

CHAPTER 3

Labour and Welfare Bureau Employees Retraining Board

<h3>Employees Retraining Board</h3>
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Report No. 74 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>

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EMPLOYEES RETRAINING BOARD

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EMPLOYEES RETRAINING BOARD

Executive Summary

1. In 1992, the Employees Retraining Board (ERB) was established as a statutory body under the Employees Retraining Ordinance (ERO — Cap. 423). Under ERO, the functions of ERB are, inter alia, to consider the provision, administration and availability of retraining courses and supplementary retraining programmes intended or designed for the benefit of eligible employees in adjusting to changes in the employment market by acquiring new or enhanced vocational skills, and to engage the services of training bodies for the purpose of providing or conducting retraining courses. Since December 2007, ERB has extended its scope of service targets to include people aged 15 or above with education attainment at sub-degree level or below. The governing body of ERB is its Board. ERB has established six Committees and an Investment Group to carry out different functions. As at 31 December 2019, ERB had 195 permanent staff and 60 contract and temporary staff. In 2018-19, ERB's income was \$637.3 million and the expenditure was \$949.3 million. The Audit Commission (Audit) has recently conducted a review of ERB.

Management of training services

2. ***Decreasing number of young trainees admitted to ERB courses.*** Audit noted that in the period from 2014-15 to 2018-19: (a) the percentages of young trainees aged 15 to 29 admitted to ERB training courses among all trainees were not high (ranging from 8.4% to 12.2%); (b) the number and percentage of such young trainees decreased from 13,423 (12.2%) in 2014-15 to 10,695 (8.4%) in 2018-19; and (c) the number of trainees admitted under youth training courses was low, ranging from 374 to 508, averaging 441, and decreased by 19% from 508 in 2014-15 to 412 in 2018-19 (paras. 2.5 and 2.6).

3. ***Decreasing number of ethnic minorities admitted to ERB courses.*** Audit analysed the utilisation of planned places of courses for special targets for the years 2014-15 to 2018-19 and noted that: (a) the number of admitted trainees of ethnic minorities was low, decreasing from 374 in 2014-15 to 225 in 2018-19; (b) the utilisation of planned places of courses for ethnic minorities decreased from 47% in 2014-15 to 28% in 2018-19; and (c) despite the fact that less than half of the planned

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places were utilised and the decrease in the number of admitted trainees of ethnic minorities, the number of planned places had not been adjusted (para. 2.8).

4. ***Need to review the retraining allowances for placement-tied courses.*** For placement-tied courses with duration of seven days or more, trainees are eligible for retraining allowances if their attendance rates reach 80% or more. The retraining allowances per day for different categories of courses and different trainees ranged from \$30 to \$153.8. Audit noted that no review on the existing rates of retraining allowances had been conducted for over 10 years since April 2009. In view of the decreasing number of young trainees admitted to ERB training courses, ERB needs to review the existing rates of retraining allowances (paras. 2.10, 2.12 and 2.13).

5. ***Room for improvement in new course development.*** Audit examined 16 of the 274 new courses approved in the period from 2014-15 to 2018-19 and noted that: (a) the information regarding the availability of similar courses in the market and the competitiveness of the proposed courses in comparison with those existing in the market was not included in the course proposals and the papers submitted to the Course and Service Development Committee; and (b) there was inconsistency in proposals for courses developed by ERB and training bodies. Training bodies were required to state the number of classes proposed, but such information was not required for courses developed by ERB (para. 2.16).

6. ***Some training courses not suspended although no classes were held for many years.*** According to the ERB Guidelines, training courses for general trainees will be considered for suspension if no class has been held continuously for three years. Audit found that of the 36 courses with no classes held for three years from 2014-15 to 2016-17, the Course Management Working Group approved not to suspend 34 (94%) of the courses. However, for 2 (6%) of the 36 courses, there was no evidence showing that the Course Management Working Group approved not to suspend them. Audit also noted that the Course and Service Development Committee and Course Vetting Committee were not provided with information on the course suspension (paras. 2.18, 2.21 and 2.22).

7. ***Long waiting times of courses for some applicants.*** Training courses are held at the training centres of training bodies in various districts. Each training centre maintains its own waiting lists of applicants for the training courses. As at 31 December 2019, there were 52,659 applicants on the waiting lists (comprising

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10,661 applicants for placement-tied courses and 41,998 applicants for non-placement-tied courses). Audit found that: (a) of the 10,661 applicants for placement-tied courses, 2,172 (20%) had been on the waiting lists for more than four months (i.e. the waiting time specified in the performance pledge); and (b) of the remaining 41,998 applicants for non-placement-tied courses, 14,526 (35%) had been on the waiting lists for more than five months (i.e. the waiting time specified in the performance pledge) (para. 2.27).

8. ***Some training courses did not meet targets on key performance indicators (KPIs).*** Audit analysed the performance of KPIs for the period from 2014-15 to 2018-19 and noted that some training courses did not meet the performance targets: (a) of the 2,525 training courses held during the period, 336 (13.3%) did not meet the target capacity utilisation rate of 85%; (b) of the 2,516 training courses with classes completed during the period, 230 (9.1%) did not meet the target attendance rate of 80%; (c) graduation rate has been set as a KPI since 2015-16. Of the 2,020 training courses with classes completed in the period from 2015-16 to 2018-19, 159 (7.9%) did not meet the target graduation rate of 80%; and (d) of the 744 placement-tied courses for general trainees, persons with disabilities and persons recovered from work injuries, and youth training courses, 52 (7%) did not meet the target placement rate of 70%. Of the 118 placement-tied courses for ethnic minorities, rehabilitated ex-offenders and new arrivals, 31 (26.3%) did not meet the target placement rate of 50% (paras. 2.33 to 2.37).

9. ***Some training courses did not meet targets on reference indicators.*** Audit analysed the performance of reference indicators for the period from 2014-15 to 2018-19 and noted that some training courses did not meet the performance targets and the overall retention rate decreased: (a) of the 825 applicable placement-tied courses, 602 (73%) did not meet the target relevancy rate to training of 60%; (b) of the 190 placement-tied courses aiming at full-time employment in the period from 2015-16 to 2018-19, 60 (32%) did not meet the target continuous employment rate of 60%; and (c) the overall retention rate for placement-tied courses decreased from 64% in 2014-15 to 61% in 2018-19 (paras. 2.40 to 2.43).

Quality assurance

10. ***Annual audits not performed according to ERB Guidelines.*** According to the ERB Guidelines, if a training body obtained Group 1 rating in the on-site annual

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audits performed by ERB in the last two consecutive years, the training body will be allowed to undertake self-evaluation for one year. Audit noted that, of the 367 annual audits conducted in the period from 2014-15 to 2018-19, 127 (35%) were self-evaluations. However, of these 127 self-evaluations, 60 (47%) self-evaluations were performed by training bodies which did not obtain Group 1 rating in the on-site annual audits performed by ERB in the last two consecutive years (paras. 3.3 and 3.4).

11. ***Class surprise inspections not conducted for some training centres.*** According to the ERB quality assurance guidelines, training centres where ERB courses have been held will be selected for class surprise inspections at least once a year. However, Audit noted that for every year in the period from 2016-17 to 2018-19, two training centres were not inspected as required (paras. 3.7 and 3.8).

12. ***Need to improve course-end assessments.*** Audit reviewed the results of 50 assessment observations on course-end assessments conducted by ERB in the period from 2015-16 to 2018-19 and noted that there were non-compliances with assessment guidelines in 10 assessment observations. Audit found room for improvement in the follow-up actions taken by ERB on their results of assessment observations (para. 3.11). Examples are as follows:

- (a) ***Foundation Certificate in Dim Sum Cook Training Course.*** According to the guidelines on course-end assessments, candidates should complete the assessment within the time allowed. For the Foundation Certificate in Dim Sum Cook Training Course held in 2017-18, ERB found that trainees were allowed to prepare the custard stuffing prior to the commencement of the assessments. ERB subsequently found that the assessor had let trainees prepare the stuffing prior to the commencement of the assessments since June 2015 involving 5 classes. No re-assessments were conducted for the trainees involved (para. 3.11(a)); and
- (b) ***Certificate in Health Worker Training Course.*** According to the assessment observation report, the practical skills assessment for the Certificate in Health Worker Training Course held in 2015-16 was not conducted in accordance with the ERB Guidelines as follows:
 - (i) nasotracheal suction skills were not tested for a trainee;
 - (ii) the assessor allowed a trainee to verbally spell out the procedures of wound cleansing;
 - (iii) the assessor did not verify the accuracy in the test of medicine

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distribution for two trainees; and (iv) taking correct volume of liquid medicine was not tested. No inspections were conducted to follow up whether improvement measures had been taken (para. 3.11(b)).

13. ***Decreasing number and percentage of accredited training courses.*** Audit reviewed the training courses with enrolled trainees and analysed the percentages among those courses that were accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Audit found that in the period from 2014-15 to 2018-19: (a) the number of accredited courses decreased from 469 to 308; and (b) the percentage of accredited courses among courses with enrolled trainees decreased from 95% to 58% (para. 3.18).

Training support services

14. ***Few tenders received for operation of Service Centre and Service Spots.*** ERB procured the services for operation of the Service Centre and the Service Spots by restricted tendering. Invitations for tender were issued to the prospective service providers which fulfilled the prescribed requirements and conditions of the tender exercises for the operation of the Service Centre and the Service Spots as approved by the Course and Service Development Committee of ERB. Audit examination of the tender exercises for the operation of the Service Centre (Tin Shui Wai) and the Service Spots conducted in the period from 2011 to 2019 revealed that the responses from the service providers were lukewarm in the period from 2015 to 2019 (paras. 4.5 and 4.6):

- (a) ***Service Centre (Tin Shui Wai).*** In 2011, ten tenders (including only five conforming tenders) were received in response to the 95 invitations for tender issued for the operation of the Service Centre (Tin Shui Wai). In 2015, in response to the 96 invitations for tender issued, only two tenders were received. Of these two tenders, only the tender from the incumbent service provider was a conforming tender. In response to the 51 invitations for tender issued in 2019, only one tender, which was a conforming tender, was received from the incumbent service provider (para. 4.6(a));
- (b) ***Service Spots (Kwai Tsing and Tsuen Wan).*** In response to the 19 invitations for tender issued for the operation of the Service Spots (Kwai Tsing and Tsuen Wan) in 2015, five tenders (including only one conforming tender) were received. In 2019, in response to the 13 invitations for tender

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issued, only one tender, which was a conforming tender, was received from the incumbent service provider (para. 4.6(b));

- (c) ***Service Spots (Kowloon West).*** In 2017, of the 35 invitations for tender issued for the operation of the Service Spots (Kowloon West), only two tenders (both were conforming tenders) were received (para. 4.6(c)); and
- (d) ***Service Spots (Kowloon East).*** In 2018, of the 21 invitations for tender issued for the operation of the Service Spots (Kowloon East), only one tender, which was a conforming tender, was received (para. 4.6(d)).

15. ***Need to endeavour to improve performance of the operators of Smart Living Scheme.*** Service targets are set out in the engagement agreements signed between ERB and the operators for the operation of Smart Living – Regional Service Centres under the Smart Living Scheme. Audit examination of the achievement of the overall annual service targets of the Smart Living Scheme for the period from 2014-15 to 2018-19 revealed that: (a) the overall annual service target on the number of vacancies registered was not met for all five years; (b) the overall annual service target on the number of vacancies filled was not met for 2016-17 and 2018-19; and (c) except for 2017-18, the overall annual service target on the number of helpers placed was not met for the other four years. Audit further examined the achievement of the annual service targets and required annual composite performance scores by individual Smart Living – Regional Service Centres for the period from 2014-15 to 2018-19. Audit found that the annual service targets on the number of vacancies registered, vacancies filled and helpers placed were not met by 5 to 10, 4 to 7 and 4 to 8 Smart Living – Regional Service Centres respectively. For 2 to 5 Smart Living – Regional Service Centres, the required annual composite performance score of 90 was not met (paras. 4.13, 4.15 and 4.16).

16. ***Need to closely monitor the performance of operators of Smart Living Scheme.*** According to the Operation Guidelines for the Smart Living Scheme, if an operator has a composite performance score below 80 for two quarters within a year, ERB may consider terminating the agreement unless the operator improves and achieves at least 80 marks in the following month upon written request. Audit examined the scores of the operators of the eight Smart Living – Regional Service Centres for the first two quarters of 2019-20 and noted that three operators had a score below 80: (a) Operator A scored 67 and 68 in the first and the second quarter respectively; (b) Operator B scored 69 and 67 in the first and the second quarter

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respectively; and (c) Operator C scored 75 and 67 in the first and the second quarter respectively. These three operators achieved none of the three service targets in both the first and the second quarters of 2019-20 (paras. 4.19 and 4.20).

17. ***Some service requirements in respect of KPIs of Smart Baby Care Scheme not met.*** According to the engagement agreements signed between ERB and the operator for the operation of the Smart Baby Care Scheme, service requirements are set out in the agreement in respect of six KPIs and in the event that the KPI performance is not achieved, ERB may regard it as a fundamental breach. Audit analysed the achievement of service requirements in the period from 2016-17 to 2018-19 and found that service requirements were not met for two KPIs: (a) the service requirement on the number of vacancies registered was not met in all the three years during the period; and (b) the service requirement on the satisfaction rate of employers on the services of fresh graduates was not met in 2016-17 (paras. 4.25 and 4.27).

Corporate governance and administrative issues

18. ***Late circulation of agendas of Board/Committee meetings.*** Audit examined the records of the 129 Board/Committee meetings conducted during the period from 2014-15 to 2018-19 and found that 14 (10.9%) of the 129 meeting agendas were circulated to members less than one week before the meetings as required by the ERB Guidelines. The delays ranged from 1 to 3 days (averaging 2 days) (para. 5.4).

19. ***Late issue of minutes of Board/Committee meetings.*** In 2011, ERB said that it would ensure that draft minutes of Board/Committee meetings would be issued within one month after the meetings. Audit noted that the ERB Guidelines had not stipulated a time target. Audit examined the records of draft minutes of the Board/Committee meetings conducted during the period from 2014-15 to 2018-19 and found that 10 (7.8%) of the 129 draft minutes were not issued within one month after the meetings. The delays ranged from 1 to 10 days, averaging 4 days (paras. 5.5 and 5.6).

20. ***Need to enhance procedures of making declarations of interests by Board/Committee members.*** According to the ERB Guidelines, members (including the Board Chairman, Board/Committee members and co-opted members of the

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Committees) should submit written declarations of interests to the Executive Office of ERB at the time of their appointments or re-appointments. Audit examined the records of declaration of interest for the period from 2015-16 to 2019-20 and noted the following issues (paras. 5.10 and 5.11):

- (a) ***Requests for declarations of interests not issued in a timely manner.*** ERB sent the requests to Board members on average 74 days, ranging from 22 to 228 days, subsequent to the Board appointments or re-appointments. For non-Board co-opted members of the Committees, the requests were made on average 57 days, ranging from 2 to 196 days, after their appointments. Of the 118 meetings held in the period from 2015-16 to 2019-20 (up to 31 October 2019), 31 (26.3%) were held before the submission deadlines of the declarations of interests (para. 5.11(a)); and
 - (b) ***Late submission of declarations of interests.*** Of the 92 declarations submitted by Board/Committee members for the period from 2015-16 to 2019-20, 17 (18.5%) were submitted after the submission deadlines stipulated by ERB. The delays ranged from 1 to 160 days, averaging 43 days (para. 5.11(b)).
21. ***Need to keep in view the increase in staff turnover rate.*** As at 31 October 2019, the staff establishment and staff strength of ERB were 268 staff and 252 staff respectively. Audit examined the annual staff turnover rates for the period from 2014-15 to 2018-19 and found that the rate decreased from 8.3% in 2014-15 to 5.4% in 2017-18 but increased significantly to 10.4% in 2018-19 (paras. 5.15 and 5.16).
22. ***Need to enhance the review on senior staff remuneration.*** According to the Memorandum of Administrative Arrangements, ERB should at each interval of not more than three years, submit a review report to the Secretary for Labour and Welfare on the review of the top three tiers of staff remuneration packages to ensure that such senior staff remuneration packages are appropriate. Audit examined the latest senior staff remuneration review report and noted that ERB only included cash remuneration in the review report. Non-cash benefits and retirement benefits, which were also part of the staff remuneration packages, were not reported (paras. 5.18 and 5.20).

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23. ***Need to monitor the financial condition of ERB.*** In February 2014, the Government injected a sum of \$15 billion into the Employees Retraining Fund (ERF) primarily as seed money for generating investment income to finance the services and operation of ERB on a long-term basis. Audit examined the financial condition of ERB in the period from 2014-15 to 2018-19 and noted that: (a) ERB incurred a deficit every year, ranging from \$142 million to \$401 million (averaging \$296 million); and (b) the balance of ERF decreased by \$1,478 million (9%) from \$16,280 million as at 1 April 2014 to \$14,802 million as at 31 March 2019. According to the estimation made by ERB, the balance of ERF would further decrease to \$8,330 million in February 2026 (paras. 5.26 to 5.28).

24. ***Majority of recoverable financial incentives could not be recovered.*** To encourage enrolment and provide assistance to persons in need, ERB provides financial incentives in the form of retraining allowances and course fee reduction for trainees attending placement-tied courses and non-placement-tied courses respectively. ERB would recover the financial incentives from trainees of non-placement-tied courses who failed to achieve 80% attendance rate and trainees who are found to have provided false information. Audit found room for improvement in recovering of financial incentives, as follows (paras. 5.32 and 5.33):

- (a) ***Need to explore effective measures to encourage attendance and deter provision of false information.*** In the period from 2014-15 to 2018-19, the amount of recoverable financial incentives written off was \$12 million, ranging from \$2.2 million to \$2.6 million each year. According to ERB's estimation, about 70% of recoverable financial incentives were subsequently written off. The failure to recover the majority of financial incentives indicated that the effectiveness of encouraging attendance and deterring the provision of false information was doubtful (paras. 5.34 and 5.35);
- (b) ***Need to rationalise the follow-up actions taken by ERB.*** Three Sections of ERB, namely the Finance & Accounts Section, the Course Administration Section and the Quality Enhancement Section were responsible for taking actions to recover the financial incentives provided to trainees. Audit noted that there were differences among the follow-up actions taken by the three Sections (para. 5.36); and
- (c) ***Need to step up efforts to refer cases of provision of false information to law enforcement authorities.*** Provision of false information dishonestly

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could amount to an offence under ERO and the Theft Ordinance (Cap. 210). Audit examined ERB's records in the period from 2014-15 to 2018-19 and noted that it did not refer any cases of provision of false information to law enforcement authorities for legal actions. Although the ERB Guidelines stipulated that ERB would refer the suspected fraud cases to relevant authorities for possible legal actions when warranted, as of March 2020, no such case was spotted by ERB (para. 5.38).

25. *Need to improve the inventory check procedures.* According to ERB's Guidelines on Stores Management, inventory checks (including full-scale inventory check and surprise inventory check) were conducted by the inventory holders or their designated officers. Such practice lacked independence and was not conducive to effective inventory control (paras. 5.43 and 5.44).

Audit recommendations

26. **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 Executive Director, ERB should:**

Management of training services

- (a) **step up efforts to improve the popularity of training services for young people (para. 2.23(b));**
- (b) **step up efforts to enhance the attractiveness of training services for ethnic minorities (para. 2.23(d));**
- (c) **review the existing rates of retraining allowances (para. 2.23(e));**
- (d) **provide in the course proposals and the papers submitted to the Course and Service Development Committee information regarding the competitiveness of proposed courses, and rationalise the information requirements for the proposals of courses developed by ERB and those developed by training bodies (para. 2.23(f) and (g));**

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- (e) ensure that courses are suspended according to the ERB Guidelines (para. 2.23(h));
- (f) shorten the waiting times before the applicants can commence training (para. 2.29);
- (g) continue to monitor the performance of training courses on various KPIs and reference indicators (para. 2.45(a));

Quality assurance

- (h) ensure that on-site annual audits and self-evaluations are conducted according to the ERB Guidelines (para. 3.13(a));
- (i) ensure that class surprise inspections are conducted for training centres according to the ERB Guidelines (para. 3.13(c));
- (j) ensure that the course-end assessments are conducted by training bodies in accordance with the ERB Guidelines (para. 3.13(d));
- (k) consider whether remedial actions are necessary for those trainees who have passed the assessment but the assessment has not been conducted according to the ERB Guidelines (para. 3.13(f));
- (l) increase the number of accredited training courses (para. 3.20);

Training support services

- (m) enhance competition in the tender exercises for operation of the Service Centre and the Service Spots (para. 4.9);
- (n) improve the performance of the operators of the Smart Living Scheme (para. 4.30(a));
- (o) enhance the popularity of the Smart Baby Care Scheme and improve the performance of the operator (para. 4.30(c));

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Corporate governance and administrative issues

- (p) circulate the meeting agendas to Board/Committee members in a timely manner and set a time target for the issue of draft meeting minutes (para. 5.12(a) and (b));
- (q) enhance procedures of making declarations of interests by Board/Committee members (para. 5.12(e));
- (r) keep in view the staff turnover rate and explore feasible measures to address the issue if the high turnover rate persists (para. 5.21(a));
- (s) include non-cash and retirement benefits in the senior staff remuneration review report (para. 5.21(b));
- (t) in collaboration with the Labour and Welfare Bureau, monitor the financial condition of ERB (para. 5.29);
- (u) explore other effective measures to encourage trainees to achieve a high attendance rate and to deter them from providing false information (para. 5.39); and
- (v) consider improving the inventory check procedures and enhance the effectiveness of the checks as far as practicable (para. 5.45(b)).

