

CHAPTER 1

Labour and Welfare Bureau

**Working Family and Student Financial
Assistance Agency**

Continuing Education Fund

**Audit Commission
Hong Kong
27 October 2022**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

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CONTINUING EDUCATION FUND

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Executive Summary

1. The Continuing Education Fund (CEF) was launched on 1 June 2002. It aims to subsidise adults with learning aspirations to pursue continuing education and training, with a view to facilitating Hong Kong's transition to a knowledge-based economy having regard to an increasingly globalised economy. The Labour and Welfare Bureau (LWB), headed by the Secretary for Labour and Welfare, is responsible for overseeing the operation of CEF. The Head, Working Family and Student Financial Assistance Agency (WFSFAA) is the controlling officer of CEF. The Office of the Continuing Education Fund (OCEF) of WFSFAA is responsible for the administration of CEF. The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) provides advisory service on the implementation of CEF, including conducting assessments of applications for CEF course registrations, renewals and amendments, and monitoring the quality of reimbursable courses. In the period from the launch of CEF on 1 June 2002 to 31 May 2022, WFSFAA approved 721,209 reimbursement claims and disbursed \$5.24 billion. The Audit Commission (Audit) has recently conducted a review of CEF.

Monitoring of reimbursable courses and course providers

2. *Need to shorten the time taken for processing registration applications.* The time for completing the processing of applications for CEF course registration, for renewal of registration and for amendment of registration are stipulated by LWB (para. 2.3). Audit noted that:

- (a) *Processing of applications for CEF course registration.* There were 51 applications with processing started in the period from January to March 2022. The processing time of the 45 applications for courses with registration in the Qualifications Register (QR) was longer than the stipulated time of 60 days, ranging from 116 to 203 days (averaging 133 days). The processing time of the remaining 6 applications for courses without QR registration was 179 days for QR registration and 132 days for

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CEF course registration, longer than the stipulated time of 98 to 140 days and 37 days respectively (para. 2.4);

(b) ***Processing of applications for renewal of CEF course registration.*** There were 39 applications with processing started in the period from September 2021 to March 2022. For 14 (70%) of the 20 applications not requiring re-accreditation, the processing time was longer than the stipulated time of 60 days, ranging from 65 to 231 days (averaging 145 days). For 18 (95%) of the remaining 19 applications, the processing time for re-accreditation was longer than the stipulated time of 98 to 140 days, ranging from 159 to 240 days (averaging 169 days) and the processing time for renewals of registrations was longer than the stipulated time of 37 days, ranging from 76 to 136 days (averaging 84 days) (para. 2.5); and

(c) ***Processing of applications for amendment of CEF course registration.*** There were 57 applications with processing started in January 2022. The processing time of 53 (98%) of the 54 completed applications was longer than the stipulated time of 60 days, ranging from 111 to 233 days (averaging 129 days). The processing time up to 31 August 2022 of the remaining 3 applications which were not yet completed ranged from 216 to 237 days (averaging 226 days) (para. 2.6).

3. ***Need to remind course providers to submit applications for renewal of CEF course registration in a timely manner.*** Course providers are required to apply for renewals of registration at least 4 months before the expiry of CEF course registrations or 11 months before the expiry of QR registrations for courses that require re-accreditation. Audit noted that all the 39 applications received in the period from September 2021 to March 2022 were submitted late, with delays ranging from 5 to 153 days (averaging 43 days). For 22 (56%) of the 39 applications, the processing of the renewals were completed after CEF course registrations had expired, ranging from 12 to 187 days (averaging 62 days) after the expiry dates (para. 2.9).

4. ***Courses without valid registration were promulgated as registered reimbursable courses.*** The CEF registration of courses with QR registrations will expire after a period of four years from the date of approval, or upon the expiry/earlier termination of QR registration, whichever is the earlier. As at 1 July 2022, 5,239 courses on the reimbursable course list were shown as courses with valid QR

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registration. Audit reviewed 150 of the 5,239 courses and noted that actually the QR registrations of 9 (6%) of the 150 courses had been terminated. Therefore, these 9 courses were not and should not be shown as reimbursable courses with valid CEF course registration (para. 2.11).

5. ***Need to keep under review the number of registered reimbursable courses available to learners.*** As at 1 July 2022, there were 7,298 registered reimbursable courses. Audit has noted that the number of registered reimbursable courses may decrease substantially after 31 March 2023 because CEF course registrations of 3,174 (43%) courses that were not registered in QR will expire on 31 March 2023. Furthermore, the number of newly registered courses decreased by 84% from 2,225 in 2019-20 to 360 in 2021-22. In October 2021, the scope of reimbursable courses was expanded to include eligible online courses. However, up to 30 June 2022, no applications for registration of online courses had been received (para. 2.15).

6. ***Fewer surprise inspections were conducted because more scheduled inspections on course providers needed.*** Since 2009-10, the annual target number of post-registration inspections, comprising scheduled inspections and surprise inspections, conducted by WFSFAA has been set at 252. The number of scheduled inspections conducted was affected by the number of course providers with reimbursement claims considered necessary for on-site authentication whereas the number of surprise inspections equals 252 minus the number of scheduled inspections. As a result, the more scheduled inspections need to be conducted, the fewer surprise inspections will be conducted by WFSFAA to meet the target of 252. The number of scheduled inspections increased by 5.3% from 132 in 2020-21 to 139 in 2021-22. Consequently, the number of surprise inspections conducted unjustifiably decreased by 5.8% from 120 in 2020-21 to 113 in 2021-22 (paras. 2.22 and 2.23).

7. ***Reported number of surprise inspections conducted by HKCAAVQ included unsuccessful inspections.*** LWB sets an annual target number of surprise inspections for HKCAAVQ each year. Audit noted that in the period from 2017-18 to 2021-22: (a) of the 357 surprise inspections conducted, 156 (43.7%) were unsuccessful. If the unsuccessful inspections were excluded, the number of inspections did not meet the annual target in any of the five years. Overall speaking, the number of successful inspections met 50.3% of the target (ranging from 16.5% to 73.3% each year); and (b) according to HKCAAVQ, if a surprise inspection was unsuccessful, another inspection to the course provider needed to be arranged in the following year. However, of the 118 unsuccessful inspections in the period from

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2017-18 to 2020-21, HKCAAVQ did not make follow-up surprise inspections in 99 (84%) cases in subsequent years (i.e. from 2018-19 to 2021-22). Moreover, follow-up inspections were counted towards achieving the target number of inspections in the year they were conducted instead of counting as compensating for the unsuccessful inspections in the previous year (paras. 2.25 and 2.26).

8. ***Need to review service fees for unsuccessful inspections.*** The service fees paid to HKCAAVQ for conducting surprise inspections were based on the number of surprise inspections conducted, the standard time (in hours) for each inspection and the hourly rate (i.e. number of inspections times standard time for each inspection times hourly rate). Audit noted that the same standard time (i.e. 14.5 hours in 2017-18 and 14.25 hours in the period from 2018-19 to 2021-22) was used for the unsuccessful surprise inspections. In Audit's view, for unsuccessful surprise inspections, the time required for some tasks (such as follow-up after the inspection, report writing and report clearance) should have been less than that for the successful ones (paras. 2.28 and 2.29).

9. ***Room for improvement in conducting surprise inspections by HKCAAVQ.*** Audit noted that in the period from 2017-18 to 2021-22: (a) although non-compliances by course providers were found in all the 23 surprise inspections reviewed by Audit, there were no records showing that HKCAAVQ officers had informed the course providers of the non-compliances and remedial actions required; (b) according to HKCAAVQ, the non-compliances and remedial actions taken by the course providers needed to be followed up in the next inspection. However, of the non-compliances found in 83 inspections in the period from 2017-18 to 2020-21 requiring follow-up inspections, HKCAAVQ did not make follow-up inspections to 39 (47%) inspections in the subsequent years (i.e. 2018-19 to 2021-22); and (c) in July 2018, LWB agreed with HKCAAVQ's proposal on conducting class inspections to assess the quality of course delivery. However, up to 2021-22, no class inspections have been conducted (para. 2.31).

10. ***Need to improve checking on promotion of reimbursable courses.*** In the period from 2017-18 to 2021-22, WFSFAA and HKCAAVQ conducted 702 scheduled inspections and 201 successful surprise inspections respectively. Audit reviewed the inspection reports of 228 of the 702 scheduled inspections and 23 of the 201 surprise inspections. Audit noted that: (a) in 41 (18%) of 228 WFSFAA's inspection reports and in 1 (4%) of 23 HKCAAVQ's inspection reports, the inspection officers stated that the course providers did not provide the promotion materials for

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inspection. There was no documentary evidence showing that the inspection officers performed alternative ways to examine whether the requirements on promotion had been complied with; (b) in 65 (77%) of the 84 inspections which involved more than 1 course, the inspection officers only checked the promotion materials of one of the courses under inspection, but not those of all courses under inspection; and (c) the inspection officers of WFSFAA and HKCAAVQ were only required to check the promotion leaflets and the course providers' websites, and thus, in all the 228 scheduled inspections and 23 surprise inspections, the inspection officers did not check promotion materials other than promotion leaflets and the course providers' websites (para. 2.33).

11. ***Promotion materials of some reimbursable courses did not comply with terms and conditions.*** Audit reviewed the promotion materials of 5 courses offered by 5 course providers and noted that the course providers did not fully comply with CEF terms and conditions on promotion of reimbursable courses. For 1 (20%) course, the specified standard wordings were not included in the course brochure. For 2 (40%) courses, CEF logo was not placed on the promotion materials. For 3 (60%) courses, CEF course codes were not placed on the promotion materials. For 4 (80%) courses, QR registration numbers and validity periods were not depicted (para. 2.40).

12. ***Reimbursable courses promoted as a means of paving the way for emigration.*** The aim of CEF is to facilitate Hong Kong's transition to a knowledge-based economy having regard to an increasingly globalised economy. However, Audit noted that some course providers promoted reimbursable courses on the Internet as a means of paving the way for emigration, which was not compatible with the aim of CEF (para. 2.42).

13. ***Inconsistencies in issuing reminders and warnings.*** Subject to the seriousness of non-compliances found during inspections, WFSFAA issues reminders, warnings or reprimands to the course providers concerned. Audit found that there were inconsistencies in issuing reminders and warnings for similar non-compliances. For example: (a) 2 course providers had 2 counts of non-compliances with the requirement on the collection of tuition fees by equal monthly instalments. A warning letter was issued to one course provider while a reminder was issued to the other; (b) 2 course providers had 2 counts of non-compliances with the requirement on including standard wordings about CEF course status on promotion leaflets. A warning letter was issued to one course provider while a reminder was issued to the

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other; and (c) a course provider had 3 counts of miscalculation in assessments. A warning letter was issued for the second count, but only a reminder was issued for the third count (paras. 2.46 and 2.47).

Reimbursement claims

14. *A large percentage of claims were excluded from the comparison of actual processing time with performance targets.* In the three-year period from 2019-20 to 2021-22, 8,332, 12,391 and 19,491 claims had been excluded from the comparison of the actual processing time with the performance targets, representing 41.3%, 38.4% and 39.5% of the total number of claims processed. The excluded claims were those that WFSFAA needed to collect additional information and/or supporting documents for processing (para. 3.6).

15. *Need to improve monitoring on elapsed time between receipt of claims and fund disbursement.* In 2021-22, WFSFAA monitored the processing time of 29,840 claims. Audit analysed the elapsed time between receipt of claims and fund disbursement of the 29,840 claims and found that: (a) the elapsed time between receipt of claims and commencement of processing was 20.7 days, and the elapsed time between completion of processing and fund disbursement was 11.5 days, representing 54.8% and 30.4% of the elapsed time between receipt of claims and fund disbursement respectively; and (b) the time of 5.6 days taken for processing only represented 14.8% of the elapsed time between receipt of claims and fund disbursement, and was much shorter than the performance targets of 6 weeks for existing CEF account holders and 8 weeks for CEF account opening together with the processing of the first claim (paras. 3.5, 3.8 and 3.9).

16. *Need to ensure reimbursement claims are approved according to eligibility criteria.* To be eligible for claiming reimbursements from CEF, claimants should be aged 18 or above at the time when the reimbursable courses commenced. Audit found that in the period from July 2021 to June 2022, WFSFAA incorrectly approved reimbursements for course fees of 11 courses, involving 6 claimants who were aged under 18 when the courses commenced (para. 3.12).

17. *Need to draw experience from a claim approved based on invalid documents.* Audit noted that WFSFAA could draw experience from a case happened in the period from 2018 to 2019, in which a reimbursement claim was approved based

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on a wrongly issued Letter of Certification and a wrongly certified claim form. In Audit's view, had the course provider notified WFSFAA upon wrongly issuing the Letter of Certification or wrongly certifying the claimant's claim, WFSFAA would have rejected the claim and funds would not have been disbursed (para. 3.13).

18. ***Number of claim records checked in each inspection varied greatly.*** WFSFAA refers to a claim for one reimbursable course attended by a claimant as a "claim record". A claim submitted by a claimant may claim reimbursement for more than one course. Audit examined 17 (12%) of the 139 scheduled inspections conducted by WFSFAA in 2021-22, and noted that the number of claim records checked in each inspection varied greatly, ranging from 1 to 27 claim records (averaging 11 claim records) (paras. 3.17 and 3.18).

19. ***Long time taken in submission of inspection reports.*** Audit analysed the timeliness of the submission of the reports for the 139 inspections conducted in 2021-22. Audit noted that many inspection reports were not submitted in a timely manner. On average, the 139 reports were submitted 27.7 days (ranging from 1 to 324 days) after the inspections. Of the 139 inspection reports, 35 (25%) reports were submitted later than 30 days after the inspections (para. 3.21).

20. ***Need to improve reminders/warning letters issued after inspections.*** Of the 30 inspection reports examined by Audit, 28 reminders/warning letters were issued. Audit noted that for 3 (10.7%) reminders, the reminders did not include all the irregularities found during the inspections. There were no guidelines on the timeliness of issuing reminders/warning letters after inspections. On average, the 28 reminders/warning letters were issued 85.4 days (ranging from 5 to 468 days) after the inspections (para. 3.24).

21. ***Need to ensure the timeliness of authentication by course providers.*** WFSFAA requires course providers to submit authentication results to it within one month. Audit analysed the timeliness on submission of authentication results by the course providers in the latest round of authentication conducted in the period from June 2021 to February 2022. Audit noted that 37 (32%) of the 116 course providers had not submitted the authentication results within one month (paras. 3.28 and 3.31).

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22. *Need to encourage online submission of reimbursement claims.* Since 31 March 2020, WFSFAA has accepted online submission of reimbursement claims. Audit noted that the usage of online submission was low, namely 7% and 6% of the claims received in 2020-21 and 2021-22 respectively. Audit further noted that WFSFAA launched a new electronic form in 2021/22 school year. The electronic form will be prefilled with some of the application details of applicants who have previously submitted applications for the same financial assistance scheme. However, the form has not been made available for CEF claimants (paras. 3.37 and 3.39).

