

CHAPTER 3

Development Bureau

Construction Innovation and Technology Fund

**Audit Commission
Hong Kong
31 March 2023**

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

Report No. 80 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>



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CONSTRUCTION INNOVATION AND TECHNOLOGY FUND

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CONSTRUCTION INNOVATION AND TECHNOLOGY FUND

Executive Summary

1. In the 2018-19 Budget, the Financial Secretary proposed to set up a \$1 billion Construction Innovation and Technology Fund (CITF) to encourage wider adoption of innovative construction methods and technology in the construction industry, and to build up the capacity of construction professionals to leverage innovation for continuous improvement, with a view to promoting productivity, uplifting build quality, improving site safety and enhancing environmental performance. With the approval of the Finance Committee of the Legislative Council (LegCo) in July 2018, the Development Bureau (DEVB) launched the \$1 billion CITF in October 2018. In the 2022-23 Budget Speech, it was proposed to inject another \$1.2 billion to CITF for its ongoing operation and implementation of enhancement measures launched in January 2022. Such injection was approved by LegCo in the context of the Appropriation Bill 2022 in May 2022. CITF covers two aspects, namely technology adoption (i.e. Advanced Construction Technologies (ACT), Building Information Modelling (BIM), Modular Integrated Construction and Prefabricated Steel Reinforcing Bar) and manpower development. Since the launch of CITF in October 2018 and up to September 2022, 2,760 applications had been approved under CITF with approved grants of \$767 million.

2. In view of the knowledge and expertise on construction of the Construction Industry Council (CIC) and its close relationship with construction stakeholders, DEVB commissioned CIC as the implementation partner to implement, manage and administer CITF with effect from the date of signing of the Memorandum of Cooperation (MoC) in October 2018. According to MoC, CIC would set up a dedicated CITF office (i.e. CITF Secretariat) to provide executive, administrative and secretariat support to the operations of CITF. CIC would absorb and bear all manpower and administration costs arising from the implementation, management and administration of CITF. The Steering Committee on Construction Innovation and Technology Fund (SC) was set up by DEVB in September 2018 to provide overall steer and advise the Government on the key parameters and implementation of CITF, and assist in monitoring the use and cost effectiveness of CITF. The Management Committee on Construction Innovation and Technology Fund (MC) was set up by

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CIC to formulate the operational framework of CITF and oversee its day-to-day operations. MC is further supported by four Vetting Sub-committees on Construction Innovation and Technology Fund (VSCs) in providing expert advice on specialised areas, reviewing and approving the relevant pre-approved product scheme applications, and vetting and approving the relevant CITF applications. The Audit Commission (Audit) has recently conducted a review of CITF.

Processing of applications

3. ***Time pledge for completing the processing of applications not met in some cases.*** According to CITF's "Guide to Application" and website, under normal circumstances, upon receipt of CITF applications, CITF Secretariat will complete the processing of valid applications and notify applicants of the application results within 60 calendar days (for non pre-approved items) or within 30 calendar days (for pre-approved items — see para. 4) from the dates of receipt of the duly completed applications accompanied by all necessary documentation. Audit noted that, as of September 2022: (a) of the 2,337 applications with 30-day time pledge, the time taken to complete the processing of 245 (10.5%) applications were more than 30 days, ranging from 31 to 135 days (averaging 40 days); and (b) of the 633 applications with 60-day time pledge, the time taken to complete the processing of 39 (6.2%) applications were more than 60 days, ranging from 61 to 182 days (averaging 104 days). According to DEVB, regarding the 25 (3 and 22 under 30-day and 60-day time pledge respectively) applications with longer processing time of over 90 days, the majority of them were related to adoption of new technologies or circumstances new to VSCs in the early stage of adoption in the industry and the projects involved were more complicated. In Audit's view, DEVB needs to take measures to ensure that the processing of CITF applications for simple or less complicated cases is timely completed and seek relevant VSCs' advice on complicated cases or cases involving adoption of new technologies as early as practicable (paras. 2.5 to 2.8).

4. ***Scope for improvement in maintaining the pre-approved lists.*** With a view to simplifying and expediting the CITF application process, CITF Secretariat has drawn up lists of pre-approved items for ACT and BIM (para. 2.14). Audit noted that:

- (a) the criteria for delisting pre-approved items were not clearly spelt out in CITF's operation manual (para. 2.19(a));

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- (b) as of January 2023, of the 67 pre-approved items delisted during October 2018 to September 2022, there were no documentary evidence showing that the delisting of 18 items had been reviewed by VSCs (para. 2.19(b)); and
- (c) of the 596 pre-approved items in the pre-approved lists as of September 2022, 258 (43%) items had not been adopted under CITF projects since the enlisting of individual items, of which 80 (31%) items had been included in the pre-approved lists for more than 3 years and up to 4 years. According to DEVB, it was the decision of MC and VSCs that as long as the pre-approved items were regarded as still relevant and beneficial to the industry, they should continue to be kept on the pre-approved lists, even there was no or only a small number of CITF applications received for such items. In Audit's view, DEVB needs to step up promotion of pre-approved items with a view to encouraging their adoption in CITF projects (para. 2.19(c)).
5. ***Need to ensure that the pre-approved lists on CITF's website are accurate and up-to-date.*** Audit noted that: (a) while the update of pre-approved lists was approved by MC in November 2022, the relevant pre-approved lists on CITF's website were only updated in January 2023; and (b) as of November 2022, while 634 pre-approved items in the pre-approved lists had been approved by MC, only 622 pre-approved items were found in the pre-approved lists published on CITF's website (para 2.20).

Funding disbursement and monitoring of approved projects

6. According to DEVB, approved funding will be disbursed to successful applicants on a reimbursement basis and upon fulfilment of all the terms and conditions of CITF. For technology adoption, in general, reimbursement will be made in two instalments (i.e. 80% and 20% of the approved funding will be paid under the first and final instalment respectively). For manpower development, reimbursement will be made within two years from the dates of notification of approval of application. As of September 2022, of the 2,760 approved projects with total approved grants of \$767 million, funding disbursements of \$376 million (49%) had been made for 1,946 projects (1,928 technology adoption projects and 18 manpower development projects) (paras. 3.2, 3.3 and 3.6).

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7. *Scope for improvement in monitoring the submission of disbursement requests.* Audit noted the following issues:

- (a) *Timeframe for submission of disbursement requests.* According to CITF’s “Guide to Application” and terms and conditions, in general, successful applicants should submit disbursement requests for the first instalment of approved funding for technology adoption projects within 3 months from the dates of notification of approval of application. Audit noted that some successful applicants took a longer time in submitting disbursement requests. For example, regarding the 1,928 projects related to technology adoption with funding disbursement made, the first disbursement requests of 908 (47% of 1,928) projects were submitted by the successful applicants more than 3 months and up to 2.4 years (averaging 6.5 months) from the dates of notification of approval of application. According to DEVB, the 3-month timeframe for submission of first disbursement request serves as a recommended timeframe to encourage applicants’ early submission of disbursement requests and a benchmark for CITF Secretariat to trigger the tracking and reminder system (see (b) below) when the applicants have already procured the products. Having regard to the policy objectives of CITF and experience gained in the implementation of CITF in the past few years, DEVB has planned to review the 3-month timeframe in the overall review of CITF, which is scheduled for completion in June 2023. In Audit’s view, DEVB needs to complete the review as scheduled and continue to take measures to closely monitor the submission of disbursement requests by successful applicants. In this connection, Audit also noted that there is no specific timeframe on submission of final disbursement requests for technology adoption projects, while a timeframe of two years was set for manpower development projects (paras. 3.5, 3.6, 3.8 and 3.9); and
- (b) *Tracking and reminder system.* A comprehensive tracking and reminder system for monitoring the progress and issuing reminder letters to successful applicants for technology adoption projects was established in July 2020. Audit noted that: (i) there was no readily available information on the issuance of reminders and warning letters, and the follow-up actions taken; and (ii) the system did not cover manpower development projects (paras. 3.10 and 3.11).

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8. *Need to take measures to ensure the timely processing of disbursement requests.* According to CITF Secretariat, since April 2020, the processing of disbursement requests would normally be completed within 30 calendar days upon receiving complete information. From April 2020 to September 2022, CITF Secretariat received 3,664 disbursement requests submitted by successful applicants. Audit noted that, as of September 2022, of these 3,664 disbursement requests: (a) 2,970 (81%) were approved by CITF Secretariat. For 137 (5% of 2,970) disbursement requests, the time taken in completing the processing of them (i.e. time elapsed between the dates of receipt of complete information and the dates of approval) was more than 30 days and up to 8.2 months; and (b) 516 (14%) were being processed by CITF Secretariat, of which 389 (75% of 516) were received more than 30 days ago (paras. 3.13 and 3.14).