Response from ERB and the Government

27. The Executive Director, ERB agrees with the audit recommendations. The Secretary for Labour and Welfare has said that the Labour and Welfare Bureau will take appropriate follow-up actions on the audit recommendations relating to the Labour and Welfare Bureau and will provide the necessary support for ERB to implement the proposed improvement measures.

PART 1: INTRODUCTION

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

Background

1.2 In 1992, the Employees Retraining Board (ERB) was established as a statutory body under the Employees Retraining Ordinance (ERO — Cap. 423). Under ERO, the functions of ERB are, inter alia, to consider the provision, administration and availability of retraining courses (Note 1) and supplementary retraining programmes (Note 2) intended or designed for the benefit of eligible employees (Note 3) in adjusting to changes in the employment market by acquiring new or enhanced vocational skills, and to engage the services of training bodies for the purpose of providing or conducting retraining courses. The functions of ERB under ERO are shown at Appendix A.

Original objective and service targets

1.3 Upon its inception in 1992, ERB administered the Employees Retraining Scheme. Prior to June 1997, the objective of the Employees Retraining Scheme was to retrain workers who were displaced as a result of economic restructuring so that they could acquire new skills to adjust to changes in the labour market. Apart from

Note 1: *Under ERO, a retraining course is a course provided or conducted by a training body for the purpose of training or retraining trainees to acquire new or enhanced vocational skills.*

Note 2: *Under ERO, a supplementary retraining programme is a programme approved by ERB and provided or conducted by a training provider for the purpose of training or retraining eligible employees to acquire new or enhanced vocational skills or to facilitate their employment.*

Note 3: *Under ERO, an eligible employee is an employee who is the holder of an identity card or a certificate of exemption and is not subject to any condition of stay (other than a limit of stay) and is not in breach of any limit of stay. Employee has the same meaning as in section 2(1) of the Employment Ordinance (Cap. 57), and includes a former employee and any person who wishes to take up employment as an employee after attending a retraining course or a supplementary retraining programme.*

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the displaced workers, ERB's service targets also included people with disabilities, people recovered from industrial accidents, as well as the elderly.

New missions and expanded scope of services

1.4 Owing to the changing structure of the Hong Kong economy, the Government completed a consultancy review on the Employees Retraining Scheme in June 1997. The major recommendation of the review was that ERS should focus on providing retraining to people aged 30 or above with no more than junior secondary education, so as to help them find jobs and sustain their employment. After the review, ERB's primary service target groups were the unemployed aged 30 or above with education attainment of Secondary 3 or below. ERB also provided its services to home makers, new arrivals and people with chronic illnesses who intended to re-enter the job market, as well as those eligible in-service workers who wished to enhance their generic skills. Since December 2007, ERB has further extended its scope of service targets to include people aged 15 or above with education attainment at sub-degree level or below (see para. 2.4(c)).

1.5 In January 2008, ERB completed a strategic review on its future role and functions and released a public consultation document. The consultation document recommended that ERB should provide more comprehensive and diversified training and retraining services for the local labour force. In July 2008, ERB rebranded the Employees Retraining Scheme as "Manpower Development Scheme" to better reflect its new missions and scope of services. Taking into account the views and comments received during the public consultation period, ERB submitted its recommendations on its future directions to the Government. In March 2009, the Chief Executive-in-Council endorsed the recommendations of the strategic review on the future directions of ERB for implementation in phases as follows:

- (a) strengthen research and set up a human resources database, reinforce liaison and communication with employers and all stakeholders, and promote skills assessment and professional certification to fortify recognition;
- (b) diversify the scope of training courses to cater for new target groups, improve training content and extend training hours, incorporate work experience in training courses, enhance quality assurance and cost effectiveness, and pilot one-stop training cum employment resource centre;

- (c) strengthen the articulation of training courses and offer training on skills upgrading, strengthen partnership and consultative networks with industries, provide recruitment and training services to employers, make use of training allowances effectively, and establish service brands, create employment opportunities, incubate social enterprises; and
- (d) provide appropriate training and employment services to the disadvantaged groups (including non-engaged youths, the disabled and people who had recovered from work injuries, ex-offenders, new arrivals and ethnic minorities) and pilot Employment Set Sail Course (Note 4).

Governance and organisation structure

1.6 The governing body of ERB is its Board. According to ERO, the Board consists of:

- (a) a Chairman;
- (b) a Vice-Chairman;
- (c) not more than four other members who represent employers;
- (d) not more than four other members who represent employees;
- (e) not more than four other members who are connected with vocational training and retraining or manpower planning; and
- (f) not more than three other members who are public officers.

Note 4: *The pilot Employment Set Sail Course was to help new arrivals from the Mainland and ethnic minorities to enter the employment market and achieve their full potential. The objective was to facilitate their integration to the society and help them set clear career objective.*

Introduction

The members of the Board shall be appointed by the Chief Executive of the Hong Kong Special Administrative Region (Note 5). As at 31 December 2019, the Board had 16 members including two public officers, namely the Permanent Secretary for Labour and Welfare and the Commissioner for Labour.

1.7 ERB has established six Committees and an Investment Group to carry out different functions (see Appendix B). The six Committees are:

- (a) Course and Service Development Committee;
- (b) Course Vetting Committee;
- (c) Quality Assurance and Review Committee;
- (d) Public Relations and Promotion Committee;
- (e) Finance and Administration Committee; and
- (f) Audit Committee.

1.8 Under ERO, the Board is empowered to appoint employees on such terms and conditions of service as it thinks fit. As at 31 December 2019, ERB had 195 permanent staff and 60 contract and temporary staff. The Executive Office is under the leadership of the Executive Director (ED), who is underpinned by four Divisions and an Internal Audit Section. Each Division is headed by a Deputy ED. The Internal Audit Section reports directly to the Audit Committee. The organisation chart of ERB as at 31 December 2019 is shown at Appendix C.

Funding of ERB

1.9 The major sources of funding of ERB include:

Note 5: *The authority of the Chief Executive to appoint members of the Board, other than the Chairman and the Vice-Chairman, has been delegated to the Secretary for Labour and Welfare since 2007.*

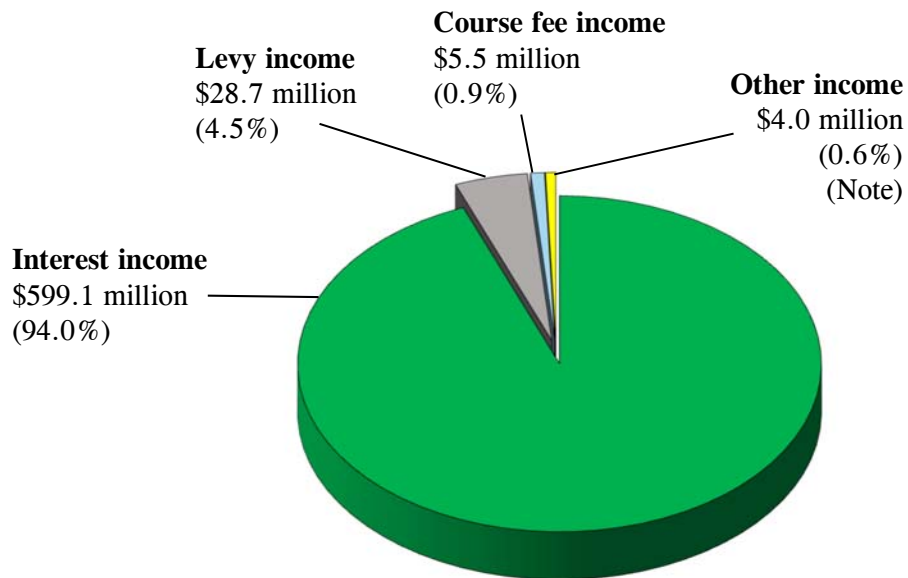
- (a) ***Government injections.*** During its initial years of operation, ERB received in total capital block grants of \$1.6 billion. Every year in the period from 2001-02 to 2007-08, ERB received an annual recurrent subvention of about \$400 million. In February 2014, in order to provide sustained and stable financial support for ERB, the Government injected \$15 billion into the Employees Retraining Fund (ERF) administered by ERB primarily as seed money for generating investment income to finance the services and operation of ERB on a long-term basis. As at 31 March 2019, ERF had a balance of \$14.8 billion. In 2018-19, interest income derived from ERF contributed 94% of the total income of ERB; and
- (b) ***Employees Retraining Levy.*** To finance its activities, ERB receives Employees Retraining Levy from employers of imported labour under labour importation schemes designated under ERO. The levy payable for each imported employee is \$400 multiplied by the number of months covered by the employment contract up to a maximum of 24 months. The levy goes to ERF for providing training and retraining to local workers. The Supplementary Labour Scheme and the importation of foreign domestic helpers were approved as labour importation schemes under ERO in 1996 and 2003 respectively. In November 2008, the Chief Executive-in-Council decided to suspend the collection of the Employees Retraining Levy for a period of five years from 1 August 2008 to 31 July 2013. In May 2013, the Chief Executive-in-Council decided that the Employees Retraining Levy imposed on foreign domestic helpers would be abolished upon the expiry of the suspension period. Employers seeking to import labour under the Supplementary Labour Scheme are subject to levy payment from 1 August 2013. In 2018-19, levy income contributed 4.5% of the total income of ERB.

Income and expenditure

1.10 In 2018-19, ERB's total income was \$637.3 million (see Figure 1) and the total expenditure was \$949.3 million (see Figure 2). The deficit for the year was \$312 million.

Figure 1

**Analysis of total income of ERB of \$637.3 million
(2018-19)**

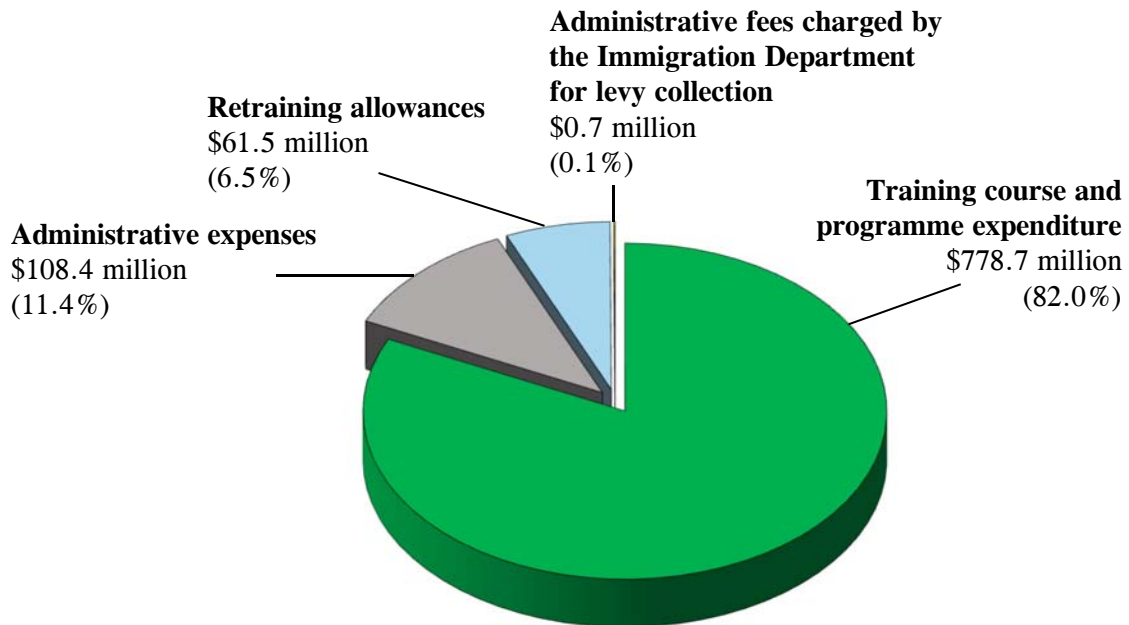


Source: ERB records

Note: Other income was mainly accreditation grant from the Education Bureau.

Figure 2

**Analysis of total expenditure of ERB of \$949.3 million
(2018-19)**



Source: ERB records

Memorandum of Administrative Arrangements

1.11 The Government and ERB have entered into a Memorandum of Administrative Arrangements (MAA) (Note 6). MAA provides a framework for the relationship between the Government and ERB and sets out the responsibilities of each party in detail. According to MAA:

- (a) ERB should have flexibility in utilising its funds and resources insofar as it is compatible with the provisions of ERO and MAA;
- (b) the role of the Secretary for Labour and Welfare in relation to the work of ERB is to ensure that ERB's activities accord with the Government's relevant policies and priorities and that the activities are properly and effectively planned, delivered and evaluated;

Note 6: *The first MAA between the Government and ERB was entered into in September 2001. The MAA was revised in September 2014.*

Introduction

- (c) as the Government's policy secretary overseeing the work of ERB, the Secretary for Labour and Welfare is responsible for ensuring that the policy objectives of ERB are appropriate, and that they remain so in the light of changing circumstances;
- (d) ERB is responsible for the administration of those activities for which it has statutory executive authority, overseeing the work of training bodies and training providers engaged to provide retraining courses and services as provided under ERO, and the administration of ERF; and
- (e) ERB should submit to the Secretary for Labour and Welfare for approval annually a programme of its activities and estimates of income and expenditure ("the Annual Plan") for the coming financial year.

ERB Guidelines

1.12 ERB issues a set of Guidelines (ERB Guidelines) for its training bodies and staff to follow in carrying out their work. The areas covered by the ERB Guidelines include:

- (a) training services;
- (b) quality assurance;
- (c) training support services; and
- (d) other administrative matters.

Audit review

1.13 In 2000, the Audit Commission (Audit) completed a review of the Employees Retraining Scheme and reported the results in Chapter 9 of the Director of Audit's Report No. 35 of October 2000. In 2011, Audit completed a review of ERB and reported the results in Chapter 2 of the Director of Audit's Report No. 57 of October 2011.

1.14 In November 2019, Audit commenced a review of ERB. The audit has focused on the following areas:

- (a) management of training services (PART 2);
- (b) quality assurance (PART 3);
- (c) training support services (PART 4); and
- (d) corporate governance and administrative issues (PART 5).

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

General response from ERB

1.15 ED, ERB thanks Audit for its effort in conducting the audit review of ERB. He has said that the Board welcomes Audit's recommendations and in particular the many useful and constructive recommendations made by Audit. ERB is committed to implementing the relevant recommendations as appropriate for the objective of continuous service improvement.

General response from the Government

1.16 The Secretary for Labour and Welfare welcomes the value-for-money review conducted by Audit on ERB. He has said that the Labour and Welfare Bureau (LWB) will take appropriate follow-up actions on the recommendations relating to LWB. LWB notes that ERB has also indicated agreement to the other recommendations made by Audit in respect of the daily operation of ERB. LWB will provide the necessary support for ERB to implement the proposed improvement measures.

Acknowledgement

1.17 Audit would like to acknowledge with gratitude the full cooperation of the staff of LWB and ERB during the course of the audit review.

PART 2: MANAGEMENT OF TRAINING SERVICES

2.1 This PART examines the management of training services by ERB, focusing on the following areas:

- (a) planning and development of training courses (paras. 2.4 to 2.25);
- (b) managing waiting times for training courses (paras. 2.26 to 2.30); and
- (c) performance measurement (paras. 2.31 to 2.46).

Background

2.2 ERB co-ordinates, funds and monitors training courses and services offered by training bodies. The service targets of ERB are people aged 15 or above with education attainment at sub-degree level or below. In 2018-19, ERB provided 130,000 training places and appointed about 70 training bodies to provide around 800 training courses. There are six categories of training course:

- (a) ***Placement-tied courses.*** Placement-tied courses are provided for persons who are unemployed or non-engaged. These courses are generally offered in full-time mode and are free-of-charge. Trainees attending courses with duration of seven days or more may apply for retraining allowances. Trainees with an attendance rate of at least 80% are provided with three to six months' placement follow-up services upon completion of courses;
- (b) ***Skills upgrading courses.*** Skills upgrading courses are non-placement-tied courses provided to both the unemployed and in-service workers. The courses are offered in part-time mode and are fee-charging. Vocational and professional education and training straddling different industries are provided with the aim of enhancing the skills competency of practitioners and fostering their attainment of multi-dimensional skills. Non-practitioners may also enrol in individual courses which provide basic knowledge of the industries. The courses aim to broaden their employment opportunities through training and facilitate their job mobility. Trainees

Management of training services

who have no or low income may apply to waive the course fees in full or in part (Note 7);

- (c) **Generic skills courses.** Generic skills courses are non-placement-tied courses provided to eligible clientele including the unemployed and in-service workers. These courses are generally offered in half-day or evening mode and are fee-charging. Training of foundation skills (e.g. English, Chinese, Putonghua, and Information Technology Applications) and personal attributes applicable in different industries are provided in the courses. To assist trainees to acquire recognised qualifications and enhance their competitiveness, a series of preparatory courses for language proficiency tests are also offered under this course category. Trainees who have no or low income may apply to waive the course fees in full or in part (see Note 7 in (b));
- (d) **Courses for special service targets.** These courses aim at providing training and employment services to assist the special service targets, namely new arrivals, persons with disabilities and persons recovered from work injuries, ethnic minorities, rehabilitated ex-drug abusers and ex-offenders, to integrate into the society and achieve self-reliance. Some courses are placement-tied and some are non-placement-tied. Dedicated courses for the special service targets cover vocational and professional education and training, generic skills training and career planning;
- (e) **Youth training courses.** Youth training courses are operated in full-time placement-tied mode and comprise mainly courses under the Youth Training Programme. The Youth Training Programme targets at non-engaged youth aged between 15 and 24, with education attainment at secondary education level or below. The programme aims to rekindle their desire to learn and further study, and motivate them to actively plan for their future; and
- (f) **Tailor-made courses.** Employers that offer 12 or more vacancies in a particular position which requires special skills not readily available from placement-tied courses of ERB can apply to ERB to provide tailor-made

Note 7: *Trainees with monthly income of \$12,000 or below may apply for course fee waiver. Trainees with monthly income between \$12,001 and \$20,000 may apply for paying about 30% of the training costs.*

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courses for them. The employers are required to employ at least 80% of those trainees who have an attendance rate of 80% or above and have passed the assessment.

In 2018-19, the total cost of providing training courses was \$715.7 million and the number of trainees admitted was 126,936. The average training cost per trainee was \$5,638. The number of trainees admitted in each category of training courses in 2018-19 is shown in Table 1.

Management of training services

Table 1

**Number of trainees admitted in training courses
(2018-19)**

Category	No. of trainees	Percentage
Placement-tied courses	42,964	33.8%
Skills upgrading courses	57,897	45.6%
Generic skills courses	22,069	17.4%
Courses for special service targets (Note 1)	3,563 (Note 2)	2.8% (Note 2)
Youth training courses (Note 3)	412	0.3%
Tailor-made courses (Note 4)	31	0.1%
Total	126,936	100.0%

Source: Audit analysis of ERB records

Note 1: Special service targets comprised ethnic minorities, new arrivals, rehabilitated ex-drug abusers and ex-offenders, persons with disabilities and persons who recovered from work injuries.

Note 2: In 2018-19, there were 3,563 (2.8%) trainees admitted in courses for special service targets, including 1,440 (1.1%) trainees admitted in placement-tied courses and 2,123 (1.7%) trainees admitted in non-placement-tied courses.

Note 3: Youth training courses comprised courses under the Youth Training Programme and other dedicated courses for the youth.

Note 4: These referred only to tailor-made courses for the general public but not tailor-made courses for other groups of trainees.

2.3 In each year, ERB allocated training places to training bodies through allocation exercises. The major allocation exercise of training places is conducted in November. Two supplementary allocation exercises are conducted in March and June of the following year for the remaining training places not allocated in the November exercise and the training places for new courses. The allocation of training places to training bodies for each course is based on their:

- (a) unit cost of training places;
- (b) overall quality control (i.e. the ratings of annual audit, course and financial administration, administration of placement services, number of complaints and achievement of the performance pledge);
- (c) past performance (e.g. capacity utilisation rate, graduation rate, placement rate and trainees' satisfaction level); and
- (d) relevant training experience (i.e. the number of training hours of the course for the past five years).

In 2018-19, 71 training bodies were allocated with 161,340 training places.