Other issues

23. *Need to strengthen regulation over matters concerning national security.* The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region was implemented on 30 June 2020. The Law stipulates that the Government of the Hong Kong Special Administrative Region shall take necessary measures to strengthen public communication, guidance, supervision and regulation over matters concerning national security, including those relating to schools, universities, social organisations, the media, and the Internet. Audit noted that CEF terms and conditions for course providers had not incorporated guidelines and requirements related to safeguarding of national security (paras. 4.2 and 4.4).

24. *Need to ensure employment of non-civil service contract staff complies with Civil Service Bureau's requirements.* As at 1 June 2022, OCEF had 87 staff, comprising 4 civil servants, 82 non-civil service contract (NCSC) staff and 1 agency worker. According to the Civil Service Bureau, it is incumbent upon the Heads of Department to ensure that the use of NCSC staff fits the ambit of NCSC scheme and to review from time to time whether or not the operational and service needs should better be met by other means. In the period from 2017-18 to 2021-22, the percentage of NCSC staff as at 31 March every year was over 90%, ranging from 91% to 94%. As at 31 March 2022, of the 80 NCSC staff in OCEF, 25 (31%) had worked in OCEF for three years or more. There was a need for WFSFAA to review the manpower requirements of OCEF from time to time (paras. 4.7 to 4.9, 4.11 and 4.14).

25. *Need to improve CEF's website.* In June and August 2022, Audit reviewed CEF's website and noted that: (a) two external links (linking to course providers' websites) did not work in mid-June 2022. Of the 2 links, 1 (50%) remained non-functional in mid-August 2022; (b) the content of CEF's website did not

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automatically adjust to fit into the screen sizes of some mobile devices; and (c) some information was available in English only instead of available in both Chinese and English and some information was available in English and traditional Chinese but not in simplified Chinese. Furthermore, in September 2022, Audit checked the mobile-friendliness of 10 web pages in CEF's website and noted that 4 (40%) of the web pages were not mobile-friendly (paras. 4.18 and 4.19).

26. *Need to keep under review the scope for further digitalisation in CEF's operations.* In his 2022-23 Budget Speech, the Financial Secretary said that the Government had been encouraging the public and private sectors to proactively apply technologies in their operations for the benefits and convenience of the public. Audit has noted that there is scope for digitalisation in CEF's operations. For example, reimbursement claims are mainly on paper basis instead of on electronic basis (paras. 4.33 and 4.34).

Audit recommendations

27. **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:**

- (a) **the Secretary for Labour and Welfare should:**

Monitoring of reimbursable courses and course providers

- (i) **ensure that applications for CEF course registration, for renewal of registration and for amendment of registration are processed in a timely manner (para. 2.17(b));**
- (ii) **ensure that reimbursable courses without valid registrations are not promulgated as ones with valid registration (para. 2.17(c));**
- (iii) **keep under review the number of reimbursable courses and when necessary, take measures to enhance the choices available to learners (para. 2.17(d));**

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- (iv) ensure that the annual target number for HKCAAVQ's surprise inspections is achieved (para. 2.35(a));
 - (v) ensure that only inspections successfully conducted are counted towards achieving the annual target number of surprise inspections (para. 2.35(b));
 - (vi) review the basis of calculation for service fees relating to unsuccessful inspections (para. 2.35(e));
 - (vii) ensure that HKCAAVQ informs the course providers of the non-compliances found in surprise inspections and the remedial actions required in writing and makes follow-up inspections (para. 2.35(f) and (g));
 - (viii) ensure that HKCAAVQ conducts class inspections for assessing the quality of course delivery as agreed (para. 2.35(h)); and
 - (ix) develop an approach for checking the course providers' promotion materials (para. 2.35(i)); and
- (b) the Head, WFSFAA should:

Monitoring of reimbursable courses and course providers

- (i) remind course providers to submit their applications for renewal of CEF course registration in a timely manner (para. 2.18);
- (ii) rationalise the basis of setting WFSFAA's target numbers of surprise inspections and scheduled inspections (para. 2.36);
- (iii) ensure that the course providers comply with CEF terms and conditions on promotion of reimbursable courses and their promotions of reimbursable courses are compatible with the aim of CEF (para. 2.44(a) and (b));
- (iv) rationalise the issuance of reminders and warnings to course providers (para. 2.49);

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Reimbursement claims

- (v) **consider revising the performance targets on processing time to cover the time starting from the date on which all necessary information and documents have been received (para. 3.15(a));**
- (vi) **include all reimbursement claims in the comparison of the actual processing time with the performance targets (para. 3.15(b));**
- (vii) **monitor the elapsed time between receipt of claims and commencement of processing, and the elapsed time between completion of processing and fund disbursement (para. 3.15(c));**
- (viii) **review the performance targets on processing time of claims (para. 3.15(d));**
- (ix) **ensure that reimbursement claims are approved according to the eligibility criteria (para. 3.15(e));**
- (x) **consider requiring course providers to notify WFSFAA when they have wrongly issued supporting documents for reimbursement claims or wrongly certified reimbursement claims (para. 3.15(f));**
- (xi) **provide guidelines on the number of claim records to be checked in each inspection (para. 3.26(a));**
- (xii) **ensure that inspection reports for inspections on course providers are submitted in a timely manner (para. 3.26(c));**
- (xiii) **ensure that all irregularities found during inspections are included in the reminders/warning letters and consider setting guidelines on the timeliness of issuing reminders/warning letters (para. 3.26(d) and (e));**
- (xiv) **ensure the timeliness of authentication by course providers (para. 3.35(b));**

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- (xv) encourage online submission of reimbursement claims and explore the feasibility of enhancing the online submission system for CEF claimants (para. 3.41(a) and (b));

Other issues

- (xvi) strengthen regulation over matters concerning the safeguarding of national security (para. 4.5);
- (xvii) review the manpower requirements of OCEF from time to time to ascertain the need for replacing those NCSC positions by civil service posts (para. 4.15(a));
- (xviii) ensure that the employment of NCSC staff in OCEF fits the ambit of NCSC scheme (para. 4.15(b));
- (xix) improve CEF's website taking reference to the Office of the Government Chief Information Officer's guidelines (para. 4.21); and
- (xx) keep under review the scope for further digitalisation in CEF's operations (para. 4.36).

Response from the Government

28. The Secretary for Labour and Welfare and the Head, WFSFAA agree with the audit recommendations.

PART 1: INTRODUCTION

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

Background

1.2 The Continuing Education Fund (CEF) was launched on 1 June 2002. It aims to subsidise adults with learning aspirations to pursue continuing education and training, with a view to facilitating Hong Kong's transition to a knowledge-based economy having regard to an increasingly globalised economy. Eligible claimants may submit an unlimited number of claims for reimbursement of course fees up to a maximum sum of \$25,000.

1.3 The Labour and Welfare Bureau (LWB), headed by the Secretary for Labour and Welfare, is responsible for overseeing the operation of CEF. LWB's roles include formulating policies relating to CEF and approving CEF courses' registrations, renewals of registrations and amendments of registrations. The Head, Working Family and Student Financial Assistance Agency (WFSFAA) is the controlling officer of CEF. The Office of the Continuing Education Fund (OCEF) of WFSFAA is responsible for the administration of CEF. An extract of the organisation chart of WFSFAA as at 1 August 2022 is shown in Appendix A.

1.4 The total funding provision for CEF approved by the Finance Committee of the Legislative Council is \$16.2 billion, comprising the initial injection of \$5 billion in 2002 and the subsequent injections of \$1.2 billion and \$10 billion in 2009 and 2018 respectively. Up to 31 May 2022, CEF's accumulated expenditure amounted to \$5.52 billion (Note 1) and the balance of the total funding provision was \$10.68 billion.

Note 1: *The accumulated expenditure comprised \$5.24 billion disbursed to eligible claimants (see para. 1.5) and administrative costs of \$0.28 billion.*

Introduction

1.5 In the period from the launch of CEF on 1 June 2002 to 31 May 2022, WFSFAA approved 721,209 reimbursement claims and disbursed \$5.24 billion. In the most recent 5 financial years from 2017-18 to 2021-22, 131,278 reimbursement claims were approved and funds of \$1,113.9 million were disbursed (see Table 1).

Table 1

**Number of reimbursement claims approved and amount of funds disbursed
(2017-18 to 2021-22)**

Year	Reimbursement claims approved (Number)	Funds disbursed (\$ million)
2017-18	17,024	136.6
2018-19	16,330	124.3
2019-20	19,634	158.7
2020-21	30,738	242.1
2021-22	47,552	452.2
Total	131,278	1,113.9

Source: Audit analysis of WFSFAA records

Enhancement measures

1.6 When CEF was launched in June 2002, only Hong Kong residents aged 18 to 60 without a university degree were eligible for CEF subsidy and the ceiling was \$10,000. In September 2003, the eligibility was relaxed to include university degree holders. In September 2007, the upper age limit was relaxed to 65. In June 2016, WFSFAA engaged a consultant to conduct a consultancy study on CEF's operation, which was completed in September 2017. Taking into account the recommendations of the consultancy study, in April 2019, the subsidy ceiling was increased to \$20,000, the upper age limit was relaxed to 70 and the scope of reimbursable courses was expanded to include all eligible courses registered in the Qualifications Register

(QR – Note 2). In October 2021, the scope of reimbursable courses was expanded to include eligible online courses. With effect from 1 August 2022, further enhancement measures were implemented, including:

- (a) an increase of the subsidy ceiling per person from \$20,000 to \$25,000;
- (b) the co-payment ratio by claimants (i.e. the percentage of course fee borne by the claimants) for the first \$10,000 subsidy remained at 20% of the course fee, and that for the remaining \$15,000 subsidy was set at 40% of the course fee; and
- (c) the removal of the upper age limit.

The enhancement measures implemented in the period from September 2003 to August 2022 are shown in Appendix B.

Reimbursable courses and course providers

1.7 Only self-financing courses (i.e. courses that are not supported by any grant or subsidy from the Government) are eligible for registration as reimbursable courses under CEF. As at 1 July 2022, there were 277 course providers offering 7,298 reimbursable courses under 23 sectors (see Table 2).

Note 2: *QR is a centralised online database providing information of qualifications and related learning programmes that are quality-assured, level-rated and recognised under the Qualifications Framework of Hong Kong. Launched by the Education Bureau in May 2008, the Qualifications Framework aims to facilitate citizens in pursuing continuing education and life-long learning. The Qualifications Framework is a seven-level hierarchy covering qualifications in the academic (such as degree programmes), vocational and professional education and training (such as higher diploma programmes), and continuing education (such as in-house training courses) sectors.*

Introduction

Table 2

**Reimbursable courses analysed by sectors
(1 July 2022)**

Sector		Number of courses
<i>Courses registered under 9 sectors before 1 April 2019</i>		
1	Specification of Competency Standards	100
2	Business services	1,455
3	Creative industries	202
4	Design	408
5	Financial services	1,065
6	Interpersonal and intrapersonal skills for the workplace	11
7	Languages	329
8	Logistics	280
9	Tourism	299
<i>Courses registered under 14 sectors in the Qualifications Framework since 1 April 2019 (see para. 1.8)</i>		
1	Architecture and town planning	66
2	Arts, design and performing arts	145
3	Business and management	1,079
4	Computer science and information technology	201
5	Education	109
6	Engineering and technology	283
7	Humanities	119
8	Languages and related studies	177
9	Law	57
10	Mass media and communications, journalism and public relations	85
11	Medicine, dentistry and health sciences	251
12	Sciences	107
13	Services	218
14	Social sciences	252
Total		7,298

Source: Audit analysis of WFSFAA records

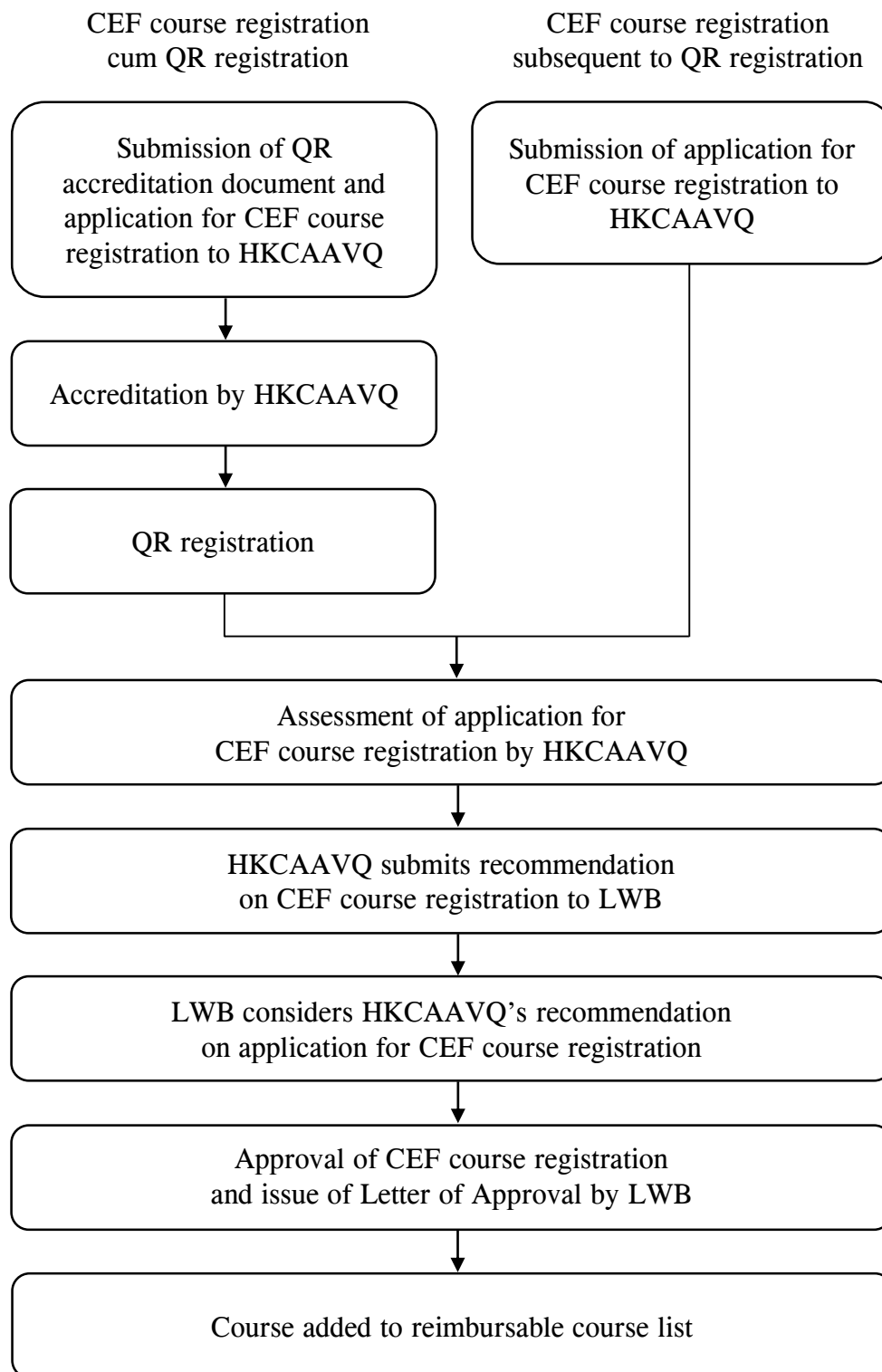
1.8 ***QR registrations.*** Upon the launch of the Qualifications Framework and QR on 5 May 2008 (see Note 2 to para. 1.6), all courses seeking registration as reimbursable courses were required to be recognised under the Qualifications Framework and registered in QR. Reimbursable courses that have been registered before 5 May 2008 are required to be accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ – Note 3) for QR registrations within a transitional period of four years from 1 April 2019 to 31 March 2023 for continuing their registration as reimbursable courses.

