- (a) according to SWD's records, as at June 2019, the number of children (aged 10 to 16) living on CSSA totalled 29,678; and
- (b) according to LWB's latest available estimation, the number of eligible children for CDF projects totalled some 186,000 (Note 14).

It followed that the number of such other children would be considerable, i.e. in the order of 150,000 (the difference between the numbers in (a) and (b) above).

2.27 Upon enquiry, in August 2019, SWD informed Audit that in addition to the 2 parameters mentioned in paragraph 2.25, it also considered other factors

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**Note 14:** *In January 2015, a LegCo Member sought information from the Government on the ratio of CDF's target participants to the number of children in poverty. In response, LWB remarked that, in 2014, some 186,000 children might be eligible to join CDF projects.*

## **Planning the launch of projects and commissioning project operators**

(e.g. the recruitment conditions of individual districts in previous batches and district coverage) when setting the district quotas.

2.28 Audit considers that, in setting district quotas for CDF projects, SWD needs to adequately take into account the number of children who are not living on CSSA but are having a disadvantaged background (see para. 2.26) as well as any other relevant factors (see para. 2.27 for examples), with a view to better assessing the demand for CDF projects over the territory.

### ***Need to improve quality assessment of school-based project applications***

2.29 Applications for CDF projects were required to meet mandatory requirements and to undergo a quality assessment (see para. 2.19). Audit noted that, for school-based projects:

- (a) no passing marks were set for the quality assessment; and
- (b) due to the limited number of applications received, some projects were awarded to applications which had scored less than 50% in the quality assessment. Of the 51 successful applications for school-based projects launched during January 2014 to June 2019 (see Table 7 in para. 2.21), 6 (12%) applications had attained a mark below 50% in the quality assessment (ranging from 47% to 48%).

In contrast, a passing mark of 50% had been adopted for NGO-run projects (see para. 2.22(a)). Audit considers that SWD needs to consider setting a passing mark to improve the quality assessment of school-based projects.

2.30 Regarding the limited number of applications received for school-based projects, Audit noted that as at 30 June 2019, a total of 50 schools had served as operators of school-based projects (Note 15). Whereas, according to the Education

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**Note 15:** *These 50 schools participated in 51 school-based projects. Some individual projects were jointly operated by more than one schools, and some schools operated more than one projects in different batches.*

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Bureau's information published in July 2019, there were over 1,000 eligible schools in Hong Kong.

2.31 Upon enquiry, in September 2019, LWB informed Audit that:

- (a) the fact that there were over 1,000 eligible schools did not necessarily mean that all schools had a sufficient number of eligible children;
- (b) participants of both NGO-run projects and school-based projects were students. Instead of running school-based projects, some schools preferred to refer suitable students to join NGO-run projects; and
- (c) it was not LWB's intention that all schools or the majority of them would apply for school-based projects.

2.32 In Audit's view, the proportion of schools which had run projects was small (only some 5%). In PART 4, Audit noted room for stepping up efforts in promoting CDF among NGOs and schools (see paras. 4.15 to 4.22).

### **Audit recommendations**

2.33 **Audit has recommended that the Director of Social Welfare should:**

- (a) **in setting district quotas for CDF projects, adequately take into account relevant factors, with a view to better assessing the demand for CDF projects over the territory; and**
- (b) **in consultation with the Vetting Committee, consider setting a passing mark for the quality assessment of school-based projects.**

### **Response from the Government**

2.34 The Director of Social Welfare agrees with the audit recommendations. He has said that SWD will:

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- (a) in consultation with the Census and Statistics Department, include other relevant figures relating to children with low income background (e.g. number of families with household income less than 75% of the relevant median monthly domestic household income and with children aged 10 to 16) in considering the setting of district quotas for future NGO-run projects; and
  
- (b) in consultation with the Vetting Committee, set a passing mark for quality assessment of the applications in respect of school-based projects.



## **PART 3: IMPLEMENTATION OF PROJECTS**

3.1 This PART examines the implementation of CDF projects, focusing on:

- (a) practices in project delivery (paras. 3.2 to 3.23);
- (b) financial monitoring of projects (paras. 3.24 to 3.34); and
- (c) attainment of intended outputs and outcomes (paras. 3.35 to 3.43).

### **Practices in project delivery**

3.2 Operators of CDF projects comprise NGOs and schools. In June and July 2019, Audit visited 5 project operators to examine their project delivery (see para. 1.16). A total of 10 completed projects were examined (see Table 8).

**Table 8**

**Operators visited and projects examined by Audit  
(June and July 2019)**

<b>Operator</b>		<b>No. of projects examined</b>	<b>No. of participants</b>
A	NGO	3	350
B		3	286
C		2	201
D	School	1	50
E		1	57
Total		10	944

*Source: Audit visits to project operators*

### ***Need to ensure compliance with requirements in service agreements***

3.3 A service agreement is signed between SWD and the operator for each CDF project (see para. 1.10), stipulating the scope of service and funding conditions.

## Implementation of projects

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Among others, the following key requirements have been stated in the service agreement:

- (a) ***Insurance requirements.*** An operator shall maintain an insurance policy to cover liabilities in respect of personal injury to or death of any person (including employees, volunteers, mentors, participants and third parties) arising out of or resulting from the performance of the project; and
  
- (b) ***Procurement requirements.*** Goods and services must be procured on an open and competitive basis, and only from non-associated parties. If the value of goods and services exceeds \$5,000, written quotations are required. For value exceeding \$500,000, open tenders shall be used (Note 16). The supplier that meets procurement requirements and has submitted the lowest bid shall be selected, or full justifications must be given and properly recorded.

3.4 Audit noted cases of non-compliance with the aforementioned requirements in the 10 projects examined (see Table 9).

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**Note 16:** *The service agreement stipulates requirements on written quotations to be obtained or open tender to be used for procurement of goods/services on different bands of aggregate values:*

- (a) *over \$5,000 but not exceeding \$10,000, written quotations from at least 2 suppliers;*
  
- (b) *over \$10,000 but not exceeding \$50,000, written quotations from at least 3 suppliers;*
  
- (c) *over \$50,000 but not exceeding \$500,000, written quotations from at least 5 suppliers; and*
  
- (d) *exceeding \$500,000, open tender shall be used.*

**Table 9**

**Non-compliance with requirements on insurance and procurement  
(January 2012 to October 2018)**

<b>Operator</b>	<b>Details of non-compliance</b>	
	<b>Insurance</b>	<b>Procurement</b>
A	N.A. (no non-compliance)	(4) In 2 cases (involving 1 project), no quotations had been obtained for services valued some \$9,300 and \$7,500 respectively, and no justifications for the non-compliance had been documented.
B	<p>(1) For 3 projects, the number of insured persons was 50 per activity, less than the total number of participants, mentors and parents, which ranged from 198 to 264 persons for the 3 projects.</p> <p>(2) For 2 of the 3 projects (see (1) above), from October 2016 to October 2017, the insurance policy only covered people aged between 15 and 70. The number of participants aged under 15 (i.e. not covered during the period) totalled 69 for the 2 projects.</p>	<p>(5) In 3 cases (involving 3 projects):</p> <ul style="list-style-type: none"> <li>– Case A: A cleaning service costing \$157,000 was procured from an associated social enterprise. No other quotations had been obtained;</li> <li>– Case B: For an exchange tour costing some \$385,000, 5 written quotations had been obtained. The lowest bid was not selected; and</li> <li>– Case C: For a camping service costing some \$25,000, no quotations had been obtained.</li> </ul> <p>No justifications for the non-compliance had been documented.</p>
C	N.A. (no non-compliance)	N.A. (no non-compliance)
D	(3) For 1 project, no insurance was arranged for mentors and parents for the first 20 months (the number of mentors and parents was 48 and 49 respectively).	N.A. (no non-compliance)
E	N.A. (no non-compliance)	(6) Design/printing and photography services costing \$9,400 were procured from an associated social enterprise of the partner NGO (Note). No justifications for non-compliance had been documented.

*Source: Audit analysis of project operator records*

*Note: The NGO partnered with Operator E to provide training programmes for the project.*

## **Implementation of projects**

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3.5 Records also indicated that, for each of the 10 projects examined, SWD had conducted site visits to the operators concerned (see para. 1.11(b)). Audit noted that of the 6 incidents of non-compliance (see items (1) to (6) of Table 9 in para. 3.4):

- (a) for 2 incidents (items (1) and (3) of Table 9), SWD identified the non-compliance during the site visits and reminded the operators of the relevant requirements; and
- (b) for 4 incidents (items (2) and (4) to (6) of Table 9), SWD did not identify the non-compliance during the site visits.

3.6 Audit considers that SWD needs to step up efforts in ensuring project operators' compliance with requirements in the service agreements during project delivery.

### ***Need to ensure effective use of training provisions***

3.7 Funding provisions (i.e. training provisions and administrative fees — see para. 1.6) are granted to operators on a per-participant basis.