Planning and development of training courses

Decreasing number of young trainees admitted to ERB courses

2.4 In the paper it submitted to the Legislative Council in October 2007 informing the Council of the decision of the Chief Executive-in-Council to extend the scope of service targets of ERB, LWB stated that:

- (a) the unemployment rate among young people were relatively high as compared with that of the labour force in general;
- (b) workers with education attainment at sub-degree or below seemed less adaptable to job requirements which had become increasingly more demanding in a knowledge-based economy;
- (c) having regard to the prevailing structure of the labour force and the prevailing unemployment as well as manpower situation, the Chief Executive-in-Council decided in October 2007 that ERB should relax the eligibility criteria of ERB training courses with effect from 1 December 2007 to cover young people aged between 15 to 29 and people with education level at sub-degree or below; and

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- (d) ERB should provide training courses for young people to provide an alternative skill-based training opportunity for young people with a view to enhancing their employability.

2.5 Audit analysed the number of trainees by age in the period from 2014-15 to 2018-19 and noted that:

- (a) the percentages of young trainees aged 15 to 29 admitted to ERB training courses among all trainees were not high (ranging from 8.4% to 12.2%); and
- (b) the number and percentage of young trainees aged 15 to 29 admitted to ERB training courses decreased from 13,423 (12.2%) in 2014-15 to 10,695 (8.4%) in 2018-19. On the other hand, the number and percentage of trainees aged 30 and above increased from 96,761 (87.8%) in 2014-15 to 116,241 (91.6%) in 2018-19 (see Table 2).

Table 2

**Number and percentage of trainees analysed by age
(2014-15 to 2018-19)**

Year	Aged 15 to 29		Aged 30 and above		Total	
	No.	Percentage	No.	Percentage	No.	Percentage
2014-15	13,423	12.2%	96,761	87.8%	110,184	100%
2015-16	12,906	10.9%	105,706	89.1%	118,612	100%
2016-17	11,980	9.8%	110,730	90.2%	122,710	100%
2017-18	11,527	9.6%	108,774	90.4%	120,301	100%
2018-19	10,695	8.4%	116,241	91.6%	126,936	100%
Average	12,106	10.1%	107,642	89.9%	119,748	100%

Source: *Audit analysis of ERB records*

2.6 The targets of the youth training courses (comprised mainly courses under the Youth Training Programme — see para. 2.2(e)) are the non-engaged youth aged between 15 and 24 who have attained up to secondary school education. Audit analysed the utilisation of training places of youth training courses for the period from 2014-15 to 2018-19 and noted that:

- (a) the number of trainees admitted under youth training courses was low, ranging from 374 to 508, averaging 441;
- (b) the number of trainees admitted under youth training courses decreased by 19% from 508 in 2014-15 to 412 in 2018-19; and
- (c) in the period from 2014-15 to 2016-17, the utilisation of training places of youth training courses was low, ranging from 18.7% to 24.2%. In 2017-18, ERB reduced the annual number of planned places of youth training courses by 50% from 2,000 in 2016-17 to 1,000. Notwithstanding this, less than half of the training places were utilised in 2017-18 and 2018-19 (see Table 3).

Table 3

Utilisation of training places of youth training courses
(2014-15 to 2018-19)

Year	No. of planned places (a)	No. of trainees admitted (b)	Utilisation rate (c) = (b) ÷ (a) × 100%
2014-15	2,200	508	23.1%
2015-16	2,000	483	24.2%
2016-17	2,000	374	18.7%
2017-18	1,000 (Note)	428	42.8%
2018-19	1,000	412	41.2%

Source: Audit analysis of ERB records

Note: According to ERB, it adjusted the planned places from 2,000 in 2016-17 to 1,000 in 2017-18 due to: (a) the decreasing number of trainees admitted to the youth training courses; (b) the decreasing number of young labour force aged between 15 and 19 with education level of sub-degree or below (from 38,000 in 2013 to 32,000 in 2016); and (c) the availability of employment training programmes from other institutes and government departments.

Remarks: According to the Census and Statistics Department, there was a general decreasing trend in the number of unemployed persons aged 15 to 29 in recent years (from 45,300 in 2014 to 40,100 in 2019) along with a decrease in the population of this age group (from 1,347,300 in 2014 to 1,187,200 in 2019), which may have impact on the number of young trainees and their share among all trainees in training courses organised by ERB.

2.7 According to the latest available statistics for the third quarter of 2019, the unemployment rates among young people were 10.1% for those aged 15 to 24 and 3.7% for those aged 25 to 29, which remained higher than those of other age groups. Audit considers that ERB needs to critically examine the reasons for the decreasing number of young trainees admitted to ERB training courses, the decreasing percentages of young trainees among all trainees, and the low utilisation of training

places in the youth training courses. ERB also needs to step up efforts to improve the popularity of training services for young people.

Decreasing number of ethnic minorities admitted to ERB courses

2.8 ERB provides training and employment services to assist the special service targets, including new arrivals, persons with disabilities and persons recovered from work injuries, ethnic minorities, rehabilitated ex-drug abusers and ex-offenders, to integrate into the society and achieve self-reliance. Audit analysed the utilisation of planned places of courses for special targets for the years 2014-15 to 2018-19 and noted that:

- (a) the number of admitted trainees of ethnic minorities was low, decreasing from 374 in 2014-15 to 225 in 2018-19;
- (b) less than half of the planned places of courses for ethnic minorities were utilised;
- (c) the utilisation of planned places of courses for ethnic minorities decreased from 47% in 2014-15 to 28% in 2018-19 (see Table 4); and
- (d) despite the fact that less than half of the planned places were utilised and the decrease in the number of admitted trainees of ethnic minorities from 2014-15 to 2018-19, the number of planned places had not been adjusted (see Table 4).

Table 4

**Utilisation of planned places of courses for ethnic minorities
(2014-15 to 2018-19)**

	2014-15	2015-16	2016-17	2017-18	2018-19
No. of planned places (a)	800	800	800	800	800
No. of admitted trainees (b)	374	334	302	312	225
Utilisation rate (c) = (b) ÷ (a) × 100%	47%	42%	38%	39%	28%

Source: *Audit analysis of ERB records*

2.9 Audit considers that ERB needs to critically examine the reasons for the decreasing number of trainees of ethnic minorities and the low utilisation of planned places of courses for ethnic minorities, and step up efforts to enhance the attractiveness of training services for ethnic minorities.

Need to review the retraining allowances for placement-tied courses

2.10 For placement-tied courses with duration of seven days or more, trainees are eligible for retraining allowances if their attendance rates reach 80% or more (Note 8). Trainees are eligible for retraining allowances for a maximum of 2 times within 1 year and 4 times within 3 years (from the commencement date of the first placement-tied course taken to the commencement date of the current course

Note 8: *Trainees of placement-tied courses are eligible for retraining allowances on condition that the sum of the following sessions comprises 80% or higher of the total number of course sessions:*

- (a) *actual number of course sessions attended (after deducting sessions of late arrivals and early departures); and*
- (b) *sessions of sick leave substantiated by certificates issued by Hong Kong registered medical practitioners (not exceeding 20% of the total number of course sessions).*

enrolled). The retraining allowances per day for different categories of courses and different trainees are shown in Table 5.

Table 5
Retraining allowances for placement-tied courses
(31 January 2020)

Training course	Trainee	Amount per day (\$)
Youth Training Programme courses	All eligible trainees	30.0
Placement-tied “Certificate” or “Diploma” courses	All eligible trainees	70.0
Placement-tied “Foundation Certificate” courses (i.e. pitched at Qualifications Framework (QF) Levels 1 and 2)	Original service targets (Trainees aged 30 or above and with education attainment of Secondary 3 or below)	153.8
	Other eligible trainees	70.0

Source: ERB records

2.11 Before April 2009, the maximum amount of retraining allowance that an ERB trainee would receive was \$4,000 a month. If the attendance rate reached 80% or above, trainees would be paid retraining allowance at the rate of \$153.8 (i.e. \$4,000 divided by 26 days) per day of attendance. Noting the variation in the qualifications and age groups of its service targets after the relaxation of eligibility criteria of ERB courses since December 2007, ERB has adopted new criteria for the granting of retraining allowance to optimise the use of resources with effect from April 2009, on the basis that retraining allowance should be intended for subsidising trainees’ expenses for transport and meals during the period for attending full-time placement-tied courses. As shown in Table 5 in paragraph 2.10, original target group (people aged 30 or above and with education level of Secondary 3 or below) attending full-time courses of QF Levels 1 and 2 continues to receive \$153.8 per day, while other eligible trainees attending full-time courses (except for the Youth Training

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Programme) would receive the allowance of \$70 per day. For non-engaged youths attending the Youth Training Programme, the retraining allowance is \$30 per day.

2.12 Audit noted that the existing rates of retraining allowances had been adopted since April 2009. No review on the rates had been conducted for over 10 years. In this connection, Audit noted that the retraining allowance of the Youth Training Programme (i.e. \$30 per day) was set on a par with the training allowance of \$30 per day of the then Youth Pre-employment Training Programme of the Labour Department which subsequently became the Youth Employment and Training Programme (Note 9). The amount of training allowance of the Youth Employment and Training Programme has been revised twice since 2009, having been increased to \$50 per day for courses commencing from 2013-14 to 2016-17, and then to \$70 per day for courses commencing since 1 September 2017. The current rate of training allowance of the Youth Employment and Training Programme (i.e. \$70 per day) is more than double the retraining allowance of \$30 per day of the Youth Training Programme.

2.13 In view of the decreasing number of young trainees admitted to ERB training courses, the decreasing percentages of young trainees among all trainees, and the low utilisation of training places of youth training courses (see para. 2.6), and as a means to enhance the attractiveness of its training courses, Audit considers that ERB needs to review the existing rates of retraining allowances taking into account the current level of the trainees' expenses for transport and meals and the need of ERB to optimise the use of resources.

Note 9: *The Youth Pre-employment Training Programme was first launched in September 1999, with an aim to equip young school leavers aged 15 to 19 with comprehensive pre-employment training covering soft inter-personal skills and vocational training in a wide variety of fields. In September 2009, the Programme merged with the Youth Work Experience and Training Scheme to become the Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme, which was renamed the Youth Employment and Training Programme in 2013.*

Room for improvement in new course development

2.14 New training courses are developed by ERB or training bodies as follows:

- (a) **By ERB.** ERB conducts research on market information to identify new courses with potential. After consultation with stakeholders of relevant industries through its Industry Consultative Networks (Note 10), and technical advisors, ERB will develop standardised training curriculums for delivery by training bodies after obtaining approval from the Course and Service Development Committee; and
- (b) **By training bodies.** After identifying employment opportunities and manpower demand through their networks, training bodies can propose new courses to ERB. The new courses proposed by the training bodies are vetted by ERB and approved by the Course and Service Development Committee.

2.15 In the period from 2014-15 to 2018-19, 274 new courses were approved by the Course and Service Development Committee, including 58 in 2018-19 (see Table 6).

Note 10: *ERB sets up Industry Consultative Networks of different industries to strengthen partnership and communication with its strategic partners. Industry Consultative Networks consist of members from industry representatives who have insights into and commitment in the development of the industry and its manpower, including employers, professionals, employees and training institutions. As at 31 December 2019, there were 19 Industry Consultative Networks.*

Table 6

**Number of new courses approved
(2014-15 to 2018-19)**

Type	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Placement-tied courses	7	8	5	4	2	26
Skills upgrading courses	11	42	54	46	50	203
Generic skills courses	0	7	9	2	2	20
Courses for special service targets	2	2	5	5	3	17
Youth training courses	0	0	1	0	1	2
Tailor-made courses	3	2	0	1	0	6
Total	23	61	74	58	58	274

Source: *Audit analysis of ERB records*

2.16 Audit examined 16 (i.e. 10 courses developed by ERB and 6 courses developed by training bodies) of the 274 new courses (i.e. 185 courses developed by ERB and 89 courses developed by training bodies) approved in the period from 2014-15 to 2018-19 and noted the following issues:

- (a) ***Competitiveness of proposed courses not assessed.*** In the proposals for new training courses submitted to the Course and Service Development Committee, the market needs for the proposed new courses and the comments of the technical advisors and members of the Industry Consultative Networks were stated. According to ERB, market research for assessing the availability of similar courses in the market and the competitiveness of the proposed courses in comparison with those existing in the market had been conducted for internal reference. However, Audit

noted that such information was not included in the course proposals and the papers submitted to the Course and Service Development Committee; and

- (b) ***Inconsistency in proposals for courses developed by ERB and training bodies.*** Audit noted that the information required in the proposal for new courses developed by ERB was not consistent with that required for new courses developed by training bodies. According to the guidelines on new course development, the training bodies are required to state in the proposals the number of classes proposed to be conducted in the year. However, such information was not required in the guidelines for the proposals of new courses developed by ERB.

2.17 Audit considers that ERB needs to provide in the course proposals and the papers submitted to the Course and Service Development Committee information regarding the availability of similar courses in the market and the competitiveness of proposed courses in comparison with those existing in the market. ERB also needs to rationalise the information requirements for the proposals of courses developed by ERB and those developed by training bodies and revise the guidelines on new course development where necessary.

Some training courses not suspended although no classes were held for many years

2.18 According to the ERB Guidelines on course review, ERB conducts review on each course annually to identify courses for suspension. Training courses for general trainees will be considered for suspension if no class has been held continuously for three years.

2.19 In each annual review, ERB will identify those courses that meet the above suspension criteria (see para. 2.18) based on the records of previous three years. Courses will not be suspended if it is:

- (a) a course with potential market needs (for example, the course is the only or one of the few courses offered in the industry or attending such a course is an entry requirement of a particular occupation);

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- (b) a course related to a series of courses; or
- (c) a course for which there is an increasing market demand.

2.20 Before deciding whether a course will be suspended, ERB will consult the relevant stakeholders (such as Industry Consultative Networks, technical advisors, industry representatives and professional bodies) and seek their comments. After obtaining comments from various stakeholders, a proposed list of courses for suspension and a list of courses which would continue to be offered will be prepared for approval by the Course Management Working Group (Note 11).

2.21 Audit examination of the 606 training courses for general trainees on the ERB course list for 2018-19 revealed that no class had been held for 36 (6%) courses continuously for three years from 2014-15 to 2016-17. Audit further noted that in the 2017 annual review exercise, the Course Management Working Group approved not to suspend 34 (94%) of the 36 courses in 2018-19. However, for 2 (6%) of the 36 courses, there was no evidence showing that the related stakeholders supported and the Course Management Working Group approved not to suspend them. Audit considers that ERB needs to take measures to ensure that courses are suspended according to the ERB Guidelines unless their continuation is supported and approved.

2.22 Audit also noted that the Course and Service Development Committee and Course Vetting Committee were not provided with information on the course suspension. To enhance accountability, Audit considers that ERB needs to provide information on course suspension to the Committees.

Note 11: *Members of the Course Management Working Group include Deputy ED (Training Services), Senior Managers and Deputy Managers of the Training Services Division. Executives may also be nominated to attend meetings on a need basis.*

Audit recommendations

2.23 **Audit has recommended that ED, ERB should:**

- (a) **critically examine the reasons for the decreasing number of young trainees admitted to ERB training courses, the decreasing percentages of young trainees among all trainees, and the low utilisation of training places in the youth training courses;**
- (b) **step up efforts to improve the popularity of training services for young people;**
- (c) **critically examine the reasons for the decreasing number of trainees of ethnic minorities and the low utilisation of planned places of courses for ethnic minorities;**
- (d) **step up efforts to enhance the attractiveness of training services for ethnic minorities;**
- (e) **review the existing rates of retraining allowances taking into account the current level of the trainees' expenses for transport and meals and the need of ERB to optimise the use of resources;**
- (f) **provide in the course proposals and the papers submitted to the Course and Service Development Committee information regarding the availability of similar courses in the market and the competitiveness of proposed courses in comparison with those existing in the market;**
- (g) **rationalise the information requirements for the proposals of courses developed by ERB and those developed by training bodies and revise the guidelines on new course development where necessary;**
- (h) **take measures to ensure that courses are suspended according to the ERB Guidelines unless their continuation is supported and approved; and**
- (i) **provide information on course suspension to the Course and Service Development Committee and the Course Vetting Committee.**

Response from ERB and the Government

- 2.24 ED, ERB agrees with the audit recommendations. He has said that:
- (a) ERB is all along taking note of the decreasing number of youth admitted to ERB training courses and the low utilisation of training places in youth training courses. The decreasing number of young trainees was attributed to the decreasing number of young people in the population and the diverse range of training related opportunities available in the market so that ERB courses were not their priority choice. Yet ERB has reserved the same capacity of training places dedicated for youth in its annual plans for the past years in order to maintain its commitment to providing adequate training opportunities to youth;
 - (b) ERB reviewed the dedicated youth courses in 2019, and has set up a “Focus Group on Training for Youth” with a view to reviewing and thus improving the attractiveness of its existing courses while developing and exploring new measures to tackle the special needs of young people. Recommendations of the Focus Group were endorsed by the Course and Service Development Committee in January 2020 and the proposed measures will be rolled out in 2020-21 onwards;
 - (c) despite the low enrolment rate of ethnic minorities, ERB has still allocated a considerable number of training places dedicated for ethnic minorities in past years. The underlying reason is that ERB aims to maintain its commitment to offering adequate training opportunities for ethnic minorities;
 - (d) in order to critically examine the reasons for low attendance of ethnic minorities and to enhance the attractiveness of training courses for ethnic minorities as recommended by Audit, ERB will step up its liaison with its stakeholders, including its concerned training bodies, in exploring new initiatives to attract ethnic minorities to enrol in ERB courses, for instance, by introducing more flexible training hours to cater for ethnic minorities’ religious and cultural needs, and by providing after-school care service for those ethnic minorities who have to take care of their children;
 - (e) in line with the direction of the Policy Address 2018-19, ERB has also relaxed the admission criteria for ethnic minorities by allowing greater

flexibility for ethnic minorities with education attainment higher than sub-degree level to enrol in ERB courses starting from the financial year 2019-20. ERB will continue to closely monitor the effectiveness of the above measures and will step up efforts in assisting ethnic minorities on training in consultation with its existing consultative forum, namely “Focus Group on Training for Ethnic Minorities” comprising representatives from various ethnic minority groups and associations;

- (f) according to Schedule 4 of ERO, the maximum amount of retraining allowance is \$4,000 per trainee per month. As part of the fourth package of measures to support enterprises and employment announced by the Financial Secretary on 4 December 2019, ERB has undertaken to, inter alia, increase the maximum amount of retraining allowance from \$4,000 to \$5,800 for all eligible ERB’s retraining courses, including those under the “Special Scheme”, through legislative amendment. The amendment of Schedule 4 of ERO was published in the Gazette on 27 March 2020 with date of commencement being 25 May 2020. The level of retraining allowances will be increased accordingly;
- (g) ERB will arrange to provide in the course proposals and papers submitted to the Course and Service Development Committee information regarding the availability of similar courses in the market and competitiveness of proposed courses in comparison with those existing in the market;
- (h) ERB will arrange to state “the number of classes proposed to be conducted in the year” in the course proposals developed by ERB, and revise the course development guidelines correspondingly;
- (i) ERB will remind concerned staff to strictly observe the relevant guidelines in handling course suspension matters; and
- (j) ERB will duly submit the course suspension lists to relevant Committees on a regular basis.

2.25 The Secretary for Labour and Welfare has said that LWB, in conjunction with ERB, has been taking forward a legislative amendment exercise to increase the maximum amount of monthly allowance per trainee by 45% from \$4,000 to \$5,800. After the passage of the legislative amendment, ERB will consider the corresponding

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adjustment of the daily rates of various retraining allowances, including that for young trainees.

Managing waiting times for training courses

Long waiting times of courses for some applicants

2.26 In the 2011 Audit Review, Audit found that in some cases, a considerable number of applicants had to wait for a course for a few months. ERB accepted Audit's recommendation to monitor the training centres' applicant waiting lists and take proactive actions to shorten the waiting times.

2.27 Training courses are held at the training centres of training bodies in various districts. Each training centre maintains its own waiting lists of applicants for the training courses. As at 31 December 2019, there were 52,659 applicants on the waiting lists (comprising 10,661 applicants for placement-tied courses and 41,998 applicants for non-placement-tied courses). The results of Audit examination of the waiting times of the 52,659 applicants are summarised below (details in Table 7):

- (a) ***Placement-tied courses.*** Of the 10,661 applicants for placement-tied courses, 2,172 (20%) had been on the waiting lists for more than four months (i.e. the waiting time specified in the performance pledge), including 441 (4%) for one year or more. The longest waiting time was 5.9 years (71 months); and
- (b) ***Non-placement-tied courses.*** Of the remaining 41,998 applicants for non-placement-tied courses, 14,526 (35%) had been on the waiting lists for more than five months (i.e. the waiting time specified in the performance pledge), including 4,802 (11%) for one year or more. The longest waiting time was 7.5 years (90 months).