9. *Need to take measures to ensure the timely submission of completion reports.* According to the terms and conditions of CITF, the successful applicants will be required to submit completion reports to CITF Secretariat within twelve months from the dates of the first disbursement request for approved technology adoption projects and nine months upon the completion of the approved manpower development projects. The completion reports must include details of the results, performance, achievements and/or evaluation of the approved projects. As of September 2022, there were a total of 1,009 approved projects due for submission of completion reports. Audit noted that: (a) completion reports had not been received for 596 (59%) projects, which had been overdue for 1 day to 3.2 years (averaging about 1 year); and (b) completion reports had been received for 413 (41%) projects, of which completion reports of 278 (67%) projects were submitted 1 day to 2.2 years (averaging 4.8 months) after the required deadlines. According to DEVB, it is noted that successful applicants often need more time to operate the technologies for a reasonable period after their procurement and installation in order to know and be able to set out in the completion reports the benefits brought about by the technologies to their operation. DEVB has planned to review the timeframe for submission of completion report in its overall review of CITF, which is scheduled for completion in June 2023. In Audit's view, DEVB needs to complete the review as scheduled and take measures to ensure the timely submission of completion reports by successful applicants (paras. 3.19 to 3.22).

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Other related issues

10. *Need to strengthen regulation over matters concerning the safeguarding of 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, as of January 2023, the terms and conditions of CITF had not incorporated guidelines and requirements related to the safeguarding of national security. According to DEVB, it conducted a review on CITF in August 2022, with a view to strengthening the safeguards for matters concerning national security, and proposed some amendments to the terms and conditions of CITF. As of January 2023, it was seeking legal advice on the proposed amendments. In Audit's view, DEVB needs to, taking into account the legal advice, incorporate the amendments to the terms and conditions of CITF (paras. 4.2 to 4.4).

11. *Need to step up efforts in promoting CITF.* According to the paper seeking approval from the Finance Committee in June 2018 for setting up CITF, DEVB estimated that about 7,700 target beneficiaries (comprising 1,300 contractors, 5,900 subcontractors and 500 consultants) would be benefited from the technology adoption aspect under CITF. However, from October 2018 to September 2022, there were only 1,140 (15% of 7,700) beneficiaries, mainly comprising 211 (16% of 1,300) contractors, 737 (12% of 5,900) subcontractors and 188 (38% of 500) consultants, submitted applications under CITF. In Audit's view, DEVB needs to step up efforts in promoting CITF to eligible applicants (para. 4.8).

12. *Scope for improvement in making declaration of interests.* SC adopts a two-tier reporting system. The chairperson and members of SC shall register in writing their personal interests when they first join the committee, and annually thereafter. Besides, the chairperson and members need to report conflict of interests as and when it arises at meeting. Audit noted that while DEVB had requested the chairperson and members of SC to declare their personal interests in the first years of Terms 1, 2 and 3, it did not request them to declare their personal interests in the second year of Terms 1 and 2 (i.e. in 2019 and 2021). In the event, annual declaration forms were not received from the chairperson and members of SC in 2019 and 2021 (paras. 4.15 and 4.16).

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13. ***Need to timely submit the required documents to SC.*** According to MoC, MC should submit to SC an annual plan and the associated annual budget for the next financial year by the end of June in each financial year. CIC should submit audited financial statements of CITF for the last financial year to SC within six months after the end of the last financial year. Audit noted that: (a) the annual plans and budgets of 2020 to 2023 were all not submitted for SC's approval within the required timeframe, with delays ranging from 18 days to 14.5 months (averaging 7.2 months); and (b) the audited financial statements of 2020 and 2021 were not submitted to SC within the required timeframe. They were submitted in September 2021 and July 2022 respectively (i.e. more than six months after the end of the last financial year of 2020 and 2021) (paras. 4.21 and 4.22).

14. ***Need to closely monitor the progress of development of Data Administration and Management System (DAMS).*** With a view to enhancing data and report generation quality, and efficiency of processing applications, CIC engaged a contractor in 2021 to design and develop DAMS, which was targeted for completion by December 2022. Audit noted that, as of January 2023, DAMS was still not ready for use. According to DEVB, the expected launch date has been deferred to the second quarter of 2023 (paras. 4.32 and 4.33).

15. ***Need to keep under review the performance and achievement of CITF.*** Audit noted the following issues:

- (a) ***Need to compile management reports based on completion reports of projects.*** Audit noted that CITF Secretariat did not compile management reports based on the completion reports of projects (e.g. summarising the performance and achievement of completed projects, and comments of beneficiaries) (para. 4.35); and
- (b) ***Need to keep under review the implementation of new funding schemes.*** Since 1 January 2022, 4 new funding schemes (e.g. pioneering application related to ACT, BIM project-based coaching and BIM Viewer Collaborative Training Scheme) have been introduced under CITF. Audit noted that, as of December 2022 (i.e. 12 months after the introduction of the new funding schemes), only 27 applications had been received (paras. 4.37 and 4.38).

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Audit recommendations

16. Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Secretary for Development should:

Processing of applications

- (a) take measures to ensure that the processing of CITF applications for simple or less complicated cases is timely completed and seek relevant VSCs' advice on complicated cases or cases involving adoption of new technologies as early as practicable (para. 2.12(a) and (b));
- (b) spell out clearly the criteria for delisting pre-approved items in CITF's operation manual and take further measures to ensure that all the delisting of pre-approved items is reviewed by VSCs (para. 2.22(b) and (c));
- (c) step up promotion of pre-approved items, particularly those items with low adoption rates, with a view to encouraging their adoption in CITF projects (para. 2.22(d));
- (d) take measures to ensure that the pre-approved lists on CITF's website are accurate and up-to-date (para. 2.22(e));

Funding disbursement and monitoring of approved projects

- (e) regarding the submission of disbursement requests for technology adoption projects:
 - (i) complete the review on the 3-month timeframe for submission of the first disbursement requests by successful applicants as scheduled and continue to take measures to closely monitor the submission of disbursement requests (para. 3.16(a)(i) and (ii)); and
 - (ii) consider setting a specific timeframe on submission of final disbursement requests by successful applicants (para. 3.16(a)(iii));

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- (f) regarding the tracking and reminder system, enhance documentation on the issue of reminders and warning letters and the follow-up actions taken, and consider using the system for monitoring approved manpower development projects (para. 3.16(b)(i) and (iii));
- (g) take measures to ensure that disbursement requests submitted by successful applicants are timely processed by CITF Secretariat in accordance with the stipulated time pledge (para. 3.16(c));
- (h) complete the review on the timeframe for submitting the completion reports by successful applicants as scheduled and take measures to ensure the timely submission of completion reports (para. 3.37(a)(i) and (ii));

Other related issues

- (i) taking into account the legal advice, incorporate the amendments to the terms and conditions of CITF relating to strengthening regulation over matters concerning the safeguarding of national security (para. 4.5);
- (j) step up efforts in promoting CITF to eligible applicants (particularly those who have not made applications before) (para. 4.10(a));
- (k) take measures to ensure that the chairperson and members of SC declare interests upon appointment and annually thereafter in a timely manner in accordance with CITF requirements (para. 4.24(b)(i));
- (l) strengthen measures to ensure the timely submission of required documents to SC by both MC and CIC in accordance with the timeframes set out in MoC (para. 4.24(c));
- (m) closely monitor the progress of the development of DAMS to ensure its early implementation (para. 4.40(b));
- (n) take measures to compile management reports based on the completion reports of projects on a regular basis (para. 4.40(c)); and

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- (o) **keep under review the implementation of the new funding schemes introduced in January 2022 (para. 4.40(e)).**

Response from the Government

17. The Secretary for Development agrees 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 In the 2018-19 Budget, the Financial Secretary proposed to set up a \$1 billion Construction Innovation and Technology Fund (CITF) to encourage wider adoption of innovative construction methods and technology in the construction industry, and to build up the capacity of construction professionals to leverage innovation for continuous improvement, with a view to promoting productivity, uplifting build quality, improving site safety and enhancing environmental performance.

1.3 With the approval of the Finance Committee of the Legislative Council (LegCo) in July 2018, the Development Bureau (DEVB) launched the \$1 billion CITF in October 2018. In the 2022-23 Budget Speech, it was proposed to inject another \$1.2 billion to CITF for its ongoing operation and implementation of enhancement measures launched in January 2022. Such injection was approved by LegCo in the context of the Appropriation Bill 2022 in May 2022.