3.8 For the 10 projects examined, operators used the training provisions to conduct a total of 726 training programmes (Note 17). Audit analysed 50 training programmes which were conducted from January 2012 to October 2018 with training provisions (i.e. 5 programmes for each of the 10 projects), and found a wide variation in programme types (e.g. workshops, lunch/dinner events and overseas tours) and in programme costs (ranging from \$28 to \$6,773 per person). Table 10 shows the audit analysis.

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**Note 17:** *The administrative fees of the 10 projects comprised mainly staff remuneration and audit fees.*

**Table 10**

**Audit analysis of 50 training programmes  
(January 2012 to October 2018)**

Type of programmes	No. of			Total cost incurred (\$'000)	Cost per person (\$)
	Programmes	Projects involved	Operators involved		
(a) Workshops	10	6	4	3 to 27	28 to 712
(b) Lunch/dinner events	9	6	3	27 to 60	164 to 337
(c) Training camps (Note 1)	9	6	2	6 to 30	106 to 1,489
(d) Ceremonies	8	5	4	16 to 108	94 to 1,105
(e) Overseas tours (Note 2)	7	4	2	163 to 385	3,890 to 6,773
(f) Others (Note 3)	7	5	3	6 to 13	231 to 2,359
Overall	50	10	5		

*Source: Audit analysis of project operator records*

*Note 1: The duration of the training camps ranged from 2 to 3 days.*

*Note 2: The duration of the overseas tours ranged from 4 to 5 days.*

*Note 3: Examples of other programmes were Christmas party, instrumental classes and day tours.*

3.9 In September 2019, Audit enquired about the wide variation in the types and costs of training programmes. SWD informed Audit that:

- (a) project operators had been provided with guidelines on PDPs, TS and Mentorship which were the 3 key components of CDF. They should therefore have good understanding of the objectives of CDF which would facilitate them in designing and carrying out suitable training programmes/activities for their participants, parents and mentors;

## Implementation of projects

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- (b) so long as the operators could meet the objectives and output requirements on training programmes with no additional cost incurred to the Government, they should be given the autonomy and flexibility as far as possible to provide tailor-made or innovative training programmes to participants to best meet their needs; and
- (c) for projects launched from 2018 onwards, to specifically meet the training needs for participants, it was set out that operators were required to use 60% of training provisions for participants directly.

3.10 While noting the new requirement on the direct use of training provisions for participants (see para. 3.9(c)), Audit noted that no SWD guidelines had been issued setting out other principles of using training provisions (e.g. on the types and costs of programmes run with training provisions). In Audit's view, this was not conducive to public accountability and effective use of training provisions, particularly because:

- (a) *Sensitive expenditures.* Some expenditure items were sensitive in nature (Note 18), such as lunch/dinner events and overseas tours (see items (b) and (e) of Table 10 in para. 3.8); and
- (b) *Considerable amounts.* The cost per person participating in the activities could be as high as \$6,773 for overseas tours (see item (e) of Table 10 in para. 3.8), which was equivalent to a considerable proportion (i.e. 34% of \$20,000) of the training provision for a participant.

3.11 Audit considers that, SWD needs to consider issuing guidelines to set out the principles of using training provisions.

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**Note 18:** *Sensitive expenditures refer to those incurred by using public funding and which can easily arouse public concerns. Examples of these potentially sensitive expenditures are those on meals and overseas tours. The public expects these expenditures to be moderate and conservative.*

### ***Need to disseminate good practices on monitoring participants' use of TS***

3.12 Under the TS programme, each participant saves up to \$200 per month for the first 2 years, and then spends the TS in accordance with his/her short-term PDP in the third year (see para. 1.5(b)(i) and (iii)) (Note 19). SWD has issued guidelines on the use of TS (see para. 1.11(c)). According to the guidelines, operators should assess if the participants' proposals on the use of TS are related to achieving short-term or long-term development targets of PDPs.

3.13. For the 10 projects examined, Audit analysed operators' practices on monitoring participants' use of TS (Note 20). Table 11 shows that, of the 5 operators involved, 4 had adopted at least one of the following control measures on making purchases with TS:

- (a) ***Quotation requirements.*** Requirements on the number of quotations were imposed (e.g. Operator B required that participants should obtain 2 quotations for purchases costing over \$1,500 each);
- (b) ***Purchase limits.*** Ceilings were set on the purchase of certain goods/services (e.g. Operator B required that participants should not use more than 60% of TS to purchase electronic equipment/peripherals); and
- (c) ***Vetting of applications.*** Participants needed to submit applications to the operator for using TS before making the purchases. The operator then vetted the applications.

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**Note 19:** *According to information provided by LWB to LegCo in April 2013, participants' PDPs were mostly related to education (e.g. learning a language and joining a study tour), skills enhancement (e.g. sports training, and attending music or computer courses) and vocational training (e.g. attending beauty care and cooking classes).*

**Note 20:** *For the analysis, Audit examined TS records of 90 participants (i.e. 10 participants for each of the 8 NGO-run projects and 5 participants for each of the 2 school-based projects examined).*

Table 11

**Control measures of 5 operators on the use of TS  
(January 2012 to October 2018)**

Operator	Control measures adopted (Yes ✓/No ×)		
	Quotation requirement	Purchase limit	Vetting of applications
A	×	×	✓
B	✓	✓	✓
C	✓	×	✓
D	×	×	✓
E	×	×	×

*Source: Audit analysis of project operator records*

3.14 In Audit's view, the vetting of applications (see Table 11 in para. 3.13) was a good practice, which helped ensure the proper use of TS. The fact that Operator E had not adopted any control measures referred to in paragraph 3.13 on the use of TS was less than satisfactory.

3.15 Upon enquiry, in September 2019, SWD informed Audit that:

- (a) operators were required to monitor the implementation of short-term development targets in participants' PDPs. Operators might, on their own accord, set parameters on the use of TS as necessary; and
- (b) in 2017, for enhancing project implementation, 2 sharing sessions on good practices of CDF projects were organised (see items (2) and (3) in Table 18 in para. 4.17).

3.16 Audit considers that SWD needs to sustain efforts in identifying good practices among operators on the use of TS, and consider disseminating the good practices for wider adoption among operators.



### *Need to clearly lay down operators' responsibilities in relation to TS*

3.17 SWD has set guidelines on handling TS:

- (a) according to SWD's "General Guides on drawing up PDP and use of TS in relation to the PDP", it is not a mandatory requirement that all TS should be spent in the third year of a project (Note 21); and
- (b) according to SWD's "General Guides on handling of unspent TS", upon completion of the three-year project period:
  - (i) if the participants and their parents decide not to continue implementing their PDPs, the unspent TS balances should be returned to the participants; and
  - (ii) if the participants and their parents want to continue implementing the PDPs after completion of the projects, the operators should discuss and come into mutual agreement with them on the way of handling the unspent TS.

3.18 For the 10 projects examined, Audit's analysis of operators' practices (see para. 3.13) also indicated that of the 5 operators, 3 operators (i.e. Operators A, D and E) (involving 5 projects) had returned all the unspent TS balances to participants and hence did not further monitor participants' use of TS beyond the project period (Note 22).

3.19 Audit noted that the 3 operators' practices (see para. 3.18), while allowed under the "General Guides on handling of unspent TS" (see para. 3.17(b)(i)), did not appear to be in line with another requirement set out in the "General Guides on drawing up PDP and use of TS in relation to the PDP", stipulating that operators have

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**Note 21:** *According to SWD, there are circumstances where participants need to utilise TS after the three-year project period for achieving their PDPs. For example, for a participant whose PDP is to pursue a career as a bus driver, he/she may not need to spend any TS on driving training until he/she reaches 18 years old.*

**Note 22:** *For Operators B and C, they continued to monitor the use of TS after the project period.*

## **Implementation of projects**

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the responsibility and discretion to carefully assess and ensure that participants' plans of spending TS beyond the third year are reasonable and necessary for their PDPs.

3.20 Upon enquiry, in September 2019, SWD clarified that operators had the responsibility and discretion under the aforementioned requirement (see para. 3.19) only when drawing up PDPs with participants within the three-year project period.

3.21 For the avoidance of doubt, Audit considers that SWD needs to clearly lay down operators' responsibilities in relation to spending TS beyond the project period.