Table 7

Waiting times of applicants for training courses
(31 December 2019)

Waiting time (month)	No. of applicants				
	Placement-tied courses	Non-placement-tied courses	Total		
≤ 1	4,082	8,758	12,840		
> 1 to 2	1,977	5,543	7,520		
> 2 to 3	1,613	5,593	7,206		
> 3 to 4	817	4,425	5,242		
> 4 to 5	417	3,153	3,570		
> 5 to 6	366	2,611	2,977		
> 6 to 12	948	7,113	8,061		
> 12 to 24	344	3,816	4,160		
> 24 to 36	2,172 (20%)	68	14,526 (35%)	754	822
> 36 to 48	13	162	175		
> 48 to 60	9	53	62		
> 60	7	17	24		
Total	10,661	41,998	52,659		
Overall situation	Waiting times ranged from 1 day to 5.9 years (averaging 3.1 months)	Waiting times ranged from 1 day to 7.5 years (averaging 5.3 months)	Waiting times ranged from 1 day to 7.5 years (averaging 4.9 months)		

Source: Audit analysis of ERB records

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2.28 Audit considers that ERB needs to ascertain the reasons for the long waiting times before the applicants can commence training and endeavour to shorten the waiting times, for example, by encouraging applicants on the waiting lists of a training centre to enrol the same course offered by another training centre nearby.

Audit recommendation

2.29 Audit has *recommended* that ED, ERB should ascertain the reasons for the long waiting times before the applicants can commence training and endeavour to shorten the waiting times, for example, by encouraging applicants on the waiting lists of a training centre to enrol the same course offered by another training centre nearby.

Response from ERB

2.30 ED, ERB agrees with the audit recommendation in principle. He has said that:

- (a) according to the existing practice, ERB would remind training bodies once every three months to check with course applicants on their intention to stay on a particular course waiting list or to consider switching to other courses. Training bodies are asked to record applicants' preference for waiting in ERB's computer system. Therefore, the long waiting times are basically reflecting the applicants' own preference to stay on their waiting for a particular course;
- (b) as ERB allows applicants to submit applications for more than one course and at different centres, applicants on the waiting list of one course may in fact have already been admitted to a different course in such a way that the waiting time recorded for an applicant is not necessarily indicative of his/her failure to attend ERB course timely; and
- (c) ERB will continuously review the mechanism and/or work procedures to ensure applicants can receive training in a timely manner. In the light of Audit's recommendation, ERB agrees to void those applications that are put on the waiting list for exceedingly long period by introducing a validity period of two years for all applications starting from April 2020. In other

words, if the applicant is on the waiting list for a particular course for over two years, the application will lapse and he/she will need to submit a fresh application in case he/she still wants to enrol in the course. This will serve as an incentive for the applicants to enrol in other similar courses or consider switching to other training bodies/centres. ERB will monitor the impact of such measure and will review the effectiveness of such measure in shortening the waiting times for ERB courses.

Performance measurement

Key performance indicators

2.31 ERB has developed various key performance indicators (KPIs) to monitor the effectiveness of training courses and ensure the quality of training courses provided by the training bodies. According to the contracts signed between ERB and the training bodies:

- (a) the training bodies should endeavour to achieve the targets in respect of the KPIs on training courses and services set by ERB;
- (b) if the training bodies fail to achieve the performance targets, training bodies should provide explanations in writing to ERB and take improvement measures to meet the performance targets, and ERB may suspend or deduct the amount of funds disbursed or to be disbursed to the training bodies if reasons for suspension or deduction are provided; and
- (c) ERB takes into account past KPIs performance of training bodies in the allocation of training places exercise.

2.32 KPIs for each placement-tied course and each non-placement-tied course are:

- (a) capacity utilisation rate (i.e. number of admitted trainees as a percentage to number of training places where classes are held);
- (b) attendance rate (i.e. percentage of admitted trainees with attendance rate of 80% or above); and

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- (c) graduation rate (i.e. number of graduates (trainees with attendance rate of 80% or above and passing the course assessment) as a percentage to number of admitted trainees with attendance rate of 80% or above).

There is an additional KPI for placement-tied course, namely placement rate (i.e. number of trainees who have been placed into employment or pursued further studies in the placement follow-up period as a percentage to number of admitted trainees with attendance rate of 80% or above).

2.33 Audit analysed the performance of KPIs for the period from 2014-15 to 2018-19 and noted that some training courses did not meet the performance targets. The audit findings are detailed in paragraphs 2.34 to 2.38.

Target capacity utilisation rate not met

2.34 The target capacity utilisation rate for training courses was 85%. Of the 2,525 training courses held from 2014-15 to 2018-19, 336 (13.3%) did not meet the target (see Table 8). Audit examined the 528 training courses held in 2018-19 and noted that their capacity utilisation rates ranged from 41.7% to 110% (Note 12), averaging 92%.

Note 12: *According to ERB, training bodies might opt to enrol more trainees to classes than the original class size, as last minute dropouts were anticipated. In cases where actual enrolment was more than the approved class size, capacity utilisation rate would become greater than 100%. No prior approval from ERB was required. However, the funding for the class was capped at the approved class size.*

Table 8

**Capacity utilisation rates of training courses
(2014-15 to 2018-19)**

Capacity utilisation rate	No. of courses with classes held					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
< 30%	0	1	0	0	0	1
30% to < 40%	2	0	2	0	0	4
40% to < 50%	5	1	0	3	1	10
50% to < 60%	2	2	4	7	5	20
60% to < 70%	19	5	9	7	5	45
70% to < 80%	25	21	17	17	22	102
80% to < 85%	35	32	23	28	36	154
85% to < 100%	319	313	328	345	359	1,664
100%	81	105	105	103	93	487
> 100%	6	9	11	5	7	38
Total	494	489	499	515	528	2,525 (Note)

Source: Audit analysis of ERB records

Note: The total number of courses with classes held was the sum of such courses in each individual year. For example, a course with classes held in three individual years was counted as three courses in the total. The 2,525 courses comprised 735 different courses with classes held in the period from 2014-15 to 2018-19.

Remarks: The target capacity utilisation rate was 85%.

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Target attendance rate not met

2.35 The target attendance rate for training courses was 80%. Of the 2,516 training courses with classes completed in the period from 2014-15 to 2018-19, 230 (9.1%) did not meet the target (see Table 9). Audit examined the 518 training courses with classes completed in 2018-19 and noted that their attendance rates ranged from 31% to 100%, averaging 94%.

Table 9

**Attendance rates of training courses
(2014-15 to 2018-19)**

Attendance rate	No. of courses with classes completed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
< 30%	1	2	0	0	0	3
30% to < 40%	1	0	0	3	1	5
40% to < 50%	1	0	1	0	0	2
50% to < 60%	3	4	7	1	4	19
60% to < 70%	14	14	9	5	8	50
70% to < 80%	27	27	38	36	23	151
80% to < 90%	106	121	98	120	119	564
90% to < 100%	241	231	244	248	262	1,226
100%	102	86	105	102	101	496
Total	496	485	502	515	518	2,516 (Note)

Source: *Audit analysis of ERB records*

Note: *The total number of courses with classes completed was the sum of such courses in each individual year. For example, a course with classes completed in three individual years was counted as three courses in the total. The 2,516 courses comprised 745 different courses with classes completed in the period from 2014-15 to 2018-19.*

Remarks: *The target attendance rate was 80%.*

Target graduation rate not met

2.36 The target graduation rate for training courses was 80%. Graduation rate has been set as a KPI since 2015-16. Of the 2,020 training courses with classes completed in the period from 2015-16 to 2018-19, 159 (7.9%) did not meet the target

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(see Table 10). Audit examined the 518 training courses with classes completed in 2018-19 and noted that their graduation rates ranged from 33% to 100%, averaging 95%.

Table 10
Graduation rates of training courses
(2015-16 to 2018-19)

Graduation rate	No. of courses with classes completed				
	2015-16	2016-17	2017-18	2018-19	Total
< 30%	1	1	3	0	5
30% to < 40%	3	2	3	3	11
40% to < 50%	0	1	4	1	6
50% to < 60%	13	5	8	3	29
60% to < 70%	5	9	9	11	34
70% to < 80%	21	16	18	19	74
80% to < 90%	47	48	39	49	183
90% to < 100%	185	181	219	210	795
100%	210	239	212	222	883
Total	485	502	515	518	2,020 (Note)

Source: Audit analysis of ERB records

Note: The total number of courses with classes completed was the sum of such courses in each individual year. For example, a course with classes completed in three individual years was counted as three courses in the total. The 2,020 courses comprised 682 different courses with classes completed in the period from 2015-16 to 2018-19.

Remarks: The target graduation rate was 80%.

Target placement rates not met

2.37 ERB has set different target placement rates for different types of placement-tied courses. According to the ERB Guidelines on placement services, ERB will analyse the target placement rates by class level, course level and by training bodies to evaluate the effectiveness of the training courses and the results of the placement services. Audit analysed the placement rates in the period from 2014-15 to 2018-19 and noted the following issues:

- (a) *Courses for general trainees, persons with disabilities and persons recovered from work injuries, and youth training courses.* For placement-tied courses for general trainees, persons with disabilities and persons recovered from work injuries, and youth training courses, the target placement rate is set at 70% (Note 13). Of the 744 such placement-tied courses with classes completed during the period, 52 (7%) courses did not meet the target (see Table 11). Audit further analysed the placement rates of the 11,784 classes completed during the period for the 744 placement-tied courses. Audit noted that 553 (4.7%) of the 11,784 classes did not meet the target rate of 70%; and

Note 13: *According to ERB, there was a course held for persons with disabilities for which the target placement rate was set at 60%. The course had one class completed in 2014-15 and another in 2016-17, with placement rate of 83% and 88% respectively. There was a tailor-made course held for persons with disabilities included in the analysis of placement rates for placement-tied courses with target placement rate set at 70%. The course had one class completed in 2014-15 with placement rate of 73%.*

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Table 11

**Placement rates of placement-tied courses with target rate of 70%
(2014-15 to 2018-19)**

Placement rate	No. of courses with classes completed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
< 30%	0	1	1	0	0	2
30% to < 40%	1	1	1	1	0	4
40% to < 50%	0	0	1	2	1	4
50% to < 60%	1	1	3	1	3	9
60% to < 70%	12	4	6	9	2	33
70% to < 80%	63	50	56	39	39	247
80% to < 90%	58	63	65	72	80	338
90% to < 100%	12	9	13	26	14	74
100%	6	14	7	3	3	33
Total	153	143	153	153	142	744 (Note)

Source: Audit analysis of ERB records

Note: The total number of courses with classes completed was the sum of such courses in each individual year. For example, a course with classes completed in three individual years was counted as three courses in the total. The 744 courses comprised 194 different courses with classes completed in the period from 2014-15 to 2018-19.

Remarks: Placement-tied courses with target placement rate set at 70% were the ones for general trainees, persons with disabilities and persons recovered from work injuries, and youth training courses.

- (b) *Courses for ethnic minorities, rehabilitated ex-offenders and new arrivals.* For placement-tied courses for ethnic minorities, rehabilitated ex-offenders and new arrivals, the target placement rate is set at 50% (Note 14). Of the 118 such placement-tied courses with classes completed during the period, 31 (26.3%) courses did not meet the target (see Table 12). Audit further analysed the placement rates of the 263 classes completed during the period for the 118 placement-tied courses. Audit noted that 50 (19%) of the 263 classes did not meet the target rate of 50%.

Note 14: *According to ERB, there was a youth training course for persons with disabilities for which the target placement rate was set at 50%. The course had one to two classes completed in each of the years from 2014-15 to 2018-19. The course was included in the analysis of placement rates for placement-tied courses with target placement rate set at 50%.*

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Table 12

**Placement rates of placement-tied courses with target rate of 50%
(2014-15 to 2018-19)**

Placement rate	No. of courses with classes completed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
< 30%	0	2	1	3	2	8
30% to < 40%	2	2	2	2	1	9
40% to < 50%	4	2	3	2	3	14
50% to < 60%	10	8	7	7	6	38
60% to < 70%	1	7	9	4	2	23
70% to < 80%	5	3	3	4	3	18
80% to < 90%	0	1	0	2	3	6
90% to < 100%	0	0	0	1	0	1
100%	0	0	1	0	0	1
Total	22	25	26	25	20	118 (Note)

Source: Audit analysis of ERB records

Note: The total number of courses with classes completed was the sum of such courses in each individual year. For example, a course with classes completed in three individual years was counted as three courses in the total. The 118 courses comprised 30 different courses with classes completed in the period from 2014-15 to 2018-19.

Remarks: Placement-tied courses with target placement rate set at 50% were the ones for ethnic minorities, rehabilitated ex-offenders and new arrivals.

2.38 According to ERB, the main reasons for placement-tied courses not meeting the target placement rates were:

- (a) job nature or employment terms did not meet trainees' expectations (e.g. working time, location and job stability);

- (b) trainees refused to work; and
- (c) trainees were occupied by family needs.

Reference indicators

2.39 Apart from KPIs, ERB also sets three reference indicators for training courses as follows:

- (a) ***Relevancy rate to training.*** This is the number of trainees engaged in employment relevant to the training courses that the trainees have completed as a percentage to the number of trainees who have been placed into employment. The relevancy rate to training is applicable for placement-tied courses for specific skills required by a particular post or courses for a specific type of work or post, but not for placement-tied courses for generic skills;
- (b) ***Continuous employment rate.*** This is the number of trainees engaged in employment for not less than a total of 72 hours within 4 consecutive weeks during the placement follow-up period as a percentage of the total number of trainees placed into employment. The continuous employment rate is applicable only for placement-tied courses aiming at full-time employment, but not for courses for special service targets and Youth Training Programme, and those aiming at self-employed, casual, temporary and part-time jobs; and
- (c) ***Retention rate.*** This is the percentage of respondents who are in employment at the time of retention survey which is conducted six months after the placement follow-up period.

2.40 Audit analysed the performance of reference indicators for the period from 2014-15 to 2018-19 and noted that similar to the situation of KPIs, some training courses did not meet the performance targets. Also, the overall retention rate decreased. The audit findings are detailed in paragraphs 2.41 to 2.44.

Target relevancy rate to training not met

2.41 The relevancy rate to training is one of the reference indicators specified in the Annual Plan submitted by ERB to LWB for monitoring the effectiveness of training courses and services. The overall performance in respect of the relevancy rate to training is reported quarterly to the Quality Assurance and Review Committee. According to the ERB Guidelines on placement services, ERB will analyse the target relevancy rates to training by class level, course level and by training bodies to evaluate the effectiveness of the training courses and the results of the placement services. The target relevancy rate to training was 60%. Audit analysed the relevancy rates to training for applicable placement-tied courses (see para. 2.39(a)) with classes completed in the period from 2014-15 to 2018-19 and noted that of the 825 applicable placement-tied courses with employed trainees, 602 (73%) did not meet the target rate of 60% (see Table 13). Audit further analysed the relevancy rates to training of the 11,870 classes completed during the period for the 825 placement-tied courses. Audit noted that 7,358 (62%) of the 11,870 classes did not meet the target rate of 60%.

Table 13

**Relevancy rates to training for applicable placement-tied courses
(2014-15 to 2018-19)**

Relevancy rate to training	No. of courses with classes completed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
0%	9	17	14	15	15	70
>0% to <10%	4	0	7	2	6	19
10% to <20%	19	12	11	17	13	72
20% to <30%	28	17	26	20	25	116
30% to <40%	13	30	21	25	14	103
40% to <50%	18	20	23	27	15	103
50% to <60%	26	24	20	24	25	119
60% to <70%	21	19	21	18	22	101
70% to <80%	19	13	9	10	11	62
80% to <90%	8	7	5	5	5	30
90% to <100%	1	1	3	1	3	9
100%	4	1	9	3	4	21
Total	170	161	169	167	158	825 (Note)

Source: Audit analysis of ERB records

Note: The total number of courses with classes completed was the sum of such courses in each individual year. For example, a course with classes completed in three individual years was counted as three courses in the total. The 825 courses comprised 215 different courses with classes completed in the period from 2014-15 to 2018-19.

Remarks: The target relevancy rate to training was 60%.

Target continuous employment rate not met

2.42 Continuous employment rate has been set as an internal reference indicator since 2015-16 for monitoring the employment pattern and employment market changes with a view to providing reference information for ERB in course planning and development. The continuous employment rate is one of the reference indicators specified in the Annual Plan submitted by ERB to LWB. The overall performance in respect of the continuous employment rate is reported quarterly to the Quality Assurance and Review Committee. According to the ERB Guidelines on placement services, ERB will analyse the target continuous employment rates by class level, course level and by training bodies to evaluate the effectiveness of the training courses and the results of the placement services. The target for the continuous employment rate was set at 60%. Audit analysed the continuous employment rates for placement-tied courses aiming at full-time employment (see para. 2.39(b)) with classes completed in the period from 2015-16 to 2018-19 and noted that 60 (32%) of the 190 courses did not meet the target rate of 60% (see Table 14). Audit further analysed the continuous employment rates of the 2,908 classes completed during the period for the 190 courses. Audit noted that 692 (24%) of the 2,908 classes did not meet the target rate of 60%.

Table 14

Continuous employment rates for placement-tied courses
aiming at full-time employment
(2015-16 to 2018-19)

Continuous employment rate	No. of courses with classes completed				
	2015-16	2016-17	2017-18	2018-19	Total
< 30%	0	0	2	1	3
30% to < 40%	2	2	2	2	8
40% to < 50%	6	9	7	2	24
50% to < 60%	7	6	7	5	25
60% to < 70%	11	10	7	7	35
70% to < 80%	13	10	8	12	43
80% to < 90%	12	10	8	11	41
90% to < 100%	2	4	0	1	7
100%	1	1	2	0	4
Total	54	52	43	41	190 (Note)

Source: Audit analysis of ERB records

Note: The total number of courses with classes completed was the sum of such courses in each individual year. For example, a course with classes completed in three individual years was counted as three courses in the total. The 190 courses comprised 69 different courses with classes completed in the period from 2015-16 to 2018-19.

Remarks: The target continuous employment rate was 60%.

Decrease in overall retention rate

2.43 ERB conducts retention surveys for placement-tied courses on a regular basis to assess the effectiveness of the training courses. The overall performance and performance by course types in respect of the retention rate are reported quarterly to the Quality Assurance and Review Committee. Audit analysed the results of the retention surveys conducted in the period from 2014-15 to 2018-19 and noted that the overall retention rate for placement-tied courses decreased from 64% in 2014-15 to 61% in 2018-19. In particular, the retention rates for courses relating to environmental service were consistently low in the period from 2014-15 to 2018-19, ranging from 47% to 55%.

2.44 Audit considers that ERB needs to continue to monitor the performance of training courses on various KPIs and reference indicators, and endeavour to improve the various aspects of the training services with a view to improving the quality of the services.

Audit recommendations

2.45 **Audit has recommended that ED, ERB should:**

- (a) **continue to monitor the performance of training courses on various KPIs and reference indicators; and**
- (b) **endeavour to improve the various aspects of the training services with a view to improving the quality of the services.**

Response from ERB

2.46 ED, ERB agrees with the audit recommendations in principle. He has said that:

- (a) ERB will continue to monitor the performance of training courses, and request training bodies which are unable to meet the performance targets of certain courses to provide explanation. If the situation prevails, ERB will invite training bodies for in-depth discussion on the issue and take effective

measures for improvement, e.g. by discussing with respective Course Steering Groups so as to enhance course design in terms of coverage and depth of training content, duration, attractiveness, etc.;

- (b) ERB will review training courses from time to time with reference to the performance on various KPIs and reference indicators with a view to continuously improving the quality of its training services;
- (c) the relevancy rate to training, continuous employment rate and retention rate are reference indicators for providing information for ERB's internal reference in course planning and development, but not for measuring the performance of training bodies or ERB training courses. ERB will continue to monitor the trends of the reference indicators; and
- (d) ERB will consult the Quality Assurance and Review Committee on reviewing various KPIs and reference indicators, and may consider adjusting their target levels and applicability when appropriate.

PART 3: QUALITY ASSURANCE

3.1 This PART examines the quality assurance work of ERB, focusing on the following areas:

- (a) quality assurance measures (paras. 3.2 to 3.15); and
- (b) course accreditation (paras. 3.16 to 3.21).

Quality assurance measures

3.2 According to ERB, it has implemented a “risk-and-performance-based” quality assurance system through continuous assessment of training bodies’ performance and resource allocation, flexible adjustment of the enforcement priorities and strength of the “regular monitoring measures”, as well as the use of a “case management” approach to follow up on remedial work to be undertaken by training bodies with less-than-satisfactory performance. The regular quality assurance measures adopted by ERB are described as below:

- (a) ***Annual audit.*** ERB conducts on-site audits annually for all training bodies which commence training courses during the audit period. It aims to assess the performance of training bodies in course administration and course quality, and facilitate them to strengthen their internal quality assurance systems;
- (b) ***Class surprise inspection.*** Class surprise inspection is conducted at least once a year on every training centre which commences training courses during the year to ensure the compliance with stipulated regulations governing course administration. ERB conducts class surprise inspections by reviewing the timetable, roll call procedures and records, trainees’ identities, trainers’ information, training facilities, etc.;
- (c) ***Course-end assessment surprise inspection.*** Course-end assessment surprise inspection is conducted on every training body which hosts any course-end assessments to ensure the compliance with assessment guidelines. Focus of the course-end assessment surprise inspection includes observation of the procedures of obtaining the assessment papers and

conducting the assessment by assessor or proctor, and the procedure of collecting the completed assessment papers;

- (d) ***Checking on download records of course-end assessment paper.*** Every working day, ERB checks whether training bodies abide by the rule of downloading the assessment papers from the ERB system before the assessment is held;
- (e) ***Class visits.*** Class visits are conducted to training centres to boost trainers' quality in teaching. Class visits cover 1% of classes conducted by the training bodies each year. For training bodies with less than 100 classes commenced each year, one visit is conducted; and
- (f) ***Assessment observations.*** Assessment observations are conducted to observe practical assessments administered by various training bodies so as to enhance quality and align standard of assessment. At least one observation will be conducted for the training bodies which commence placement-tied training courses with practical assessments and courses with practical assessments under the sub-area where Programme Area Accreditation status is obtained.