1.4 CITF has been open for application since October 2018 (Note 1). According to DEVB, CITF covers two aspects, as follows:

- (a) ***Technology adoption.*** Funding is used to support the adoption of technologies (Note 2) with proven effectiveness in boosting productivity, uplifting build quality, improving site safety or enhancing environmental

Note 1: *In seeking approval of the Finance Committee in June 2018 for the establishment of CITF, it was initially proposed that CITF would be open for application for five years (2018-19 to 2022-23). According to DEVB, the funding injection of \$1.2 billion to CITF was approved in May 2022 to support the ongoing operation of CITF for further five years from 2023.*

Note 2: *Adoption of technologies include machinery, equipment and software developed within or outside Hong Kong. Research and development projects are excluded.*

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performance, through leveraging automation, industrialisation and digitisation rather than sheer innovative management practices. Besides, the Fund is open for application from all stakeholders involved in project design and implementation (Note 3). Technology adoption funded by CITF includes:

- (i) Advanced Construction Technologies (ACT) (see Photograph 1 for an example of ACT);
- (ii) Building Information Modelling (BIM) (see Photograph 2 for an example of BIM);
- (iii) Modular Integrated Construction (MiC) (see Photograph 3 for an example of MiC); and
- (iv) Prefabricated Steel Reinforcing Bar (STB) (see Photograph 4 for an example of STB); and

Note 3: *Target beneficiaries include: (a) levy-paying contractors under the Construction Industry Council Ordinance (Cap. 587) in the past 24 months at the time of application; (b) registered subcontractors under the Voluntary Subcontractor Registration Scheme of the Construction Industry Council; (c) consultants on the consultants lists maintained by the Government and the professional bodies; and (d) other players in the construction process (to be considered on a case-by-case basis).*

Photograph 1

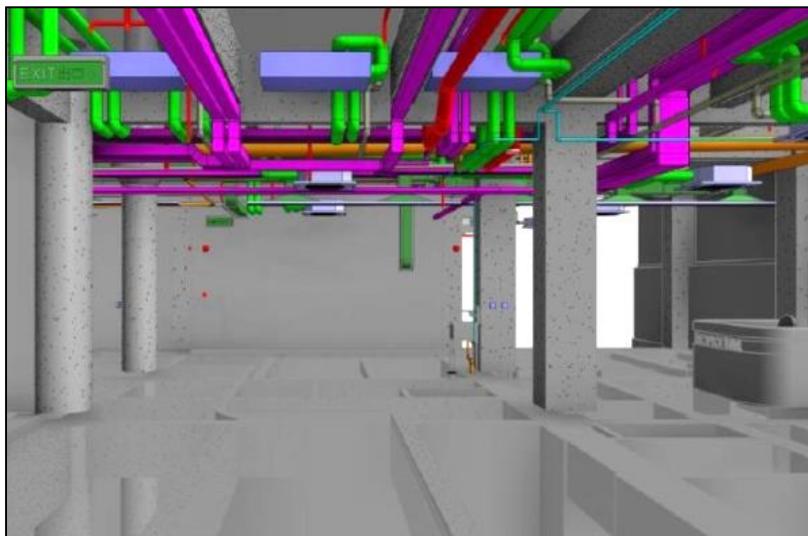
Transportation machine at construction site



Source: DEVB records

Photograph 2

A three-dimensional model produced by BIM software



Source: DEVB records

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Photograph 3

Lifting plants and modules of MiC



Source: DEVB records

Photograph 4

STB used in construction site



Source: DEVB records

- (b) ***Manpower development.*** Funding is used to support existing industry practitioners and prospective construction professionals (Note 4) to take part in industry-specific empowerment programmes (Note 5) focusing on construction innovation and technology (see Photograph 5 for an example of manpower development).

Photograph 5

An international conference held in Hong Kong



Source: DEVB records

Funding arrangement

1.5 According to the paper submitted to the Finance Committee by DEVB in June 2018 on the establishment of CITF, to ensure prudent use of CITF, the following guiding principles would be adopted:

Note 4: *Target beneficiaries include: (a) full-time undergraduates and post-graduates in construction-related disciplines of local higher education institutions; (b) construction professionals holding membership of professional class or above of construction-related professional bodies; (c) technicians and site supervisory personnel; and (d) registered skilled workers under the Construction Workers Registration Ordinance (Cap. 583).*

Note 5: *Examples of empowerment programmes include training courses, workshops, visits, and conferences organised locally or outside Hong Kong.*

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- (a) **Technology adoption.** As users' commitment is of paramount importance to achieve positive outcome, funding support is mainly provided on a matching basis, with Government sharing the main bulk of the costs involved (Note 6) up to a specified ceiling (Note 7). In the interest of proper funding control, CITF applicants are required to obtain prior approval for the proposed innovation or technology before committing any expenditure on it (Note 8). Funding will be provided on a reimbursement basis such that successful applicants will be required to provide supporting documents as proof of purchase to facilitate disbursement of funding; and
- (b) **Manpower development.** Funding will be provided on a reimbursement basis subject to prior approval (see Note 8) up to the specified ceiling for each of the empowerment programmes (see Note 7).

Note 6: *According to DEVB, funding is provided to the successful applicant on a 70% matching basis (i.e. CITF will bear up to 70% of the total costs of the approved CITF project). On the other hand, to encourage the use of local technological innovations and products, a higher matching ratio of 80% is allowed.*

Note 7: *According to DEVB, to benefit more construction companies and support a wider array of innovative technologies, different ceilings on the financial support for individual applications (one application for one technology) and the cumulative total of funding provided to each applicant are imposed. For example, funding ceiling of \$1.2 million per applicant is imposed on BIM adoption, \$14 million per project is imposed on MiC adoption and \$1 million per conference is imposed on international conference in Hong Kong under manpower development. The ceilings are decided by the Steering Committee on Construction Innovation and Technology Fund (see para. 1.9) and reviewed from time to time having regard to industry response and the costs of innovative technologies suitable for Hong Kong. Enterprises registered as different business under the Business Registration Ordinance (Cap. 310) but having the same owner/shareholder holding 30% or more ownership in such enterprises would be treated as one single entity in counting the funding ceiling per applicant.*

Note 8: *According to DEVB, in general, expenses incurred before obtaining prior approval will not be reimbursed. With effect from April 2019, applicants can commit expenditures after submitting applications for CITF and before the issuance of notification of approval by CITF Secretariat, on the condition that approval should not be presumed and the applicants should shoulder the cost of the committed expenditure if their applications are eventually rejected, in whole or in part.*

CITF Secretariat

1.6 In view of the knowledge and expertise on construction of the Construction Industry Council (CIC — Note 9) and its close relationship with construction stakeholders, DEVB commissioned CIC as the implementation partner to implement, manage and administer CITF with effect from the date of signing of the Memorandum of Cooperation (MoC — Note 10) in October 2018. According to MoC, CIC would set up a dedicated CITF office (i.e. CITF Secretariat) to provide executive, administrative and secretariat support to the operations of CITF, including processing of applications, monitoring the progress of approved projects, fund disbursement and promotion.

1.7 According to MoC, CIC maintains the CITF funding in a designated bank account and keeps separate books for CITF. Any funding that is not immediately required by CIC for the performance of its roles and responsibilities under MoC may be invested in accordance with Section 24(a) of the Construction Industry Council Ordinance (Cap. 587) (Note 11). Besides, CIC would absorb and bear all manpower and administration costs arising from the implementation, management and administration of CITF (Note 12).

Note 9: *CIC is a statutory body established under the Construction Industry Council Ordinance in February 2007. It comprises representatives from industry employers, professionals, academics, contractors, workers, independent persons and government officials. Its main functions are to forge consensus on long-term strategic issues, convey the industry's needs and aspirations to the Government as well as provide a communication channel for the Government to solicit advice on all construction-related matters.*

Note 10: *MoC sets out the understanding reached between DEVB and CIC on the regulatory regime and governance for CITF, the respective roles and responsibilities of DEVB and CIC, and other associated arrangements. It is valid for five years (i.e. until September 2023) and subject to extension by DEVB for a further term by giving not less than six months' written notice to CIC before 31 March 2023. According to DEVB, preparation work for extension of MoC is underway.*

Note 11: *According to the Construction Industry Council Ordinance, funding may be deposited on fixed term or call deposit or in a savings account.*