## **Audit recommendations**

3.22 **Audit has recommended that the Director of Social Welfare should:**

- (a) **step up efforts in ensuring project operators' compliance with requirements in the service agreements during project delivery;**
- (b) **consider issuing guidelines to set out the principles of using training provisions;**
- (c) **sustain efforts in identifying good practices among operators on the use of TS, and consider disseminating the good practices for wider adoption among operators; and**
- (d) **clearly lay down operators' responsibilities in relation to spending TS beyond the project period.**

## **Response from the Government**

3.23 The Director of Social Welfare agrees with the audit recommendations. He has said that SWD will:

- (a) continue to closely monitor the implementation of CDF projects and review the site inspection arrangement, with a view to facilitating identification of

and timely follow-up on any irregularities or non-compliant cases during project delivery;

- (b) devise a guideline setting out general principles to facilitate effective use of training provisions by operators;
- (c) issue and disseminate a Guidebook to operators for reference on good practices of implementing CDF projects, including the monitoring of the use of TS, and continue to identify good practices among operators for enhancing project implementation; and
- (d) for the avoidance of doubt and misunderstanding, refine the guidelines to make it clear that:
  - (i) during the third year of the project period, operators have the responsibility to assess whether the participants' proposed plans of spending TS after the three-year project period, if any, are reasonable and necessary for the implementation of their PDPs; and
  - (ii) after the three-year project period, operators are not obliged to but may continue to keep the unspent TS for participants for continued implementation of PDPs upon mutual agreement with the participants and their parents.

## Financial monitoring of projects

3.24 Operators are required to submit audited financial reports (Note 23) on CDF projects. The due dates of submission are set out in service agreements.

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**Note 23:** *The auditor of the operator shall express an opinion on whether the financial reports have been properly prepared from the books of accounts and in accordance with the requirements of the service agreement in all material aspects, and whether the expenditure incurred is made in accordance with the service agreement.*

## Implementation of projects

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### *Need to ensure timely submission of reports*

3.25 Audit analysed the timeliness of submission of audited financial reports for the 83 completed CDF projects (see also Note 12 to para. 1.16(a)). Audit noted that, as at 31 July 2019, of the 295 reports required to be submitted (Note 24), 247 (84%) reports had been overdue, with delays ranging from 1 to 1,092 days (averaging 229 days). Table 12 shows the extent of delays.

**Table 12**  
**Delays in submission of**  
**audited financial reports for 83 completed CDF projects**  
**(31 July 2019)**

Type of projects	No. of projects	No. of reports		Delay	
		Required to be submitted	Overdue	Range (day)	Average (day)
NGO-run	66	237	205 (86%)	1 to 1,013	224
School-based	17	58	42 (72%)	4 to 1,092	254
Overall	83	295	247 (84%) (Note)	1 to 1,092	229

*Source: Audit analysis of SWD records*

*Note: Included in the 247 overdue reports were 16 reports, which were still outstanding as at 31 July 2019. These 16 reports had been overdue for 92 to 1,003 days (averaging 268 days).*

3.26 Audit further noted that, for the 10 projects examined (see para. 3.2), SWD had not taken adequate follow-up actions on delay cases:

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**Note 24:** *For the earlier batches of projects, operators were required to submit 4 audited financial reports. Starting from the 5th batch of NGO-run and the 2nd batch of school-based projects, operators were required to submit 3 audited financial reports.*

- (a) of the 30 delayed submissions in these 10 projects, written reminders were not issued in 24 (80%) cases; and
- (b) as stated in the service agreements, the Government reserved the right to withhold payment of funding provisions if operators failed to submit reports in accordance with the due dates. However, withholding of payment had not been executed.

3.27 Upon enquiry, in September 2019, SWD informed Audit that advance reminders of the upcoming submission were sent to operators, whereas reminders on overdue reports were mainly given through telephone calls and/or e-mails.

3.28 In Audit's view, delays in the submission of audited financial reports would hamper SWD's financial monitoring of CDF projects, and hinder the clawing back of surplus funding provisions (see paras. 3.30 to 3.32).

3.29 Audit considers that SWD needs to closely monitor any delays in the submission of audited financial reports, and take adequate follow-up actions on delay cases.

### *Need to ensure timely clawing back of surplus funds*

3.30 According to SWD's practices, audited financial reports are passed to its Finance Branch for review and vetting (Note 25). Consequent upon the review and vetting, SWD's CDF Office will issue letters to CDF operators demanding refund of any surplus funds (hereinafter referred to as demand notes). According to the service agreements, operators shall return all the surplus funds to the Government within 14 days from the date of the demand note issued by the Government.

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**Note 25:** *According to SWD, operators are required to revise and re-submit audited financial reports to SWD if non-compliance with reporting requirements is found.*

## Implementation of projects

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3.31 For the 10 projects examined, final audited financial reports indicated surplus funds in 6 projects (Note 26). Audit noted that these surplus funds had not been clawed back promptly. Table 13 shows that considerable time (e.g. 956 days for Project 1) had been taken to complete the review of the audited financial reports. As at 31 July 2019, of the 6 projects, only 2 projects (Projects 1 and 2) had the surplus funds clawed back, while the clawing back for 4 projects (Projects 3 to 6) was yet to be done.

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**Note 26:** *As at 31 July 2019, of the 10 projects, 9 had submitted their audited financial reports for the final year of the project period (i.e. final audited financial reports). The reports indicated surplus funds in 6 projects and deficits in 3 projects.*

**Table 13**

**Clawing back of surplus funds in 6 projects  
(31 July 2019)**

<b>Project</b>	<b>Submission due date of audited financial report</b>	<b>Submission of report  (a)  (No. of days after submission due date)</b>	<b>Completion of review of report by Finance Branch (Note 1)  (b)  (No. of days after submission of report)</b>	<b>Issue of demand note  (c) (No. of days after completion of review of report by Finance Branch)</b>	<b>Total  (d) = (a) + (b) + (c)  (No. of days)</b>
<b><i>Demand note issued</i></b>					
1	30.4.2015	4	956	18	978
2	31.3.2017	217	195	25	437
<b><i>Demand note not yet issued</i></b>					
3	31.3.2017	104	748 (Note 2)	Outstanding	852
4	31.12.2018	29	183	Outstanding	212
5	31.3.2019	16	106	Outstanding	122
6	30.4.2019	77	15 (Note 3)	Outstanding	92

*Source: Audit analysis of SWD records*

*Note 1: Where the review was not yet completed, figures in this column refer to the time lapse between the submission of report and 31 July 2019.*

*Note 2: According to SWD, the review of report was subsequently completed on 28 August 2019.*

*Note 3: According to SWD, the review of report was subsequently completed on 23 September 2019.*

*Remarks: Based on the final audited financial reports, the surplus funds to be clawed back for the 6 projects totalled some \$657,000.*

## **Implementation of projects**

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3.32 Audit considers that SWD needs to look into the reasons for the long time taken to claw back surplus funds from individual operators, and take measures to expedite the clawing back of surplus funds.

### **Audit recommendations**

3.33 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **closely monitor any delays in the submission of audited financial reports, and take adequate follow-up actions on delay cases; and**
- (b) **look into the reasons for the long time taken to claw back surplus funds from individual operators, and take measures to expedite the clawing back of surplus funds.**

### **Response from the Government**

3.34 The Director of Social Welfare agrees with the audit recommendations. He has said that SWD:

- (a) will continue to closely monitor any delays in the submission of audited financial reports and take enhanced measures to tighten the monitoring; and
- (b) recognises the need to claw back surplus funds for CDF projects as soon as practicable:
  - (i) the reporting requirements for different batches vary. For the early batches of CDF projects, the audited financial reports in the same batch were first gathered and scrutinised by CDF Office before they were sent to Finance Branch in one go, for the sake of facilitating consistency of review. As such, any late submission of reports by the operators would affect the processing time of other audited financial reports in the same batch;
  - (ii) apart from taking time to follow up the outstanding audited financial reports within the same batch, SWD took considerable time to



clarify with the operators, back and forth, the unclear format or inaccurate figures in the audited financial reports. It was not uncommon that the operators took a long time to revise or re-submit the audited financial reports; and

- (iii) SWD will review the workflow between CDF Office and Finance Branch, provide more guidance to facilitate operators in preparing audited financial reports and take enhanced measures to tighten the monitoring on late submission of audited financial reports.

### **Attainment of intended outputs and outcomes**

3.35 For each CDF project, the service agreement stipulates the output and outcome indicators, as well as the standards agreed for each indicator (see para. 1.10). Operators report to SWD the progress of meeting these standards through the submission of quarterly and yearly statistical returns.

### ***Need to improve attainment of intended outputs and outcomes***

3.36 For the 83 completed projects (see also Note 12 to para. 1.16 (a)), there were 10 or 11 indicators stipulated in their service agreements (Note 27) totalling 895 indicators in aggregate. Audit noted that, of the 895 indicators, the agreed standards had not been attained for 136 (15%) indicators (see Table 14).