1.9 ***Procedures for CEF course registration.*** Applications for registrations of reimbursable courses should be submitted to HKCAAVQ for assessments. For courses that have not already obtained QR registrations, the course providers may opt to apply for both QR registrations and CEF course registrations at the same time. After the courses have been registered in QR, HKCAAVQ will conduct assessments on CEF course registrations. After the assessments, HKCAAVQ will submit its recommendations on CEF course registration to LWB, which is the approving authority for applications for CEF course registration. For approved registrations, LWB sends Letters of Approval to the course providers and asks WFSFAA to add the courses to the reimbursable course list, which is promulgated in CEF's website. An overview of the procedures for CEF course registration is shown in Figure 1.

Note 3: *On 1 October 2007, the Hong Kong Council for Academic Accreditation was renamed HKCAAVQ under HKCAAVQ Ordinance (Cap. 1150).*

Figure 1

**Procedures for CEF course registrations
(1 August 2022)**



Source: Audit analysis of LWB and HKCAAVQ records

Eligibility for reimbursement claims and application procedures

1.10 **Eligibility.** Persons who meet the following criteria are eligible to apply for reimbursements of course fees:

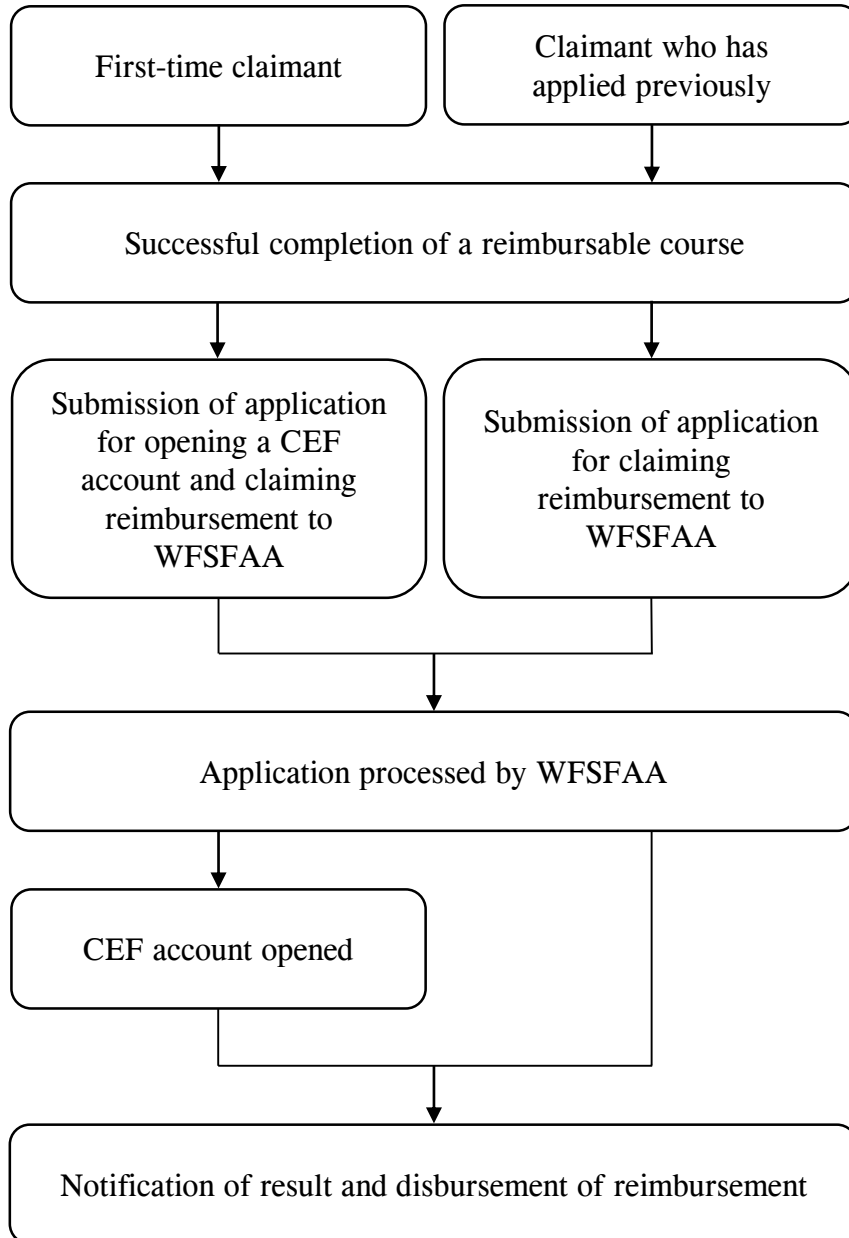
- (a) Hong Kong residents who have the right of abode, or the right to land or to remain in Hong Kong without restriction;
- (b) aged 18 or above at the time when the reimbursable course commences (Note 4);
- (c) have paid the course fees and successfully completed the reimbursable course (see para. 3.2); and
- (d) have not obtained any other public funds or assistance under any other publicly-funded financial assistance schemes for the course.

1.11 **Application procedures.** Claimants who apply for reimbursement for the first time are required to open a CEF account with WFSFAA. With effect from 1 April 2019, claimants who apply for reimbursement for the first time are required to submit a combined application and supporting documents for both account opening and reimbursement. Applications should be made after successful completion of reimbursable courses. A claimant's account will be invalidated when the full sum of \$25,000 subsidy (the subsidy ceiling with effect from 1 August 2022) has been reimbursed. An overview of the procedures for opening a CEF account and claiming reimbursements is shown in Figure 2.

Note 4: *For courses that commenced in the period from 1 April 2019 to 31 July 2022, the upper age limit of the claimants was 70 (i.e. before reaching the age of 71) at the time when the application for reimbursement was submitted, which should be within one year after the successful completion of the course.*

Figure 2

**Procedures for opening a CEF account and claiming reimbursement
(1 August 2022)**



Source: Audit analysis of WFSFAA records

Provision of advisory service by HKCAAVQ

1.12 Since the inception of CEF, HKCAAVQ has been engaged to provide advisory service on the implementation of CEF. HKCAAVQ's responsibilities include:

- (a) providing general advisory service in relation to implementation of CEF;
- (b) conducting assessments of applications for CEF course registrations, renewals and amendments; and
- (c) monitoring the quality of reimbursable courses, e.g. by conducting inspections.

A service fee is payable to HKCAAVQ annually. In 2021-22, a service fee of \$5.88 million was paid to HKCAAVQ.

Audit review

1.13 In June 2022, the Audit Commission (Audit) commenced a review of CEF. This audit has focused on the following areas:

- (a) monitoring of reimbursable courses and course providers (PART 2);
- (b) reimbursement claims (PART 3); and
- (c) other issues (PART 4).

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

Introduction

General response from the Government

1.14 The Secretary for Labour and Welfare and the Head, WFSFAA agree with the audit recommendations. They have said that LWB and WFSFAA welcome the review on CEF conducted by Audit, and will take appropriate follow-up actions and improvement measures according to the recommendations.

Acknowledgement

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

PART 2: MONITORING OF REIMBURSABLE COURSES AND COURSE PROVIDERS

2.1 This PART examines the monitoring of reimbursable courses and course providers, focusing on the following areas:

- (a) registrations of reimbursable courses (paras. 2.2 to 2.20);
- (b) post-registration inspections (paras. 2.21 to 2.38);
- (c) promotion of reimbursable courses (paras. 2.39 to 2.45); and
- (d) course providers' non-compliances with terms and conditions (paras. 2.46 to 2.50).

Registrations of reimbursable courses

2.2 Course providers who wish to register their courses as reimbursable courses have to submit applications to LWB via HKCAAVQ for assessment and registration (see para. 1.9 and Figure 1). The requirements and procedures for CEF course registrations, renewals of registrations and amendments of registrations were laid down in the Guide to Registration, Post-registration and Renewal of Reimbursable Courses under CEF (hereinafter referred to as Course Registration Guide):

- (a) ***CEF course registrations.*** The requirements for CEF course registrations are as follows:
 - (i) ***Requirements on course providers.*** The course providers need to meet various requirements, such as:
 - have at least two years of continuous experience in the delivery of similar courses (Note 5);

Note 5: *The requirement is not applicable to self-accrediting institutions (i.e. the eight University Grants Committee-funded universities (including their self-financing arms) and the Hong Kong Metropolitan University).*

Monitoring of reimbursable courses and course providers

- must not have any course which is being suspended or has been de-registered within one year prior to the date of application for new registration;
 - have a valid Certificate of Fire Service Installations and Equipment, and a valid Certificate of Insurance for out-of-classroom activities;
 - have set up complaint handling mechanism; and
 - have an effective learner records and documentation management system; and
- (ii) ***Requirements on courses.*** The courses need to meet requirements on various areas, such as accreditation status, admission requirements, contact hours, attendance, course assessment, proof of completion, staff appointment criteria, course fees, and planned and actual learner numbers. For online courses, additional requirements have to be met, such as proportion of online teaching and learning hours, authentication mechanism and information technology infrastructure;
- (b) ***Renewals of registrations.*** The validity period of CEF course registration is:
- (i) ***Courses registered before 1 April 2019.*** The course will expire on the end date of its QR validity period (if registered under QR) or 31 March 2023, whichever is the earlier; and
 - (ii) ***Courses registered on or after 1 April 2019.*** The course will expire after a period of four years from the date of approval, or upon the expiry/early termination of the registration on QR register, whichever is the earlier.

Course providers are required to apply for renewals of registrations at least 4 months before the expiry dates of the current registrations. Course providers who need to apply to HKCAAVQ for course re-accreditation

Monitoring of reimbursable courses and course providers

(Note 6) prior to the renewals of registrations may opt to submit the two applications together. In such cases, the applications should be submitted 11 months before QR registrations expire; and

- (c) *Amendments of registrations.* Course providers are required to submit applications and obtain prior approvals from LWB via HKCAAVQ if they need to amend the specifications of registered reimbursable courses, such as teaching venues, admission requirements for learners, attendance requirements, fees and class sizes.

Need to shorten the time taken for processing registration applications

2.3 The time for completing the processing of applications for CEF course registration, for renewal of registration and for amendment of registration are stipulated in the Course Registration Guide (see Table 3).

Note 6: *For courses with QR registrations expiring soon, course providers are required to apply for course re-accreditation for extending QR registration validity period.*

Monitoring of reimbursable courses and course providers

Table 3

Stipulated time for completing the processing of registration applications

Type of applications	Stipulated time for completion
CEF course registration	
Course with QR registration	60 days
Course without QR registration	98 to 140 days for QR registration and 37 days for CEF course registration
Renewal of CEF course registration	
Course not requiring re-accreditation	60 days
Course requiring re-accreditation	98 to 140 days for re-accreditation and 37 days for renewal of CEF course registration
Amendment of CEF course registration	60 days

Source: *Audit analysis of LWB and HKCAAVQ records*

Remarks: *The time for completing application processing refers to the time starting from the date of receiving all the required information from the course providers to the completion of the processing. According to the Course Registration Guide, a longer period may be required if it is necessary to clarify and request further information from the course providers.*

2.4 **Processing of applications for CEF course registration.** In the period from January to March 2022, HKCAAVQ started the processing of 51 applications for CEF course registration upon the receipt of the required information from the course providers. Of the 51 applications, 45 (88%) were applications for registration of courses with QR registrations and 6 (12%) without QR registration. The processing of the 51 applications had been completed by 31 August 2022. Audit noted that:

- (a) **Courses with QR registration.** The processing time of each of the 45 applications was longer than the stipulated time of 60 days, ranging from 116 to 203 days (averaging 133 days) (see Table 4); and

Table 4

**Analysis of processing time of applications
for registration of courses with QR registration
(January to August 2022)**

Processing time (Day)	Number of applications
≤ 60	0 (0%)
61 to 120	1 (2%)
121 to 180	43 (96%)
> 180 (Note)	1 (2%)
Total	45 (100%)

Source: Audit analysis of LWB and HKCAAVQ records

Note: The processing time for the application was 203 days.

- (b) ***Courses without QR registration.*** The processing of the 6 applications was handled as one batch and therefore the processing time of each of them was the same. The processing time was 179 days for QR registration and 132 days for CEF course registration, longer than the stipulated time of 98 to 140 days and 37 days respectively.

2.5 ***Processing of applications for renewal of CEF course registration.*** In the period from September 2021 to March 2022, HKCAAVQ started the processing of 39 applications for renewal of CEF course registration upon the receipt of the required information from the course providers, comprising 20 applications not requiring re-accreditation and 19 requiring re-accreditation. The processing of the 39 applications were completed by 31 August 2022. Audit noted that:

- (a) ***Courses not requiring re-accreditation.*** For 14 (70%) of the 20 applications, the processing time was longer than the stipulated time of 60 days, ranging from 65 to 231 days (averaging 145 days) (see Table 5); and

Monitoring of reimbursable courses and course providers

Table 5

**Analysis of processing time of applications for renewals of
CEF course registrations of courses not requiring re-accreditation
(September 2021 to August 2022)**

Processing time (Day)	Number of applications
≤60	6 (30%)
61 to 120	1 (5%)
121 to 180	11 (55%)
> 180 (Note)	2 (10%)
Total	20 (100%)

Source: Audit analysis of LWB and HKCAAVQ records

Note: The longest processing time was 231 days.

- (b) **Courses requiring re-accreditation.** The 19 applications were re-accredited before the processing of the renewal of CEF course registration:
- (i) **Processing time for re-accreditation.** The processing time for re-accreditation for 18 (95%) applications was longer than the stipulated time of 98 to 140 days, ranging from 159 to 240 days (averaging 169 days); and
 - (ii) **Processing time for renewals of registrations.** The processing time for renewals of CEF course registrations for 18 (95%) applications was longer than the stipulated time of 37 days, ranging from 76 to 136 days (averaging 84 days).

Monitoring of reimbursable courses and course providers

2.6 **Processing of applications for amendment of CEF course registration.** In January 2022, HKCAAVQ started the processing of 57 applications upon the receipt of the required information from the course providers:

- (a) as at 31 August 2022, the processing of 54 applications was completed. The processing time of 53 (98%) of the 54 applications was longer than the stipulated time of 60 days, ranging from 111 to 233 days (averaging 129 days) (see Table 6); and

Table 6

**Analysis of processing time of applications for amendment of
CEF course registration
(January to August 2022)**

Processing time (Day)	Number of applications
≤ 60	1 (2%)
61 to 120	13 (24%)
121 to 150	37 (68%)
> 150 (Note)	3 (6%)
Total	54 (100%)

Source: Audit analysis of LWB and HKCAAVQ records

Note: The longest processing time was 233 days.

- (b) for the remaining 3 applications with processing not yet completed as at 31 August 2022, the processing time up to 31 August 2022 ranged from 216 to 237 days (averaging 226 days), which was already longer than the stipulated time of 60 days.