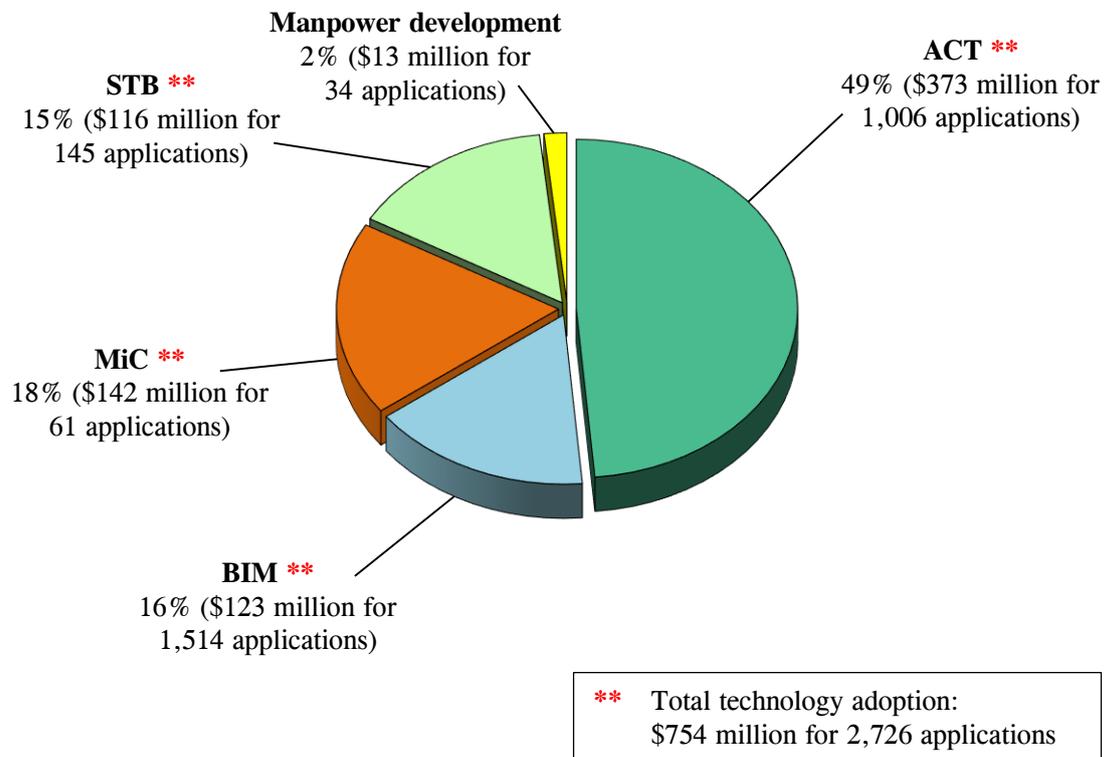
Note 12: *According to CIC, in 2021, it incurred \$5.8 million and \$2.2 million on staff cost and other administration cost respectively. As of September 2022, CITF Secretariat had 13 CIC staff.*

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1.8 Since the launch of CITF in October 2018 and up to September 2022, 2,760 applications had been approved under CITF with approved grants of \$767 million, of which \$754 million (98%) had been granted to 2,726 (99%) applications related to technology adoption and \$13 million (2%) had been granted to 34 (1%) applications related to manpower development (see Figure 1). According to DEVB, as of September 2022, of the cumulative approved grants of \$767 million, \$376 million (49%) had been disbursed to the applicants (see Figure 2).

Figure 1

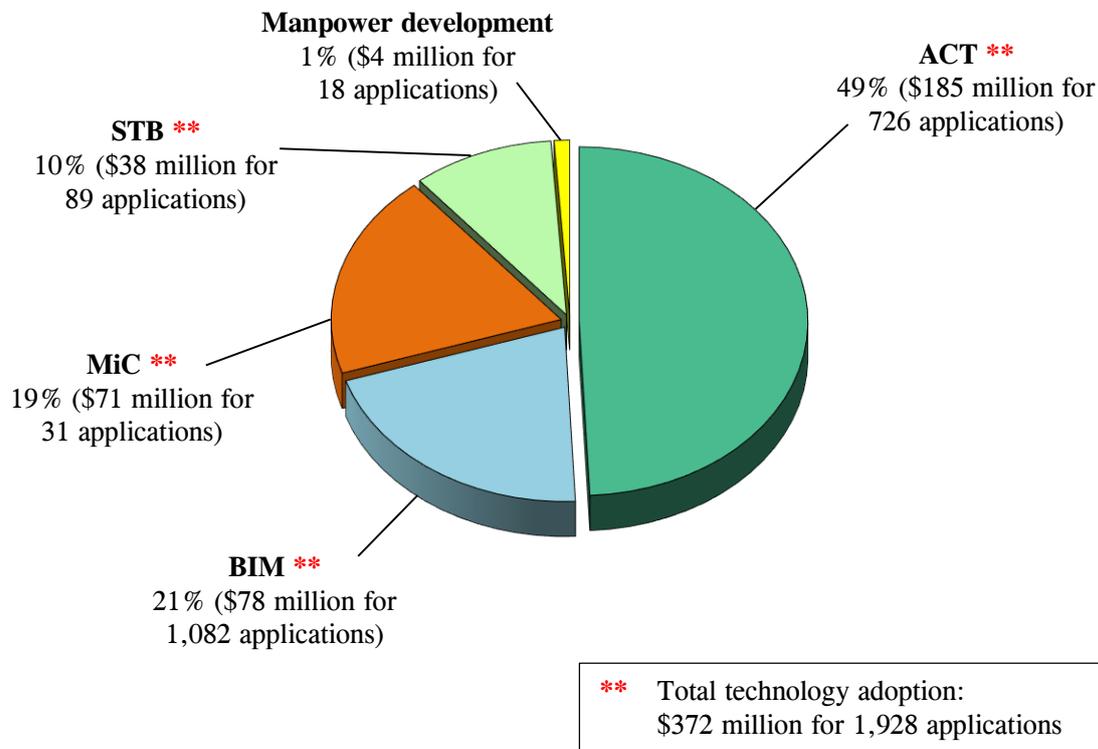
**Approved grants by categories
(October 2018 to September 2022)**



Source: DEVB records

Figure 2

**Disbursed grants by categories
(October 2018 to September 2022)**



Source: DEVB records

Committees and sub-committees on CITF

1.9 ***Steering Committee on Construction Innovation and Technology Fund (SC)***. SC was set up by DEVB in September 2018 to provide overall steer and advise the Government on the key parameters and implementation of CITF, and assist in monitoring the use and cost effectiveness of CITF (Note 13). According to DEVB, SC meets regularly (e.g. quarterly) to monitor usage of CITF and, where necessary, make adjustments to the key operational arrangements to cater for the

Note 13: *According to the terms of reference of SC, SC is to: (a) steer the implementation of CITF, including its scope, eligibility and form of support; (b) monitor the utilisation of the Fund; (c) review the efficacy of the Fund in upgrading the industry in terms of innovation and technology; and (d) consider any other related matters to facilitate the industry to adopt technology and enhance manpower development.*

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latest industry developments. SC is chaired by the Permanent Secretary for Development (Works) (Note 14) and comprises members from industry stakeholders and major government departments (e.g. the Buildings Department and the Housing Department). SC members are appointed by the Secretary for Development for a term of two years. The current term is from 7 September 2022 to 6 September 2024. As of September 2022, SC comprised a chairperson, 13 non-official members and 2 ex-officio members (Note 15).

1.10 ***Management Committee on Construction Innovation and Technology Fund (MC)***. MC was set up by CIC to formulate the operational framework of CITF and oversee its day-to-day operations. According to MoC, MC will regularly update SC on the progress of CITF and submit reporting materials of CITF (e.g. annual plan, annual budget, year-end report, audited financial statements and regular/ad-hoc returns) to SC and/or DEVB. MC comprises council members of CIC and government officials, who are appointed for a term of two years. The current term is from 7 September 2022 to 6 September 2024. As of September 2022, MC comprised a chairperson, 6 non-official members and 1 ex-officio member (i.e. a representative from DEVB).

1.11 ***Vetting Sub-committees on Construction Innovation and Technology Fund (VSCs)***. MC is further supported by four VSCs in providing expert advice on specialised areas, reviewing and approving the relevant pre-approved product scheme applications, and vetting and approving the relevant CITF applications, as follows:

- (a) ***Advanced Construction Technologies Vetting Sub-committee (ACTVSC)***. ACTVSC comprises experts from the ACT area, who are appointed for a term of two years. The current term is from 1 September 2022 to 31 August 2024. As of September 2022, ACTVSC comprised a chairperson, 8 non-official members and 2 ex-officio members (i.e. a representative from DEVB and a representative from the Electrical and Mechanical Services Department);

Note 14: *According to Financial Circular No. 1/2004, the Controlling Officer (i.e. the Permanent Secretary for Development (Works)) is ultimately responsible and accountable for the proper use of funds under the Controlling Officer's control.*

Note 15: *The 2 ex-officio members are the Director of Buildings and the Deputy Director (Development and Construction) of the Housing Department.*

- (b) ***Building Information Modelling Vetting Sub-committee (BIMVSC).*** BIMVSC comprises experts from the BIM area, who are appointed for a term of two years. The current term is from 1 September 2022 to 31 August 2024. As of September 2022, BIMVSC comprised a chairperson, 8 non-official members and 2 ex-officio members (i.e. a representative from DEVB and a representative from the Buildings Department);

- (c) ***Modular Integrated Construction Vetting Sub-committee (MiCVSC).*** MiCVSC comprises experts from the MiC area, who are appointed for a term of two years. The current term is from 1 September 2022 to 31 August 2024. As of September 2022, MiCVSC comprised a chairperson, 7 non-official members and 2 ex-officio members (i.e. a representative from DEVB and a representative from the Buildings Department); and

- (d) ***Manpower Development Vetting Sub-committee (MDVSC).*** MDVSC comprises experts from the manpower development area, who are appointed for a term of two years. The current term is from 1 September 2022 to 31 August 2024. As of September 2022, MDVSC comprised a chairperson, 7 non-official members and 2 ex-officio members (i.e. a representative from DEVB and a representative from the Civil Engineering and Development Department).