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**Note 27:** *Output standards and outcome standards were subject to amendments by SWD from time to time. For each project launched in or after 2014, 9 output standards and 2 outcome standards were stipulated.*

## Implementation of projects

Table 14

**Attainment of output standards and outcome standards  
for 83 completed projects  
(January 2012 to October 2018)**

Indicator	Total no. of indicators		
	Stipulated for the 83 completed projects	Standard attained	Standard not attained
<i>Output indicator (see Appendix C)</i>			
1. Total no. of participants	83	77 (93%)	6 (7%)
2. Amount of matching fund	83	83 (100%)	0 (0%)
3. Total no. of mentors	83	82 (99%)	1 (1%)
4. Total no. of participants who have worked out PDPs at the end of the second year of the project (Note 1)	65	54 (83%)	11 (17%)
5. Total no. of core programmes for participants & attendance	83	74 (89%)	9 (11%)
6. Total no. of core programmes for parents & attendance	83	70 (84%)	13 (16%)
7. Total no. of core programmes for mentors & attendance	83	60 (72%)	23 (28%)
8. Total no. of sharing sessions & attendance	83	55 (66%)	28 (34%)
9. Total no. of gatherings between mentors and participants	83	44 (53%)	39 (47%)
<i>Outcome indicator (see para. 1.10(c))</i>			
1. Participants completed the two-year savings plan	83	82 (99%)	1 (1%)
2. Participants achieved PDPs and using some TS (Note 2)	83	78 (94%)	5 (6%)
Overall	895	759 (85%)	136 (15%)

Source: Audit analysis of SWD records

Note 1: Output standards and outcome standards are subject to amendments by SWD from time to time. Item 4 of the output indicators was not applicable to the first 3 batches of NGO-run projects.

Note 2: For the first 3 batches of NGO-run projects, this outcome indicator only took into account the proportion of participants who had achieved the short-term targets of PDPs.

3.37 Audit further noted that of the 83 completed projects, 26 (31%) projects had attained all output standards and outcome standards, while the remaining 57 (69%) projects had only attained some of the standards, including 3 projects with less than half of the standards attained.

3.38 In Audit's view, there is room for improvement in the attainment of output standards and outcome standards in individual projects. Audit considers that SWD needs to closely monitor the attainment of output and outcome standards of projects, with a view to taking timely and effective remedial actions (see paras. 3.39 to 3.41).

### *Need for adequate remedial actions*

3.39 According to SWD's internal guideline, for projects which do not attain the output standards and/or outcome standards, the following follow-up actions will be taken:

- (a) operators are required to work out an improvement plan for each of the unmet standard;
- (b) SWD will keep in view the progress of operators' implementation of the improvement plans;
- (c) if there is persistently poor or suspected problem performance, SWD will consider initiating an on-site assessment for in-depth examination of the problem and taking more vigorous monitoring measures as appropriate; and
- (d) at the end of the project, SWD will issue a letter to the operator requesting a written explanation on the under-performance for record.

3.40 Audit examined the 3 projects which had attained less than half of the standards (see para. 3.37). Audit noted that follow-up actions of SWD were less than satisfactory. Case 1 shows one of these cases.

## Implementation of projects

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### Case 1

#### Following up the non-attainment of output standards (2015 to April 2019)

1. Operator F ran a CDF project from July 2015 to June 2018. Every year, Operator F submitted a return, reporting the attainment of agreed standards for the 12-month period ended 30 June of the year. The report was required to be submitted by 15 July every year (Note).
2. In the 1st yearly return (for the period ended 30 June 2016), it was reported that 5 output standards had not been met. In March 2017 (i.e. more than 8 months after the reporting period), SWD requested Operator F to submit an improvement plan.
3. In the 2nd yearly return (for the period ended 30 June 2017), it was reported that 6 output standards had not been met. In May 2018 (i.e. more than 10 months after the reporting period), SWD requested and Operator F submitted an improvement plan.
4. In June 2018, 1 month after requesting Operator F to submit the improvement plan, the project ended.
5. In April 2019, after the project had ended, SWD requested Operator F to submit written explanations for not meeting the standards for 4 indicators. In fact, according to the yearly returns submitted by Operator F, it had failed to meet the standards for 6 indicators instead of 4.

#### *Audit comments*

6. In 2016 and 2017, SWD did not request Operator F to submit an improvement plan until more than 8 months and 10 months had elapsed since the period ended. SWD's follow up action should have been speeded up. In 2019, SWD requested Operator F to submit a written explanation for not meeting the standards in 4 indicators, instead of 6 indicators. SWD's follow-up action was not adequate.
7. Despite not meeting the standards in many indicators, SWD did not step up monitoring measures on the project (see para. 3.39(c)).

*Source: Audit analysis of SWD records*

*Note: SWD records did not show the actual dates of submission of the reports.*

3.41 Audit considers that SWD needs to ensure that adequate remedial actions are taken on projects which fail to meet the output and/or outcome standards.

### **Audit recommendations**

3.42 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **closely monitor the attainment of output and outcome standards of projects; and**
- (b) **ensure that adequate remedial actions are taken on projects which fail to meet the standards.**

### **Response from the Government**

3.43 The Director of Social Welfare agrees with the audit recommendations. He has said that:

- (a) it is SWD's established practice to monitor service performance through requiring operators with unmet output standards and/or outcome standards to provide improvement plans after reviewing their yearly returns. SWD will expedite the process of obtaining improvement plans from the operators concerned with a view to tightening the monitoring; and
- (b) SWD will consider taking further follow-up actions to monitor operators who persistently fail to meet the output standards and/or outcome standards.

## **PART 4: GOVERNANCE AND OTHER ADMINISTRATIVE MATTERS**

4.1 This PART examines governance and other administrative matters of CDF, focusing on:

- (a) governance issues (paras. 4.2 to 4.13);
- (b) publicity and other supporting activities (paras. 4.14 to 4.28); and
- (c) way forward (paras. 4.29 to 4.36).

### **Governance issues**

4.2 SCCDF has been set up to steer the design, and to oversee and monitor the implementation of CDF. SCCDF holds meetings 1 to 3 times a year. The Vetting Committee considers proposals from interested NGOs and schools for CDF projects, and assesses the quality aspects of applications. Meetings of the Vetting Committee are held on a need basis. In 2018-19, 2 SCCDF meetings and 1 Vetting Committee meeting were held (Note 28).

#### ***Need to keep SCCDF informed of progress of CDF projects***

4.3 For the monitoring of CDF, a range of information was provided to SCCDF. Records indicated that, as at 30 June 2019, 3 types of key information had been provided for individual batches of CDF projects:

- (a) ***Output indicators.*** LWB submitted statistics on the 9 output indicators (see Appendix C);

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**Note 28:** *The 2 SCCDF meetings had an overall attendance rate of 83% (rates for individual meetings were 80% and 87%). The Vetting Committee meeting had an attendance rate of 100%.*

- (b) ***Outcome indicators.*** LWB submitted statistics on the 2 outcome indicators (see para. 1.10(c)); and
  
- (c) ***Other project-related information.*** SWD invited project operators to give presentations on project progress at SCCDF meetings. From time to time, new performance indicators were set for project outputs and outcomes, and existing indicators were amended. LWB provided information on the new and amended indicators for SCCDF's information and deliberation.

Tables 15 and 16 show the key information provided for individual batches of projects launched up to June 2019.

## Governance and other administrative matters

Table 15

**Key information provided to SCCDF  
(for NGO-run projects launched up to June 2019)**

Key information	Key information submitted/ presentation given for the batch (Yes ✓/No ×)						
	Batch						
	1	2	3	4	5	6	7
<b>Output indicator (see Appendix C)</b>							
Total no. of participants	✓	✓	✓	✓	✓	×	×
Amount of matching fund	✓	✓	✓	×	×	×	×
Total no. of mentors	✓	✓	✓	✓	✓	×	×
Total no. of participants who have worked out PDPs	N.A. (Indicator not yet adopted)			×	×	N.A. (Projects in progress)	
Indicators on core programmes, sharing sessions and gatherings/communication occasions (5 indicators in total)	✓	✓	×	×	×		
<b>Outcome indicator (see para. 1.10(c))</b>							
Proportion of participants who can complete the two-year savings plan	✓	✓	×	×	×	N.A. (Projects in progress)	
Proportion of participants who can achieve short-term targets of PDPs with utilisation of some TS in the third year (Note 1)	✓	✓	×	×	×		
<b>Other project-related information</b>							
Presentations on projects by operators	✓	✓	×	×	×	×	×
Setting of new performance indicators	✓	✓	N.A. (Note 2)	×	N.A. (Note 2)		
Amendments of existing performance indicators	N.A. (Note 2)		✓	✓	×	N.A. (Note 2)	

Source: Audit analysis of LWB and SWD records

Note 1: For the first 3 batches of projects, this outcome indicator only took into account the proportion of participants who had achieved the short-term targets of PDPs.

Note 2: There was no setting of new indicators and no amendments of existing indicators for these batches.