Training bodies' performance in various quality assurance measures is one of the factors considered by ERB in the annual exercise of allocation of training places.

Annual audits not performed according to ERB Guidelines

3.3 The ratings of annual audits account for 15% of the overall score in the annual exercise of allocation of training places (see para. 2.3(b)). Under the annual audit, the ratings of training bodies are categorised into four groups (i.e. Group 1 to 4). The better the performance of a training body, the smaller Group number will it be rated. Training bodies rated as Group 1 are the ones with excellent performance. According to the ERB quality assurance guidelines, if a training body obtained Group 1 rating in the on-site annual audits performed by ERB in the last two consecutive years, the training body will be allowed to undertake self-evaluation for

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one year (Note 15). No on-site annual audit will be carried out by ERB for the year if self-evaluation is undertaken by the training body.

3.4 Audit noted that, of the 367 annual audits conducted in the period from 2014-15 to 2018-19, 127 (35%) were self-evaluations performed by 65 training bodies themselves. However, of these 127 self-evaluations performed by training bodies, 60 (47%) self-evaluations were performed by 41 training bodies which did not obtain Group 1 rating in the on-site annual audits performed by ERB in the last two consecutive years. An example of these 60 self-evaluations is shown at Table 15.

Table 15

**An example of self-evaluation where annual audit
should have been performed by ERB instead
(2014-15 to 2018-19)**

Year	Mode of evaluation	Result of annual audit performed by ERB	Eligibility for self-evaluation
2014-15	Annual audit by ERB	Group 1	—
2015-16	Annual audit by ERB	Group 1	—
2016-17	Self-evaluation	N/A	Yes
2017-18	Annual audit by ERB	Group 1	—
2018-19	Self-evaluation	N/A	No (Note)

Source: Audit analysis of ERB records

Note: In 2018-19, the training body did not have Group 1 rating in the on-site annual audits performed by ERB in the last two consecutive years (i.e. 2016-17 and 2017-18). Therefore, according to the ERB Guidelines, the training body should be subject to on-site annual audit performed by ERB.

Note 15: The ERB quality assurance guidelines were written in Chinese only. The original text in the guidelines was “於最近2年連續在本局進行的周年審計中取得第一組別評級的培訓機構，可獲1年「自行評審」資格”.

3.5 In response to Audit enquiry, ERB informed Audit in March 2020 that the ERB guidelines were meant to allow training bodies to perform self-evaluation if they obtained Group 1 rating in the most recent two annual audits performed by ERB. If training bodies have undertaken self-evaluation in a year, ERB will conduct on-site annual audit to training bodies in the following year.

3.6 At the meeting of the Quality Assurance and Review Committee held in November 2019, it was endorsed that the eligibility criteria for conducting self-evaluation by training bodies would be relaxed such that training bodies with one year of Group 1 rating in the on-site annual audit would be arranged to conduct self-evaluation with effect from 1 April 2020. Audit considers that as more training bodies will be arranged to conduct self-evaluation instead of on-site annual audit by ERB, ERB needs to ensure that on-site annual audits and self-evaluations are conducted according to the ERB Guidelines. ERB also needs to keep in view the impact on the performance of training bodies after the relaxation of eligibility criteria for conducting self-evaluation by training bodies.

Class surprise inspections not conducted for some training centres

3.7 According to the ERB quality assurance guidelines, training centres where ERB courses have been held will be selected for class surprise inspections at least once a year (Note 16). Additional inspections would be arranged taking into account the performance of training bodies, trainees' views and complaints.

3.8 Audit reviewed the records of class surprise inspections for the period from 2016-17 to 2018-19 and noted that:

- (a) for 2016-17, of the 250 training centres that should have been inspected, 2 (0.8%) were not inspected;
- (b) for 2017-18, of the 235 training centres that should have been inspected, 2 (0.9%) were not inspected; and

Note 16: *According to the ERB quality assurance guidelines, for the training centres managed by the Correctional Services Department, one class surprise inspection would be conducted to one of the training centres in a year.*

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- (c) for 2018-19, of the 231 training centres that should have been inspected, 2 (0.9%) were not inspected (see Table 16).

Table 16

**Number of class surprise inspections per training centre
(2016-17 to 2018-19)**

No. of inspections per centre	No. of training centres		
	2016-17	2017-18	2018-19
0	2 (0.8%)	2 (0.9%)	2 (0.9%)
1	169 (67.6%)	152 (64.7%)	160 (69.3%)
2 - 5	78 (31.2%)	80 (34.0%)	67 (29.0%)
6 - 10	1 (0.4%)	1 (0.4%)	1 (0.4%)
11 or above	0 (0.0%)	0 (0.0%)	1 (0.4%)
Total	250 (100.0%)	235 (100.0%)	231 (100.0%)

Source: Audit analysis of ERB records

3.9 Audit considers that ERB needs to take measures to ensure that class surprise inspections are conducted for training centres according to the ERB Guidelines.

Need to improve course-end assessments

3.10 For some training courses, assessments are held to assess whether trainees achieve the intended learning outcomes. Course-end assessments are crucial to quality assurance and obtaining accreditation of courses under QF. For some professional certification courses, graduates passing the relevant assessments are eligible to professional registration or certification.

3.11 “Assessment observations” are conducted by ERB to observe practical assessments administered by various training bodies so as to enhance quality and align standard of assessment (see para. 3.2(f)). From 2015-16 to 2018-19, ERB conducted 207 assessment observations on course-end assessments. Audit reviewed the results of 50 assessment observations in the period from 2015-16 to 2018-19 and noted that there were non-compliances with assessment guidelines in 10 assessment observations. Audit found room for improvement in the follow-up action taken by ERB on their results of observations on course-end assessments. Examples are as follows:

- (a) ***Foundation Certificate in Dim Sum Cook Training Course.*** According to the guidelines on course-end assessments, candidates should complete the assessment within the time allowed by the assessor. Candidates’ performance beyond the time allowed will not receive marks. Training bodies should not arrange the trainer of the course to be the assessor during course-end assessments as far as practicable to ensure the fairness and impartiality of the assessment. For the Foundation Certificate in Dim Sum Cook Training Course (i.e. pitched at QF Level 1) held in 2017-18, trainees were required to finish making the custard donuts within the limit of 45 minutes. ERB found that the assessor was the trainer of the course and trainees were allowed to prepare the custard stuffing prior to the commencement of the assessment, violating the assessment procedures. All 17 trainees attending the assessment passed the assessment and were issued graduation certificates. ERB subsequently found that the assessor had been the trainer and let trainees prepare the custard stuffing prior to the commencement of the assessments since June 2015 involving 5 classes of a total of 84 trainees. No re-assessments were conducted for the trainees involved. In response to Audit enquiry, ERB informed Audit in March 2020 that:

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- (i) the improvement areas of the practical skills assessments were identified by technical advisor through assessment observations. Technical advisor would suggest follow-up actions. Re-examination was one of the follow-up options but ERB needed to strike a balance between course quality and trainees benefit. For trainees who finished the courses long time ago, it was not appropriate to request re-assessments; and
 - (ii) in 2018-19, ERB arranged another two assessment observations for the same course on assessments conducted by the concerned assessor, and the observation results were satisfactory; and
- (b) ***Certificate in Health Worker Training Course.*** The Certificate in Health Worker Training Course was approved by the Director of Social Welfare under the Residential Care Homes (Elderly Persons) Regulation (Cap. 459A). According to the assessment observation report, the practical skills assessment for the Certificate in Health Worker Training Course (i.e. pitched at QF Level 3) held in 2015-16 involving 17 trainees was not conducted in accordance with the ERB Guidelines as follows:
- (i) skills of performing nasotracheal suction were not tested for a trainee;
 - (ii) the assessor allowed a trainee to verbally spell out the procedures of wound cleansing instead of conducting wound cleansing in practice;
 - (iii) the assessor did not verify the accuracy in the test of medicine distribution for two trainees; and
 - (iv) taking correct volume of liquid medicine was not tested.

No inspections were conducted to follow up whether improvement measures had been taken. Among 17 trainees attending the assessment, 13 passed the assessment in the first attempt and 4 passed in the second attempt. All of them were issued graduation certificates. The 17 graduated trainees were considered qualified to register as a professional health worker for the purpose of employment at a residential care home for the elderly. In response to Audit enquiry, ERB informed Audit in March 2020

that instead of blaming the assessor, ERB considered that it would be better to improve the assessment paper and specify the requirement clearly. Thus, another assessment observation was not arranged as the follow-up action on this case. It was not considered as non-compliance with assessment guidelines. The investigations by ERB at that time concluded that the assessment arrangement was not well written in the guidelines. The guidelines were then updated for clarification as part of the follow-up actions.

3.12 Audit considers that ERB needs to ensure that course-end assessments are conducted by training bodies in accordance with the ERB Guidelines. ERB also needs to take appropriate follow-up actions with training bodies when non-compliance of course-end assessment guidelines by training bodies is found, and consider whether remedial actions are necessary for those trainees who have passed the assessment but the assessment has not been conducted according to the ERB Guidelines.

Audit recommendations

3.13 **Audit has *recommended* that ED, ERB should:**

- (a) **ensure that on-site annual audits and self-evaluations are conducted according to the ERB Guidelines;**
- (b) **keep in view the impact on the performance of training bodies after the relaxation of eligibility criteria for conducting self-evaluation by training bodies;**
- (c) **take measures to ensure that class surprise inspections are conducted for training centres according to the ERB Guidelines;**
- (d) **ensure that the course-end assessments are conducted by training bodies in accordance with the ERB Guidelines;**
- (e) **take appropriate follow-up actions with training bodies when non-compliance of course-end assessment guidelines by training bodies is found; and**

- (f) **consider whether remedial actions are necessary for those trainees who have passed the assessment but the assessment has not been conducted according to the ERB Guidelines.**

Response from ERB and the Hong Kong Council for Accreditation of Academic and Vocational Qualifications

3.14 ED, ERB agrees with the audit recommendations in principle. He has said that:

- (a) whether training bodies were allowed to undertake self-evaluation was based on the audit ratings in the two most recent on-site annual audits performed by ERB. Audit ratings from self-evaluation would not be used for the application for self-evaluation status. If training bodies undertook self-evaluation in one year, ERB must conduct on-site annual audit on the training bodies in the following year. Regarding the wording used in the guidelines, ERB will further update the guidelines to state more clearly about the arrangement of self-evaluation;
- (b) ERB will closely monitor the impact on the performance of training bodies after the relaxation of eligibility criteria;
- (c) if the courses in some of the inactive training centres were very short (say two days), and training bodies informed ERB about their class schedule very close to the commencement date (or had not even updated the class information) in the computer system, this would result in missing the arrangement of class surprise inspections to the corresponding training centres. In fact ERB had noted this shortcoming and, since February 2019, the computer system has been enhanced to alert the Quality Enhancement Team if there are such situations on or before the commencement date of the courses;
- (d) there was indeed unsatisfactory handling of the Foundation Certificate in Dim Sum Cook Training Course in its final assessment in 2017-18. ERB had since improved the arrangement;

- (e) follow-up actions have been carried out by ERB for the two cases quoted by Audit, and similar shortcomings shall not be repeated in the future;
- (f) ERB will ensure that the course-end assessments are conducted by training bodies in accordance with the guidelines;
- (g) ERB agrees to take immediate actions if there were non-compliances spotted out by assessment observations. These actions may include consultations with technical advisors/assessment observers, conducting follow-up assessment observations, remedial assessment and re-assessment if needed, etc.; and
- (h) ERB will enhance the mechanism of assessment observations and consider whether remedial actions are necessary.

3.15 ED, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) has said that:

- (a) the Certificate in Health Worker Training Course is an approved programme by the Director of Social Welfare under the Residential Care Homes (Elderly Persons) Regulation;
- (b) there are detailed specifications issued by the Social Welfare Department on the training and the assessments;
- (c) if the assessments were not conducted according to the ERB Guidelines, which should be in line with the Social Welfare Department specifications, there will be impact on the learning outcomes and possibly the approval status of the programmes; and
- (d) ERB should take more stringent measures to monitor programmes that meet licensing requirements or have obtained professional recognition.

Course accreditation

Decreasing number and percentage of accredited training courses

3.16 The QF-related quality assurance is undertaken by HKCAAVQ. QF is a cross-sectoral hierarchy designed to put in order qualifications in the academic, vocational and continuing education sectors with a view to facilitating life-long learning and assisting individuals to set personal goals and directions in continuous studies for obtaining recognised qualifications. Recognised qualifications are uploaded onto the Qualifications Register, which is a web-based database on learning programmes leading to such qualifications and the relevant operators, granting bodies, QF Levels, modes of delivery, etc.

3.17 According to the final recommendations of the strategic review endorsed by the Chief Executive-in-Council in March 2009 (see para. 1.5), ERB would strengthen its quality assurance mechanism of courses to ensure the recognition of courses by HKCAAVQ and their uploading onto the Qualifications Register. In 2018-19, 308 training courses were accredited, comprising 127 pitched at QF Level 1, 147 at Level 2, 32 at Level 3 and 2 at Level 4. Apart from obtaining accreditation status at course level, ERB has obtained the Programme Area Accreditation status in the “Catering, Food and Beverage Services” sub-area since 2018-19.

3.18 According to HKCAAVQ’s application requirement, only courses with trainees enrolled are eligible for application for re-accreditation. Audit reviewed the training courses with enrolled trainees and analysed the percentages among those courses that were accredited. Audit found that in the period from 2014-15 to 2018-19, there was a decreasing trend in both the number of accredited courses and the percentage:

- (a) the number of accredited courses decreased from 469 in 2014-15 to 308 in 2018-19; and
- (b) the percentage of accredited courses among courses with enrolled trainees decreased from 95% in 2014-15 to 58% in 2018-19 (see Table 17).

Table 17
Number and percentages of accredited training courses
(2014-15 to 2018-19)

	2014-15	2015-16	2016-17	2017-18	2018-19
No. of courses with trainees enrolled (a)	494	489	499	515	528
No. of accredited courses (b)	469	315	317	312	308
Percentage of accredited courses (c)=(b)÷(a)×100%	95%	64%	64%	61%	58%

Source: Audit analysis of ERB records

3.19 In response to Audit enquiry, ERB informed Audit in February 2020 that to ensure effective use of resources, ERB reviewed the changing needs of the employment market to identify suitable courses for accreditation or re-accreditation. Audit considers that ERB needs to endeavour to increase the number of accredited training courses to promote recognition of the qualifications of ERB graduates.

Audit recommendation

3.20 **Audit has recommended that ED, ERB should endeavour to increase the number of accredited training courses to promote recognition of the qualifications of ERB graduates.**

Response from ERB

3.21 ED, ERB agrees with the audit recommendation. He has said that:

- (a) ERB will review the progress and criteria for selecting suitable courses for accreditation and re-accreditation in the coming three years according to the 3-year strategic plan;

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- (b) with the Programme Area Accreditation status for the sub-area of “Catering, Food and Beverage Services”, ERB will upload more courses to the Qualifications Register; and

- (c) ERB will well plan for the application of the second Programme Area Accreditation status for the sub-area of “Information & Communications Technology” so that more courses could be uploaded to the Qualifications Register.

PART 4: TRAINING SUPPORT SERVICES

4.1 This PART examines the training support services provided by ERB, focusing on the following areas:

- (a) Service Centre and Service Spots (paras. 4.2 to 4.10); and
- (b) job referral platforms (paras. 4.11 to 4.31).

Service Centre and Service Spots

4.2 ERB has set up a district-based Service Centre in Tin Shui Wai and 37 Service Spots in collaboration with different social service organisations in various districts to provide training services and information on training courses available to local residents. The 37 Service Spots comprise 10 in Kwai Tsing and Tsuen Wan, 12 in Kowloon West and 15 in Kowloon East. In 2018-19, the total expenditure of the Service Centre and Service Spots was \$18.6 million.

4.3 The Service Centre (Tin Shui Wai) occupies an area of 10,387 square feet. It commenced operation in January 2012 to offer self-help and support services to those with training and employment needs. The service targets are people aged 15 or above, with education attainment at sub-degree level or below. The Service Centre provides information on courses of ERB offered by training bodies in the respective district and enrolment service for ERB courses. The Service Centre offers multi-media computer facilities and makes available reference material and self-learning softwares for use at the reading corners. The Service Centre organises course and industry seminars, workshops on job search skills and generic skills, and sessions on topical issues to disseminate information on latest market situation and enhance the generic and vocational skills of the members. An engagement agreement was signed between ERB and the operator of the Service Centre. Membership is valid for two years and is free-of-charge. As at 31 October 2019, the Service Centre had 19,956 members.

4.4 Engagement agreements were signed between ERB and the three operators of the 37 Service Spots. Under the agreements, the operators are required to:

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- (a) operate consignment booths to provide enquiry and enrolment services for ERB courses and organise industry seminars and taster courses; and
- (b) deploy staff at the Service Spots on a regular basis to provide personal assistance.

Few tenders received for operation of Service Centre and Service Spots

4.5 ERB procured the services for operation of the Service Centre and the Service Spots by restricted tendering. Invitations for tender were issued to the prospective service providers which fulfilled the prescribed requirements and conditions of the tender exercises for the operation of the Service Centre and the Service Spots as approved by the Course and Service Development Committee of ERB. Examples of the requirements on service providers and conditions of the tender exercises for the operation of the Service Centre and the Service Spots in the period from 2011 to 2019 were shown in Table 18.

Table 18

Examples of requirements on service providers and conditions of tender exercises for the operation of Service Centre and Service Spots (2011 to 2019)

	Service Centre	Service Spot
Requirement on service providers	<p>(a) ERB appointed training bodies; and</p> <p>(b) Having held ERB training courses in the past three years, two years of which have successfully held placement-tied courses.</p>	<p>(a) ERB appointed training bodies;</p> <p>(b) Having held ERB training courses in the past three years, two years of which have successfully held placement-tied courses; and</p> <p>(c) Having training centres in the same region/district where the Service Spots are to be located.</p>
Condition of tender exercises	<p>(a) Existing operators of Service Spots (or other Service Centre (Note), if applicable) are not allowed to bid;</p> <p>(b) Not allowed to tender jointly with other training bodies; and</p> <p>(c) Each training body should submit one tender only.</p>	<p>(a) Existing operators of other Service Spots and Service Centre are not allowed to bid;</p> <p>(b) Not allowed to tender jointly with other training bodies; and</p> <p>(c) Each training body should submit one tender only.</p>

Source: *Audit analysis of ERB records*

Note: *The Service Centre (Kowloon West) ceased operation with effect from 1 December 2017 and the Service Centre (Kowloon East) ceased operation with effect from 1 August 2019.*

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4.6 Audit examination of the tender exercises for the operation of the Service Centre (Tin Shui Wai) and the Service Spots conducted in the period from 2011 to 2019 revealed that the responses from the service providers were lukewarm in the period from 2015 to 2019:

- (a) ***Service Centre (Tin Shui Wai)***. In 2011, ten tenders (including only five conforming tenders) were received in response to the 95 invitations for tender issued for the operation of the Service Centre (Tin Shui Wai). In 2015, in response to the 96 invitations for tender issued, only two tenders were received. Of these two tenders, only the tender from the incumbent service provider was a conforming tender. In response to the 51 invitations for tender issued in 2019, only one tender, which was a conforming tender, was received from the incumbent service provider (see Table 19);
- (b) ***Service Spots (Kwai Tsing and Tsuen Wan)***. In response to the 19 invitations for tender issued for the operation of the Service Spots (Kwai Tsing and Tsuen Wan) in 2015, five tenders (including only one conforming tender) were received. In 2019, in response to the 13 invitations for tender issued, only one tender, which was a conforming tender, was received from the incumbent service provider (see Table 20);
- (c) ***Service Spots (Kowloon West)***. In 2017, of the 35 invitations for tender issued for the operation of the Service Spots (Kowloon West), only two tenders (both were conforming tenders) were received (see Table 20); and
- (d) ***Service Spots (Kowloon East)***. In 2018, of the 21 invitations for tender issued for the operation of the Service Spots (Kowloon East), only one tender, which was a conforming tender, was received (see Table 20).