Administration of CITF by DEVB

1.12 According to MoC, DEVB is the Government's policy bureau initiating and sustaining CITF. Two sections (i.e. Policy and Development Section and Works Policies 1 Section) of DEVB, among other duties, are responsible for providing policy support to the implementation of CITF and overseeing the operation of CITF. As of September 2022, 5 staff of DEVB, among other duties, were involved in the

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administration of CITF (Note 16). An extract of DEVB's organisation chart as at 30 September 2022 is at Appendix A.

Audit review

1.13 In October 2022, the Audit Commission (Audit) commenced a review of CITF. The audit review has focused on the following areas:

- (a) processing of applications (PART 2);
- (b) funding disbursement and monitoring of approved projects (PART 3); and
- (c) other related issues (PART 4).

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

Acknowledgement

1.14 Audit would like to acknowledge with gratitude the full cooperation of the staff of DEVB during the course of the audit review.

Note 16: *According to DEVB, there were 8 other staff from DEVB (comprising 1 staff from the Works Policies 1 Section, 2 staff from the Works Policies 3 Section and 5 staff from the Project Strategy and Governance Office), among other duties, responsible for providing support to VSCs in vetting and approving relevant CITF applications (see para. 1.11). As all staff involved in duties related to CITF also carried out other duties, there was no breakdown of the staff resources solely responsible for the administration of CITF.*

PART 2: PROCESSING OF APPLICATIONS

- 2.1 This PART examines the processing of CITF applications, focusing on:
- (a) vetting of applications (paras. 2.2 to 2.13); and
 - (b) maintenance of pre-approved lists (paras. 2.14 to 2.23).

Vetting of applications

2.2 According to CITF's "Guide to Application", upon receipt of CITF applications via CITF Application Portal on CITF's website (Note 17), CITF Secretariat will check and assess the applications for adequacy of information required. The applicants may be requested to provide supplementary information from time to time to facilitate the application vetting process. The applications will be passed to relevant VSCs for review and approval (Note 18). The vetting process is overseen by both MC and SC. The applicants will then be informed of their application results (i.e. rejected or approved) by CITF Secretariat (see Figure 3).

Note 17: *According to CITF Secretariat, all CITF applications are made online via CITF Application Portal on CITF's website where applicants are required to register an account.*

Note 18: *According to CITF Secretariat, in vetting the CITF applications, VSCs conducted vetting in accordance with the designated set of vetting criteria developed by the VSC concerned. The vetting criteria were determined according to the nature of projects involved, as well as the outcomes and deliverables expected to be derived from relevant projects. Decisions made on CITF applications are final and not subject to appeal. Applicants are informed of the reasons for rejecting the applications by CITF Secretariat. Prior to August 2022, all CITF applications were reviewed and approved by relevant VSCs. Since August 2022, the application approval procedures have been streamlined and applications including those related to pre-approved items for ACT and BIM (see para. 2.14) of \$0.8 million per application or below would be approved by CITF Secretariat, while the remaining applications would be approved by relevant VSCs. According to DEVB, summary of funding applications approved by CITF Secretariat would be submitted to VSCs concerned on a monthly basis for monitoring purpose. Besides, all decisions of CITF Secretariat will be compiled into reports for submission to MC at least once every six months for MC's review and advice on necessary refinements to the procedures.*

Figure 3

General procedures for processing CITF applications

<i>Submission of applications</i>	<ul style="list-style-type: none">• Registration for accounts of CITF Application Portal on CITF’s website by applicants• Completion and submission of online applications via CITF Application Portal by applicants
<i>Checking of applications</i>	<ul style="list-style-type: none">• Checking for adequacy of information by CITF Secretariat• Submission of supplementary information by the applicants, if required
<i>Vetting of applications</i>	<ul style="list-style-type: none">• Review and approval of applications by relevant VSCs• Overseen by both MC and SC
<i>Notification of results</i>	<ul style="list-style-type: none">• Informing the applicants of their application results by CITF Secretariat

Source: DEVB records

2.3 From October 2018 to September 2022, CITF Secretariat received 3,907 CITF applications. Table 1 shows the number of CITF applications of each category received by CITF Secretariat from October 2018 to September 2022.

Table 1

**Number of CITF applications (by category) received
(October 2018 to September 2022)**

Aspect	Category	Number of applications					
		2018 (since October)	2019	2020	2021	2022 (up to September)	Total
Technology adoption	ACT	18 (14%)	300 (32%)	434 (43%)	410 (42%)	405 (47%)	1,567 (40%)
	BIM	101 (79%)	534 (57%)	472 (47%)	441 (46%)	392 (45%)	1,940 (50%)
	MiC	5 (4%)	31 (3%)	38 (4%)	59 (6%)	33 (4%)	166 (4%)
	STB	– (0%)	41 (4%)	49 (5%)	44 (5%)	31 (3%)	165 (4%)
Sub-total		124 (97%)	906 (96%)	993 (99%)	954 (99%)	861 (99%)	3,838 (98%)
Manpower development		4 (3%)	39 (4%)	8 (1%)	13 (1%)	5 (1%)	69 (2%)
Total		128 (100%)	945 (100%)	1,001 (100%)	967 (100%)	866 (100%)	3,907 (100%)

Source: *DEVB records*

2.4 Of the 3,907 CITF applications received from October 2018 to September 2022, as of September 2022:

- (a) 2,760 (71%) applications were approved;
- (b) 210 (5%) applications were rejected;

Processing of applications

- (c) 580 (15%) applications were withdrawn by the applicants (Note 19); and
- (d) 357 (9%) applications were being processed by CITF Secretariat. In particular, 17 (5% of 357) applications were received more than one year ago.

Time pledge for completing the processing of applications not met in some cases

2.5 According to CITF's "Guide to Application" and website:

- (a) under normal circumstances, upon receipt of CITF applications, CITF Secretariat will complete the processing of valid applications and notify applicants of the application results:
 - (i) within 60 calendar days from the dates of receipt of the duly completed applications accompanied by all necessary documentation as stipulated on CITF's "Guide to Application" for non pre-approved items; or
 - (ii) within 30 calendar days from the dates of receipt of the duly completed applications accompanied by all necessary documentation as stipulated on CITF's website for pre-approved items (see para. 2.14); and
- (b) applicants should ensure that their applications are submitted to CITF Secretariat together with supporting documents as detailed in CITF's "Guide to Application" and "Application Framework".

2.6 As of September 2022, CITF Secretariat completed the processing of 2,970 CITF applications (2,760 approved applications + 210 rejected applications —

Note 19: *According to DEVB, 580 withdrawn applications comprised 331 applications withdrawn prior to approval and 249 applications withdrawn after the applications were approved due to, for example, change in business plan (e.g. business environment, operational and training needs) and discontinuation of approved products.*

see para. 2.4(a) and (b)). Regarding the time taken by CITF Secretariat in completing the processing of these 2,970 applications (from the date of receipt of duly completed applications to the date of notifying the applicants the application results), Audit noted that, as of September 2022:

- (a) of the 2,337 applications with 30-day time pledge, the time taken to complete the processing of 245 (10.5%) applications were more than 30 days, ranging from 31 to 135 days (averaging 40 days) (see Table 2); and
- (b) of the 633 applications with 60-day time pledge, the time taken to complete the processing of 39 (6.2%) applications were more than 60 days, ranging from 61 to 182 days (averaging 104 days) (see Table 2).

Table 2

**Time taken in completing the processing of CITF applications
(September 2022)**

Time taken	Number of applications	
<i>(a) Application with 30-day time pledge</i>		
30 days or less	2,092	(89.5%)
31 to 60 days	235	(10.0%)
61 to 90 days	7	(0.3%)
More than 90 days and up to 135 days	3	(0.2%)
Total	2,337 (100.0%)	
<i>(b) Application with 60-day time pledge</i>		
60 days or less	594	(93.8%)
61 to 90 days	17	(2.7%)
More than 90 days and up to 182 days	22	(3.5%)
Total	633 (100.0%)	
Overall	2,970	

Source: DEVB records

Processing of applications

2.7 According to DEVB:

- (a) regarding the 25 (3 under item (a) and 22 under item (b) in Table 2 in para. 2.6) applications with longer processing time of over 90 days, the majority of them were related to adoption of new technologies (e.g. MiC) or circumstances new to VSCs in the early stage of adoption in the industry and the projects involved were more complicated. VSCs considered that there was a need to allocate more time for a thorough deliberation of every application and to seek more information from the applicants for the relevant VSCs' consideration, with a view to ensuring the prudent use of public money and providing necessary advice to support the smooth implementation of the projects. These cases all happened from 2019 to 2021 and there was no such case in 2022;
- (b) for all these cases, CITF Secretariat had informed the applicants by phone call that extra time was required in order to consider these special cases thoroughly; and
- (c) with the thorough deliberation by VSCs in the early stage of these technologies, the time taken in processing similar applications was significantly reduced in subsequent years.