**Table 16**

**Key information provided to SCCDF  
(for school-based projects launched up to June 2019)**

<b>Key information</b>	<b>Key information submitted/ presentation given for the batch (Yes ✓/No ×)</b>				
	<b>Batch</b>				
	1	2	3	4	5
<b><i>Output indicator (see Appendix C)</i></b>					
Total no. of participants	✓	✓	✓	×	×
Amount of matching fund	✓	×	×	×	×
Total no. of mentors	✓	✓	×	×	×
Total no. of participants who have worked out PDPs	✓	×	N.A. (Projects in progress)		
Indicators on core programmes, sharing sessions and gatherings/communication occasions (5 indicators in total)	✓	×			
<b><i>Outcome indicator (see para. 1.10(c))</i></b>					
Proportion of participants who can complete the two-year savings plan	✓	×	N.A. (Projects in progress)		
Proportion of participants who can achieve short-term targets of PDPs with utilisation of some TS in the third year	✓	×			
<b><i>Other project-related information</i></b>					
Presentations on projects by operators	✓	×	×	×	×
Setting of new performance indicators	×	N.A. (Note)			
Amendments of existing performance indicators	✓	×	N.A. (Note)		

*Source: Audit analysis of LWB and SWD records*

*Note: There was no setting of new indicators and no amendments of existing indicators for these batches.*

## **Governance and other administrative matters**

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4.4 As can be seen from Tables 15 and 16, insofar as the key information was concerned, less information was provided to SCCDF as more batches of projects were implemented over the years. Audit noted that while all key information was provided to SCCDF on the 1st and 2nd batches of NGO-run projects, less key information was provided on subsequent batches of NGO-run projects. For school-based projects, while key information was generally provided to SCCDF on the 1st batch of the projects, no key information was provided on the 4th and 5th batches of school-based projects.

4.5 Upon enquiry, in September and October 2019, LWB explained that:

- (a) in view of the pilot nature of projects, more information was provided to SCCDF for the first 2 batches of NGO-run projects and the first batch of school-based projects; and
- (b) as more batches of projects were implemented, the focus of materials presented to SCCDF had changed to, for example, reporting key changes of CDF and other relevant issues, having regard to the experience gained in implementing more batches of CDF projects.

4.6 In Audit's view, keeping SCCDF informed of the progress of each batch of projects facilitates its effective monitoring of CDF. To ensure that the materials and information presented can keep up with any changes in SCCDF's information need, LWB should continue to take measures (see para. 4.5(b)) to keep SCCDF appropriately informed of the progress of CDF projects.

### ***Room for improving practices on declaration of interests***

4.7 LWB and SWD have laid down guidelines on handling conflicts of interest. The guidelines require SCCDF members and Vetting Committee members to declare actual, potential or perceived conflicts of interest:

- (a) ***Time to make declarations.*** The key requirements are:

## **Governance and other administrative matters**

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- (i) **SCCDF.** Where a member has potential conflicts of interest in a matter placed before the committee, he/she should make full disclosure of his/her interest; and
  - (ii) **Vetting Committee.** Each vetting exercise is conducted through one or more committee meetings. Before the commencement of a vetting exercise, members should make declarations to confirm that they have no conflicts of interest (Note 29). Where a member becomes aware of any conflicts of interest in the course of the vetting exercise, he/she should make a declaration immediately; and
- (b) **Procedures on handling cases of declared interests.** The key requirements are:
- (i) for both SCCDF and the Vetting Committee, where a member declares conflicts of interest at a meeting, the chairman should decide whether the member may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting; and
  - (ii) all cases of declaration made at meetings should be recorded in minutes of meetings.

4.8 Audit noted one case where an SCCDF member's declaration of interests had not been recorded in the minutes of meeting as required (see Case 2).

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**Note 29:** *To make declarations, members complete and sign a declaration form. LWB records indicated that, as at 30 June 2019, all members had declared that they did not have any conflicts of interest.*

**Case 2**

**Declaration of interests not recorded in minutes of meeting  
(2018)**

1. In December 2018, LWB proposed and reviewed the list of strategic partners, with a view to better recognising the efforts of organisations that had contributed significantly to CDF. At an SCCDF meeting held in the month, the criteria for inclusion as strategic partners and the nomination of 4 organisations (including Organisation X) as strategic partners were discussed. A total of 13 committee members (including Member A) attended the meeting.

2. After deliberation, the criteria for inclusion were endorsed. Accordingly, in March 2019, Organisation X and 2 other organisations were included as strategic partners.

3. According to the information published on the website of Organisation X, Member A was a committee member of Organisation X at the time of the SCCDF meeting. According to LWB's guidelines, potential conflicts of interest should be declared where:

- (a) a committee member of SCCDF had assumed directorship in, entered into partnership with or taken up an advisory role in a club, association, union or organisation; and
- (b) the club, association, union or organisation was connected with, or was the subject of, a matter under consideration by the committee.

4. Minutes of the SCCDF meeting did not indicate that Member A had declared her affiliation with Organisation X. Upon enquiry, LWB informed Audit in October 2019 that Member A had declared her affiliation with Organisation X at the beginning of the meeting.

***Audit comments***

5. Member A's declaration of potential conflicts of interest had not been recorded in the minutes of meeting, contrary to LWB's requirement (see para. 4.7(b)(ii)).

4.9 Audit also noted that the Secretary for Home Affairs issued a memorandum in 2005, entitled “Advisory and Statutory Bodies — Declaration of Interests”. According to the memorandum, the 2 systems for declaration of interests are:

- (a) ***One-tier reporting system.*** When a member of a board or committee perceives a potential conflict of interest in a matter placed before the board or committee, he/she should make a full disclosure of his/her interest; and
- (b) ***Two-tier reporting system.*** This system applies to boards and committees with extensive powers over policy or financial matters. Under the system, members should disclose their general pecuniary interests on appointment to these boards and committees and annually thereafter, in addition to the report of conflicts of interest as and when they arise.

By the memorandum, bureaux and departments are reminded to review from time to time the system for declaration of interests for the advisory and statutory bodies under their purview, so as to ensure the system matches the needs of the body concerned.

4.10 In this regard, Audit noted that the system for declaration for SCCDF is a one-tier reporting system. Records did not show that LWB had reviewed, from time to time, SCCDF’s system for declaration of interests having regard to the memorandum of 2005. As regards the Vetting Committee, upon enquiry in September 2019, SWD informed Audit that it was not an advisory and statutory body referred to in the memorandum. The memorandum was therefore not applicable to the Vetting Committee, but declarations would still be made by members of the Vetting Committee if there were conflicts of interest.

4.11 Audit considers that LWB should record declaration of interests made by committee members in minutes of meetings, as required by LWB guidelines. LWB also needs to review, having regard to the memorandum issued by the Secretary for Home Affairs, the system for declaration of interests for SCCDF as necessary.

### **Audit recommendations**

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

- (a) **continue to take measures to keep SCCDF appropriately informed of the progress of CDF projects;**
- (b) **record declaration of interests made by committee members in minutes of meetings; and**
- (c) **review, having regard to the memorandum issued by the Secretary for Home Affairs in 2005, the system for declaration of interests for SCCDF as necessary.**

### **Response from the Government**

4.13 The Secretary for Labour and Welfare agrees with the audit recommendations. He has said that LWB will:

- (a) continue to keep SCCDF informed of the progress of CDF projects for monitoring CDF;
- (b) record declaration of interests made by committee members in minutes of meetings; and
- (c) review the system for declaration of conflicts of interest for SCCDF from time to time having regard to the memorandum issued by the Secretary for Home Affairs in 2005.

### **Publicity and other supporting activities**

4.14 In support of CDF, a range of activities are conducted. According to LWB records, these activities comprised general publicity activities for raising the community's awareness of CDF, targeted promotion for engaging stakeholders and

partners, and value-added activities for widening participants’ horizons. Table 17 shows the key activities conducted in 2018.

**Table 17**  
**Publicity and other supporting activities of CDF**  
**(2018)**

Key activity	No.
<i>General publicity activity</i>	
Leaflets and posters distributed	54,045
Video clips posted on CDF website and social media platforms (e.g. Facebook and Instagram)	85
<i>Targeted promotion</i>	
Ceremony	1
Sharing/collaboration session with project operators	1
Publication of newsletter	1
<i>Value-added activity</i>	
Visits and experiential programmes	16
Art and cultural activities	3
Financial and life planning programmes	12

*Source: Audit analysis of LWB records*

***Need to step up promotion efforts***

4.15 LWB has from time to time commissioned consultancy studies on CDF (see para. 4.31). In the consultancy study completed in March 2017, a recommendation was to step up publicity and promotion efforts to increase the awareness of CDF projects in schools and among school teachers.

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4.16 Records indicated that, in March 2017, SCCDF was informed of the follow-up actions which would be taken on the above recommendation:

- (a) ***Stepping up promotion among schools.*** LWB and SWD would explore opportunities to reach out to teachers and principals via related bodies (e.g. associations of teachers, associations of heads of schools, and school councils), to encourage more schools to consider becoming CDF operators and referring eligible students to join CDF projects; and
- (b) ***Sharing experience among operators.*** Annual meetings with representatives of operators would be organised to exchange ideas and practices on running CDF projects. Experience sharing sessions for teachers and school principals would also be arranged. CDF newsletters would be used to publicise good practices.