Table 19

Number of invitations for tender issued and tenders received for operation of Service Centre (Tin Shui Wai) (2011 to 2019)

Date of invitation	Term of engagement agreement	No. of invitations	No. of tenders received
10 Feb 2011	1 Dec 2011 to 30 Nov 2013 (Note)	95	10 (only 5 tenders were conforming tenders)
23 Apr 2015	1 Dec 2015 to 30 Nov 2017 (Note)	96	2 (only the tender from the incumbent service provider was a conforming tender)
5 Dec 2019	1 Jun 2020 to 31 May 2023	51	1 (a conforming tender from the incumbent service provider)

Source: Audit analysis of ERB records

Note: According to the engagement agreement between ERB and the service provider, subject to satisfactory performance of the service provider during the term and for meeting operational requirement, ERB may negotiate with the service provider for an extension of the term under the same terms and conditions except for those amendments agreed by both parties. The engagement agreement with the term from 1 December 2011 to 30 November 2013 was extended with the incumbent service provider by 24 months (i.e. up to 30 November 2015). Another engagement agreement with the term from 1 December 2015 to 30 November 2017 was extended with the incumbent service provider by 30 months (i.e. up to 31 May 2020).

Remarks: Service Centre (Tin Shui Wai) commenced operation in January 2012.

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Table 20

Number of invitations for tender issued and tenders received for operation of Service Spots (2015 to 2019)

Service Spot	Date of invitation	Term of engagement agreement	No. of invitations	No. of tenders received
Service Spots (Kwai Tsing and Tsuen Wan)	16 Dec 2015	1 Apr 2016 to 31 Mar 2018 (Note)	19	5 (only one tender was a conforming tender)
	8 Aug 2019	1 Apr 2020 to 31 Mar 2022	13	1 (a conforming tender from the incumbent service provider)
Service Spots (Kowloon West)	22 Jun 2017	1 Oct 2017 to 31 Mar 2020	35	2 (both were conforming tenders)
Service Spots (Kowloon East)	18 Sep 2018	1 Jan 2019 to 31 Mar 2021	21	1 (the tender was a conforming tender)

Source: Audit analysis of ERB records

Note: According to the engagement agreement between ERB and the service provider, subject to satisfactory performance of the service provider during the term and for meeting operational requirement, ERB may negotiate with the service provider for an extension of the term under the same terms and conditions except for those amendments agreed by both parties. The engagement agreement with the term from 1 April 2016 to 31 March 2018 was extended with the incumbent service provider by 24 months (i.e. up to 31 March 2020).

Remarks: Service Spots (Kwai Tsing and Tsuen Wan), Service Spots (Kowloon West) and Service Spots (Kowloon East) commenced operation in August 2016, April 2018 and September 2019 respectively.

4.7 In response to Audit enquiry, ERB informed Audit in March 2020 that:

- (a) to ensure training bodies' knowledge of the tender exercises of the Service Centre and Service Spots, ERB would conduct tender briefing for all qualified bidders after issuing the tender document. After the deadline of tender, ERB would inquire some bidders of the reasons for not submitting the tender. In the previous tender exercises of the Service Centre and Service Spots, most training bodies responded that due to recruitment difficulties in the social services sector in the past few years, they did not have sufficient qualified staff to bid and take up new projects; and
- (b) for each tender exercise, the tender requirements and conditions were formulated based on the service needs, scope and requirements which were subject to review and approval of the Course and Service Development Committee. ERB would review the tender requirements and conditions from time to time with a view to striking a reasonable balance between synergy of services and encouragement of competition in the tender exercises.

4.8 Over-prescribing requirements may perpetuate incumbent advantage, inhibiting competition and leading to over-reliance on single contractor. Audit noted that the only conforming tender was the one from the incumbent service provider in the tender exercises for operation of the Service Centre (Tin Shui Wai) conducted in 2015 and 2019 and the Service Spots (Kwai Tsing and Tsuen Wan) in 2019. As a result, the same service provider would have operated the Service Centre (Tin Shui Wai) for 11.5 years from December 2011 to May 2023 in three engagement agreements. Another service provider would have operated the Service Spots (Kwai Tsing and Tsuen Wan) for six years from April 2016 to March 2022 in two engagement agreements. Audit considers that ERB needs to take measures to enhance competition in the tender exercises for operation of the Service Centre and the Service Spots, for instance by relaxing the tender requirements and conditions to attract more operators to submit tenders.

Audit recommendation

4.9 **Audit has recommended that ED, ERB should take measures to enhance competition in the tender exercises for operation of the Service Centre and the Service Spots, for instance by relaxing the tender requirements and conditions to attract more operators to submit tenders.**

Response from ERB

4.10 ED, ERB agrees with the audit recommendation in principle. He has said that ERB will review the tender requirements and conditions regularly with a view to striking a reasonable balance between synergy of services and encouragement of competition in the tender exercises.

Job referral platforms

4.11 ERB provides the following two job referral platforms:

- (a) *Smart Living Scheme.* The Smart Living Scheme was launched in March 2009. It offers a one-stop referral platform for domestic, care and massage services to increase employment opportunities for ERB graduates of relevant courses; and
- (b) *Smart Baby Care Scheme.* The Smart Baby Care Scheme was launched in June 2013. It provides centralised referral services for post-natal care and infant and child care for ERB graduates of relevant courses.

Need to endeavour to improve performance of the operators of Smart Living Scheme

4.12 The Smart Living Scheme is a one-stop free referral platform for domestic services. Through the Scheme, employers can recruit “Smart Helpers” for domestic, care and massage service. Graduates of related ERB courses can expand their employer networks and enhance their employment opportunities. In 2018-19, there were eight Smart Living – Regional Service Centres (two on Hong Kong Island, three in Kowloon, two in the New Territories West and one in the New Territories East) operated by seven operators. In 2018-19, the annual expenditure of Smart Living Scheme was about \$10 million.

4.13 According to the engagement agreements signed between ERB and the operators for the operation of Smart Living – Regional Service Centres under the Smart Living Scheme:

- (a) service targets are set out in the agreement for each Smart Living – Regional Service Centre in respect of:
 - (i) number of vacancies registered (with a weighting of 20%);
 - (ii) number of vacancies filled (with a weighting of 60%); and
 - (iii) number of helpers placed (with a weighting of 20%);
- (b) in the event that the service targets as set out in the agreement are not achieved, ERB may regard this as a fundamental breach provided that in such event ERB at its discretion may require the agreement to discontinue; and
- (c) in case the service provider fails to meet the annual service targets as set out in the agreement, ERB will deduct the amount of the agreed funding in the last quarter of the year according to the scale stated in the agreement (i.e. the composite performance score calculated according to the weighting of each service target).

4.14 ERB has formulated and stipulated in the Operation Guidelines a mechanism to monitor the performance of the service providers on a monthly, quarterly and yearly basis and the follow-up actions to be taken in case of performance deficiencies. ERB monitors the service providers by the composite performance score which reflects the weighted overall performance. It is stipulated in the engagement agreements that service providers with annual composite performance score of 90 or above will be disbursed with full fund for the year.

4.15 Audit examination of the achievement of the overall annual service targets of the Smart Living Scheme (i.e. number of vacancies registered, number of vacancies filled and number of helpers placed) for the period from 2014-15 to 2018-19 (see Table 21) revealed the following issues:

- (a) ***Number of vacancies registered.*** The overall annual service target on the number of vacancies registered was not met for all five years during the period;

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- (b) *Number of vacancies filled.* The overall annual service target on the number of vacancies filled was not met for 2016-17 and 2018-19; and
- (c) *Number of helpers placed.* Except for 2017-18, the overall annual service target on the number of helpers placed was not met for the other four years during the period.

Table 21

**Achievement of overall annual service targets of Smart Living Scheme
(2014-15 to 2018-19)**

Year	Performance	Service target		
		No. of vacancies registered	No. of vacancies filled	No. of helpers placed
2014-15	Target (a)	45,400	29,880	19,240
	Actual (b)	45,237	30,002	17,464
	Percentage achieved (c)=(b) ÷ (a) × 100%	99.6%	100.4%	90.8%
2015-16	Target (d)	45,400	29,880	19,240
	Actual (e)	43,603	29,952	18,036
	Percentage achieved (f)=(e) ÷ (d) × 100%	96.0%	100.2%	93.7%
2016-17	Target (g)	45,400	29,880	19,240
	Actual (h)	39,871	29,312	18,623
	Percentage achieved (i)=(h) ÷ (g) × 100%	87.8%	98.1%	96.8%
2017-18	Target (j)	45,400	29,880	19,240
	Actual (k)	41,155	31,136	19,715
	Percentage achieved (l)=(k) ÷ (j) × 100%	90.7%	104.2%	102.5%
2018-19	Target (m)	40,000	29,000	19,000
	Actual (n)	37,103	26,555	17,200
	Percentage achieved (o)=(n) ÷ (m) × 100%	92.8%	91.6%	90.5%

Legend: Service target not met

Source: *Audit analysis of ERB records*

Remarks: *According to ERB, the overall annual composite performance scores (see para. 4.13(c)) in the period from 2014-15 to 2018-19 ranged from 92 to 101 marks, averaging 97 marks, with the lowest score of 92 in 2018-19.*

Training support services

4.16 Audit further examined the achievement of the annual service targets and required annual composite performance scores by individual Smart Living – Regional Service Centres for the period from 2014-15 to 2018-19 (see Table 22) and found the following issues:

- (a) ***Number of vacancies registered.*** The annual service target on the number of vacancies registered was not met by 5 to 10 Smart Living – Regional Service Centres during the period;
- (b) ***Number of vacancies filled.*** The annual service target on the number of vacancies filled was not met by 4 to 7 Smart Living – Regional Service Centres during the period;
- (c) ***Number of helpers placed.*** The annual service target on the number of helpers placed was not met by 4 to 8 Smart Living – Regional Service Centres during the period; and
- (d) ***Annual composite performance score.*** For 2 to 5 Smart Living – Regional Service Centres, the required annual composite performance score of 90 was not met during the period.

Table 22

Achievement of service targets by and annual composite performance scores of Smart Living – Regional Service Centres (2014-15 to 2018-19)

Year	Service target	No. of Smart Living – Regional Service Centres	No. of Centres not meeting service targets	No. of Centres where the annual composite performance score was below 90
2014-15	No. of vacancies registered	11	7	4
	No. of vacancies filled		7	
	No. of helpers placed		7	
2015-16	No. of vacancies registered	11	7	5
	No. of vacancies filled		7	
	No. of helpers placed		8	
2016-17	No. of vacancies registered	11	10	5
	No. of vacancies filled		7	
	No. of helpers placed		6	
2017-18	No. of vacancies registered	11	9	2
	No. of vacancies filled		4	
	No. of helpers placed		4	
2018-19	No. of vacancies registered	8	5	4
	No. of vacancies filled		6	
	No. of helpers placed		6	

Source: Audit analysis of ERB records

Training support services

4.17 In response to Audit enquiry, ERB informed Audit in February and March 2020 that:

- (a) the main reasons for the failure to meet some service targets of the Smart Living Scheme included the competition with other domestic helpers mobile applications, time needed to build up network with employers and helpers and decreasing number of graduate trainees;
- (b) ERB was developing a mobile application to enhance the service quality of the Smart Living Scheme and Smart Baby Care Scheme. The application was developed internally by the ERB Information Technology Team. The launch date was originally scheduled for September 2019. However, to work in tandem with the government's alleviation measures announced in July 2019, ERB had to launch a "Love Upgrading Special Scheme" in October 2019. The full ERB Information Technology Team was deployed to develop the backend system for the special programme and the development of the application had been on hold for a few months, thereby deferring the launch date; and
- (c) ERB planned to launch the mobile application in March 2020 after conducting two briefing sessions with the service providers and the training bodies. However, due to the latest epidemic situation, the briefing sessions were pending for the time being. ERB would endeavour to launch the application in March 2020 as scheduled.

4.18 Audit considers that ERB needs to endeavour to improve the performance of the operators of the Smart Living Scheme.

Need to closely monitor the performance of operators of Smart Living Scheme

4.19 In 2018-19 and 2019-20, there were eight Smart Living – Regional Service Centres operated by seven operators. The term of the engagement agreements for these eight Smart Living – Regional Service Centres is two years from 1 April 2018 to 31 March 2020. Upon expiry of the engagement agreements, ERB may renew the engagement agreements with the operators for another two years, depending on the service needs and effectiveness, the performance of the operators and the price quotations of the operators. According to the engagement agreements, the

performance of the operators would be evaluated based mainly on the composite performance score:

- (a) the score of 100 would be awarded to an operator if 100% is achieved for each of the service targets; and
- (b) if the score of an operator is below 90 in a year, an amount would be deducted from the payment to the operator in the last quarter of the year. For example, only 95% would be paid to an operator scoring 85 to 89 marks, and only 75% would be paid to an operator scoring below 70 marks.

According to the Operation Guidelines for the Smart Living Scheme, if an operator has a score below 80 for two quarters within a year, ERB may consider terminating the agreement unless the operator improves and achieves at least 80 marks in the following month upon written request.

4.20 Audit examined the scores of the operators of the eight Smart Living – Regional Service Centres for the first two quarters of 2019-20 and noted that three operators had a score below 80:

- (a) **Operator A.** Operator A scored 67 and 68 in the first and the second quarter respectively;
- (b) **Operator B.** Operator B scored 69 and 67 in the first and the second quarter respectively; and
- (c) **Operator C.** Operator C scored 75 and 67 in the first and the second quarter respectively.

These three operators achieved none of the three service targets in both the first and the second quarters of 2019-20 (see Table 23).

Table 23

**Performance of operators of Smart Living – Regional Service Centres
(1st and 2nd quarter of 2019-20)**

Operator	Service target (weighting)	1st quarter (April to June 2019)	2nd quarter (July to September 2019)
		Achievement of service targets	
Operator A	No. of vacancies registered (20%)	73%	74%
	No. of vacancies filled (60%)	63%	64%
	No. of helpers placed (20%)	71%	64%
Operator B	No. of vacancies registered (20%)	74%	69%
	No. of vacancies filled (60%)	64%	65%
	No. of helpers placed (20%)	77%	73%
Operator C	No. of vacancies registered (20%)	75%	65%
	No. of vacancies filled (60%)	77%	68%
	No. of helpers placed (20%)	72%	63%

Source: Audit analysis of ERB records

4.21 In its meeting held on 7 November 2019, the Course and Service Development Committee decided that:

- (a) **Operator A.** ERB would not renew the engagement agreement with Operator A after the expiry of current agreement on 31 March 2020 due to its unsatisfactory performance since 2018-19; and
- (b) **Operators B and C.** For Operator B and Operator C, ERB would terminate their engagement agreements if they could not score 80 marks or above in December 2019.

4.22 In response to Audit enquiry, ERB informed Audit in February 2020 that:

- (a) **Operator B.** Operator B achieved 77 marks in December 2019, which was below the required level of 80 marks. However, in view of the latest situation of novel coronavirus infection which would affect the tendering process and the performance of the new operator, the Course and Service Development Committee approved to renew the engagement agreement with Operator B for another two years from 1 April 2020; and
- (b) **Operator C.** As the score of Operator C was above 80 marks in December 2019, ERB would renew the engagement agreement with Operator C for another two years from 1 April 2020.

4.23 Considering that ERB would renew the engagement agreements with Operator B and Operator C who had unsatisfactory performance in two consecutive quarters of 2019-20 for another two years from 1 April 2020, Audit considers that ERB needs to continue to closely monitor the performance of the operators of the Smart Living Scheme who have failed to achieve service targets laid down in the engagement agreements and where necessary, take appropriate follow-up actions if the operators do not achieve the service targets again.

Some service requirements in respect of KPIs of Smart Baby Care Scheme not met

4.24 In June 2013, ERB launched the Smart Baby Care Scheme to centrally follow up post-natal care and infant and child care job vacancies, and to provide one-stop referral services for household employers as well as graduate trainees of related courses offered by ERB. Marketing campaigns including online and offline advertisements, printed materials, promotions in social media, exhibitions, seminars, expos and media interviews were launched and organised over the years to promote the brand and services of the Smart Baby Care Scheme. In 2018-19, the annual expenditure of the Smart Baby Care Scheme was \$2.5 million.

4.25 According to the engagement agreements signed between ERB and the operator for the operation of the Smart Baby Care Scheme:

- (a) service requirements are set out in the agreement in respect of six KPIs:
 - (i) number of vacancies registered (with a weighting of 10%);
 - (ii) number of vacancies filled (with a weighting of 40%);
 - (iii) number of helpers placed (with a weighting of 10%);
 - (iv) number of new graduate trainees placed (with a weighting of 20%);
 - (v) satisfaction rate of employers on the services of fresh graduates (with a weighting of 10%); and
 - (vi) satisfaction rate of new graduate trainees and employers to the services of the operator (with a weighting of 10%);
- (b) in the event that the KPI performance as set out in the agreement is not achieved, ERB may regard this as a fundamental breach provided that in such event ERB at its discretion may require the agreement to discontinue; and

- (c) in case the service provider fails to meet the annual KPI performance requirements as set out in the agreement, ERB will deduct the amount of the agreed funding in the last quarter of the year according to the scale stated in the agreement (i.e. the composite performance score calculated according to the weighting of each KPI).

4.26 ERB has formulated and stipulated in the Operation Guidelines a mechanism to monitor the performance of the service provider on a monthly, quarterly and yearly basis and the follow-up actions to be taken in case of performance deficiencies. ERB monitors the service provider by the composite performance score which reflects the weighted overall performance. As stipulated in the engagement agreement, a service provider with annual composite performance score of 90 marks or above will be disbursed with full fund for the year.

4.27 Audit analysed the achievement of service requirements in the period from 2016-17 to 2018-19 (see Table 24) and found that service requirements were not met for two KPIs:

- (a) ***Number of vacancies registered.*** The service requirement was not met in all the three years during the period; and
- (b) ***Satisfaction rate of employers on the services of fresh graduates.*** The service requirement was not met in 2016-17.


The service requirements in respect of the remaining four KPIs were all met throughout the period.

Training support services

Table 24

**Service requirements of Smart Baby Care Scheme not met
(2016-17 to 2018-19)**

KPI (weighting)	Service requirement	2016-17		2017-18		2018-19	
		No.	Requirement met	No.	Requirement met	No.	Requirement met
No. of vacancies registered (10%)	4,200	3,444	✘	3,342	✘	3,801	✘
Satisfaction rate of employers on the services of fresh graduates (10%)	85%	81%	✘	85%	✓	86%	✓

Legend:  Service requirement not met
 ✓ denotes requirement achieved
 ✘ denotes requirement not achieved

Source: *Audit analysis of ERB records*

Remarks: *According to ERB, the overall annual composite performance scores in 2016-17, 2017-18 and 2018-19 were 104, 106 and 106 respectively.*

4.28 Audit noted that ERB started to develop a mobile application for the Smart Baby Care Scheme in 2018. ERB informed the Course and Service Development Committee in August 2019 that the mobile application for helpers to register in the Smart Baby Care Scheme would be launched in September 2019. However, up to January 2020, the development of the mobile application was yet to be completed (see also para. 4.17(b) and (c)).

4.29 Audit considers that ERB needs to endeavour to enhance the popularity of the Smart Baby Care Scheme and improve the performance of the operator of the Scheme.

Audit recommendations

- 4.30 **Audit has recommended that ED, ERB should:**
- (a) **endeavour to improve the performance of the operators of the Smart Living Scheme;**
 - (b) **continue to closely monitor the performance of the operators of the Smart Living Scheme who have failed to achieve service targets laid down in the engagement agreements and where necessary, take appropriate follow-up actions if the operators do not achieve the service targets again; and**
 - (c) **endeavour to enhance the popularity of the Smart Baby Care Scheme and improve the performance of the operator of the Scheme.**

Response from ERB

- 4.31 ED, ERB agrees with the audit recommendations. He has said that ERB will:
- (a) continue to assist the operators of the Smart Living Scheme to improve their performance. The “ERB Helper” mobile application was already published on online stores and was officially launched on 30 March 2020 for registered helpers of the Smart Living Scheme and Smart Baby Care Scheme to search vacancies and apply for jobs;
 - (b) continue to closely monitor the performance of the operators of the Smart Living Scheme which have failed to achieve service requirements stipulated in the engagement agreements and take appropriate follow-up actions if the operators fail to achieve the service targets again; and
 - (c) continue to promote and reinforce the brand name of the Smart Baby Care Scheme, and assist the operator to improve its performance.

PART 5: CORPORATE GOVERNANCE AND ADMINISTRATIVE ISSUES

5.1 This PART examines ERB's corporate governance and administrative issues, focusing on the following areas:

- (a) corporate governance (paras. 5.2 to 5.14);
- (b) human resource management (paras. 5.15 to 5.23);
- (c) management of ERF (paras. 5.24 to 5.31);
- (d) financial incentives provided to trainees (paras. 5.32 to 5.40); and
- (e) procurement and inventory management (paras. 5.41 to 5.46).