2.8 In Audit's view, DEVB needs to:

- (a) for simple or less complicated cases (e.g. items on pre-approved lists) of CITF applications, take measures to ensure that the processing of these applications is timely completed and the applicants are notified of the application results in accordance with the stipulated time pledge; and
- (b) for special cases of CITF applications (e.g. complicated cases or cases involving adoption of new technologies), take measures to seek relevant VSCs' advice on these applications as early as practicable.

Scope for enhancing promotion to facilitate applicants’ understanding of application requirements

2.9 Audit noted that, of the 2,970 applications with processing completed (see para. 2.6), 210 (7%) applications were rejected by CITF Secretariat. The rejection rate for different categories of CITF applications varies from 1% to 45% (see Table 3). In particular, the rejection rate for applications related to MiC adoption increased from 35% in 2019 to 58% in 2022 (up to September).

Table 3

**Rejection rate of CITF applications
(October 2018 to September 2022)**

Category	Number of applications		Rejection rate (c) = (b) ÷ (a) × 100%
	With processing completed (a)	Rejected (b)	
ACT	1,118	112	10%
BIM	1,548	34	2%
MiC	111	50	45%
STB	147	2	1%
Manpower development	46	12	26%
Overall	2,970	210	7%

Source: DEVB records

2.10 According to DEVB:

- (a) applicants are informed of the reasons for rejecting the applications by CITF Secretariat and the major reasons included:
 - (i) the proposed products were outside the subsidy scope of CITF, not being regarded as innovative or not demonstrating that they could achieve the primary objectives of CITF;

Processing of applications

- (ii) the applicants were not eligible for CITF;
 - (iii) relevant expenses had been committed before the application was submitted; and
 - (iv) the funding ceiling was exceeded; and
- (b) for the 50 rejected applications related to MiC adoption (see Table 3 in para. 2.9), the majority of them were rejected as they were not eligible MiC projects. Upon DEVB's publicity of the enhanced funding support for MiC adoption and the eligibility for applying MiC projects since January 2022, the number of rejected cases had dropped in 2022.

2.11 In Audit's view, DEVB needs to continue to enhance promotion of CITF to facilitate applicants' understanding of the application requirements.

Audit recommendations

2.12 **Audit has *recommended* that the Secretary for Development should:**

- (a) **for simple or less complicated cases (e.g. items on pre-approved lists) of CITF applications, take measures to ensure that the processing of these applications is timely completed and the applicants are notified of the application results in accordance with the stipulated time pledge;**
- (b) **for special cases of CITF applications (e.g. complicated cases or cases involving adoption of new technologies), take measures to seek relevant VSCs' advice on these applications as early as practicable; and**
- (c) **continue to enhance promotion of CITF to facilitate applicants' understanding of the application requirements.**

Response from the Government

2.13 The Secretary for Development agrees with the audit recommendations. She has said that:

- (a) DEVB and CITF Secretariat will take further measures to ensure the timely processing of applications and continue promotion of CITF as recommended by Audit; and
- (b) DEVB noted that most of the past funding applications that required longer time to process were related to adoption of new technologies or new circumstances. DEVB and CITF Secretariat will devise measures to facilitate the relevant VSCs to have the necessary supplementary information regarding these more complicated and special cases for early processing of such cases.

Maintenance of pre-approved lists

2.14 With a view to simplifying and expediting the CITF application process, CITF Secretariat has drawn up lists of pre-approved items for ACT and BIM (i.e. BIM software and BIM training course). Applications for funding support for the pre-approved items in the pre-approved lists will be processed in a streamlined manner (see para. 2.5(a)(ii)).

2.15 Upon the launch of CITF in October 2018, there were 96 pre-approved items in the pre-approved lists. According to DEVB, during the period from October 2018 to September 2022, CITF Secretariat further enlisted 567 pre-approved items and delisted 67 pre-approved items. As a result, a total of 596 pre-approved items were found in the pre-approved lists as of September 2022 (see Table 4).

Table 4

**Number of pre-approved items in the pre-approved lists
(September 2022)**

Category	Number of pre-approved items
ACT	300 (Note)
BIM software	84
BIM training course	212
Total	596

Source: DEVB records

Note: The number included 23 suspended items as the vendors were out of contact (see Note 22 to para. 2.16).

Scope for improvement in maintaining the pre-approved lists

2.16 Application for inclusion into the pre-approved lists under CITF is open to public. According to CITF's operation manual, CITF Secretariat will source, invite and screen innovative construction technologies (including machinery, equipment and software) which are applicable to Hong Kong's built environment (Note 20) and submit information on such technologies to relevant VSCs for examination and MC for approval for inclusion into the pre-approved lists. Relevant VSCs will conduct the vetting process in accordance with the assessment criteria for enlisting approved by MC (Note 21). Subject to further approval by MC, the pre-approved lists published on CITF's website will then be updated regularly. The pre-approved lists shall be reviewed by VSCs annually to cover areas including pre-approved items

Note 20: *According to CITF Secretariat (i.e. CIC), CIC has been at the forefront of adopting advanced technology and promoting wider adoption of technological tools to innovate industry practices.*

Note 21: *The assessment criteria for enlisting, which had been approved by MC, is mainly based on: (a) technical competence (e.g. product merits and effectiveness in enhancing productivity, quality, safety and environmental performance); and (b) applicability to industry at large.*

without any funding applications and applicants' feedback and comments on the pre-approved items after adoption (Note 22).

2.17 At the MC meeting of November 2021, MC members agreed that, in order to ensure that the pre-approved lists were maintained in an open and fair manner, reasonable justifications should be given to delisting technologies which were previously approved. In this connection, in reviewing the pre-approved lists, products without valid vendor contacts should be put on a suspension list. For products with insufficient technical merits, CITF Secretariat would notify the vendors with relevant VSCs' recommendations and allow two weeks for the vendors to stage objection and provide fresh justifications. Information would be resubmitted to relevant VSCs for re-assessment.

2.18 While CITF has pre-approved lists for ACT and BIM (see para. 2.14), there is no pre-approved list for MiC and STB. According to DEVB, the reasons are as follows:

- (a) **MiC.** At the MiCVSC meeting of November 2018, it was agreed that given all MiC systems are subject to approval by relevant authorities, CITF's pre-approved list for MiC should make reference to the "List of Pre-accepted MiC Systems/Components" of the Buildings Department and/or the approval by other government departments, instead of creating a separate CITF's pre-approved list. As the design of MiC modules has to be tailor-made to meet the needs of individual projects and the quotation details and project information required for MiC modules are much more complicated comparing with other categories of technology, every application related to MiC adoption needs to be considered by MiCVSC. It is thus not very practicable to adopt the aforesaid Building Department's list as the pre-approved list. Nevertheless, the list will be made reference to for expediting processing of applications; and

Note 22: *At the MC meeting of July 2020, it was agreed that the annual review of pre-approved lists would be conducted starting 2021. CITF Secretariat put up the pre-approved lists for review by VSCs in July 2021 and July 2022. In the event, a total of 24 pre-approved items were delisted and 23 pre-approved items were put on a suspension list (see para. 2.17).*

Processing of applications

- (b) **STB.** According to CITF’s “Guide to Application”, only STB procured from local steel prefabrication yards admitted on the “List of Approved Steel Reinforcing Bar Prefabrication Yards” (this list is hereinafter referred to as the Steel Reinforcing Bar Prefabrication Yards list) administered by the Civil Engineering and Development Department will be eligible for funding support. In practice, such list is de facto the pre-approved list for STB and CITF Secretariat has pledged, as a practice, to process applications related to STB in accordance with the 30-day time pledge (see para. 2.5(a)(ii)) and the processing time for such applications so far was about 16 days. In Audit’s view, there is merit for DEVB to consider formally adopting the Steel Reinforcing Bar Prefabrication Yards list as the pre-approved list for STB.