4.17 Upon enquiry, in August 2019, LWB and SWD informed Audit of the progress of the follow-up actions. According to LWB and SWD, 4 sharing/collaboration sessions had been arranged for NGOs and schools (see Table 18).



**Table 18**

**Sharing/collaboration sessions arranged for NGOs and schools  
(March 2017 to August 2019)**

	<b>Date</b>	<b>Nature of session</b>	<b>No. of participating NGOs/schools</b>	<b>No. of attendees from participating organisations</b>
1.	March 2017	Experience sharing session	2 NGOs and 31 schools	40
2.	September 2017	Sharing session on good practices of CDF projects	29 NGOs	65
3.	October 2017	Sharing session on good practices of CDF projects	22 schools	28
4.	February 2018	Collaboration meeting (Note)	25 NGOs and 22 schools	76

*Source: Audit enquiry and information provided by LWB and SWD*

*Note: The activities included: (a) briefing by SWD on CDF; (b) sharing by 2 school operators and their NGO partners of their partnership experience; (c) question and answer session; (d) group discussion in sharing attendees' experiences and to explore collaboration on operating CDF projects; and (e) networking among attendees.*

4.18 Audit noted that, as at 15 August 2019:

- (a) about 17 months had elapsed since a sharing/collaboration session was last held in February 2018 (see Table 18 in para. 4.17). However, no further sharing/collaboration sessions had been held for NGOs and schools; and
- (b) about 28 months had elapsed since SCCDF was informed of the intended follow-up actions in March 2017 (see para. 4.16). However, teachers and principals had not been reached out via related bodies as intended.

4.19 Upon enquiry, in September 2019, LWB and SWD informed Audit that although teachers and principals of schools had not yet been reached out via related bodies, principals and schools not operating school-based projects had been reached

## **Governance and other administrative matters**

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out through the experience sharing session held in March 2017 and the collaboration meeting held in February 2018.

4.20 In Audit's view, given the limited number of attendees at the experience sharing session and the collaboration meeting, there is merit in exploring opportunities to reach out to more schools (e.g. via related bodies).

4.21 In this connection, Audit also noted that there were occasions of no applications for running CDF projects from NGOs in some individual districts (see para. 2.24) and that only a limited number of schools had so far submitted applications for CDF projects (see para. 2.30).

4.22 Audit considers that LWB and SWD should, in consultation with the Education Bureau, take measures to step up efforts in promoting CDF (e.g. organising sharing/collaboration sessions more frequently) among NGOs and schools.

### ***Need to sustain efforts in arranging value-added activities***

4.23 Value-added activities are organised to help participants in CDF projects widen their horizons, and to help them make informed life and career planning (see para. 1.7(b)). According to LWB, these activities have been welcome by project operators and participants.

4.24 In 2015, LWB informed the LegCo Panel on Welfare Services that it would step up efforts in arranging value-added activities. Table 19 shows that from 2014 to 2018, there was an overall increase in both the total number of value-added activities and the total number of participants in the activities:

- (a) the total number of value-added activities increased from 5 (2014) by 520% to 31 (2018); and
- (b) the total number of participants increased from 130 (2014) by 1,418% to 1,973 (2018).

**Table 19**

**Value-added activities arranged for CDF participants  
(2014 to 2018)**

Type of activities	2014	2015	2016	2017	2018
<b><i>No. of events</i></b>					
Visits and experiential programmes (Note 1)	5	3	34	16	16
Art and cultural activities (Note 2)	—	8	3	8	3
Financial and life planning programmes (Note 3)	—	—	1	1	12
Total	5	11	38	25	31
<b><i>No. of participants</i></b>					
Visits and experiential programmes	130	470	1,690 (Note 4)	491	958
Art and cultural activities	—	457	350	1,585 (Note 5)	357
Financial and life planning programmes	—	—	50	526	658
Total	130	927	2,090	2,602	1,973

*Source: Audit analysis of LWB records*

*Note 1: Visits and experiential programmes allowed participants to gain insight into different industries and professions, which might give them inspiration for their long-term development.*

*Note 2: Art and cultural activities provided participants with opportunities to explore interests in art, music and cultures, and helped participants find out if they wished to pursue arts and culture as a career.*

*Note 3: Financial and life planning programmes helped equip participants with knowledge on financial management and life planning.*

*Note 4: According to LWB, a large number of visits to government departments and their facilities were arranged during the year (e.g. visiting the Customs and Excise Training School).*

*Note 5: According to LWB, large-scale performance and screenings were held during the year. In particular, support from an organisation was enlisted, which helped many (about 760) participants attend classical music concerts.*

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4.25 Against the overall increase in both the number of value-added activities and the number of participants over the years, Audit noted that:

- (a) the total number of value-added activities had dropped from its peak of 38 in 2016, by 18% to 31 in 2018; and
- (b) the total number of participants in the activities had also dropped, from its peak of 2,602 in 2017, by 24% to 1,973 in 2018.

In Audit's view, it is important that efforts in arranging value-added activities is sustained.

4.26 Audit considers that LWB should take measures (e.g. calling for support from government departments and organisations to arrange value-added activities — see Notes 4 and 5 to Table 19 in para. 4.24) to sustain the efforts in arranging value-added activities for CDF participants.

### **Audit recommendations**

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

- (a) **in collaboration with SWD and in consultation with the Education Bureau, take measures to step up efforts in promoting CDF among NGOs and schools; and**
- (b) **take measures to sustain the efforts in arranging value-added activities for CDF participants.**

### **Response from the Government**

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

- (a) has from time to time collaborated with SWD in organising sharing sessions for NGOs and schools. For sharing sessions for schools, the Education Bureau has helped disseminate the details of these sessions to principals and teachers. LWB, in collaboration with SWD and the Education Bureau, where applicable, will continue to take measures to step up efforts in promoting CDF among NGOs and schools; and
- (b) will take measures to sustain its efforts in arranging value-added activities for CDF participants.

### Way forward

4.29 Set up in 2008 and having a total financial commitment of \$900 million, CDF is expected to benefit 30,000 underprivileged children under its projects, promoting their longer-term development with the ultimate aim of alleviating inter-generational poverty. While it will take time for the full impact of CDF to be seen, as at 30 June 2019, CDF had only launched projects for some 18,000 children. This audit review has found room for improvement in various areas:

- (a) ***Planning the launch of projects and commissioning project operators.*** As at 30 June 2019, CDF projects had yet to be launched for many (11,860) children. Notwithstanding that NGO-run projects were key projects which contributed to meeting the annual targets for new projects and new participants, they had not been launched regularly. The proportion of schools which had run CDF projects was also small (only some 5%). Updated information about the implementation of CDF and about the progress of launch of projects (e.g. the latest estimated number of participants, the time frame for launching projects for these participants, the latest number of children having benefitted from CDF projects, and the basis of assessing attainment of the annual target) could be better provided to LegCo (see PART 2);
- (b) ***Implementation of projects.*** In project delivery, there were cases where operators of CDF projects did not comply with requirements in service agreements. There were also varying practices among operators (e.g. on monitoring participants' use of TS), including some good practices which were worth disseminating for wider adoption. For financial monitoring, there were delays in the submission of financial reports from operators, hindering SWD's clawing back of surplus funding provisions. There was

## **Governance and other administrative matters**

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also room for improvement in attainment of project outputs and outcomes. Of the 83 completed projects examined by Audit, only 26 (31%) projects had attained all output standards and outcome standards (see PART 3); and

- (c) ***Governance and other administrative matters.*** There was room for stepping up efforts in promoting CDF among NGOs and schools (see PART 4).

4.30 Some LegCo Members and the public have expressed concerns about CDF. An area of concern was that CDF participants might not be those having the most imminent need. According to media reports and LegCo Members' enquiries, since participation in CDF projects was voluntary, participants would likely to be those who were self-motivated. This would leave the relatively passive children outside CDF projects, who would actually be the ones having the most imminent need to plan for their future. In this regard, Audit noted that SCCDF had been informed that more schools would be encouraged to consider becoming CDF operators, so as to refer more eligible students to join CDF projects (see para. 4.16(a)).

4.31 From time to time, LWB has commissioned consultancy studies on CDF:

- (a) in 2012, a "Consultancy Study on CDF Pioneer Projects" was completed. It found that CDF had helped create favourable conditions for participants to overcome inter-generational poverty;
- (b) in 2017, a "Study on the Longer Term Development of CDF Project Participants" was completed. It found that CDF projects could effectively enhance underprivileged children's ability to combat poverty; and
- (c) in 2017, a "Further Study on the Long Term Development of CDF Project Participants" ("Further Study") was commissioned. In October 2019, the study was still in progress.

