

# CONTINUING EDUCATION FUND

## 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.