Monitoring of reimbursable courses and course providers

2.7 In response to Audit's enquiry, LWB informed Audit in September and October 2022 that:

- (a) the long time taken to process the applications as observed by Audit was due to:
 - (i) the fact that when processing the applications, LWB very often found that there were missing information and/or documents required for the processing to proceed and had to put the processing on hold until the required information and/or documents had been received; and
 - (ii) the coronavirus disease (COVID-19) epidemic and understaffed situation in LWB in the concerned period; and
- (b) the processing time of applications in the past two years was much shorter:
 - (i) ***Processing of applications for CEF course registration.*** In the period from January to March in 2020 and 2021, HKCAAVQ started the processing of 44 and 105 applications respectively for registrations of courses with QR registration upon the receipt of the required information from the course providers. Of the 44 and 105 applications, 28 (64%) and 71 (68%) respectively were completed within the stipulated time of 60 days. The longest processing time was 90 and 154 days respectively;
 - (ii) ***Processing of applications for renewal of CEF course registration.*** In the period from September 2019 to March 2020 and September 2020 to March 2021, HKCAAVQ started the processing of 64 and 21 applications respectively for renewal of registrations of courses not requiring re-accreditation upon the receipt of the required information from the course providers. Of the 64 and 21 applications, 35 (55%) and 21 (100%) respectively were completed within the stipulated time of 60 days. The longest processing time was 97 and 59 days respectively; and
 - (iii) ***Processing of applications for amendment of CEF course registration.*** In January 2020 and January 2021, HKCAAVQ started the processing of a total of 36 applications for amendment of

Monitoring of reimbursable courses and course providers

registration upon the receipt of the required information from the course providers. Of the 36 applications, 35 (97%) were completed within the stipulated time of 60 days. For the remaining application, the processing time was 250 days because the course provider did not submit all the required information and/or documents to LWB despite repeated reminders.

2.8 Audit considers that LWB needs to:

- (a) check the applications for CEF course registration, for renewal of registration and for amendment of registration and inform the course providers of the missing information and/or missing documents as soon as possible upon receipt of the applications; and
- (b) when the situation of COVID-19 epidemic improves, take measures to ensure that applications for CEF course registration, for renewal of registration and for amendment of registration are processed in a timely manner within the time stipulated in the Course Registration Guide.

Need to remind course providers to submit applications for renewal of CEF course registration in a timely manner

2.9 It was stipulated in the Course Registration Guide that course providers are required to apply for renewals of registration at least 4 months before the expiry of CEF course registrations or 11 months before the expiry of QR registrations for courses that require re-accreditation (see para. 2.2(b)). In the period from September 2021 to March 2022, 39 applications for renewals of registrations were received. Audit noted that:

- (a) all the 39 (100%) applications were submitted late, with delays ranging from 5 to 153 days (averaging 43 days); and
- (b) for 22 (56%) of the 39 applications, the processing of the renewals were completed after CEF course registrations had expired, ranging from 12 to 187 days (averaging 62 days) after the expiry dates. The renewals were backdated to follow immediately the expiry dates of the previous registration.

Monitoring of reimbursable courses and course providers

2.10 To ensure that CEF course registrations are renewed before the registration expiry dates, Audit considers that WFSFAA needs to take measures to remind course providers that if they wish to renew their CEF course registrations, they should submit their applications for renewal of CEF course registration at least 4 months before the expiry of CEF course registrations or 11 months before the expiry of QR registrations for courses that require re-accreditation.

Courses without valid registration were promulgated as registered reimbursable courses

2.11 The CEF registration of courses with QR registrations will expire after a period of four years from the date of approval, or upon the expiry/earlier termination of QR registration, whichever is the earlier (see para. 2.2(b)). Information about the expiry date of CEF course registration is promulgated in the reimbursable course list on CEF's website for potential claimants' reference. As at 1 July 2022, 5,239 courses on the reimbursable course list were shown as courses with valid QR registration. Audit reviewed 150 of the 5,239 courses and noted that actually the QR registrations of 9 (6%) of the 150 courses had been terminated. Therefore, these 9 courses were not and should not be shown as reimbursable courses with valid CEF course registration.

2.12 According to LWB and HKCAAVQ, the information of the 9 courses was not up-to-date in the reimbursable course list because:

- (a) for 8 (89%) of the 9 courses, QR registrations had been terminated by the course providers without notifying LWB; and
- (b) for the remaining course, the course provider had submitted an application to cancel the registration in July 2020, however, the processing of the application had not been completed by HKCAAVQ up to August 2022.

2.13 Audit considers that LWB needs to ensure that reimbursable courses without valid CEF course registrations are not promulgated on CEF's website as ones with valid registration.

Need to keep under review the number of registered reimbursable courses available to learners

2.14 In response to the results of the consultancy study completed in September 2017 (see para. 1.6), LWB has implemented a series of enhancement measures to CEF since April 2019, including the expansion of the scope of reimbursable courses to cover all eligible courses registered in QR. LWB expected that the enhancement measures would substantially increase the choices and flexibility of learners. In April 2018, LWB informed the Legislative Council's Finance Committee that on top of the then existing 7,800 registered CEF courses, an addition of around 4,000 courses registered in QR would become eligible for registration as CEF courses, i.e. the number of courses eligible for registration as CEF courses would increase to at least 11,800.

2.15 As at 1 July 2022, there were 7,298 registered reimbursable courses. Audit noted that the number of registered reimbursable courses might decrease substantially after 31 March 2023 because:

- (a) ***QR registration.*** Of the 7,298 courses, CEF course registrations of 3,174 (43%) courses that were not registered in QR will expire on 31 March 2023 unless these courses obtain QR registration by then (see para. 1.8). In May 2022, WFSFAA issued letters to course providers of the 3,174 courses to remind them that their CEF course registrations of the courses concerned would expire on 31 March 2023 and they needed to submit applications for QR registration to HKCAAVQ for assessment before renewal of CEF course registration. According to LWB, most of the 3,174 courses were not actively organising classes and the prospects of their obtaining QR registration before 31 March 2023 might not be good; and

- (b) ***Newly registered courses.*** The number of newly registered courses decreased by 84% from 2,225 in 2019-20 to 360 in 2021-22. In the light of the advancement in technology and changes in learning mode, LWB has formulated the operating requirements for eligible online courses, with a view to providing learners with more diversified ways of continuing learning. In October 2021, the scope of reimbursable courses was expanded to include eligible online courses (see para. 1.6). A maximum of 75% of the total course hours are permitted to be conducted by online

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teaching and learning mode. However, up to 30 June 2022, no applications for registration of online courses had been received.

2.16 Audit considers that LWB needs to:

- (a) keep under review the number of reimbursable courses and when necessary, take measures to enhance the choices available to learners; and
- (b) keep in view the number of applications received for registration of online reimbursable courses and keep close liaison with the relevant stakeholders to ascertain their difficulties.

Audit recommendations

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

- (a) **check the applications for CEF course registration, for renewal of registration and for amendment of registration and inform the course providers of the missing information and/or missing documents as soon as possible upon receipt of the applications;**
- (b) **when the situation of COVID-19 epidemic improves, take measures to ensure that applications for CEF course registration, for renewal of registration and for amendment of registration are processed in a timely manner within the time stipulated in the Course Registration Guide;**
- (c) **ensure that reimbursable courses without valid CEF course registrations are not promulgated on CEF's website as ones with valid registration;**
- (d) **keep under review the number of reimbursable courses and when necessary, take measures to enhance the choices available to learners; and**

- (e) **keep in view the number of applications received for registration of online reimbursable courses and keep close liaison with the relevant stakeholders to ascertain their difficulties.**

2.18 **Audit has *recommended* that the Head, WFSFAA should take measures to remind course providers that if they wish to renew their CEF course registrations, they should submit their applications for renewal of CEF course registration at least 4 months before the expiry of CEF course registrations or 11 months before the expiry of QR registrations for courses that require re-accreditation.**

Response from the Government

2.19 The Secretary for Labour and Welfare agrees with the audit recommendations. He has said that he will follow up the recommendations by:

- (a) closely monitoring the processing status of applications for CEF course registration, renewal and amendment, and maintaining communication with course providers concerned, as well as complying with the stipulated timeframe when COVID-19 epidemic situation improves;
- (b) mandating the course providers to notify LWB via HKCAAVQ of changes in the QR status of CEF courses within a specified period of time for LWB to promptly update the validity of the CEF courses concerned and remove courses without valid QR registrations from CEF website; and
- (c) exploring measures to encourage existing course providers and potential newcomers to develop new courses, including conventional face-to-face courses and online courses, to meet the latest market trends in professions and skills, and provide feasible facilitation to them in their applications for new registrations. LWB will strive to maintain a sufficient pool of CEF courses to ensure diversified choices are available to learners.

2.20 The Head, WFSFAA agrees with the audit recommendation. He has said that WFSFAA will introduce additional measures to remind course providers to submit applications in a timely manner for renewal of CEF course registration and/or QR registration if they wish to renew their CEF course registration.

Post-registration inspections

2.21 There are two types of inspections:

- (a) ***Surprise inspections.*** Some surprise inspections are conducted by WFSFAA and some by HKCAAVQ:
- (i) ***Surprise inspections conducted by WFSFAA.*** The purpose of surprise inspections conducted by WFSFAA is to detect bogus classes and bogus students; and
- (ii) ***Surprise inspections conducted by HKCAAVQ.*** The purpose of surprise inspections conducted by HKCAAVQ is to check whether the courses concerned fulfil CEF terms and conditions, including:
- participants' enrolment, attendance, marked assignments and assessment results;
 - teaching materials;
 - course brochures, leaflets, and promotion and publicity materials; and
 - records and documents related to complaints received; and
- (b) ***Scheduled inspections.*** All scheduled inspections are conducted by WFSFAA. The main purpose of scheduled inspections is to authenticate reimbursement claims. Nonetheless, the compliance with CEF terms and conditions by course providers (e.g. their publicity materials) is also checked during these inspections.

In the Course Registration Guide, surprise inspections were referred to as “Surprise Audit Visits” and scheduled inspections as “Scheduled On-site Inspections”.

Fewer surprise inspections were conducted because more scheduled inspections on course providers needed

2.22 Since 2009-10, the annual target number of post-registration inspections, comprising scheduled inspections and surprise inspections, conducted by WFSFAA has been set at 252. Audit noted that:

- (a) ***Scheduled inspections.*** WFSFAA conducts scheduled inspections for reimbursement claims which are considered as having higher risk and need authentication on-site by WFSFAA officers. The number of scheduled inspections conducted was affected by the number of course providers with reimbursement claims considered necessary for on-site authentication; and
- (b) ***Surprise inspections.*** Surprise inspections are conducted by WFSFAA for inclusion in the total number of inspections to meet the target of 252 (i.e. the number of surprise inspections equals 252 minus the number of scheduled inspections).

2.23 The number of scheduled inspections conducted depends on the number of course providers with reimbursement claims that need on-site authentication. The more scheduled inspections need to be conducted, the fewer surprise inspections will be conducted by WFSFAA to meet the target of 252. The number of scheduled inspections increased by 5.3% from 132 in 2020-21 to 139 in 2021-22. Consequently, the number of surprise inspections conducted unjustifiably decreased by 5.8% from 120 in 2020-21 to 113 in 2021-22 (see Table 7).

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Table 7

**Number of post-registration inspections conducted by WFSFAA
(2017-18 to 2021-22)**

Year	Scheduled inspection	Surprise inspection	Total
	(Number)		
2017-18	154	100	254 (Note)
2018-19	146	106	252
2019-20	131	121	252
2020-21	132	120	252
2021-22	139	113	252
Overall	702	560	1,262

Source: Audit analysis of WFSFAA records

Note: Two inspections in addition to 252 were conducted at the end of the year.

2.24 In Audit's view, it is undesirable that the number of WFSFAA's surprise inspections depends on the number of scheduled inspections conducted instead of on the results of risk assessment. Audit considers that WFSFAA needs to rationalise the basis of setting the target numbers for its surprise inspections and scheduled inspections (e.g. by setting separate target numbers for each type of inspections).

Reported number of surprise inspections conducted by HKCAAVQ included unsuccessful inspections

2.25 LWB sets an annual target number of surprise inspections for HKCAAVQ each year. In the period from 2017-18 to 2021-22, the annual target number of surprise inspections to be conducted by HKCAAVQ was set at 85 except for 2020-21. The target for 2020-21 was set at 60 due to COVID-19 epidemic. Based on the reported number of surprise inspections conducted, HKCAAVQ receives service fees from LWB. Table 8 shows that the target number of surprise inspections were

Monitoring of reimbursable courses and course providers

generally achieved in the period from 2017-18 to 2021-22 except in the year of 2019-20 due to COVID-19 epidemic.

Table 8

**Targets and reported numbers of
surprise inspections conducted by HKCAAVQ
(2017-18 to 2021-22)**

Year	Number of surprise inspections			Successful inspections as a percentage of target (%) (c) = (b) ÷ (a) × 100%
	Target (a)	Reported	Successfully conducted (b)	
2017-18	85	85	44	51.8
2018-19	85	85	53	62.4
2019-20	85	43	14	16.5
2020-21	60	60	44	73.3
2021-22	85	84	46	54.1
Overall	400	357	201	50.3

Source: Audit analysis of HKCAAVQ records

2.26 Audit’s examination of the records of surprise inspections conducted by HKCAAVQ in the period from 2017-18 to 2021-22 revealed that:

- (a) of the 357 surprise inspections conducted during the period, 201 (56.3%) were successfully conducted and the remaining 156 (43.7%) were not. Reasons leading to unsuccessful inspections included “courses concerned were inactive”, “no one in the premises”, and “course directors/responsible persons were not available”;

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- (b) if the unsuccessful inspections were excluded, the number of inspections did not meet the annual target in any of the five years. Overall speaking, the number of successful inspections met 50.3% of the target (ranging from 16.5% to 73.3% each year); and
- (c) according to HKCAAVQ, if a surprise inspection was unsuccessful, another inspection to the course provider needed to be arranged in the following year. However, of the 118 (i.e. 273 minus 155) unsuccessful inspections in the period from 2017-18 to 2020-21, HKCAAVQ did not make follow-up surprise inspections in 99 (84%) cases in subsequent years (i.e. from 2018-19 to 2021-22). Moreover, even though follow-up inspections were conducted, they were counted towards achieving the target number of inspections in the year they were conducted instead of counting as compensating for the unsuccessful inspections in the previous year (see Table 8).

2.27 Audit considers that LWB needs to:

- (a) ensure that the annual target number for HKCAAVQ's surprise inspections is achieved;
- (b) ensure that only inspections successfully conducted are counted towards achieving the annual target number of surprise inspections;
- (c) take measures to minimise the number of unsuccessful surprise inspections; and
- (d) ensure that follow-up inspections are conducted for unsuccessful surprise inspections.