4.32 In the 2017 Policy Address, the Chief Executive announced the plan of setting up a Commission on Children (Note 30) to amalgamate the efforts made by relevant bureaux/departments and child concern groups, and focus on addressing children's issues as they grow. According to the Government's published information, the Commission would co-ordinate its work with existing platforms, which include the CDF.

4.33 Considerable experience has now been gained in implementing CDF projects for more than a decade since the setting up of CDF in 2008. In Audit's view, taking into account the experience gained over the years, it is worth re-examining by the Government some parameters of CDF (e.g. intended number of participants, time frame for launching projects, eligibility for projects, levels of funding for projects, duration of projects, and output and outcome standards).

4.34 According to the LWB's latest available information, the Further Study (see para. 4.31(c)) would not be completed until December 2019. Audit considers that LWB needs to keep in view the results of this consultancy study, and consider the way forward for CDF taking into account relevant factors including the results of this audit review, areas of public concern, the need for collaborating with relevant stakeholders (e.g. the Commission on Children — see para. 4.32), and Audit's view in paragraph 4.33.

### Audit recommendation

4.35 **Audit has recommended that the Secretary for Labour and Welfare should keep in view the results of the Further Study which is currently in progress, and consider the way forward for CDF taking into account other relevant factors, including the results of this audit review.**

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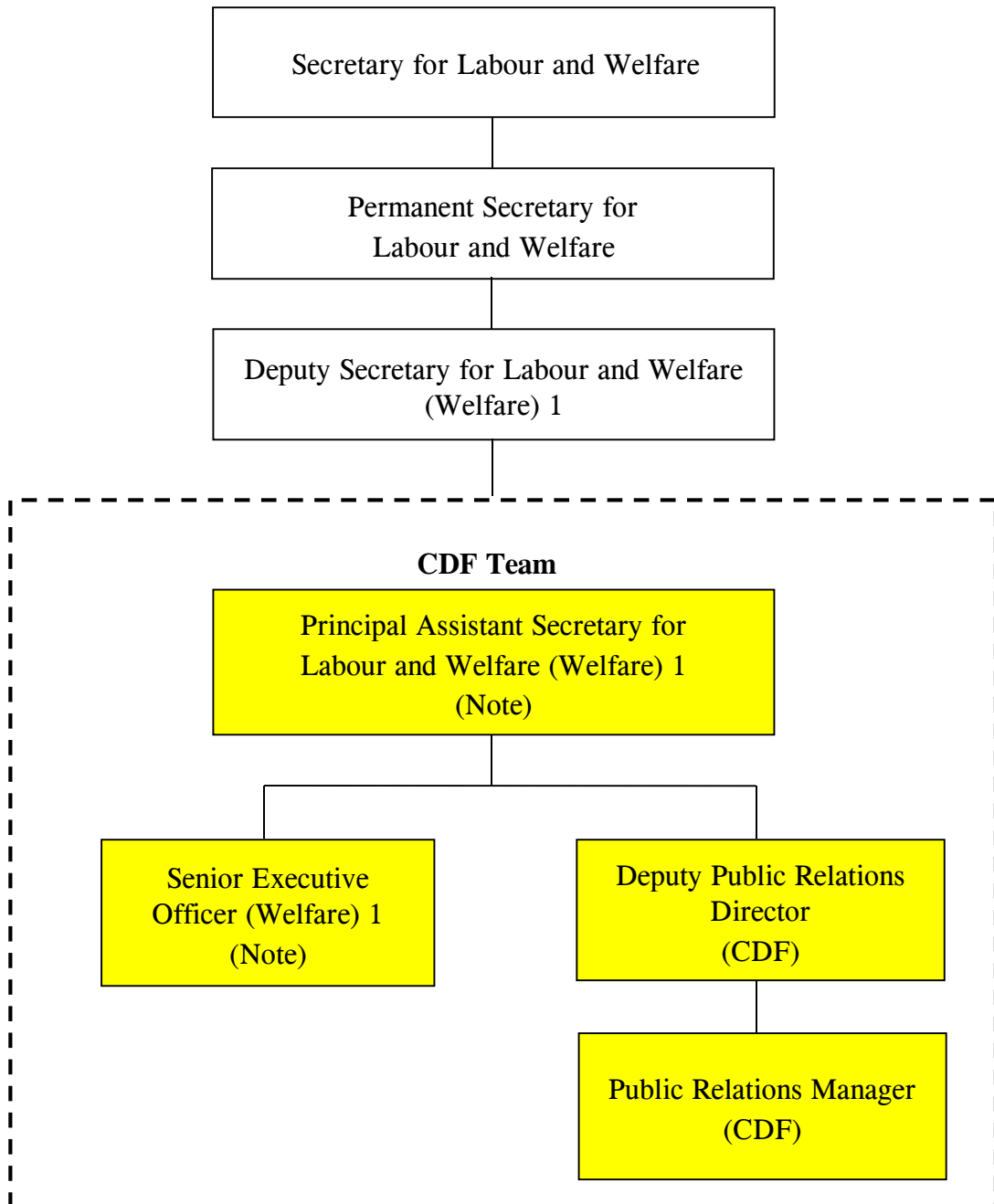
**Note 30:** *The Commission on Children was established on 1 June 2018, with the Chief Secretary for Administration as the chairperson and the Secretary for Labour and Welfare as the vice-chairperson. The Commission had 30 other members, comprising 21 non-official members and 9 ex-officio members. The Director of Social Welfare is one of the ex-officio members.*

## **Response from the Government**

4.36 The Secretary for Labour and Welfare agrees with the audit recommendation.



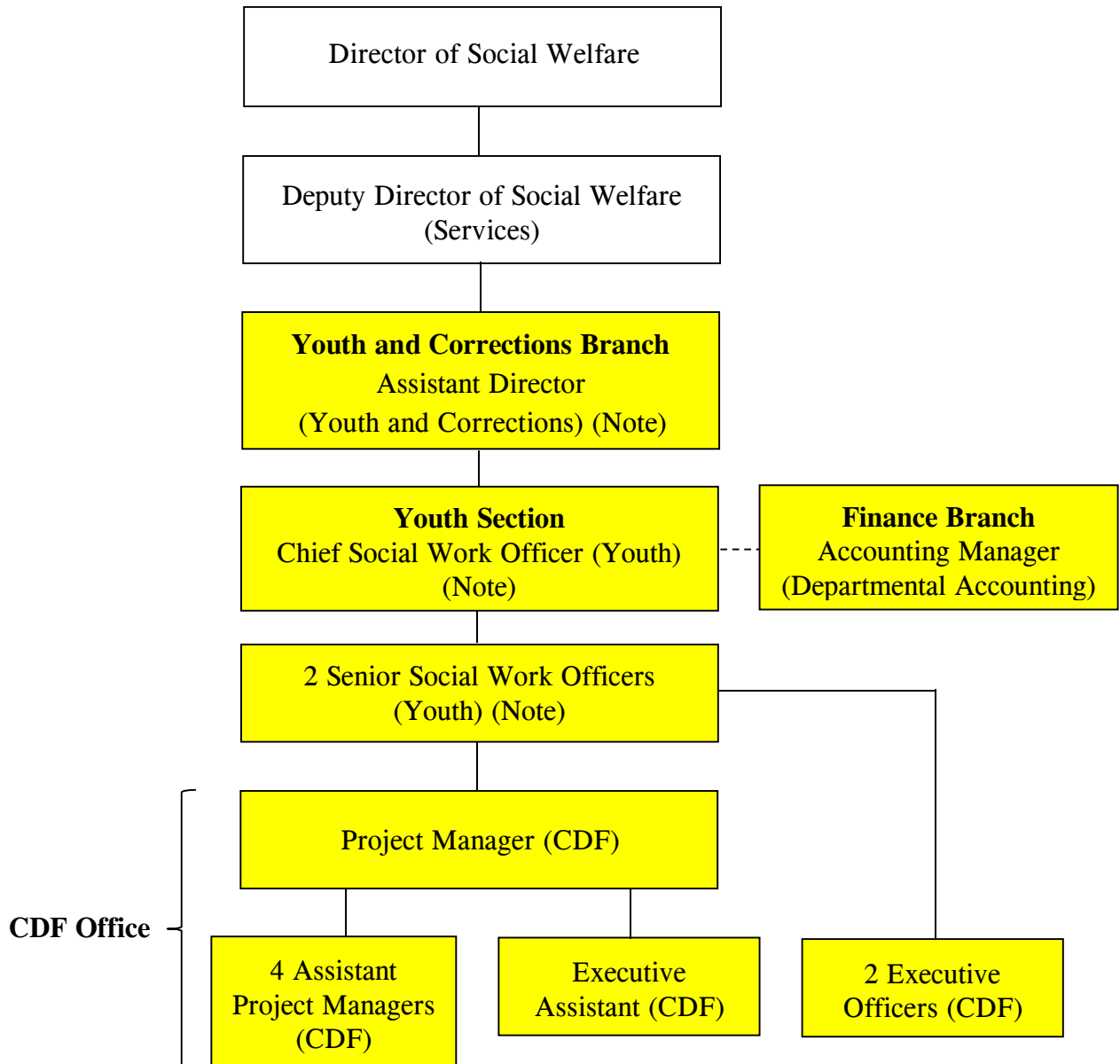
**Labour and Welfare Bureau:  
Organisation chart (extract)  
(31 March 2019)**



Source: LWB records

Note: The staff are responsible for the management of CDF among other duties relating to the functions of LWB.