Corporate governance

5.2 The governing body of ERB is its Board. Board members are appointed by the Chief Executive (see para. 1.6). As at 31 December 2019, the Board had 16 members, comprising a Chairman, a Vice-Chairman, four persons representing employers, four persons representing employees, four members connected with vocational training and retraining or manpower planning, and two government officials. Board members are appointed for a term not exceeding three years and are eligible for re-appointment. The Board is responsible for the formulation of policies for ERB's training and services while its policies are implemented by the Executive Office headed by ED. The Board has established six Committees:

- (a) Course and Service Development Committee;
- (b) Course Vetting Committee;
- (c) Quality Assurance and Review Committee;
- (d) Public Relations and Promotion Committee;

- (e) Finance and Administration Committee; and
- (f) Audit Committee.

Members of the Committees are mainly Board members. ERB may also appoint non-Board members to serve as co-opted members of the Committees.

Late circulation of agendas of Board/Committee meetings

5.3 It was stipulated in the ERB Guidelines that unless with approval from the respective chairpersons of the Board/Committees, notices on meeting and the meeting agendas should be circulated to members at least one week before the meeting.

5.4 Audit examined the records of the 129 Board/Committee meetings conducted during the period from 2014-15 to 2018-19 and found that 14 (10.9%) of the 129 meeting agendas were circulated to members less than one week before the meetings. The delays ranged from 1 to 3 days (averaging 2 days). To allow members adequate time to prepare for Board/Committee meetings, Audit considers that ERB needs to endeavour to circulate meeting agendas to Board/Committee members in a timely manner according to the requirement stipulated in the ERB Guidelines.

Late issue of minutes of Board/Committee meetings

5.5 In the 2011 Audit Review, Audit found that ERB did not set a time target to ensure that draft meeting minutes would be issued in a timely manner. Audit reported in 2011 that for the 67 Board/Committee meetings held from 2008-09 to 2010-11, the average time taken for issuing draft minutes to members was 79 days. For 48 (72%) meetings, draft minutes were issued 60 days or more after the meetings. In its response to the 2011 Audit Review, ERB said that it would ensure that draft minutes of Board/Committee meetings would be issued within a period of one month after the meetings.

5.6 In the current Audit Review, Audit noted that the ERB Guidelines still had not stipulated a time target for the issue of draft meeting minutes. Audit examined the records of draft minutes of the Board/Committee meetings conducted during the period from 2014-15 to 2018-19 and found that 10 (7.8%) of the 129 draft minutes were not issued within one month after the meetings. The delays ranged from

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1 to 10 days, averaging 4 days. Audit considers that ERB needs to set a time target for the issue of draft meeting minutes to Board/Committee members in the ERB Guidelines and take measures to ensure its compliance.

Need to review MAA requirements

5.7 According to MAA, ERB should submit to the Secretary for Labour and Welfare for approval an Annual Plan, containing the following information:

- (a) ERB's activities and their objectives;
- (b) number of training places being offered and/or to be offered under different programmes and training modes;
- (c) current performance indicators, achievement of existing targets and any new targets proposed by ERB;
- (d) a detailed estimation of income and expenditure with due regard to the financial position of ERF and plans for the coming year;
- (e) a summary of the proposed programme focusing on the main objectives, performance indicators and resources; and
- (f) results of user opinion surveys and retention surveys for placement-tied retraining courses.

5.8 Audit examined the Annual Plans submitted by ERB for the period from 2015-16 to 2019-20 and found the following issues:

- (a) ***Performance indicators.*** ERB included targets for performance indicators in the Annual Plans. However, the actual achievements of targets in the previous year were not included in the Plans as required; and
- (b) ***Results of user opinion surveys and retention surveys.*** In the 2011 Audit Review, Audit found that ERB had not reported the results of user opinion surveys and retention surveys in the Annual Plans. ERB accepted Audit's recommendation and said that it would include the results in the Annual

Plans. However, in the current Audit Review, Audit found that the results were still not reported in the Annual Plans.

- 5.9 In March 2020, in response to Audit enquiry, ERB informed Audit that:
- (a) it was not feasible to include a complete picture of actual performance indicators of the year in the Annual Plan, which was due for submission to the Secretary for Labour and Welfare in March every year. As an alternative, ERB reported the actual achievement of performance indicators to the Quality Assurance and Review Committee on a quarterly basis. The report would then be submitted to the Board, in which the Permanent Secretary for Labour and Welfare was a member. The annual achievement would be published in the Annual Report of ERB;
 - (b) the findings of the user opinion surveys and the retention surveys were reported in the Quality Assurance and Review Committee meetings at regular intervals so that all Board members, including the Permanent Secretary for Labour and Welfare, were fully aware of the findings. The findings of the surveys would also be published in the Annual Report of ERB; and
 - (c) the Annual Plan was mainly formulated by ERB to seek approval of the Secretary for Labour and Welfare on the work and activities to be carried out in the coming year. It was not supposed to include massive underpinning data, findings and background information for planning or analytical purposes.

Audit considers that ERB needs to, in collaboration with LWB, review MAA requirements pertinent to the Annual Plan with a view to ensuring that the requirements are practicable and revise them where necessary. ERB also needs to take measures to ensure that MAA requirements are complied with.

Need to enhance procedures of making declarations of interests by Board/Committee members

5.10 According to the ERB Guidelines, members (including the Board Chairman, Board/Committee members and co-opted members of the Committees) should submit written declarations of interests, including interests arising from their paid or

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voluntary positions in any company or organisation, to the Executive Office of ERB at the time of their appointments or re-appointments. All declarations of interests shall be kept by the Executive Office of ERB and be available to public upon request. In addition, members should also disclose their interests in any matter under consideration by the Board or the Committees prior to their discussion of the matter in the meeting. In practice, ERB requested members to submit declarations annually.

5.11 Audit examined the records of declaration of interests for the period from 2015-16 to 2019-20 and noted the following:

- (a) ***Requests for declarations of interests not issued in a timely manner.*** ERB sent the requests for declarations of interests to members after their appointments or re-appointments had been made. For Board members, the requests were made on average 74 days, ranging from 22 to 228 days, subsequent to the Board appointments or re-appointments. For non-Board co-opted members of the Committees, the requests were made on average 57 days, ranging from 2 to 196 days, after their appointments, Table 25 shows the details. In the period from 2015-16 to 2019-20 (up to 31 October 2019), the Board and the six Committees held 118 meetings. Of the 118 meetings, 31 (26.3%) were held before the submission deadlines of the declarations of interests by members. In particular, Audit noted that the delays for declarations in 2019-20 were significant. By the time ERB sent the requests for declarations of interests to members, it had already been four to five months after the first Board meeting and the first meetings of the six Committees were held. Audit considers that ERB needs to take measures to ensure that requests for declarations of interests are sent to Board/Committee members in a timely manner; and

Table 25

**Delays in requesting declarations of interests
from Board and Committee members after appointments or re-appointments
(2015-16 to 2019-20)**

Year	No. of Board members appointments or re-appointments	No. of days having elapsed when requests were sent	No. of co-opted Committee members appointments	No. of days having elapsed when requests were sent
2015-16	12	32	2	3
2016-17	2	60	2	2
2017-18	12	22	2	81
2018-19	2	28	2	4
2019-20	13	228	4	196
		Average 74		Average 57

Source: Audit analysis of ERB records

- (b) ***Late submission of declarations of interests.*** For the period from 2015-16 to 2019-20, Board/Committee members submitted 92 declarations of interests. Of the 92 declarations, 17 (18.5%) were submitted after the submission deadlines stipulated by ERB. The delays ranged from 1 to 160 days, averaging 43 days. Audit considers that ERB needs to take measures to ensure that declarations of interests are submitted by Board/Committee members in a timely manner (e.g. by sending reminders to members) and members are not invited to attend meetings until their declarations of interests have been received.

Audit recommendations

- 5.12 **Audit has recommended that ED, ERB should:**
- (a) **endeavour to circulate the meeting agendas to Board/Committee members in a timely manner according to the requirement stipulated in the ERB Guidelines;**
 - (b) **set a time target for the issue of draft meeting minutes to Board/Committee members in the ERB Guidelines and take measures to ensure its compliance;**
 - (c) **in collaboration with LWB, review MAA requirements pertinent to the Annual Plan with a view to ensuring that the requirements are practicable and revise them where necessary;**
 - (d) **take measures to ensure that MAA requirements are complied with; and**
 - (e) **enhance procedures of making declarations of interests by Board/Committee members, including taking measures to ensure that:**
 - (i) **requests for declarations of interests are sent to members in a timely manner; and**
 - (ii) **declarations of interests are submitted by members in a timely manner (e.g. by sending reminders to members) and members are not invited to attend meetings until their declarations of interests have been received.**

Response from ERB and the Government

- 5.13 ED, ERB agrees with the audit recommendations. He has said that:
- (a) ERB has already improved the timeliness in circulating the meeting agendas to Board/Committee members. During the 21 Board and Committee meetings held in 2019-20, all meeting agendas were issued to members at

least one week before the date of meetings. The Executive Office will regularly remind committee secretaries to adhere to the requirements stipulated in the ERB Guidelines;

- (b) ERB has already issued internal guidelines to committee secretaries stating that, as a good practice, minutes of the meeting should be issued to Board/Committee members within one month after each meeting. During the 21 Board and Committee meetings held in 2019-20, all meeting minutes were issued according to such guidelines. The Executive Office will regularly remind committee secretaries to adhere to such requirement;
- (c) ERB will review MAA requirements pertinent to the Annual Plan in collaboration with LWB, and take measures to ensure that MAA requirements are complied with; and
- (d) ERB will improve procedures of making declarations of interests by Board/Committee members, including sending requests for declarations of interests to members within one month upon commencement of each appointment year/upon their appointments, and sending reminders to members to facilitate their timely submission of returns.

5.14 The Secretary for Labour and Welfare agrees with the audit recommendations. He has said that LWB will, in conjunction with ERB, review the relevant MAA requirements pertinent to the Annual Plan, including inclusion of such performance indicators as the achievement of targets, and results of ERB's user opinion surveys and retention surveys.

Human resource management

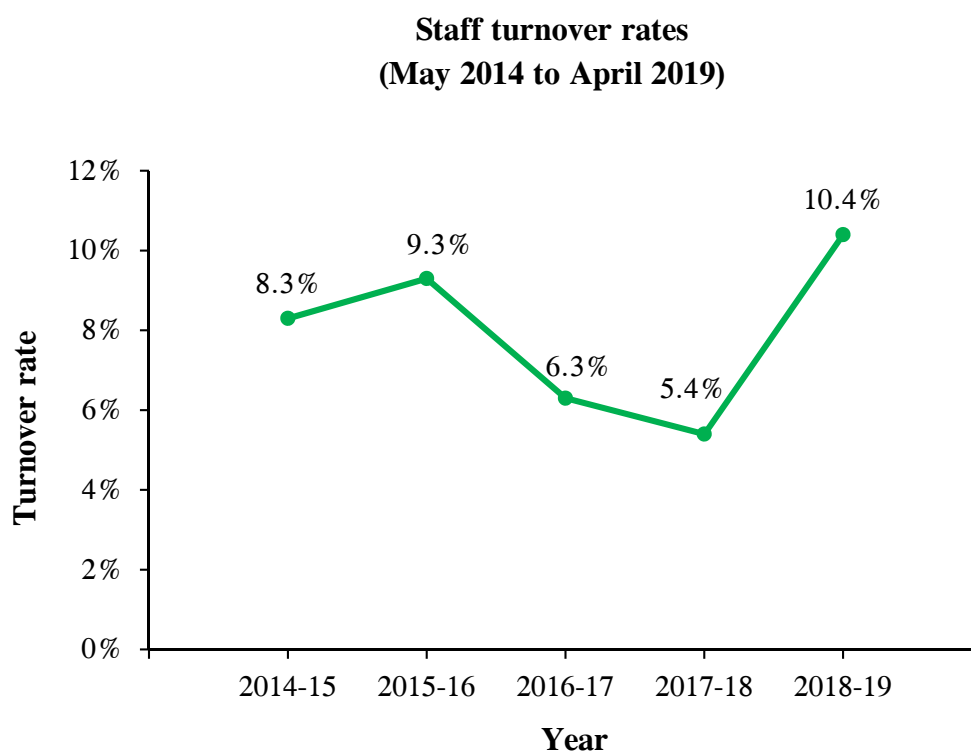
5.15 As at 31 October 2019, the staff establishment and staff strength of ERB were 268 staff (comprising 205 regular positions and 63 temporary positions) and 252 staff (comprising 192 regular positions and 60 temporary positions) respectively. In 2018-19, staff costs amounted to \$96.5 million.

Need to keep in view the increase in staff turnover rate

5.16 ERB reports the annual staff turnover rate (from May of a year to April of the following year) to the Board and the Finance and Administration Committee for

their deliberation. Audit examined the annual staff turnover rates for the period from 2014-15 to 2018-19 and found that the rate decreased from 8.3% in 2014-15 to 5.4% in 2017-18 but increased significantly to 10.4% in 2018-19 (see Figure 3).

Figure 3



Source: Audit analysis of ERB records

5.17 In the Board meeting held in June 2019, in response to a Board member's query on the high turnover rate, the Executive Office of ERB advised that leavers were mainly executive grade staff and staff from the Information Technology Section. They resigned during the year mainly because they had found jobs with more competitive remuneration packages. Audit considers that ERB needs to keep in view the staff turnover rate and explore feasible measures to address the issue if the high turnover rate persists.

Need to enhance the review on senior staff remuneration

5.18 According to MAA, ERB should:

- (a) at each interval of not more than three years, submit a review report to the Secretary for Labour and Welfare on the review of the top three tiers of staff remuneration packages having regard to the prevailing Government guidelines and instructions of the Secretary for Labour and Welfare to ensure that such senior staff remuneration packages are appropriate; and
- (b) make arrangements for disclosure of the outcome to the public where necessary.

5.19 ERB's top three tiers of staff included one ED, four Deputy EDs and seven Senior Managers. In March 2020, in response to Audit enquiry, LWB informed Audit that in accordance with MAA and the Director of Administration's circular memorandum in March 2003 (updated in August 2018) on the general guidelines for control and monitoring of remuneration practices in respect of senior staff in subvented organisations, LWB had been monitoring the remuneration packages of the top two tiers of ERB's staff (i.e. ED and Deputy EDs) by comparing the costs of their remuneration with those of civil servants at appropriate ranks. Monitoring at the top tiers was expected to filter down to other tiers, create a ceiling effect and provide a broad framework for the remuneration of other ERB staff.

5.20 The latest senior staff remuneration review report was submitted by ERB to LWB in September 2017. Audit examined the review report and noted that:

- (a) ERB only included cash remuneration, i.e. basic salary, cash allowances, gratuity, performance based bonus and the thirteenth month pay in the review; and
- (b) non-cash benefits and retirement benefits, which were also part of the staff remuneration packages, were not reported. For instance, senior staff can choose to join the Occupational Retirement Scheme. Under the Scheme, depending on the staff's year of services, senior staff can earn monthly retirement benefits equivalent to 5% to 15% of his basic salary.

Audit considers that non-cash benefits and retirement benefits are part and parcel of the staff remuneration package. ERB needs to include non-cash and retirement benefits in the senior staff remuneration review report submitted to LWB.

Audit recommendations

5.21 **Audit has recommended that ED, ERB should:**

- (a) **keep in view the staff turnover rate and explore feasible measures to address the issue if the high turnover rate persists; and**
- (b) **include non-cash and retirement benefits in the senior staff remuneration review report submitted to LWB.**

Response from ERB and the Government

5.22 ED, ERB agrees with the audit recommendations. He has said that ERB will:

- (a) continue monitoring the staff turnover rate and if the high turnover rate persists, ERB would explore feasible measures including enhancing staff training, conducting organisation and salary structure review with a view to retaining talents; and
- (b) include non-cash and retirement benefits in the 2020 organisation and salary structure review for the top three tiers of staff.

5.23 The Secretary for Labour and Welfare has said that LWB will take into account Audit's recommendation in the upcoming triennial review of ERB's senior staff remuneration packages in the second half of 2020.

Management of ERF

5.24 ERB is the body corporate responsible for administering ERF. Under ERO, ERF shall be used to make provisions for the payment of retraining allowances in respect of trainees attending retraining courses or supplementary retraining programmes and to defray the costs of those courses and programmes (see (a), (g) and (i) in Appendix A).

5.25 Before August 2008, the Employees Retraining Levy was the major source of funding for ERB. As part of the relief package with anti-inflationary initiatives, the Government suspended the collection of the Levy for the period from 1 August 2008 to 31 July 2013 (Note 17). Effective from 1 August 2013, the Government has abolished the imposition of levy on the employers of foreign domestic helpers to ease the financial burden on families employing foreign domestic helpers.

5.26 In February 2014, after obtaining approval from the Legislative Council's Finance Committee in January 2014, the Government injected a sum of \$15 billion into ERF primarily as seed money for generating investment income to finance the services and operation of ERB on a long-term basis. It was stated in the Finance Committee paper that:

- (a) ERB was expected to finance its services and operation mainly with the investment income from the \$15 billion injection;
- (b) a substantial portion of ERF would be placed with the Hong Kong Monetary Authority (HKMA). The placement would enable ERB to earn an investment return that was linked to the performance of the Exchange Fund;
- (c) ERB would carefully monitor its financial condition to ensure that the investment return, the Employees Retraining Levy and other incomes together with the balance of ERF, would be sufficient to cover the cash flow requirements of ERB over the long-term period; and

Note 17: *During the suspension period, ERB relied on the remainder of ERF to sustain its services and operation. As at 31 March 2013, the balance of ERF was about \$2 billion.*

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- (d) in the long run, ERB should seek to optimise the use of the Government injection and strive to operate on a financially sustainable basis with due regard to cost effectiveness.

In February 2014, ERB made a placement of \$12.5 billion with HKMA for six years with maturity on 24 February 2020 and kept the remaining \$2.5 billion for daily operation. In February 2020, the placement with HKMA was renewed with a revised amount of \$9.6 billion for six years from 25 February 2020.

Need to monitor the financial condition of ERB

5.27 Audit examined the financial condition of ERB in the period from 2014-15 to 2018-19 and noted that:

- (a) interest income comprised that from the placement with HKMA and that from fixed deposits at local banks. The annual interest income represented on average 94% of total income received by ERB;
- (b) ERB incurred a deficit every year, ranging from \$142 million to \$401 million (averaging \$296 million) (see Table 26); and
- (c) the balance of ERF decreased by \$1,478 million (9%) from \$16,280 million as at 1 April 2014 to \$14,802 million as at 31 March 2019 (see Table 26).

Table 26

**Movement of balance of ERF
(2014-15 to 2018-19)**

	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)	2017-18 (\$ million)	2018-19 (\$ million)
Beginning balance of ERF (a)	16,280	16,049	15,907	15,506	15,114
Interest income (b)	561	671	452	472	599
Income other than interest income (c)	28	35	36	33	38
Total income (d)=(b)+(c)	589	706	488	505	637
Total expenditure (e)	820	848	889	897	949
Deficit (f)=(d)-(e)	(231)	(142)	(401)	(392)	(312)
Ending balance of ERF (g)=(a)+(f)	16,049	15,907	15,506	15,114	14,802

Source: ERB records

5.28 According to the estimation made by ERB, the balance of ERF would further decrease to \$8,330 million in February 2026, representing a decrease of \$6,472 million (44%) from \$14,802 million as at 31 March 2019. In March 2020, in response to Audit enquiry, ERB informed Audit that:

- (a) it had all along adopted a prudent approach in controlling its expenses. In the past five years, nearly 90% of its annual expenditures had been spent on provision of training courses and services. Administrative expenses as a percentage to the total expenditures were kept at low level. ERB had not increased the number of headcounts since 2011;

- (b) it had made efforts to maximise interest income. For example, it invested ERF by making placement with HKMA, which generated relatively higher interest returns as compared to other investment products. ERB reviewed the interest rates for fixed deposits monthly to maximise interest income; and
- (c) it would collaborate with LWB in taking measures to ensure the long-term financial sustainability of ERB. As announced in the 2020-21 Budget, the Government would provide \$2.5 billion to ERB to enhance the Love Upgrading Special Scheme and increase the maximum monthly allowance to \$5,800. It would continue to utilise ERF in a prudent and effective manner in providing retraining courses and services.

Audit considers that ERB needs to, in collaboration with LWB, monitor the financial condition of ERB to ensure that ERB remains in sound financial condition (see para. 5.26(c)).

Audit recommendation

5.29 **Audit has recommended that ED, ERB should in collaboration with LWB, monitor the financial condition of ERB to ensure that ERB remains in sound financial condition.**

Response from ERB and the Government

5.30 ED, ERB agrees with the audit recommendation in principle. He has said that ERB will continue to closely monitor the financial condition of ERB and report regularly to the Finance and Administration Committee and the Board (members include the representative from LWB).

5.31 The Secretary for Labour and Welfare has said that LWB has been continuously monitoring the financial condition of ERB through vetting of ERB's Annual Plan, which contains, inter alia, financial information on actual and estimated income and expenditure. In view of the noticeable increase in expenditure in the coming years due to the introduction of the first tranche of Love Upgrading Special Scheme in October 2019 and planned introduction of the second tranche in July 2020,

and the anticipated increase in the statutory cap on the rate of monthly retraining allowance per trainee, the Government has already proposed to inject an additional \$2.5 billion into ERF through the Appropriation Bill 2020.