Need to review service fees for unsuccessful inspections

2.28 The service fees paid to HKCAAVQ included fees for conducting the surprise inspections. The calculation was based on the number of surprise inspections conducted, the standard time (in hours) for each inspection and the hourly rate (i.e. number of inspections times standard time for each inspection times hourly rate). In the period from 2017-18 to 2021-22, the hourly rate was \$1,669.32. The standard

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time for each inspection was 14.5 hours in 2017-18 and 14.25 hours in the period from 2018-19 to 2021-22. In the period from 2017-18 to 2021-22, service fees of \$3.7 million were paid for the 156 (i.e. 357 minus 201) unsuccessful inspections.

2.29 Many surprise inspections were not successfully conducted (see Table 8 in para. 2.23). However, Audit noted that the same standard time (i.e. 14.5 hours in 2017-18 and 14.25 hours in the period from 2018-19 to 2021-22) was used in calculating the service fees for such inspections. In Audit's view, for unsuccessful surprise inspections, the time required for some tasks (such as follow-up after the inspection, report writing and report clearance) should have been less than that for the successful ones.

2.30 Audit considers that LWB needs to review the basis of calculation for service fees paid to HKCAAVQ relating to unsuccessful inspections.

Room for improvement in conducting surprise inspections by HKCAAVQ

2.31 Audit examined the records of surprise inspections conducted by HKCAAVQ in the period from 2017-18 to 2021-22 and noted that there was room for improvement in conducting the inspections:

- (a) while after surprise inspections conducted by WFSFAA, course providers were informed in writing of the observations and remedial actions required if non-compliances were found, the same was not done by HKCAAVQ. Audit reviewed 30 of the 357 surprise inspection reports prepared by HKCAAVQ, of which 23 were for inspections conducted successfully. Audit noted that although non-compliances by course providers were found in all the 23 successful inspections (e.g. CEF course codes were not placed on the promotion materials as required), there were no records showing that HKCAAVQ officers had informed the course providers of the non-compliances and remedial actions required. Upon Audit's enquiry, HKCAAVQ informed Audit that in the 23 inspections, the officers informed course providers of the observations and remedial actions at the spot verbally;

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- (b) according to HKCAAVQ, the non-compliances and remedial actions taken by the course providers needed to be followed up in the next inspection. However, of the non-compliances found in 83 inspections in the period from 2017-18 to 2020-21 requiring follow-up inspections, HKCAAVQ did not make follow-up inspections to 39 (47%) of the 83 inspections in the subsequent years (i.e. 2018-19 to 2021-22); and
- (c) in July 2018, LWB agreed with HKCAAVQ's proposal on conducting class inspections to assess the quality of course delivery. However, up to 2021-22, no class inspections have been conducted to assess the quality of course delivery. According to LWB, class inspections to assess the quality of course delivery has been postponed to 2022-23 because of COVID-19 epidemic.

2.32 Audit considers that LWB needs to take measures to ensure that HKCAAVQ:

- (a) informs the course providers of the non-compliances found in surprise inspections and the remedial actions required in writing;
- (b) makes follow-up inspections to course providers with non-compliances found during surprise inspections to ensure that the required remedial actions have been taken by the course providers; and
- (c) conducts class inspections for assessing the quality of course delivery as agreed as soon as the development of COVID-19 epidemic allows.

Need to improve checking on promotion of reimbursable courses

2.33 According to CEF terms and conditions, course providers are required to follow specified requirements in promoting reimbursable courses, such as the requirement for including specific wordings in the promotion materials and prohibition from promoting reimbursable courses with other non-CEF courses. In the period from 2017-18 to 2021-22, WFSFAA and HKCAAVQ conducted 702 scheduled inspections and 357 surprise inspections (201 of the 357 inspections were conducted successfully) respectively to check the course providers' compliance with CEF terms and conditions including promotion of reimbursable courses. Audit reviewed the

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inspection reports of 228 of the 702 scheduled inspections and 23 of the 201 surprise inspections that were conducted successfully. Audit noted that:

- (a) in 41 (18%) of 228 WFSFAA's inspection reports and in 1 (4%) of 23 HKCAAVQ's inspection reports examined by Audit, the inspection officers stated that the course providers did not provide the promotion materials for inspection due to reasons such as no leaflets were used in promoting the courses, or promotion materials have not been kept or were under revision. There was no documentary evidence showing that the inspection officers performed alternative ways of checking to examine whether the requirements on promotion were complied by the course providers;
- (b) of the 228 scheduled inspections conducted by WFSFAA, 84 involved more than 1 course under inspection. In 65 (77%) of the 84 inspections, which involved 165 courses, the inspection officers only checked the promotion materials of one of the courses under inspection, but not those of all courses under inspection; and
- (c) the inspection officers of WFSFAA and HKCAAVQ were only required to check the promotion leaflets and the course providers' websites, and thus, in all the 228 scheduled inspections and 23 surprise inspections, the inspection officers did not check promotion materials other than promotion leaflets and the course providers' websites.

2.34 Audit considers that LWB needs to develop an approach for checking during inspections to cover the course providers' promotion materials in general rather than restricting the checking to the promotion leaflets and course providers' websites of the specific courses under inspection, e.g. a sampling approach covering course providers' advertisements in newspapers and public transport systems, and promotion materials in the social media.

Audit recommendations

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

- (a) ensure that the annual target number for HKCAAVQ's surprise inspections is achieved;
- (b) ensure that only inspections successfully conducted are counted towards achieving the annual target number of surprise inspections;
- (c) take measures to minimise the number of unsuccessful surprise inspections;
- (d) ensure that follow-up inspections are conducted for unsuccessful surprise inspections;
- (e) review the basis of calculation for service fees paid to HKCAAVQ relating to unsuccessful inspections;
- (f) take measures to ensure that HKCAAVQ informs the course providers of the non-compliances found in surprise inspections and the remedial actions required in writing;
- (g) take measures to ensure that HKCAAVQ makes follow-up inspections to course providers with non-compliances found during surprise inspections to ensure that the required remedial actions have been taken by the course providers;
- (h) take measures to ensure that HKCAAVQ conducts class inspections for assessing the quality of course delivery as agreed as soon as the development of COVID-19 epidemic allows; and
- (i) develop an approach for checking during inspections to cover the course providers' promotion materials in general rather than restricting the checking to the promotion leaflets and course providers' websites of the specific courses under inspection, e.g. a sampling

approach covering course providers' advertisements in newspapers and public transport systems, and promotion materials in the social media.

2.36 Audit has *recommended* that the Head, WFSFAA should rationalise the basis of setting WFSFAA's target numbers of surprise inspections and scheduled inspections (e.g. by setting separate target numbers for each type of inspections).

Response from the Government

2.37 The Secretary for Labour and Welfare agrees with the audit recommendations. He has said that, to improve the surprise inspections on course providers:

- (a) LWB will review the service agreements with HKCAAVQ to set out clearly:
 - (i) the annual target number of successful inspections; and
 - (ii) the arrangement that there will be fee deduction if the number of successful inspections is below the annual target number;
- (b) LWB will impose new requirements on HKCAAVQ to promptly arrange re-visits after unsuccessful visits and to report to LWB cases of consecutive unsuccessful visits to the same course provider;
- (c) LWB will review the calculation basis of service fees with HKCAAVQ to exclude unsuccessful surprise inspections from payable fees;
- (d) LWB will seek refund from HKCAAVQ the fees paid for unsuccessful inspections conducted in the past five years found by Audit;
- (e) LWB will include in the service agreement the requirement that HKCAAVQ has to inform course providers of the non-compliances found in surprise inspections and the remedial actions required in writing, and to conduct follow-up inspections to check if the course providers have taken the remedial actions;

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- (f) LWB will ask HKCAAVQ to commence class inspections and submit quarterly reports, including the number of inspections conducted and findings on courses and course providers, etc., as COVID-19 epidemic situation has already improved; and
- (g) WFSFAA has been adopting an intelligence-led approach, e.g. having regard to complaints and media reports, to check promotion materials of courses other than those under inspection. LWB/WFSFAA will remind course providers to keep proper records of all means of promotion materials for their CEF courses, maintain a log on the distribution channels and the dates of publication of such materials for inspection from time to time upon request. Guidelines on keeping records on different formats (e.g. light box advertisements, outdoor banners, bus body advertisements and signs) will be prepared, with due consideration of course providers' practical difficulties in knowing where and when such promotion materials are published.

2.38 The Head, WFSFAA agrees with the audit recommendation. He has said that WFSFAA will review the target numbers of surprise inspections and scheduled inspections taking into account risk assessment, resource implications and cost-effectiveness.

Promotion of reimbursable courses

Promotion materials of some reimbursable courses did not comply with terms and conditions

2.39 According to CEF terms and conditions, course providers are required to meet specified requirements in the promotion of reimbursable courses. For instance, on every course brochure, promotion material and related document, course providers are required to:

- (a) include the specified standard wordings about CEF course status;
- (b) place CEF logo and CEF course code next to CEF course title; and

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- (c) accurately depict QR registration number and validity period of the relevant QR entry.

2.40 Audit reviewed the promotion materials (i.e. brochures and websites) of 5 courses offered by 5 course providers (i.e. 1 course per course provider) and noted that:

- (a) for 1 (20%) course, the specified standard wordings were not included in the course brochure;
- (b) for 2 (40%) courses, CEF logo was not placed on the promotion materials;
- (c) for 3 (60%) courses, CEF course codes were not placed on the promotion materials; and
- (d) for 4 (80%) courses, QR registration numbers and validity periods were not depicted.

2.41 Audit considers that WFSFAA needs to take measures to ensure that the course providers comply with CEF terms and conditions on promotion of reimbursable courses.

Reimbursable courses promoted as a means of paving the way for emigration

2.42 The aim of CEF is to facilitate Hong Kong's transition to a knowledge-based economy having regard to an increasingly globalised economy (see para. 1.2). However, Audit noted that some course providers promoted reimbursable courses on the Internet as a means of paving the way for emigration, which was not compatible with the aim of CEF (see Figure 3 for an example).

2.43 Audit considers that WFSFAA needs to take measures to ensure that course providers' promotions of reimbursable courses are compatible with the aim of CEF.

Audit recommendations

2.44 **Audit has *recommended* that the Head, WFSFAA should:**

- (a) **take measures to ensure that the course providers comply with CEF terms and conditions on promotion of reimbursable courses; and**
- (b) **take measures to ensure that course providers' promotions of reimbursable courses are compatible with the aim of CEF.**

Response from the Government

2.45 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA will:

- (a) step up the frequency of inspections on promotion materials;
- (b) advise course providers not to promote reimbursable courses in a way deviating from the objectives of CEF. As set out in CEF terms and conditions, LWB reserves the right to require relevant course providers to withdraw or cease using promotion materials it considers inappropriate or undesirable (as the case may be); and
- (c) in cases of non-compliance, report to and consult with LWB on appropriate regulatory actions (e.g. warning) according to CEF terms and conditions.

Course providers' non-compliances with terms and conditions

Inconsistencies in issuing reminders and warnings

2.46 Subject to the seriousness of non-compliances found during inspections, WFSFAA issues reminders, warnings or reprimands to the course providers concerned. In the period from 2017-18 to 2021-22, WFSFAA issued 589 reminders and 76 warning letters to 133 course providers.

2.47 Audit reviewed the records of 228 of the 702 scheduled inspections and 132 of the 560 surprise inspections conducted by WFSFAA in the period from 2017-18 to 2021-22. Audit found that there were inconsistencies in issuing reminders and warnings for similar non-compliances. For example:

- (a) 2 course providers had 2 counts of non-compliances with the requirement on the collection of tuition fees by equal monthly instalments. A warning letter was issued to one course provider while a reminder was issued to the other;
- (b) 2 course providers had 2 counts of non-compliances with the requirement on including standard wordings about CEF course status on promotion leaflets. A warning letter was issued to one course provider while a reminder was issued to the other; and
- (c) a course provider had 3 counts of miscalculation in assessments. A warning letter was issued for the second count, but only a reminder was issued for the third count.

2.48 Audit considers that WFSFAA needs to rationalise the issuance of reminders and warnings to course providers on their non-compliances with CEF terms and conditions to address the inconsistent treatments between course providers.

Audit recommendation

2.49 **Audit has *recommended* that the Head, WFSFAA should rationalise the issuance of reminders and warnings to course providers on their non-compliances with CEF terms and conditions to address the inconsistent treatments between course providers.**

Response from the Government

2.50 The Head, WFSFAA agrees with the audit recommendation. He has said that WFSFAA will:

- (a) review the issuance of reminders and warnings to course providers on their non-compliances with CEF terms and conditions; and

- (b) promulgate guidelines with a view to setting out objective criteria and examples of circumstances to rationalise the basis of issuance of reminders and warnings, which is based on the seriousness and impact on the hindrance of students' interests.

PART 3: REIMBURSEMENT CLAIMS

3.1 This PART examines WFSFAA’s work on reimbursement claims of course fees, focusing on the following areas:

- (a) processing of reimbursement claims (paras. 3.5 to 3.16);
- (b) authentication by WFSFAA (paras. 3.17 to 3.27);
- (c) authentication by course providers (paras. 3.28 to 3.36); and
- (d) online submission of claims (paras. 3.37 to 3.42).

Background

3.2 Persons who meet the following criteria can apply for reimbursement of course fees (Note 7) under CEF: aged 18 or above when the reimbursable course under application commences and an application for fee reimbursement is submitted within one year after the successful completion of the course. Successful completion of a course means that the claimant must have attended no less than 70% of the teaching hours of the course or such higher attendance requirement as prescribed for the course and attained an overall mark of either 50% or such higher percentage of assessment(s) as prescribed for the course.

3.3 ***Number of reimbursement claims and amount of funds disbursed.*** In the period from 2017-18 to 2021-22, 140,510 reimbursement claims were received, 135,422 claims were processed and \$1,113.9 million of funds were disbursed (see Table 9).

Note 7: *Course fees refer to tuition fees and examination fees for taking designated benchmark tests/examinations (if applicable) in respect of language proficiency courses. Any other fees, such as late charges and change of course fee charges, etc. are not reimbursable.*

Reimbursement claims

Table 9

**Number of reimbursement claims and amount of funds disbursed
(2017-18 to 2021-22)**

	2017-18	2018-19	2019-20	2020-21	2021-22	Overall
<i>Number of reimbursement claims</i>						
Brought forward (a)	1,467	1,417	1,559	2,078	5,726	1,467
Received (b)	17,125	16,594	20,711 (Note)	35,920	50,160	140,510
Processed (c)	17,175	16,452	20,192	32,272	49,331	135,422
- Approved	17,024	16,330	19,634	30,738	47,552	131,278
- Rejected	118	89	502	1,035	1,264	3,008
- Withdrawn	33	33	56	499	515	1,136
Carried forward (d)=(a)+(b)-(c)	1,417	1,559	2,078	5,726	6,555	6,555
<i>Amount of funds disbursed (\$ million)</i>	136.6	124.3	158.7	242.1	452.2	1,113.9

Source: Audit analysis of WFSFAA records

Note: According to WFSFAA, the significant increase in number of reimbursement claims received since 2019-20 was due to the increased course enrolment upon the offer of more reimbursable courses. The rising trend was expected to continue in 2022-23.

3.4 **Authentication.** WFSFAA authenticates reimbursement claims to ensure that the information submitted by the claimants in support of their claims is based on facts and is true. Claims are subject to two types of authentication:

- (a) authentication by WFSFAA (see para. 3.17); and
- (b) authentication by course providers (see para. 3.28).