**Social Welfare Department:  
Organisation chart (extract)  
(31 March 2019)**



Source: SWD records

Note: The staff are responsible for administering CDF projects among other work relating to youth and corrections.

**Output indicators and standards  
(for Child Development Fund projects launched in or after 2015)**

<b>Output indicator</b>		<b>Standard</b>
1.	Total number of participants	NGO-run: $\geq 100$ per project; aged 14 to 16 $\geq 50\%$ School-based: $\geq 50$ per project
2.	Amount of matching fund	At or at least a “savings/donations” ratio of 1:1 for each participant
3.	Total number of mentors	At least a “mentors/mentees” ratio of 1:3
4.	Total number of participants who have worked out PDPs at the end of the second year of project	$\geq 80\%$ of participants
5.	Total number of core programmes provided to participants on training/community services opportunities	<ul style="list-style-type: none"> <li>• 10 core programmes</li> <li>• <math>\geq 80\%</math> of participants have attended at least 7 out of the 10 core programmes</li> </ul>
6.	Total number of core programmes on training provided to parents/guardians to engage them in life planning and financial planning for participants	<ul style="list-style-type: none"> <li>• 5 core programmes</li> <li>• <math>\geq 70\%</math> of parents/guardians have attended not less than 4 out of the 5 core programmes</li> </ul>
7.	Total number of core programmes provided to mentors on training and guidance	<ul style="list-style-type: none"> <li>• 5 core programmes</li> <li>• <math>\geq 70\%</math> of mentors have attended not less than 4 out of the 5 core programmes</li> </ul>
8.	Total number of sharing sessions for participants, parents/guardians, mentors and donors, etc.	<ul style="list-style-type: none"> <li>• Once a year for the first 2 years</li> <li>• <math>\geq 70\%</math> attendance rate among all participants, parents/guardians, mentors and donors for each sharing session</li> </ul>
9.	Total number of gatherings/communication occasions between mentors and participants	<ul style="list-style-type: none"> <li>• Monthly gatherings/communication occasions between mentors and participants</li> <li>• In each month, <math>\geq 70\%</math> of paired-up mentors/mentees have at least one time of gathering/communication</li> </ul>

Source: SWD records

Remarks: Output indicators and standards are subject to amendments by SWD from time to time. This Appendix shows the prevailing indicators/standards applicable to projects operating at the time of audit.

## **Mandatory requirements for Child Development Fund project applications**

Only applications having met all the requirements set out below shall be considered for quality assessment for CDF projects. At present, for each application, the mandatory requirements are:

- (a) the applicant and partner applicant (if any) must be:
  - (i) NGO-run projects: charitable organisations exempt from tax under section 88 of the Inland Revenue Ordinance (Cap. 112) in Hong Kong; or
  - (ii) School-based projects: a public sector school or a school under Direct Subsidy Scheme. Except for government schools, all applicant schools and partner schools must have a "certificate of registration" under section 3 of the Education Ordinance (Cap. 279);
- (b) the applicant and partner applicant have not applied/received and will not apply/receive any public funding (other than CDF) for the proposed projects;
- (c) the applicant NGO and partner NGO have a track record on the provision of children and youth services in Hong Kong in the past 5 years (applicable to NGO-run projects only);
- (d) the applicant NGO and partner NGO are applying to operate 2 consecutive projects in the same district (applicable to NGO-run projects under the "one-plus-one" approach only);
- (e) the proposed project comprises 3 major components, namely PDPs, mentorship programme and TS programme;
- (f) the proposed project:
  - (i) NGO-run projects: offers not less than 100 places. The proportion of participants aged 14 or above shall not be lower than 50%; or
  - (ii) School-based projects: offers not less than 50 places for Primary 4 to Secondary 4 students in the first school year of the project period;

**Appendix D**  
(Cont'd)  
(para. 2.19 refers)

- (g) the proposed project shall meet the minimum 1:3 mentor-to-mentee ratio;
- (h) the proposed project shall meet the 1:1 matching contribution ratio;
- (i) the application form is duly signed by:
  - (i) NGO-run projects: the Board Chairperson or Agency Head of the applicant;  
or
  - (ii) School-based projects: the Principal of the applicant with school chop; and
- (j) the application is submitted in the prescribed application form before the deadline.

*Source: SWD records*

**Factors considered in quality assessment of  
Child Development Fund project applications**

At present, quality assessment is based on the following factors relevant to the applicants:

***Relevant experiences and venues***

- (a) relevant experience in organising mentorship/personal development programmes for children and youth in Hong Kong in the past 5 years;
- (b) relevant experience in the provision of children and youth services in Hong Kong in the past 5 years (applicable to NGO-run projects only);
- (c) availability of site(s)/venue(s) in the serving district/area (applicable to NGO-run projects only);

***Ability to recruit/retain target children/suitable mentors and deliver planned services***

- (d) target number of and ability to recruit participants (applicable to NGO-run projects only);
- (e) ability/measures to recruit adequate mentors to meet the pledged mentor-to-mentee ratio;
- (f) ability to provide services/programmes/activities to participants, parents/guardians and mentors;
- (g) ability/measures to retain participants and mentors throughout the project period and to encourage their participation in trainings/community services/sharing sessions;
- (h) availability of support network, ability to establish and maintain effective network with other organisations in the district/area in operating the project;

***Ability to secure matching contributions***

- (i) ability to seek 1:1 matching contributions from available network, corporate and/or individual donors;

***Financial management***

- (j) ability to monitor the accounts of participants and donations received;

***Human resource management***

- (k) mechanism to handle complaints related to the project;
- (l) ability to recruit/deploy suitable staff personnel with relevant experience to implement and monitor the project;

***Added-value measures relating to service performance and monitoring***

- (m) ability to provide overall project evaluation/monitoring, and on use of information technology;
- (n) achievement level of required output/outcome indicators and/or availability of additional indicators;

***Project synergy***

- (o) synergy in implementing 2 consecutive CDF projects (applicable to NGO-run projects under the “one-plus-one” approach only);
- (p) ability and plan to leverage on available resource/network to schools to facilitate operation of the project (applicable to school-based projects only); and

***Bridging arrangement***

- (q) ability to let participants continue with CDF project if they were to leave the school before completion of CDF project (applicable to school-based projects only).

*Source: SWD records*

**Child Development Fund projects and participants by districts  
(30 June 2019)**

District (Note)	No. of projects			No. of participants		
	NGO- run projects  (a)	School- based projects  (b)	Total  (c) = (a) + (b)	NGO- run projects  (d)	School- based projects  (e)	Total  (f) = (d) + (e)
Tsuen Wan & Kwai Tsing	21	7	28 (14%)	2,198	377	2,575 (14%)
Hong Kong Island	15	4	19 (10%)	1,650	223	1,873 (10%)
Kowloon City & Yau Tsim Mong	16	2	18 (9%)	1,740	101	1,841 (10%)
Kwun Tong	11	11	22 (11%)	1,209	599	1,808 (10%)
Sham Shui Po	12	5	17 (9%)	1,371	262	1,633 (9%)
Yuen Long	10	9	19 (10%)	1,063	543	1,606 (9%)
Tuen Mun	10	7	17 (9%)	1,095	469	1,564 (9%)
Tai Po & North	14	1	15 (8%)	1,513	50	1,563 (9%)
Sai Kung	9	2	11 (6%)	955	120	1,075 (6%)
Tung Chung	9	1	10 (5%)	909	50	959 (5%)
Wong Tai Sin	9	1	10 (5%)	880	57	937 (5%)
Shatin	6	1	7 (4%)	655	51	706 (4%)
Total	142	51	193 (100%)	15,238	2,902	18,140 (100%)

Source: SWD records

Note: NGO-run projects are analysed by the districts where the projects were implemented. School-based projects are analysed by the districts where the schools were located.



**Acronyms and abbreviations**

Audit	Audit Commission
CDF	Child Development Fund
CSSA	Comprehensive Social Security Assistance
LegCo	Legislative Council
LWB	Labour and Welfare Bureau
NGO	Non-governmental organisation
PDP	Personal Development Plan
SCCDF	Steering Committee on Child Development Fund
SWD	Social Welfare Department
TS	Targeted savings