Financial incentives provided to trainees

5.32 To encourage enrolment and provide assistance to persons in need, ERB provides financial incentives in the form of retraining allowances and course fee reduction for trainees attending placement-tied courses and non-placement-tied courses respectively:

- (a) **Retraining allowances.** ERB provides placement-tied courses free of charge. Trainees who fulfil the stipulated eligibility criteria can apply for retraining allowances (see para. 2.10); and
- (b) **Course fee reduction.** Non-placement-tied courses are fee-charging. The course fee charged by ERB depends on individual trainee's level of income, as follows:
 - (i) **Course fee waiver.** Trainees who have a monthly income of \$12,000 (\$11,000 before 1 April 2020) or less receive full course fee waiver. In 2018-19, 94% of the trainees received full course fee waiver;
 - (ii) **Highly subsidised course fee.** ERB refers the course fees paid by trainees who have a monthly income between \$12,001 and \$20,000 (\$19,500 before 1 April 2020) as highly subsidised course fee. The amount of highly subsidised course fee of a course is about 30% of the course cost incurred by the training body. In 2018-19, 5% of the trainees paid highly subsidised course fee; and
 - (iii) **Normal subsidised course fee.** ERB refers the course fees paid by trainees who have a monthly income above \$20,000 as normal subsidised course fee. The amount of normal subsidised course fee of a course is about the course cost incurred by the training body. In 2018-19, 1% of the trainees paid normal subsidised course fee.

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5.33 In order to encourage trainees' attendance and to deter trainees from providing false information, ERB would recover the financial incentives provided to trainees in the following circumstances:

- (a) ***Low attendance.*** Trainees of non-placement-tied courses who received course fee waiver or paid highly subsidised course fee but failed to achieve 80% attendance rate are required to pay a sum to ERB. The sum payable varies for different courses and is made known to the trainees at the time of course application. The Finance & Accounts Section of the Corporate Services Division checks the attendance after the attendance records were submitted by training bodies and issue demand notes to trainees with attendance rate below 80% according to the records submitted by training bodies; and

- (b) ***Provision of false information.*** ERB conducts sample checks to verify trainees' declared information, such as education attainment, employment status and income level. The Course Administration Section of the Training Services Division checks the trainees' education attainment and employment status, whereas the Quality Enhancement Section of the Quality Assurance Division checks the trainees' income levels. If trainees are found to have provided false information, the Sections will issue demand notes to the trainees requiring them to pay a sum to ERB (see Table 27).

Table 27

Sum payable to ERB for trainees providing false information

Type of false information provided	Sum payable	
	For placement-tied courses	For non-placement-tied courses
(a) for trainees who provided false information to receive a higher level of retraining allowances (e.g. understating the education attainment as Secondary 3 or below)	Difference of retraining allowances	N/A
(b) for trainees who provided false information to enrol in ERB courses (e.g. understating the education attainment as sub-degree or below or falsely claimed to be unemployed)	Course cost and retraining allowances	Course cost
(c) for trainees who provided false information to obtain course fee waiver or pay highly subsidised course fee (e.g. understating the income level)	N/A	Difference of the course fees that should be paid by the trainees and the actual fees paid

Source: ERB records

In 2018-19, ERB identified 4,405 cases in which recovery actions were needed.

Majority of recoverable financial incentives could not be recovered

5.34 Audit examined the recovery of financial incentives in the period from 2014-15 to 2018-19 and noted that the amount of financial incentives recovered from the trainees who had low attendance rate or had provided false information was low. According to ERB's estimation, about 70% of recoverable financial incentives were subsequently written off. The amount of recoverable financial incentives written off was \$12 million, ranging from \$2.2 million to \$2.6 million each year (see Table 28).

Table 28

**Recoverable financial incentives written off
(2014-15 to 2018-19)**

Year	Financial incentives provided to trainees (\$'000)	
	Recoverable	Written off (Note)
2014-15	3,193	2,231
2015-16	3,440	2,331
2016-17	3,210	2,606
2017-18	3,186	2,505
2018-19	2,993	2,440
Total	16,022	12,113

Source: ERB records

Note: The amount written off in a year comprises write-offs of recoverable financial incentives made in past years. The percentage of recoverable in a particular year that was subsequently written off was not readily available. According to ERB's estimation, about 70% of recoverable financial incentives were subsequently written off.

5.35 ***Need to explore effective measures to encourage attendance and deter provision of false information.*** The failure to recover the majority of financial incentives indicates that the effectiveness of encouraging attendance and deterring the provision of false information is doubtful. ERB needs to explore other effective measures to encourage trainees to achieve a high attendance rate and to deter them from providing false information (for example, by stepping up efforts against trainees who provided false information (see para. 5.38)).

5.36 ***Need to rationalise the follow-up actions taken by ERB.*** Three Sections of ERB are responsible for taking actions to recover the financial incentives provided to trainees (see para. 5.33). Audit noted that there were differences among the

follow-up actions taken by the Finance & Accounts Section, the Course Administration Section and the Quality Enhancement Section (see Table 29). Audit considers that ERB needs to rationalise the follow-up actions taken by different Sections in recovering the financial incentives from trainees.

Table 29

Follow-up actions taken by ERB to recover financial incentives from trainees

Section	Nature of cases handled	Follow-up actions
Finance & Accounts Section	Low attendance	Issue a reminder to the trainee one month after the issuance of the demand note. If the trainee does not settle the demand note, he will not be allowed to enrol in any ERB training courses for one year from the commencement date of the concerned course for the first time violation, or for three years for repeated violations.
Course Administration Section	Provision of false information	Reminders are issued regularly to trainees who provided false information to enrol in ERB courses after the issuance of the demand note. No reminders are issued for other cases. Follow-up actions are taken according to the number of times the trainee is found to have provided false information (Note).
Quality Enhancement Section	Provision of false information	No reminder is issued. Follow-up actions are taken according to the number of times the trainee is found to have provided false information (Note).

Source: ERB records

Note: According to the ERB Guidelines: (a) trainees who were found to have provided false information the first and second time would not be allowed to enrol in any ERB training courses for 3 and 12 months respectively from the issue dates of the demand note if they settled the demand notes or for one and two years respectively if they did not; and (b) trainees who were found beyond second time would be referred to the relevant authorities for possible legal actions when warranted.

5.37 *Need to step up efforts to refer cases of provision of false information to law enforcement authorities.* In 2018-19, the total amount of recoverable financial incentives written off was about \$2.4 million, involving 3,043 cases. Audit analysed these 3,043 cases and noted that:

- (a) 2,835 (93%) cases involved amounts not more than \$1,000 each; and
- (b) 19 (1%) cases involved amounts more than \$10,000 each (see Table 30). All the 19 cases were related to the provision of false information.

Table 30

Amount of demand notes written off in 2018-19

Amount of demand notes written off	No. of cases	Percentage
≤ \$1,000	2,835	93%
> \$1,000 to \$10,000	189	6%
> \$10,000 to \$50,000	19	1%
Total	3,043	100%

Source: ERB records

5.38 Provision of false information dishonestly could amount to an offence under ERO and the Theft Ordinance (Cap. 210). Audit examined ERB's records in the period from 2014-15 to 2018-19 and noted that it did not refer any cases of provision of false information to law enforcement authorities for legal actions. In March 2020, in response to Audit enquiry, ERB informed Audit that:

- (a) according to the ERB Guidelines, ERB would refer the suspected fraud cases to relevant authorities for possible legal actions when warranted (e.g. when the trainees concerned were found the third time to have violated certain ERB rules); and

- (b) as of March 2020, ERB spotted no such case.

To enhance the deterrent effect against such wrongdoings, Audit considers that ERB needs to consider the need to step up efforts to refer cases of provision of false information to law enforcement authorities for legal actions.

Audit recommendations

5.39 **Audit has recommended that ED, ERB should:**

- (a) **explore other effective measures to encourage trainees to achieve a high attendance rate and to deter them from providing false information;**
- (b) **rationalise the follow-up actions taken by different Sections in recovering the financial incentives from trainees; and**
- (c) **consider the need to step up efforts to refer cases of provision of false information to law enforcement authorities for legal actions.**

Response from ERB

5.40 ED, ERB agrees with the audit recommendations in principle. He has said that:

- (a) the overall attendance rate of non-placement-tied courses is above 90%, and for trainees who failed to attain the minimum attendance requirement (i.e. 80%), their absences were mainly due to illness, employment, other personal and family reasons. ERB will closely monitor the overall attendance rate of non-placement-tied courses and take follow-up actions as necessary; and
- (b) the follow-up actions taken by various Sections in recovering the financial incentives from trainees are different mainly due to the differences in the nature of cases involved. The established mechanism of ERB has already included the measures of taking legal actions if appropriate. Audit's recommendation will be taken into consideration in the review of

mechanisms in recovering the financial incentives from trainees according to the 3-year Strategy Plan (2020-21 to 2022-23) of ERB.

Procurement and inventory management

Room for improvement in procurement of microcomputers equipment and information technology services

5.41 Procurement activities of ERB need to follow the requirements stipulated in ERB's Procurement Policy and Guidelines. According to the Guidelines, for procurement of goods and services with value more than \$5,000 but not more than \$50,000, if more than two quotations were received, staff at the Manager level can accept the quotation, otherwise, the acceptance should be made by staff at the Senior Manager level. In 2018-19, ERB purchased about \$3.8 million of microcomputers equipment and information technology services. Audit examined 30 purchases with a total amount of \$1.3 million (34%) and noted that in one case for the renewal of computer security services with value of \$6,016, one of the three quotations received was related to another purchase. In other words, only two valid quotations were received. Nevertheless, the acceptance of one of the two valid quotations was made by a Manager instead of Senior Manager.

5.42 In March 2020, in response to Audit enquiry, ERB informed Audit that it considered that the case was in compliance with the Procurement Policy and Guidelines because three quotations were actually received. Audit considers that ERB needs to revise the Procurement Policy and Guidelines with a view to making it clear that the authority of different staff levels in accepting quotations is determined by the number of valid quotations received excluding invalid quotations.

Room for improving inventory check procedures

5.43 According to MAA, ERB shall draw up its own rules for matters such as regulation and control of its finance procedures, which should be consistent with the prevailing guidelines and practices of the Government. According to ERB's Guidelines on Stores Management, inventory items include stores of generally

Corporate governance and administrative issues

non-consumable nature (with useful life of more than one year) and with a unit cost at or above \$1,000 (Note 18). Inventory check should be carried out as follows:

- (a) **Full-scale inventory check.** A full-scale inventory check of all inventory items (except software items) against the inventory record should be carried out by the inventory holders or their designated officers once each financial year to ensure completeness and accuracy of their inventory records; and
- (b) **Surprise inventory check.** A surprise inventory check should be conducted by the inventory holders or their designated officers once each financial year. At least 10% or 50 pieces of the total inventory items (except software items) should be randomly selected in the surprise inventory check.

5.44 Conducting inventory checks by the inventory holders themselves or their designated officers lacks independence and is not conducive to effective inventory control. Audit considers that ERB needs to consider improving the inventory check procedures and enhance the effectiveness of the checks as far as practicable. For instance, ERB may consider conducting inventory checks by parties other than the inventory holders themselves or their designated officers (e.g. by its Finance & Accounts Section or Internal Audit Section).

Audit recommendations

5.45 **Audit has recommended that ED, ERB should:**

- (a) **revise the Procurement Policy and Guidelines with a view to making it clear that the authority of different staff levels in accepting quotations is determined by the number of valid quotations received excluding invalid quotations; and**

Note 18: *Inventory items also include: (a) all components of a project with a total cost at or above \$1,000; or (b) items below \$1,000 but which are attractive and prone to loss (e.g. computer monitor).*

- (b) consider improving the inventory check procedures and enhance the effectiveness of the checks as far as practicable.

Response from ERB

5.46 ED, ERB agrees with the audit recommendations. He has said that ERB will:

- (a) take into consideration Audit's recommendation in the review of the Procurement Policy and Guidelines in 2020-21; and
- (b) review the current Guidelines on Stores Management and explore the feasibility of revising the inventory check procedures.

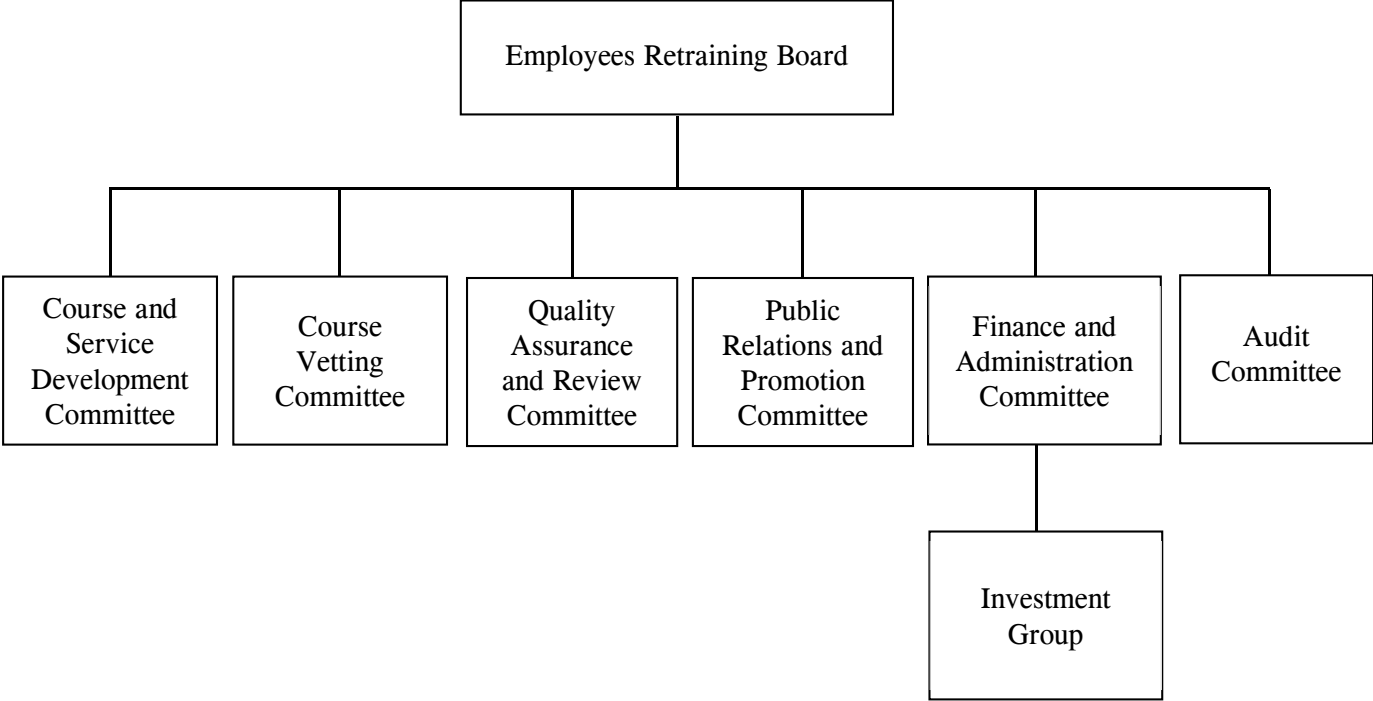
Functions of ERB under ERO

According to ERO, functions of ERB are:

- (a) to hold the Employees Retraining Fund upon trust to administer the Employees Retraining Fund in accordance with the objects of this Ordinance;
- (b) to receive the Employees Retraining Levy imposed on employers and remitted by the Director of Immigration;
- (c) to consider the provision, administration and availability of retraining courses and supplementary retraining programmes intended or designed for the benefit of eligible employees in adjusting to changes in the employment market by acquiring new or enhanced vocational skills;
- (d) to identify particular occupations or classes of occupation that have high vacancy rates and in respect of which eligible employees may secure employment or re-employment by attending retraining courses or supplementary retraining programmes as trainees to acquire new or enhanced vocational skills;
- (e) to liaise with training bodies, other related organisations and Government departments with respect to the design, administration and availability of retraining courses and supplementary retraining programmes;
- (f) to determine the requirements to be satisfied by eligible employees for the purposes of applying to attend retraining courses or supplementary retraining programmes and receive retraining allowances, and the amount of retraining allowances to be paid to those eligible employees as trainees;
- (g) to pay retraining allowances to trainees;
- (h) to engage the services of training bodies for the purpose of providing or conducting retraining courses;
- (i) to defray the costs of the provision of retraining courses and supplementary retraining programmes;
- (j) to perform such other functions as are imposed on ERB under ERO; and
- (k) to appoint, by notice in the Gazette, a training provider whose function is to provide training or retraining under a supplementary retraining programme.

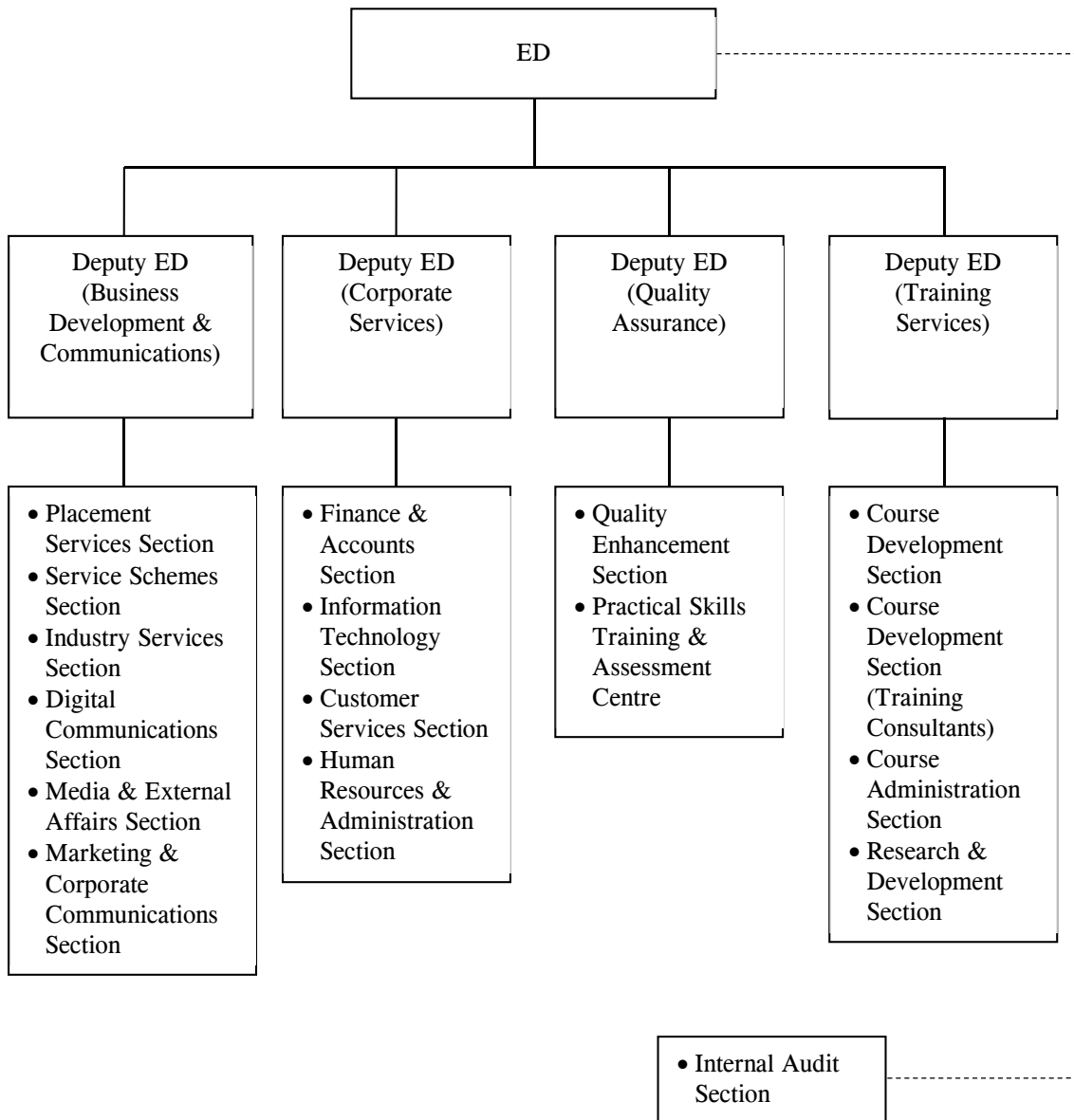
Source: ERO

Committees under ERB
(31 December 2019)



Source: ERB records

ERB: Organisation chart (extract)
(31 December 2019)



Source: ERB records

Acronyms and abbreviations

Audit	Audit Commission
ED	Executive Director
ERB	Employees Retraining Board
ERF	Employees Retraining Fund
ERO	Employees Retraining Ordinance
HKCAAVQ	Hong Kong Council for Accreditation of Academic and Vocational Qualifications
HKMA	Hong Kong Monetary Authority
KPI	Key performance indicator
LWB	Labour and Welfare Bureau
MAA	Memorandum of Administrative Arrangements
QF	Qualifications Framework