Processing of reimbursement claims

A large percentage of claims were excluded from the comparison of actual processing time with performance targets

3.5 Since 2019-20, WFSFAA has set performance targets on processing time of reimbursement claims:

- (a) 6 weeks for existing CEF account holders; and
- (b) 8 weeks for CEF account opening together with the processing of the first claim.

3.6 WFSFAA reported the achievement of performance targets of 6 weeks or 8 weeks (see para. 3.5) in its Controlling Officer's Report. In the three-year period from 2019-20 to 2021-22, the processing time of 100%, 99.9% and 100% of claims achieved the performance targets of 6 weeks or 8 weeks. However, Audit found that WFSFAA had excluded a large percentage of claims from the comparison of the actual processing time with the targets. The excluded claims were those that WFSFAA needed to collect additional information and/or supporting documents for processing. In the three-year period from 2019-20 to 2021-22, 8,332, 12,391 and 19,491 claims had been excluded (i.e. WFSFAA only monitored the processing time of 11,860, 19,881 and 29,840 claims), representing 41.3%, 38.4% and 39.5% of the total number of claims processed.

3.7 WFSFAA informed Audit that since it had no control over how quickly the claimants submit the missing information and/or documents, it had excluded the claims with missing information and/or documents in the comparison of the actual processing time with the targets. In Audit's view, by defining the starting point of the processing time as the date of having received all the information and documents necessary for processing, it is not necessary to exclude claims where claimants had to submit additional information and/or documents upon request by WFSFAA. Audit considers that WFSFAA needs to:

- (a) consider revising the performance targets on processing time to cover the time starting from the date on which all necessary information and documents have been received; and
- (b) include all reimbursement claims in the comparison of the actual processing time with the performance targets.

Need to improve monitoring on elapsed time between receipt of claims and fund disbursement

3.8 WFSFAA has set performance targets of 6 weeks or 8 weeks (see para. 3.5) on processing time of reimbursement claims. However, Audit noted that WFSFAA had not monitored the elapsed time between receipt of claims and commencement of processing, and the elapsed time between completion of processing and fund disbursement. In 2021-22, WFSFAA monitored the processing time of 29,840 claims (see para. 3.6). Audit analysed the elapsed time between receipt of claims and fund disbursement of the 29,840 claims and noted that the average elapsed time was 37.8 days (ranging from 20 to 66 days), which included:

- (a) 20.7 days from the date of receipt of claims to the date of commencement of processing;
- (b) 5.6 days of processing time (covered by the performance targets on processing time); and
- (c) 11.5 days from the date of completion of processing to the date of fund disbursement.

3.9 The analysis revealed that:

- (a) the elapsed time between receipt of claims and commencement of processing, and the elapsed time between completion of processing and fund disbursement were long, representing 54.8% and 30.4% of the elapsed time between receipt of claims and fund disbursement respectively; and

Reimbursement claims

- (b) the time taken for processing (5.6 days) only represented 14.8% of the elapsed time between receipt of claims and fund disbursement, and was much shorter than the performance targets of 6 weeks or 8 weeks.

3.10 According to WFSFAA, the processing time of reimbursement claims in 2021-22 was affected by COVID-19 epidemic. The processing took longer time than usual because of the special work-from-home arrangement and the substantial number of officers being confirmed cases or being close contact of confirmed cases.

3.11 In Audit's view, claimants are more concerned about the elapsed time between submission of claims and receipt of funds. Audit considers that WFSFAA needs to:

- (a) monitor the elapsed time between receipt of claims and commencement of processing, and the elapsed time between completion of processing and fund disbursement; and
- (b) review the performance targets on processing time of claims with a view to ensuring that they are challenging in motivating continuous improvement.

Need to ensure reimbursement claims are approved according to eligibility criteria

3.12 To be eligible for claiming reimbursements from CEF, claimants should be aged 18 or above at the time when the reimbursable courses commenced (see para. 3.2). Audit found that in the period from July 2021 to June 2022, WFSFAA incorrectly approved reimbursements for course fees of 11 courses, involving 6 claimants who were aged under 18 when the courses commenced. There was no documentary evidence showing the justifications for WFSFAA to approve these claims. Audit considers that WFSFAA needs to take measures to ensure that reimbursement claims are approved according to the eligibility criteria for claiming CEF.

Need to draw experience from a claim approved based on invalid documents

3.13 WFSFAA refers suspected deceptive reimbursement claims to the Hong Kong Police Force for investigation and takes recovery action when necessary. In the period from 2018-19 to 2021-22, WFSFAA referred 2 cases to the Hong Kong Police Force. Audit noted that WFSFAA could draw experience from 1 of the 2 cases (see Case 1 for details).

Case 1

A reimbursement claim approved based on invalid documents (June 2018 to September 2019)

1. In July 2018, a claimant submitted a claim of \$5,000 for reimbursement of course fee of a reimbursable course using a Letter of Certification (a document certifying the successful completion of the course — see para. 3.2) wrongly issued by the course provider and a claim form wrongly certified by the course provider. In August 2018, WFSFAA approved the claim and disbursed funds. In December 2018, after it had completed its authentication work on the claim (see para. 3.28), the course provider informed WFSFAA that:

- (a) the claimant did not meet the attendance rate requirement and hence was not eligible for reimbursement; and
- (b) in June 2018, it had notified the claimant that the required attendance rate was not attained and the Letter of Certification was wrongly issued. In July 2018, it had also wrongly certified the claimant's claim form (i.e. wrongly certified that the claimant had successfully completed the course).

2. In February 2019, the case was reported to the Hong Kong Police Force as suspected fraud case. No prosecution action was taken due to insufficient evidence and the case was closed. In September 2019, the claimant submitted a new claim. The course fee reimbursable for the new claim was used to offset the funds incorrectly disbursed in the previous claim. In the same month, WFSFAA issued a warning letter to the course provider on the mistakes it made.

Audit comments

3. In Audit's view, had the course provider notified WFSFAA upon wrongly issuing the Letter of Certification or wrongly certifying the claimant's claim, WFSFAA would have rejected the claim and funds would not have been disbursed.

Source: *Audit analysis of WFSFAA records*

3.14 To prevent occurrence of improper reimbursement claims, Audit considers that WFSFAA needs to consider requiring course providers to notify WFSFAA when they have wrongly issued supporting documents for reimbursement claims or wrongly certified reimbursement claims.

Audit recommendations

3.15 Audit has *recommended* that the Head, WFSFAA should:

- (a) **consider revising the performance targets on processing time to cover the time starting from the date on which all necessary information and documents have been received;**
- (b) **include all reimbursement claims in the comparison of the actual processing time with the performance targets;**
- (c) **monitor the elapsed time between receipt of claims and commencement of processing, and the elapsed time between completion of processing and fund disbursement;**
- (d) **review the performance targets on processing time of claims with a view to ensuring that they are challenging in motivating continuous improvement;**
- (e) **take measures to ensure that reimbursement claims are approved according to the eligibility criteria for claiming CEF; and**
- (f) **consider requiring course providers to notify WFSFAA when they have wrongly issued supporting documents for reimbursement claims or wrongly certified reimbursement claims.**

Response from the Government

3.16 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA will follow up the audit recommendations, including:

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- (a) putting in place mechanism and system enhancement to ensure that reimbursement claims are approved according to the eligibility criteria for claiming CEF; and
- (b) reminding course providers to notify WFSFAA when they have wrongly issued supporting documents for reimbursement claims or wrongly certified CEF reimbursement claim forms.

Authentication by the Working Family and Student Financial Assistance Agency

3.17 WFSFAA conducts scheduled inspections to authenticate reimbursement claims (see para. 2.21(b)). WFSFAA refers to a claim for one reimbursable course attended by a claimant as a “claim record”. A claim submitted by a claimant may claim reimbursement for more than one course, i.e. a claim may consist of more than one claim record. During inspections, WFSFAA checks the information submitted by claimants relating to their claim records against the course providers’ records of enrolment, attendance, assessment and payment.

Checks performed during inspections

3.18 *Number of claim records checked in each inspection varied greatly.* Audit examined 17 (12%) of the 139 scheduled inspections conducted by WFSFAA in 2021-22. Audit noted that the number of claim records checked in each inspection varied greatly, ranging from 1 to 27 claim records (averaging 11 claim records). There was no documentary evidence showing the basis of determining the number of claim records checked in each inspection. Audit considers that WFSFAA needs to provide guidelines on the number of claim records to be checked in each inspection.

3.19 *Access to personal data without consent.* Upon course enrolment of reimbursable courses, every course participant is required to sign a Statement of Consent for agreeing that his/her personal data, and any other information or records related to the course may be disclosed to WFSFAA for the purpose of processing reimbursement claims and inspections. When submitting the reimbursement claims, the claimants also declare that they agree to release their personal data to WFSFAA. Audit examined 30 (22%) of the 139 reports for inspections conducted in 2021-22

and noted that WFSFAA staff had inspected the personal data of one course participant without obtaining prior consent in one inspection because:

- (a) the course provider did not collect Statement of Consent from course participants upon course enrolment. Subsequent to the inspection, the course provider contacted the course participants to sign the Statement of Consent; and
- (b) the course participant had not yet submitted the reimbursement claim and hence had not provided consent on releasing personal data to WFSFAA.

According to the Personal Data (Privacy) Ordinance (Cap. 486), personal data shall not, without the prescribed consent of the data subject, be used for a new purpose.

3.20 Audit considers that WFSFAA needs to take measures to ensure that its staff refrain from accessing personal data of course participants in inspections before they have given their consent.

Long time taken in submission of inspection reports

3.21 Audit analysed the timeliness of the submission of the reports for the 139 inspections conducted in 2021-22. Audit noted that many inspection reports were not submitted in a timely manner. On average, the 139 reports were submitted 27.7 days (ranging from 1 to 324 days) after the inspections. Of the 139 inspection reports, 35 (25%) reports were submitted later than 30 days after the inspections (see Table 10).

Table 10

**Time taken in submission of inspection reports
(2021-22)**

Time taken (Days)	Number of inspection reports (Percentage)
≤ 30	104 (75%)
> 30 to ≤ 60	18 (13%)
> 60	17 (12%)
Total	139 (100%)

Source: Audit analysis of WFSFAA records

3.22 WFSFAA informed Audit in September 2022 that:

- (a) the inspection work and subsequent reporting in 2021-22 had been affected by COVID-19 epidemic (see para. 3.10); and
- (b) in March 2022, 2 (50%) of the 4 staff of the inspection team were infected. The remaining 2 staff were just adequate to cope with the inspection work for meeting the annual target number of post-registration inspections of 252 by the end of 2021-22.

3.23 In Audit's view, late completion and submission of inspection reports will inevitably affect the efficiency and effectiveness of inspections. Audit considers that WFSFAA needs to take measures to ensure that inspection reports for inspections on course providers are submitted in a timely manner.

Need to improve reminders/warning letters issued after inspections

3.24 When irregularities are found during inspections, depending on the seriousness of the irregularities, WFSFAA issues reminders or warning letters to the

course providers concerned and requires them to take actions to rectify the irregularities. Of the 30 inspection reports examined by Audit (see para. 3.19), 28 reminders/warning letters were issued. Audit noted that:

- (a) ***Omissions of some irregularities identified.*** For 3 (10.7%) reminders, the reminders did not include all the irregularities found during the inspections; and
- (b) ***Reminders/warning letters not issued in a timely manner.*** There were no guidelines on the timeliness of issuing reminders/warning letters after inspections. On average, the 28 reminders/warning letters were issued 85.4 days (ranging from 5 to 468 days) after the inspections.

3.25 Audit considers that WFSFAA needs to:

- (a) take measures to ensure that all irregularities found during inspections are included in the reminders/warning letters issued to course providers after inspections; and
- (b) consider setting guidelines on the timeliness of issuing reminders/warning letters to course providers after inspections with a view to ensuring that prompt remedial actions are taken by the course providers concerned.

Audit recommendations

3.26 **Audit has recommended that the Head, WFSFAA should:**

- (a) **provide guidelines on the number of claim records to be checked in each inspection;**
- (b) **take measures to ensure that WFSFAA staff refrain from accessing personal data of course participants in inspections before they have given their consent;**
- (c) **take measures to ensure that inspection reports for inspections on course providers are submitted in a timely manner;**

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- (d) **take measures to ensure that all irregularities found during inspections are included in the reminders/warning letters issued to course providers after inspections; and**
- (e) **consider setting guidelines on the timeliness of issuing reminders/warning letters to course providers after inspections with a view to ensuring that prompt remedial actions are taken by the course providers concerned.**

Response from the Government

3.27 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA will follow up the audit recommendations as soon as possible, including putting in place a monitoring mechanism to ensure the timely submission of inspection reports on course providers and the timely issuance of reminders/warning letters to course providers.

Authentication by course providers

Need to consider the merits of setting up a quality assurance mechanism

3.28 Authentication by course providers is conducted twice a year on all successful claim records not already authenticated by WFSFAA through scheduled inspections. Each course provider is provided with information on claim records to verify the correctness of the information submitted by the claimants to support the reimbursement claims. WFSFAA requires course providers to submit authentication results to it within one month. In the period from June 2021 to February 2022, WFSFAA conducted the latest round of authentication by course providers (covering the claim records processed in the period from December 2020 to May 2021) covering 23,100 claim records.

3.29 Audit noted that:

- (a) authentication by course providers relied solely on the due diligence of course providers; and

- (b) there was no quality assurance mechanism in place to ensure the quality of authentication by course providers.

3.30 In Audit’s view, there are merits to set up a quality assurance mechanism on the authentication by course providers. For instance, WFSFAA may recheck a certain percentage (say, a few percent) of claim records which have been authenticated by the course providers. Audit considers that WFSFAA needs to consider the merits of setting up a quality assurance mechanism on the authentication by course providers.

Need to ensure the timeliness of authentication by course providers

3.31 WFSFAA requires course providers to submit authentication results to it within one month. Audit analysed the timeliness on submission of authentication results by the course providers in the latest round of authentication (see para. 3.28 and Table 11).

Table 11

**Timeliness on submission of authentication results by course providers
(June to August 2021)**

Time taken (Month)	Number of course providers (Percentage)
≤ 1	79 (68%)
> 1 to ≤ 2	35 (30%)
> 2 (Note)	2 (2%)
Total	116 (100%)

} 37 (32%)

Source: Audit analysis of WFSFAA records

Note: The longest time taken by the course provider was 2.2 months.

Reimbursement claims

3.32 WFSFAA's guidelines stipulated that:

- (a) first reminders will be issued to course providers who have not submitted the authentication results within one month and have not notified WFSFAA of the delay;
- (b) second reminders will be issued to course providers who have not submitted the results after 3 months from the issuance of first reminders and have not notified WFSFAA of the delay; and
- (c) warning letters will be issued to course providers who have not submitted the results after 3 months from the issuance of second reminders.

3.33 Of the 37 course providers who had not submitted authentication results within one month (see Table 11 in para 3.31), 5 course providers notified WFSFAA of the delay through reply slips. Audit examined WFSFAA's follow-up actions on the remaining 32 course providers and noted that no reminders had been sent to all the 32 course providers. In response to Audit's enquiry, WFSFAA informed Audit in September 2022 that the 32 course providers notified WFSFAA of the delay through telephone calls and there were no documentary records of the telephone calls.