2.19 Regarding the pre-approved lists for ACT and BIM:

- (a) according to DEVB, it is the practice of CITF Secretariat to delist pre-approved items if such items no longer met the enlisting criteria (see Note 21 to para. 2.16), or negative feedback and comments on such items after adoption had been received from applicants. However, Audit noted that such criteria for delisting pre-approved items were not clearly spelt out in CITF’s operation manual. In Audit’s view, DEVB needs to spell out clearly such delisting criteria in CITF’s operation manual;
- (b) as of January 2023, of the 67 pre-approved items delisted during October 2018 to September 2022 (see para. 2.15), there were no documentary evidence showing that the delisting of 18 items had been reviewed by VSCs (Note 23). According to DEVB, the delisting of these 18 items was duly completed in response to the requests by the relevant suppliers whose consent is required for enlisting of items on the pre-approved lists. CITF Secretariat provided the relevant VSCs with the updated list of pre-approved items with these 18 items removed at the VSC meetings in July 2021 and July 2022. DEVB considers that it is more prudent for CITF Secretariat to report the delisting of these 18 items to VSCs by circulation or meeting before delisting. DEVB has reminded CITF Secretariat to follow this arrangement accordingly. In Audit’s view,

Note 23: *Of the 67 delisted items, 24 items had been reviewed under VSCs’ annual reviews in 2021 and 2022 (see Note 22 to para. 2.16) and 25 items had been reviewed by VSCs on ad hoc basis.*

DEVB needs to take further measures to ensure that all the delisting of pre-approved items is reviewed by VSCs; and

- (c) regarding the 596 pre-approved items (see Table 4 in para. 2.15) in the pre-approved lists as of September 2022:
 - (i) only 338 (57%) items had been adopted under CITF projects since the enlisting of individual items. 258 (43%) items had not been adopted under CITF projects since the enlisting of individual items, of which 80 (31%) items had been included in the pre-approved lists for more than 3 years and up to 4 years (see Table 5); and

Table 5

**Duration of pre-approved items not adopted under CITF projects
(September 2022)**

Category	Number of pre-approved items not adopted for a duration (Note) of:				
	1 year or less	More than 1 year and up to 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	Total
ACT	34 (22%)	29 (19%)	57 (37%)	33 (22%)	153 (100%)
BIM software	3 (9%)	7 (21%)	10 (30%)	13 (40%)	33 (100%)
BIM training course	6 (8%)	5 (7%)	27 (38%)	34 (47%)	72 (100%)
Total	43 (17%)	41 (16%)	94 (36%)	80 (31%)	258 (100%)

Source: DEVB records

Note: The duration is counted from the date of enlisting of individual pre-approved items until 30 September 2022.

Processing of applications

- (ii) according to DEVB, the keeping of items relating to innovative technologies in the pre-approved lists is an important means to keep the industry apprised of the technologies and products that the industry is encouraged to adopt for enhancing productivity, and to apply funding from CITF for their adoption. Besides, with a view to enhancing the industry's understanding of innovative technologies and increasing the chance of their adoption in CITF projects, it was the decision of MC and VSCs that as long as the pre-approved items were regarded as still relevant and beneficial to the industry, they should continue to be kept on the pre-approved lists, even there was no or only a small number of CITF applications received for such items.

In Audit's view, DEVB needs to step up promotion of pre-approved items, particularly those items with low adoption rates, with a view to enhancing the industry's understanding of innovations and technologies and encouraging their adoption in CITF projects.

Need to ensure that the pre-approved lists on CITF's website are accurate and up-to-date

2.20 Audit noted that:

- (a) while the update of pre-approved lists was approved by MC in November 2022, the relevant pre-approved lists on CITF's website were only updated in January 2023; and
- (b) as of November 2022, while 634 pre-approved items in the pre-approved lists had been approved by MC, only 622 pre-approved items were found in the pre-approved lists published on CITF's website.

2.21 In Audit's view, DEVB needs to take measures to ensure that the pre-approved lists on CITF's website are accurate and up-to-date.

Audit recommendations

- 2.22 **Audit has *recommended* that the Secretary for Development should:**
- (a) **consider formally adopting the Steel Reinforcing Bar Prefabrication Yards list as the pre-approved list for STB;**
 - (b) **spell out clearly the criteria for delisting pre-approved items in CITF's operation manual;**
 - (c) **take further measures to ensure that all the delisting of pre-approved items is reviewed by VSCs;**
 - (d) **step up promotion of pre-approved items, particularly those items with low adoption rates, with a view to enhancing the industry's understanding of innovations and technologies and encouraging their adoption in CITF projects; and**
 - (e) **take measures to ensure that the pre-approved lists on CITF's website are accurate and up-to-date.**

Response from the Government

2.23 The Secretary for Development agrees with the audit recommendations. She has said that DEVB and CITF Secretariat will enhance promotion of CITF, with particular focus on both hot items and new technologies that are less familiar to the potential applicants.

PART 3: FUNDING DISBURSEMENT AND MONITORING OF APPROVED PROJECTS

3.1 This PART examines CITF's funding disbursement and monitoring of approved projects, focusing on:

- (a) processing of disbursement requests (paras. 3.2 to 3.17); and
- (b) monitoring of project implementation (paras. 3.18 to 3.38).

Processing of disbursement requests

3.2 According to DEVB, successful applicants must properly and timely record all expenditures in respect of the approved projects and properly keep all required documents including receipts and other documents as may be necessary to substantiate the incurrence of expenditures. Approved funding will be disbursed on a reimbursement basis (Note 24) and upon fulfilment of all the terms and conditions of CITF, as follows:

- (a) ***Technology adoption.*** In general, reimbursement will be made in two instalments (Note 25). The first instalment of 80% of approved funding will be paid upon provision of documentary proof of payments and product delivery (Note 26) while the remaining instalment of 20% will be paid twelve months after the date of the first disbursement request and upon the

Note 24: *With effect from 1 November 2022, successful applicants for ACT and BIM adoption may opt for earlier funding disbursement upon payment with relevant document proof and fulfilling the following criteria: (a) product delivery time (either pledged or actual) takes longer than 2 months; and (b) payment to vendor made by the successful applicants in one single bank transaction exceeds \$100,000.*

Note 25: *According to DEVB, for BIM training and STB, funding will be reimbursed on a one-off cash rebate basis upon completion of training and product delivery respectively.*

Note 26: *According to DEVB, for MiC, the first instalment will only be disbursed upon installation of MiC modules on site or approval for commencement of MiC module production/installation where appropriate.*

Funding disbursement and monitoring of approved projects

satisfactory submission of the required documents (e.g. completion reports — see para. 3.19) by the successful applicants; and

- (b) ***Manpower development.*** Reimbursement will be made within two years from the dates of notification of approval of application. Applicants will be reimbursed in full up to the approved grant upon completion of the programmes, delivery of procured items and submission of the audited financial reports. For local courses or conferences, payments on an instalment basis may also be allowed subject to receipt of documentary proof.

3.3 As of September 2022 (i.e. four years after the launch of CITF in October 2018), Audit noted that, of the total approved grants of \$767 million for 2,760 approved projects under CITF, only \$376 million (49%) had been disbursed to the successful applicants (see Table 6). In particular, for STB and manpower development, only 33% and 31% of approved grants had been disbursed respectively.

Table 6

**Disbursement of funding for approved projects under CITF
(September 2022)**

Aspect	Category	Number of projects		Grant amount (\$ million)	
		Approved	Disbursed	Approved	Disbursed
Technology adoption	ACT	1,006	726 (72%)	373	185 (50%)
	BIM	1,514	1,082 (71%)	123	78 (63%)
	MiC	61	31 (51%)	142	71 (50%)
	STB	145	89 (61%)	116	38 (33%)
Sub-total		2,726	1,928 (71%)	754	372 (49%)
Manpower development		34	18 (53%)	13	4 (31%)
Total		2,760	1,946 (71%)	767	376 (49%)

Source: DEVB records

Funding disbursement and monitoring of approved projects

3.4 According to DEVB:

- (a) as the disbursement of funding is on a reimbursement basis, disbursement requests could only be filed by successful applicants after the procurement and delivery of technologies and products approved. The timing of filing the disbursement requests is contingent on the scheduling of the relevant process of construction and product delivery schedule;
- (b) for technology adoption, the disbursement rates largely depend on the project scheme and the timing of procurement and delivery of the approved products, which very often is determined by the sequence of the relevant works stages (e.g. plants for building works would more likely be procured at the later stage of the construction process). However, earlier funding approval is required to ensure financial certainty for the applicants; and
- (c) for manpower development, the low disbursement rate was mainly because some training classes under approved projects were postponed due to coronavirus disease (COVID-19) epidemic and applicants tended to submit applications for CITF early as it took time to book venues for events.

Scope for improvement in monitoring the submission of disbursement requests

3.5 According to CITF's "Guide to Application" and terms and conditions:

- (a) ***Technology adoption.***
 - (i) ***First instalment of approved funding.*** In general, successful applicants should submit disbursement requests for the first instalment within 3 months from the dates of notification of approval of application. According to DEVB, the 3-month timeframe is a general requirement to encourage successful applicants' early submission of disbursement requests and serves as a benchmark to trigger the tracking and reminder system (see para. 3.8(c)(i) and (ii)); and

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- (ii) ***Final instalment of approved funding.*** The final instalment of funding will be paid twelve months after the dates of the first disbursement request upon the satisfactory submission of the required documents (e.g. completion reports). According to DEVB, the 12-month timeframe refers to the minimum period eligible for payment of final disbursement and not the timeframe for making the payment; and

- (b) ***Manpower development.*** Successful applicants should submit disbursement requests within two years from the dates of notification of approval of application (Note 27).

