

# TECHNOLOGY VOUCHER PROGRAMME

## Executive Summary

1. The Technology Voucher Programme (TVP) was launched in November 2016 under the Innovation and Technology Fund. TVP aims to subsidise eligible local entities in using technological solutions to improve productivity, or facilitate the upgrading or transformation of their business processes. Up to 31 December 2021, 7,075 (55%) of the 12,922 valid TVP applications received had been approved, involving total approved funding of \$1,099.5 million. The Innovation and Technology Commission (ITC), headed by the Commissioner for Innovation and Technology (CIT), is responsible for administering TVP. With effect from 8 June 2021, ITC has appointed the Hong Kong Productivity Council (HKPC) as TVP Secretariat. TVP Committee, comprising members from the Government and the business sector, technology sector and professional services sector, oversees the implementation of TVP and assists ITC in ensuring the proper use of funds. The Audit Commission (Audit) has recently conducted a review of TVP.

### Processing of applications

2. *Need to take timely actions to collect information for processing applications and conduct technical assessments.* For 1,987 (28%) of the 7,075 applications approved in the period from 2017 to 2021, the time elapsed from receipt of applications to completion of vetting and assessments was more than one year. In some cases, the time elapsed could have been shortened if actions had been taken in a more timely manner. For the 25 applications examined by Audit, the case officers had not sought clarifications from the applicants until 1.9 to 9.3 months (averaging 6 months) after the receipt of applications. In 1 of the 25 applications, technical assessment was only conducted 5 months after the case officer had received the applicant's clarification (paras. 2.9 and 2.10).

3. *Applicants not notified of assessment results until long time after project commencements.* Audit examined 155 (4%) of the 3,787 applications approved in 2021 and found that for these applications, the average time elapsed from the dates of project commencement to the dates of notification of assessment results and the

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funding amounts supported was 10.6 months. In 66 (43%) of the 155 applications, the time elapsed was more than one year (para. 2.11).

4. ***Delays in notification of assessment results.*** In 1,225 (53%) of the 2,322 applications submitted to TVP Committee for assessment in 2021, notifications of assessment results were not given within 2 working days after TVP Committee's assessments, contrary to the requirement set out in TVP Manual. The delays ranged from 2 to 7 working days, averaging 5.9 working days. In 2020 (April to December) and 2021, the performance pledge to make available to the applicant the assessment result within 60 working days upon receipt of full information from the applicant was not met for 8% and 1% of the applications respectively (paras. 2.12 and 2.13).

5. ***Need to shorten the time taken for submitting the applications to CIT for approval.*** For the 1,714 applications that were pending submission to CIT for approval as at 31 December 2021, the average time elapsed since the completion of application assessments was 24 days. In 932 (54%) of the applications, the time elapsed was more than 30 days. Audit examined 10 of the 3,787 applications approved by CIT in 2021 and found that for these applications, there was room for improvement in shortening the time elapsed from the completion of assessments by TVP Committee to approval by CIT (paras. 2.18 and 2.19).

### Monitoring of projects

6. ***Delays in project completion.*** As at 31 December 2021, 1,747 TVP projects had been completed with final reports approved. There were delays in the completion of 457 (26%) projects, including 46 (3%) with delays of more than six months, ranging from 6.1 to 17.7 months, averaging 9.9 months. For 25 (54%) of the 46 projects, the required prior approval from TVP Secretariat for the extension in project duration was not obtained (para. 3.3).

7. ***Delays in submission of final reports.*** Up to 31 December 2021, the final reports of 3,218 TVP projects had been due for submission. Final reports of 2,758 (86%) projects had been submitted including 636 (23%) submitted later than the deadline, with delays ranging from 1 day to 13.9 months (averaging 1.7 months). Of the 460 outstanding reports, 180 (39%) had been overdue for more than 6 months (para. 3.8).