3.34 Audit considers that WFSFAA needs to:

- (a) strengthen measures to ensure the timeliness of authentication by course providers; and
- (b) document the communication with course providers relating to authentication to facilitate the follow-up actions on late submission of authentication results.

Audit recommendations

3.35 **Audit has recommended that the Head, WFSFAA should:**

- (a) **consider the merits of setting up a quality assurance mechanism on the authentication by course providers;**

- (b) **strengthen measures to ensure the timeliness of authentication by course providers; and**
- (c) **document the communication with course providers relating to authentication to facilitate the follow-up actions on late submission of authentication results.**

Response from the Government

3.36 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA will:

- (a) put in place a quality assurance mechanism on the authentication by course providers;
- (b) take regulatory actions on those course providers which have failed to submit authentication results in a timely manner; and
- (c) improve the documentation of the communications with course providers relating to authentication.

Online submission of claims

Need to encourage online submission of reimbursement claims

3.37 Since 31 March 2020, WFSFAA has accepted online submission of reimbursement claims. Claimants may submit their claims and supporting documents to WFSFAA either by post, in person, via drop-in boxes or online via the GovHK website. For online submission, after submission of the claims and supporting documents, claimants are required to print the claims in paper form and then submit the claim forms to the course providers concerned for stamping. Originals of the stamped and signed paper claim forms have to be submitted to WFSFAA within one month after online submission. Audit noted that the usage of online submission was low, namely 7% and 6% of the claims received in 2020-21 and 2021-22 respectively (see Table 12).

Reimbursement claims

Table 12

**Submission of CEF claims
(2020-21 and 2021-22)**

Submission method	2020-21		2021-22	
	(Number)	(Percentage)	(Number)	(Percentage)
Online submission	2,390	7%	3,026	6%
Other submission methods	33,530	93%	47,134	94%
Total	35,920	100%	50,160	100%

Source: *Audit analysis of WFSFAA records*

3.38 In response to Audit’s enquiry on the reasons for low usage of online submission, WFSFAA informed Audit in September 2022 that:

- (a) many course providers provided paper claim forms to the eligible learners in order to facilitate their reimbursement claims and completion of the required certification process by stamping on the forms. Some course providers even offered one-stop service of free-delivery of paper claim forms completed by claimants to WFSFAA; and
- (b) the convenience to claimants due to such facilitation might partially explain the relatively low usage of online submission of reimbursement claims.

3.39 In 2021/22 school year, WFSFAA launched a new electronic form “Electronic Household Application Form for Student Financial Assistance Schemes” for households with pre-primary, primary and secondary students to facilitate them to submit online applications for student financial assistance schemes conveniently and efficiently. Applicants who have previously submitted applications for a financial assistance scheme may use the electronic form prefilled with some of their application details to submit their applications for the same scheme. The electronic form is applicable to various financial assistance schemes under WFSFAA (e.g. Diploma Yi Jin Fee Reimbursement). However, the electronic form has not been made available for CEF claimants.

- 3.40 Audit considers that WFSFAA needs to:
- (a) explore effective measures to encourage online submission of reimbursement claims; and
 - (b) explore the feasibility of enhancing the online submission system for CEF claimants taking reference to the features of the online submission system for student financial assistance schemes.

Audit recommendations

- 3.41 **Audit has recommended that the Head, WFSFAA should:**
- (a) **explore effective measures to encourage online submission of reimbursement claims; and**
 - (b) **explore the feasibility of enhancing the online submission system for CEF claimants taking reference to the features of the online submission system for student financial assistance schemes.**

Response from the Government

3.42 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA has been developing a Centralised e-Service Portal, which will provide pre-filled application forms for returning applicants of various schemes (including CEF) administered by WFSFAA. This would incentivise and facilitate online submission of reimbursement claims by CEF claimants.

PART 4: OTHER ISSUES

4.1 This PART examines other issues of CEF, focusing on the following areas:

- (a) safeguarding national security (paras. 4.2 to 4.6);
- (b) non-civil service contract staff (paras. 4.7 to 4.16);
- (c) CEF's website (paras. 4.17 to 4.22);
- (d) opinion surveys (paras. 4.23 to 4.27);
- (e) procurement of consultancy services (paras. 4.28 to 4.32); and
- (f) digitalisation in CEF's operations (paras. 4.33 to 4.37).

Safeguarding national security

4.2 The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (National Security Law) was implemented on 30 June 2020. The National Security Law stipulates that:

- (a) it is the constitutional duty of the Hong Kong Special Administrative Region to safeguard national security;
- (b) the executive authorities of the Hong Kong Special Administrative Region shall effectively prevent, suppress and impose punishment for any act or activity endangering national security in accordance with the National Security Law and other relevant laws; and
- (c) the Hong Kong Special Administrative Region shall strengthen its work on safeguarding national security and prevention of terrorist activities. The Government of the Hong Kong Special Administrative Region shall take necessary measures to strengthen public communication, guidance, supervision and regulation over matters concerning national security,

including those relating to schools, universities, social organisations, the media, and the Internet.

Need to strengthen regulation over matters concerning national security

4.3 Audit noted that some government bureaux/departments (B/Ds) had taken measures to strengthen the safeguarding of national security. For instance:

- (a) in February 2021, the Education Bureau issued guidelines to schools in Hong Kong on school administration and education in relation to the National Security Law. According to the guidelines, it is incumbent on the schools to review as early as possible and devise appropriate measures in respect of school planning and management, staff management, and other relevant areas, including:
 - (i) ensuring that all school staff uphold professional ethics, abide by the law and observe the code of conduct acceptable to the society;
 - (ii) stepping up prevention and suppression of teaching or other school activities that are in breach of the Basic Law, the National Security Law and all laws applicable to Hong Kong; and
 - (iii) preventing and dealing with political or other illegal activities from permeating schools; and
- (b) with effect from 16 September 2022, Registrar of Trade Unions had required each signatory to an application for registration of a trade union under the Trade Unions Ordinance (Cap. 332) to sign a declaration indicating that the signatory confirms that all the purposes and objects of the trade union are lawful, and that the union will not perform or engage in any acts or activities that may endanger national security or otherwise be contrary to the interests of national security.

4.4 Audit noted that CEF terms and conditions for course providers had not incorporated guidelines and requirements related to safeguarding of national security. Audit considers that WFSFAA needs to promulgate guidelines and strengthen

Other issues

regulation relating to course providers over matters concerning the safeguarding of national security.

Audit recommendation

4.5 **Audit has recommended that the Head, WFSFAA should promulgate guidelines and strengthen regulation relating to course providers over matters concerning the safeguarding of national security.**

Response from the Government

4.6 The Head, WFSFAA agrees with the audit recommendation. He has said that WFSFAA:

- (a) attaches great importance to safeguarding national security; and
- (b) will, in conjunction with LWB:
 - (i) consult course providers on possible national security risk related to conducting reimbursable courses; and
 - (ii) consider preparing the necessary guidelines.

Non-civil service contract staff

4.7 As at 1 June 2022, OCEF of WFSFAA had 87 staff, comprising 4 civil servants, 82 non-civil service contract (NCSC) staff and 1 agency worker (Note 8). Of the 82 NCSC staff, 52 (63%) and 13 (16%) were Assistant Clerks and Executive Assistants respectively.

Note 8: *The agency worker was supplied by an employment agency under a service contract with WFSFAA as temporary manpower to meet operational and service needs.*

*Need to ensure employment of NCSC staff
complies with Civil Service Bureau's requirements*

- 4.8 According to the requirements of the Civil Service Bureau (CSB):
- (a) NCSC scheme provides for direct employment of staff on fixed-term and bare-bone contracts to meet service needs. It provides Heads of Department with a flexible tool to meet service needs, among other alternative means of service delivery. Heads of Department may employ NCSC staff to meet their service needs in one or more of the following circumstances:
 - (i) to meet service need that is short-term or does not require keeping staff on a long-term or permanent basis;
 - (ii) to meet service need that requires staff on a part-time basis; and
 - (iii) to meet service need where the mode of delivery of the service is under review or likely to be changed; and
 - (b) it is incumbent upon the Heads of Department to ensure that the use of NCSC staff fits the ambit of NCSC scheme and to review from time to time whether or not the operational and service needs should better be met by other means.

4.9 Since the establishment of CEF in 2002, WFSFAA has been employing NCSC staff to work in OCEF. In the period from 2017-18 to 2021-22, the percentage of NCSC staff as at 31 March every year was over 90%, ranging from 91% to 94% (see Table 13). The annual staff costs of NCSC staff increased by 99%, from \$8.67 million in 2017-18 to \$17.24 million in 2021-22 (see Table 14).

Table 13**Number of staff working in OCEF
(2017-18 to 2021-22)**

Year	Number of staff as at 31 March			
	Civil servant	NCSC staff	Others (Note)	Total
2017-18	3 (7%)	40 (91%)	1 (2%)	44 (100%)
2018-19	2 (3%)	60 (94%)	2 (3%)	64 (100%)
2019-20	3 (3%)	90 (94%)	3 (3%)	96 (100%)
2020-21	3 (4%)	69 (92%)	3 (4%)	75 (100%)
2021-22	4 (5%)	80 (94%)	1 (1%)	85 (100%)

Source: Audit analysis of WFSFAA records

Note: Other staff were: (a) post-retirement service contract staff in the period from 2017-18 to 2020-21; and (b) an agency worker in 2019-20 to 2021-22.

Table 14

**Staff costs of NCSC staff working in OCEF
(2017-18 to 2021-22)**

Year	Staff costs (\$ million)
2017-18	8.67
2018-19	10.92
2019-20	20.91
2020-21	19.65
2021-22	17.24

Source: Audit analysis of WFSFAA records

Remarks: In the period from 2017-18 to 2021-22, the number of reimbursement claims received increased by 193% from 17,125 in 2017-18 to 50,160 in 2021-22.

4.10 According to the requirements of CSB:

- (a) Heads of Department should not employ NCSC staff for jobs which should be undertaken by civil servants, and NCSC positions involving work with long-term service needs should be phased out and undertaken by civil servants; and
- (b) NCSC staff should be engaged on fixed-term contracts for up to three years normally to meet short-term service needs, and the employment relationship with an NCSC staff should normally end upon expiry of the contract. Prolonged retention of NCSC staff should be avoided, and a reasonable degree of turnover should be expected and sustained.

4.11 In the period from 2018 to 2022, a large proportion of NCSC staff had worked in OCEF for three years or more (see Table 15). For example, of the 80 NCSC staff in OCEF as at 31 March 2022, 25 (31%) had worked in OCEF for three years or more (with 8 of them having worked for ten years or more).

Table 15

**Length of service of NCSC staff in OCEF
(2018 to 2022)**

As at 31 March	Number of NCSC staff having worked in OCEF for				Total
	< 3 years	3 to < 5 years	5 to < 10 years	≥ 10 years	
2018	26	2	6	6	40
2019	43	5	4	8	60
2020	71	9	3	7	90
2021	47	8	6	8	69
2022	55	7	10	8	80
			25 (31% of 80)	(Note)	

Source: *Audit analysis of WFSFAA records*

Note: *As at 31 March 2022, the NCSC staff with the longest service had worked in OCEF for 20 years.*

4.12 In May 2018, in addition to the 42 NCSC staff approved for the administration of CEF, WFSFAA sought approval from CSB for 126 additional NCSC staff to cope with the additional workloads arising from the implementation of enhancement measures for CEF in April 2019 (see para. 1.6). In the same month:

- (a) in response to WFSFAA’s application, CSB enquired WFSFAA whether consideration had been given for the creation of civil service posts, given that CEF would have been established for 24 years by 2026;
- (b) WFSFAA replied to CSB that:
 - (i) CEF had been operated on a non-recurrent mode under the Government policy, the actual operation span of CEF depended on the pace at which the eligible applications sought reimbursement and the amount of subsidies sought in light of the enhancement measures;

- (ii) the employment of NCSC staff provided a greater flexibility for OCEF to adjust its staff requirement in light of the actual number of applications and the operational needs; and
 - (iii) it would continue to review its staff requirement and examine the need to change some of the supervisory and core NCSC positions to civil service posts when such a need arose after implementation of the enhancement measures; and
- (c) after receiving WFSFAA’s reply, CSB:
- (i) approved the special quota of 126 NCSC staff for a period of two years from August 2018 to July 2020; and
 - (ii) advised WFSFAA to critically review the continual need of the additional NCSC positions with a more concrete caseload situation by end of the two-year special quota.

Since then, WFSFAA sought approvals from CSB every two years for NCSC staff special quotas. Audit noted that, in WFSFAA’s applications in July 2020 and May 2022, reviews were conducted to explore whether the manpower needs can be absorbed by NCSC staff under the general quota. However, considerations have not been given for exploring the need for replacing NCSC positions by civil service posts.

4.13 In response to Audit’s enquiry, LWB informed Audit in September 2022 that:

- (a) when the funding injection of \$10 billion into CEF was sought in 2018, the uncommitted balance of CEF was, without the said injection, expected to be used up by 2020. With the funding injection, it was then estimated that CEF might continue to operate until mid-2026;
- (b) in CSB’s memo to B/Ds dated 1 June 2020, CSB invited B/Ds to explore alternative means before effecting the creation of civil service posts. In the memo, CSB reiterated the point made in CSB Circular Memorandum entitled “Containing the Size of the Civil Service” issued in 2000 that in assessing whether the services were to be delivered by civil servants, one of the relevant factors was “operational requirements or management

Other issues

circumstances that require retaining staff on a permanent or long-term basis and/or minimising staff turnover”; and

- (c) it was apparent that CEF was of a non-recurrent nature and fitted the ambit of NCSC scheme. Nevertheless, WFSFAA conducted manpower review from time to time in consultation with CSB and LWB.

4.14 Audit considers that WFSFAA needs to review the manpower requirements of OCEF from time to time:

- (a) to ascertain the need for replacing those NCSC positions with established long-term operational and service needs by civil service posts; and
- (b) to ensure that the employment of NCSC staff in OCEF fits the ambit of NCSC scheme (see para. 4.8(b)).

Audit recommendations

4.15 **Audit has *recommended* that the Head, WFSFAA should review the manpower requirements of OCEF from time to time:**

- (a) **to ascertain the need for replacing those NCSC positions with established long-term operational and service needs by civil service posts; and**
- (b) **to ensure that the employment of NCSC staff in OCEF fits the ambit of NCSC scheme.**

Response from the Government

4.16 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA will:

- (a) continue to ensure that the employment of NCSC staff in OCEF fits the ambit of NCSC scheme; and

- (b) in consultation with LWB and CSB, review the need for NCSC positions.

Continuing Education Fund's website

Need to improve CEF's website

4.17 *Office of the Government Chief Information Officer (OGCIO)'s guidelines on government web pages.* According to OGCIO's guidelines on accessibility requirements and best practices for the design of government web pages:

- (a) external links should be checked regularly to ensure that they still work;
- (b) it is imperative to implement a “mobile-friendly design” by automatically adjusting website contents to fit into different screen sizes, resolutions and orientations to provide a good user experience for website access across different devices (including desktops, notebook computers, tablets and smartphones); and
- (c) government websites should be available in traditional and simplified Chinese and English and the writing style should be consistent with the language (i.e. avoid a direct translation).