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8. ***Increasing number of final reports pending approval.*** The number of final reports pending approval increased significantly by almost 5 times from 176 as at 31 December 2018 to 1,036 as at 31 December 2021. As at 31 December 2021, 76 (8%) of the 1,036 final reports pending approval had already been submitted by the applicants to ITC for more than one year (paras. 3.10 and 3.11).

9. ***Need to shorten the time elapsed from receipt of final reports to approval.*** For the 1,747 final reports approved in the period from 2017 to 2021, the average time elapsed from receipt of the reports to approval was on a rising trend, increasing from 2.6 months in 2017 to 8.6 months in 2021. For 774 (45%) reports, the time elapsed was more than 6 months. For 17 (68%) of the 25 final reports examined by Audit, the case officers sought clarifications from the applicants more than 1 month after the receipt of the final reports (ranging from 1.1 to 5.2 months, averaging 2.7 months). For 12 (48%) of the 25 final reports, the final reports were submitted to TVP Committee for assessments more than 2 months after the case officers had received the applicants' clarifications and supplementary information (ranging from 2.2 to 5 months, averaging 3.5 months) (paras. 3.12 and 3.13).

10. ***Performance pledge on assessing final reports not met.*** In April 2020, ITC set a performance pledge to make available to the applicant the assessment result of the final report of an approved TVP project within 60 working days upon receipt of full information including necessary supporting documents from the applicant. In 2020 (April to December) and 2021, the performance pledge was not met for 8% and 15% of the final reports assessed respectively (para. 3.15).

11. ***Room for improvement for pre-disbursement site visits.*** With effect from January 2020, the target percentage for conducting pre-disbursement site visits has been reduced from 15% to 10%. In the period from 2019 to 2021, the percentage of projects with anomalies identified through the site visits was high and on an increasing trend, from 29% in 2019 to 63% in 2021. However, the number and percentage of projects for which site visits were conducted decreased significantly from 49 (10%) in 2019 to 8 (2%) in 2021 (para. 3.21).

12. ***Need to increase the number of projects selected for post-disbursement site visits.*** The number of projects with final funds disbursed increased significantly by about 2 times from 206 in 2018-19 to 606 in 2020-21. Despite the significant increase, only 5 projects were selected in each financial year for the post-disbursement

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site visits, representing less than 1 % of projects with final funds disbursed in 2019-20 and 2020-21 (para. 3.26).

13. *Need to conduct post-disbursement site visits in a timely manner.* Applicants are required to keep all assets funded under TVP for at least one year after project completion or termination. However, all the 15 post-disbursement site visits reviewed by Audit were conducted more than one year after the completion of the projects (ranging from 12.7 to 27.4 months, averaging 21.5 months). For 1 of the 15 projects, the site visit was conducted 22.6 months after project completion. The asset funded under TVP was not available for inspection during the site visit (paras. 3.25 and 3.27).

14. *Post-project evaluation reports not submitted by applicants.* Up to 31 December 2021, 2,758 projects had been completed for more than 6 months and their post-project evaluation reports should have been submitted. However, post-project evaluation reports had not been submitted for 1,671 (61%) of the 2,758 projects. Of the 2,758 projects, post-project evaluation report forms were not sent to applicants of 1,094 (40%) projects. Moreover, the forms were not sent to applicants of 1,627 (58%) projects within 6 months, but up to 31 months (averaging 9 months) after project completion (para. 3.34).

### Administrative issues

15. *Need to encourage TVP Committee members to attend committee meetings.* In the period from October 2016 to March 2022, 32 TVP Committee meetings were held. The attendance rates of the non-official members in each meeting ranged from 30% to 88%. Eighteen (74%) of the 24 meetings held in the period from 19 October 2016 to 18 October 2020 (i.e. the last two terms of appointment) and 1 (13%) of the 8 meetings held in the period from 19 October 2020 to 31 March 2022 (i.e. the current term of appointment) had attendance rates below 60% (para. 4.5).