4.18 *CEF's website.* CEF's website provides claimants and course providers with important information, such as course information, reimbursement procedures and course registration requirements. In June and August 2022, Audit reviewed CEF's website and noted that:

- (a) two external links (linking to course providers' websites) did not work in mid-June 2022. Of the 2 links, 1 (50%) remained non-functional in mid-August 2022 (see para. 4.17(a));
- (b) the content of CEF's website did not automatically adjust to fit into the screen sizes of some mobile devices (see para. 4.17(b)); and
- (c) some information (for example, the “Course Amendment Form” and “A Dos and Don'ts List for CEF Course Providers”) was available in English only instead of available in both Chinese and English and some information

Other issues

(for example, the “Template of Statement of Consent” and “Reimbursable course list”) was available in English and traditional Chinese but not in simplified Chinese (see para. 4.17(c)).

4.19 **Mobile-friendliness.** In view of the popularity of smartphones in Hong Kong and to build a smart Government, B/Ds are appealed to make their websites mobile-friendly. The crux of mobile-friendly design is to cater for different screen sizes of the mobile devices, such as the “Desktop”, “Tablet” and “Mobile” in a single website. The website can automatically detect the sizes of the mobile devices and adjust web pages accordingly for best viewing effects. Horizontal scrolling will not be required when viewing website contents on mobile devices. OGCIO has set up a thematic website which provides B/Ds with information on mobile-friendly websites. The thematic website includes a tool for checking whether B/Ds’ websites are mobile-friendly. In September 2022, Audit checked the mobile-friendliness of 10 web pages in CEF’s website using the tool and noted that 4 (40%) of the web pages were not mobile-friendly. The results of the checks had indicated that:

- (a) “the text was too small to read”; and
- (b) “the clickable elements were too close together”.

4.20 Audit considers that WFSFAA needs to improve CEF’s website taking reference to OGCIO’s guidelines. For instance, WFSFAA needs to:

- (a) take measures to ensure that the links on CEF’s website work properly; and
- (b) improve mobile-friendliness of CEF’s website.

Audit recommendation

4.21 **Audit has recommended that the Head, WFSFAA should improve CEF’s website taking reference to OGCIO’s guidelines.**

Response from the Government

4.22 The Head, WFSFAA agrees with the audit recommendation. He has said that WFSFAA is in the process of making a major revamp to its departmental website (including CEF website), which takes reference to OGCIO's guidelines, including those concerning mobile-friendliness.

Opinion surveys

Need to improve opinion surveys

4.23 WFSFAA conducts opinion surveys to gauge CEF claimants' views on its service and operation of CEF with a view to improving service quality. WFSFAA sends paper questionnaires to claimants together with the results of their claims. Claimants can also print the questionnaire from CEF's website or request WFSFAA to fax the questionnaire to them. Electronic submission service is not available for claimants to return the completed questionnaires to WFSFAA as web forms. Claimants have to return the completed questionnaires by post, by fax, in person or by e-mails with the scanned questionnaires. Upon receipt of the completed questionnaires, WFSFAA staff input the data into the computer system and compile statistics on the claimants' views.

4.24 Audit analysed the response rates of the opinion surveys in the period from 2017-18 to 2021-22 and noted that the response rates were low, ranging from 0.2% to 1.5% (averaging 0.9%) (see Table 16).

Table 16

**Response rates of opinion surveys
(2017-18 to 2021-22)**

	2017-18	2018-19	2019-20	2020-21	2021-22
Number of questionnaires distributed (a)	17,175	16,452	20,192	32,272	49,331
Number of questionnaires received (b)	49	40	252	475	667
Response rate (c) = (b) ÷ (a) × 100%	0.3%	0.2%	1.2%	1.5%	1.4%

Source: *Audit analysis of WFSFAA records*

4.25 In Audit’s view, feedback from CEF claimants is important to help WFSFAA improve its service quality and operation of CEF. Audit considers that WFSFAA needs to:

- (a) explore effective measures to improve the response rates of the CEF opinion surveys; and
- (b) consider the merits of making available electronic submission service for CEF claimants to return the completed opinion survey questionnaires to WFSFAA directly online.

Audit recommendations

4.26 **Audit has recommended that the Head, WFSFAA should:**

- (a) **explore effective measures to improve the response rates of the CEF opinion surveys; and**

- (b) **consider the merits of making available electronic submission service for CEF claimants to return the completed opinion survey questionnaires to WFSFAA directly online.**

Response from the Government

4.27 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA will follow up the audit recommendations by conducting CEF opinion surveys online in the future or exploring effective means to remind claimants to return the completed questionnaires (e.g. by sending mobile phone short messages).

Procurement of consultancy services

Need to enhance competition in procurement of consultancy services

4.28 In the period from the establishment of CEF in June 2002 to August 2022, five quotation exercises for the consultancy services for CEF reviews were conducted in 2002, 2004, 2008, 2011 and 2016.

4.29 Audit examined the most recent three quotation exercises (see Table 17). The quotation exercises for the three consultancy service contracts (denoted as Contracts A to C in this Audit Report) were conducted using a two-envelope approach (i.e. each quotation comprised a technical proposal and a fee proposal, and a marking scheme was used for the technical assessment of the proposals received). The two quotation exercises in 2008 and 2011 were conducted by LWB, and the one in 2016 was conducted by WFSFAA. The total contract value of the three contracts amounted to \$2.89 million (see Note 9). Audit noted that:

- (a) notwithstanding that the number of service providers invited to submit quotations increased from 7 for Contract A to 11 for Contract C, the number of quotations received for all the three contracts was only 2 or 3. LWB and WFSFAA had not ascertained the reasons why most of the service providers were not interested to submit quotations; and

Note 9: *The values of the three contracts awarded were \$1.27 million, \$0.83 million and \$0.79 million.*

Other issues

- (b) in the quotation exercises for Contracts A and B, the project manager was required to have more than 5 years of experience in conducting evaluation studies or surveys of similar scale. For Contract C, the requirement was increased from more than 5 years to at least 15 years of relevant experience. As a result, in 1 of the 3 quotations received for Contract C, the technical proposal did not meet the requirement and hence the quotation was considered non-conforming. There was no documentary evidence showing the justifications for tightening the requirement on minimum relevant experience of the project manager in the quotation exercise for Contract C.

Table 17

**Numbers of invitations issued and quotations received
for consultancy service contracts for CEF reviews
(2008 to 2016)**

Contract	Year of invitation	Number of invitations issued	Number of quotations received
A	2008	7	2 (2 were conforming quotations)
B	2011	7	3 (3 were conforming quotations)
C	2016	11	3 (2 were conforming quotations)

Source: Audit analysis of LWB and WFSFAA records

4.30 According to the Stores and Procurement Regulations, for procurements with limited competition in past exercises, government departments should explore measures to enhance competition and satisfy themselves that the tendering or consultants selection strategy to attract new bidders and innovative proposals is effective. According to WFSFAA, subject to the situation of COVID-19 epidemic, it planned to conduct another review on CEF in 2023-24. Audit considers that, for future procurement of consultancy services, WFSFAA needs to:

- (a) take measures to enhance competition (e.g. by modifying the quotation requirements to attract more service providers to submit quotations); and
- (b) if the number of quotations received is low, ascertain the reasons behind with a view to identifying areas for improvement.

Audit recommendations

4.31 **Audit has *recommended* that for future procurement of consultancy services, the Head, WFSFAA should:**

- (a) **take measures to enhance competition (e.g. by modifying the quotation requirements to attract more service providers to submit quotations); and**
- (b) **if the number of quotations received is low, ascertain the reasons behind with a view to identifying areas for improvement.**

Response from the Government

4.32 The Head, WFSFAA agrees with the audit recommendations. He has said that WFSFAA will follow up the audit recommendations for future procurement of consultancy services by:

- (a) researching more potential service providers to be included in the list for inviting quotations;
- (b) arranging briefing sessions to explain the details of the service requirements to the interested service providers and ascertain their difficulties in submitting quotations; and
- (c) relaxing the requirement on relevant experience in quotation exercises in order to attract new bidders and innovative proposals at the preliminary stage of the quotation exercises.

Digitalisation in Continuing Education Fund's operations

Need to keep under review the scope for further digitalisation in CEF's operations

4.33 It is the Government's objective on e-Government development to use information technology to provide citizen-centric services that promote accessible, accountable and efficient government. In his 2022-23 Budget Speech, the Financial Secretary said that:

- (a) the Government had been encouraging the public and private sectors to proactively apply technologies in their operations for the benefits and convenience of the public; and
- (b) to promote further digitalisation in government operations, \$600 million had been reserved to conduct a comprehensive e-government audit in the coming three years with the aim of reviewing the progress made by government departments in using technologies, as well as assisting them in enhancing the efficiency of public service provision through the adoption of innovation and technology solutions.

4.34 Audit has noted that there is scope for digitalisation in CEF's operations:

- (a) reimbursement claims are mainly on paper basis instead of on electronic basis (see para. 3.37);
- (b) claimants are not able to return the completed opinion survey questionnaires directly online due to the lack of electronic submission service (see para. 4.23); and
- (c) as at 1 June 2022, there were 82 NCSC staff providing support to the operation of CEF, including 65 (79%) Assistant Clerks and Executive Assistants (see para. 4.7). The NCSC staff were mainly engaged in the processing of reimbursement claims.

- 4.35 Digitalisation of public services reaps various benefits, including:
- (a) improving efficiency of operation and service provision, by simplifying approval procedures and allowing more flexibility when providing services;
 - (b) allowing the public to use government services more conveniently and be informed of government information swiftly; and
 - (c) reducing the manpower need for NCSC staff for processing of reimbursement claims.

In Audit's view, digitalisation in CEF's operations will not only enhance the service quality, but also reduce the reliance on NCSC staff to meet the operational needs. Audit considers that WFSFAA needs to keep under review the scope for further digitalisation in CEF's operations.

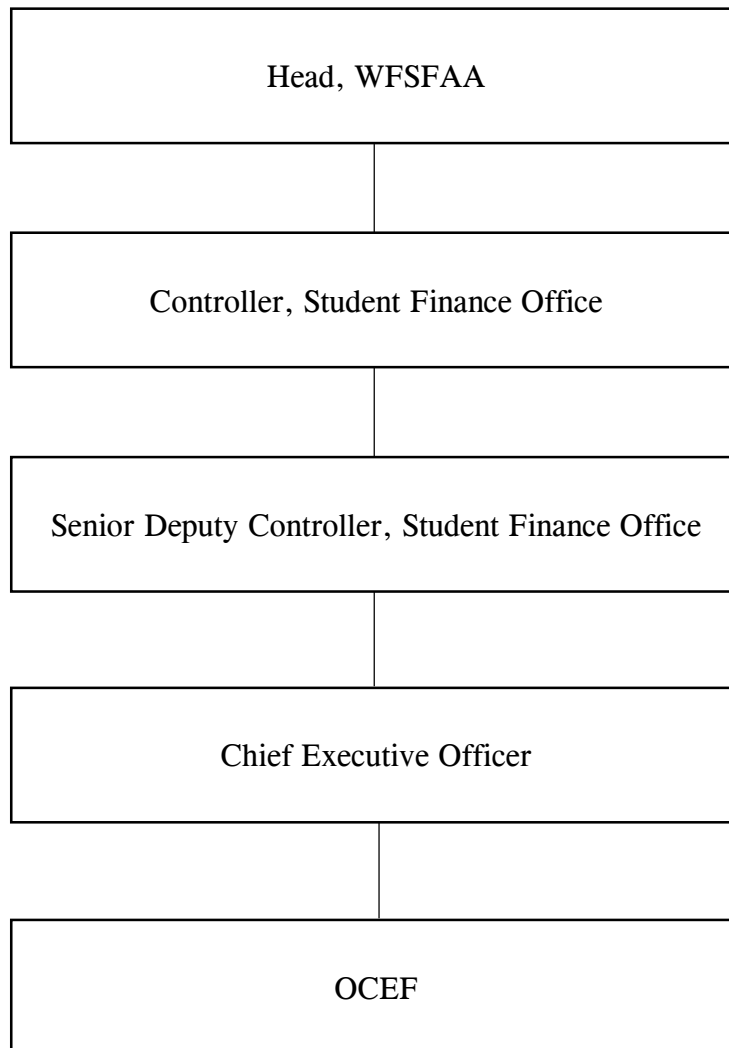
Audit recommendation

- 4.36 **Audit has recommended that the Head, WFSFAA should keep under review the scope for further digitalisation in CEF's operations.**

Response from the Government

- 4.37 The Head, WFSFAA agrees with the audit recommendation. He has said that:
- (a) in line with the "Smart Government" strategy, WFSFAA has been actively adopting information technology in the administration of CEF to enhance service efficiency and user-friendliness. For instance, WFSFAA launched a chatbot on its website in May 2022 with Phase 1 covering CEF to provide round-the-clock enquiry services. Since April 2022, WFSFAA has also been supporting the conduct of inspections through mobile platform and handheld devices; and
 - (b) WFSFAA will continue to keep under review the scope for further digitalisation in CEF's operations.

**Working Family and Student Financial Assistance Agency:
Organisation chart (extract)
(1 August 2022)**



Source: Audit analysis of WFSFAA records

**Enhancement measures for the Continuing Education Fund
(September 2003 to August 2022)**

Date	Enhancement measure
September 2003	The eligibility to apply for CEF was relaxed to include university degree holders.
September 2007	The upper age limit of eligible claimants of CEF was lifted from 60 to 65. The validity period for making reimbursement claims for CEF was extended from two to four years. A maximum of four claims was allowed within the four-year validity period. The extension arrangement applied to all claimants, including former claimants whose validity period had already expired.
April 2019	The subsidy ceiling per person was increased from \$10,000 to \$20,000. The upper age limit for claimants was relaxed from 65 to 70. The scope of reimbursable courses was expanded to all eligible courses registered in QR. The restrictions on the validity period of four years and a maximum number of four claims were lifted. The quality assurance in monitoring of reimbursable courses was enhanced. The enhancement measures were applicable only for courses commencing on or after 1 April 2019.
October 2021	The scope of reimbursable courses was expanded to include eligible online courses.
August 2022	CEF subsidy ceiling per person was increased from \$20,000 to \$25,000. The co-payment ratio by claimants (i.e. the percentage of course fee borne by claimants) for the first \$10,000 subsidy remained to be 20% of the course fee, and that for the remaining \$15,000 subsidy was 40% of the course fee. The upper age limit for CEF claimants was removed. The enhancement measures were applicable only for courses commencing on or after 1 August 2022.

Source: Audit analysis of WFSFAA records

Acronyms and abbreviations

Audit	Audit Commission
B/Ds	Bureaux/Departments
CEF	Continuing Education Fund
CSB	Civil Service Bureau
HKCAAVQ	Hong Kong Council for Accreditation of Academic and Vocational Qualifications
LWB	Labour and Welfare Bureau
NCSC	Non-civil service contract
OCEF	Office of the Continuing Education Fund
OGCIO	Office of the Government Chief Information Officer
QR	Qualifications Register
WFSFAA	Working Family and Student Financial Assistance Agency