16. *Need to ensure that requirements on declarations of interest are complied with.* In the period from October 2016 to December 2021, of the 32 declarations of interest for first appointment due for submission by TVP Committee members, 23 (72%) were submitted late (the delays ranged from 1 day to 197 days, averaging 24 days). For 13 of the 23 late submissions, the declarations of interest were

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submitted after the members had attended their first TVP Committee meetings. Of the 74 annual declaration of interest forms due for submission by TVP Committee members, 16 (22%) were submitted late (the delays ranged from 2 to 133 days, averaging 39 days) (para. 4.8).

17. ***Need to ensure that requirements stipulated in Financial Circular are complied with.*** In June 2021, ITC directly appointed HKPC as TVP Secretariat with an estimated implementation fee of \$195.4 million for the three-year period commencing June 2021. CIT said that she was satisfied that the appointment did not constitute procurement of service. According to the Financial Circular No. 2/2017 on management of funding schemes and non-works projects funded by the Government, where the Controlling Officer is satisfied that the engagement of a non-government partner to administer the project does not constitute procurement of service or good and is not subject to the Stores and Procurement Regulations, the relevant considerations and decisions should be clearly and properly recorded. Audit found that there was room for improvement in recording clearly and properly the relevant considerations and decisions on the nature of the partnering arrangement with HKPC. Furthermore, according to the Stores and Procurement Regulations, by encouraging participation through open and fair competition, the Government will be better able to obtain responsive and competitive bids that ensure value for money. As a norm, open bidding should be adopted as far as practicable (paras. 4.16 to 4.18).

18. ***Delay in entering into formal agreement with HKPC.*** HKPC has provided secretariat services for the administration of TVP starting from 4 March 2021. However, the formal agreement was not signed until 23 November 2021, more than 8 months after HKPC began providing the services. To avoid unnecessary disputes, formal agreement should always be signed before commencement of services (paras. 4.21 and 4.22).

### **Audit recommendations**

19. **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 CIT should:**

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### *Processing of applications*

- (a) speed up the vetting and assessments of applications (para. 2.15(a));
- (b) ensure that applicants are notified of the assessment results within two working days after TVP Committee's assessments and within 60 working days upon receipt of all the necessary supporting documents (para. 2.15(b));
- (c) ensure that applications are submitted to CIT for approval in a more timely manner (para. 2.21);

### *Monitoring of projects*

- (d) remind the applicants that TVP Secretariat's prior approval should be obtained for extension of project duration exceeding six months and take follow-up actions on those projects with unreasonable delays in completion (para. 3.5(a) and (b));
- (e) address the issue of delays in submission of final reports by applicants (para. 3.17(a));
- (f) closely monitor the processing of final reports with a view to shortening the time elapsed from the receipt of final reports to approval (para. 3.17(d));
- (g) ensure that the assessment results of the final reports are made available to applicants within 60 working days (para. 3.17(e));
- (h) increase the numbers and percentages of projects selected for both pre-disbursement and post-disbursement site visits as soon as the COVID-19 epidemic situation allows (para. 3.30(b));
- (i) ensure that post-disbursement site visits are conducted in a timely manner (para. 3.30(d));

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- (j) **remind applicants of the requirement to submit post-project evaluation reports six months after project completion (para. 3.36(a));**

### *Administrative issues*

- (k) **encourage non-official TVP Committee members to avoid absences from committee meetings as far as possible (para. 4.12(a));**
- (l) **ensure that declarations of interest are submitted by TVP Committee members in a timely manner (para. 4.12(b));**
- (m) **ensure that, in future, the requirements stipulated in the Financial Circular No. 2/2017 on management of funding schemes and non-works projects funded by the Government are complied with in government procurements and in partnering arrangements (para. 4.23(a)); and**
- (n) **in future implementation arrangements, ensure that formal agreement between the Government and the non-government party is signed before commencement of services (para. 4.23(b)).**

## Response from the Government

- 20. CIT agrees with the audit recommendations.