3.6 ***Projects with funding disbursement.*** As of September 2022, of the 2,760 approved projects, funding disbursements of \$376 million had been made for 1,946 projects (1,928 technology adoption projects and 18 manpower development projects). Audit noted that some successful applicants took a longer time in submitting disbursement requests, as follows:

- (a) ***Technology adoption.*** Regarding the 1,928 projects related to technology adoption:
 - (i) ***First disbursement request.*** The first disbursement requests of 908 (47% of 1,928) projects were submitted by the successful applicants more than 3 months and up to 2.4 years (averaging 6.5 months) from the dates of notification of approval of application; and

 - (ii) ***Final disbursement request.*** As of September 2022, there were 1,229 projects with first disbursement requests made more than 12 months (see para. 3.5(a)(ii)). Of these 1,229 projects, as of September 2022, final disbursement requests for 328 (27%) projects were submitted more than 12 months and up to 3 years (averaging

Note 27: *According to DEVB, it is to allow time for earlier submission of applications by applicants with a view to facilitating them to take timely actions in booking venues and schedule the events having regard to the school calendar.*

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1.4 years) after the dates of the first disbursement request (Note 28). In this connection, Audit noted that there is no specific timeframe on submission of final disbursement requests for technology adoption projects, while a timeframe of two years was set for manpower development projects (see para. 3.5(b)); and

- (b) ***Manpower development.*** The disbursement requests of all 18 projects related to manpower development were submitted by the successful applicants within two years from the dates of notification of approval of application.

3.7 *Projects not having received funding disbursement.* As of September 2022, of the 2,760 approved projects, funding disbursements had not been made for 814 (i.e. 2,760 – 1,946) (29%) projects. Of these 814 projects, disbursement requests had been submitted by the successful applicants for 462 (57%) projects (Note 29). For the remaining 352 (43%) projects, disbursement requests had not been submitted. Regarding these 352 projects, Audit noted that:

- (a) ***Technology adoption.*** Of the 341 projects related to technology adoption, applicants of 257 (75%) projects had been notified of approval for more than 3 months and up to 3.8 years (averaging 1.4 years); and
- (b) ***Manpower development.*** Of the 11 projects related to manpower development, applicants of 5 (45%) projects had been notified of approval for more than 2 years and up to about 3 years (averaging 2.5 years) (Note 30).

Note 28: *Final disbursement request had not been submitted for 824 (67%) projects for 1 day to 2.8 years (averaging 1.1 years) after 12 months from the dates of the first disbursement requests.*

Note 29: *The disbursement requests submitted by the successful applicants were being processed by CITF Secretariat (see para. 3.14 for the audit findings on the matter).*

Note 30: *According to DEVB, some of the projects had been postponed due to COVID-19 epidemic. Besides, for the remaining projects, CITF Secretariat had taken all necessary follow-up actions with the applicants.*

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3.8 According to DEVB:

- (a) there are different valid reasons for the late submission of disbursement requests by some successful applicants, including, for example, products need to be procured at a later stage when the relevant construction operation that uses the product actually commences, BIM training depends on applicants' scheduling of classes that suit their needs and availability, MiC and STB depend on the project progress, and longer product delivery time due to disruption to supply chain during COVID-19 epidemic, delay in project or site possession by the applicants, and long time taken in the internal procurement procedures of the applicants;
- (b) to meet the operational needs of the industry and encourage early decision on technology adoption by applicants as far as practicable, with the support of SC, MC and ACTVSC, CITF Secretariat accepts early approval of CITF applications for products that will be procured and adopted at a later stage when the relevant stage of works commences. To accommodate the industry needs while ensuring monitoring of the use of funding in a reasonable timeframe, applicants are required to state the tentative timeframe for procuring and adopting the technologies in the CITF application forms. Applications are approved having regard to relevant considerations which, among other things, include whether the tentative timeframe provided is reasonable having regard to the nature of the project and the function of the technologies to be procured; and
- (c) regarding the 3-month timeframe for submission of first disbursement request for technology adoption projects by successful applicants (see para. 3.5(a)(i)):
 - (i) it serves as a recommended timeframe to encourage applicants' early submission of disbursement requests when the applicants have already procured the products according to their project programme;
 - (ii) it also serves as a benchmark for CITF Secretariat to trigger the tracking and reminder system (see para. 3.10) to remind applicants to submit the first disbursement requests if they have already procured the products; and

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- (iii) having regard to the policy objectives of CITF and experience gained in the implementation of CITF in the past few years, DEVB has planned to review the 3-month timeframe in the overall review of CITF, which is scheduled for completion in June 2023 (see para. 4.37(b)).

3.9 In Audit's view, DEVB needs to:

- (a) complete the review on the 3-month timeframe for submission of the first disbursement requests by successful applicants for technology adoption projects as scheduled, having regard to policy objectives, operational needs of the industry and experience gained in the implementation of CITF, and take prompt follow-up action after the review;
- (b) continue to take measures to closely monitor the submission of disbursement requests by successful applicants and take appropriate follow-up actions (e.g. issue of reminders and warning letters, and referral to MC) on the overdue cases; and
- (c) consider setting a specific timeframe on submission of final disbursement requests by successful applicants for technology adoption projects.

3.10 According to DEVB, a comprehensive tracking and reminder system for monitoring the progress and issuing reminder letters to successful applicants for technology adoption projects was established in July 2020. According to CITF's operation manual:

- (a) reminders for submission of disbursement requests would be issued to successful applicants at designated time (Note 31);

Note 31: *According to CITF's operation manual, reminder emails would be sent to successful applicants two and three months after the date of notification of approval of CITF application. If disbursement requests are still not received four months after the date of notification of approval, a reminder letter together with a reply slip for confirming the procurement plan would be issued to the successful applicants.*

Funding disbursement and monitoring of approved projects

- (b) warning letters would be issued to successful applicants if the applicants failed to submit the first disbursement requests within six months from the dates of notification of approval of application and the applicants would be temporarily suspended from raising new applications; and
- (c) cases would be referred to MC for appropriate actions if the first disbursement requests remain outstanding seven months after the dates of notification of approval of CITF application.

3.11 Regarding the tracking and reminder system, Audit noted that:

- (a) there was no readily available information on the issuance of reminders and warning letters (including those conducted via phone calls), and the follow-up actions taken (Note 32);
- (b) according to CITF's operation manual, cases would be referred to MC for appropriate actions if the first disbursement requests remain outstanding seven months after the dates of notification of approval of CITF application (see para. 3.10(c)). According to DEVB, in practice, CITF Secretariat would only refer those cases of irregularity to MC. However, such practice was not clearly set out in CITF's operation manual; and
- (c) the tracking and reminder system did not cover manpower development projects.

3.12 In Audit's view, regarding the tracking and reminder system, DEVB needs to:

- (a) enhance documentation on the issue of reminders and warning letters (including those conducted via phone calls) and the follow-up actions taken;

Note 32: *Audit noted that, as of September 2022, of the 908 technology adoption projects with the first disbursement requests submitted by the successful applicants more than three months from the dates of notification of approval of application (see para. 3.6(a)(i)) that warrant the issuance of reminders, disbursement requests of 366 (40%) projects were submitted more than six months from the dates of notification of approval of application that warrant the issuance of warning letters.*

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- (b) set out more clearly the need to refer cases of irregularity to MC in CITF's operation manual; and
- (c) consider using the system for monitoring approved manpower development projects.

Need to take measures to ensure the timely processing of disbursement requests

3.13 According to CITF Secretariat, since April 2020, the processing of disbursement requests would normally be completed within 30 calendar days upon receiving complete information. Specifically, for final disbursement requests, the successful applicants will be informed of the evaluation within 30 calendar days after the receipt of the completion reports and all necessary information required by CITF Secretariat.

3.14 From April 2020 to September 2022, CITF Secretariat received 3,664 disbursement requests submitted by successful applicants of 1,960 approved projects. Audit noted that, as of September 2022, of these 3,664 disbursement requests:

- (a) 2,970 (81%) were approved by CITF Secretariat. For 137 (5% of 2,970) disbursement requests, the time taken in completing the processing of them (i.e. time elapsed between the dates of receipt of complete information and the dates of approval) was more than 30 days and up to 8.2 months;
- (b) 161 (4%) were rejected by CITF Secretariat. For 73 (45% of 161) disbursement requests, the time taken in completing the processing of them (i.e. time elapsed between the last dates of receipt of information from applicants and the dates of rejection) was more than 30 days and up to 11.6 months;
- (c) 17 (1%) were withdrawn by successful applicants; and
- (d) 516 (14%) were being processed by CITF Secretariat, of which 389 (75% of 516) were received more than 30 days ago. In particular, 46 (9% of 516) disbursement requests were received more than 1 year ago with outstanding information pending from successful applicants.

3.15 In Audit's view, DEVB needs to take measures to ensure that disbursement requests submitted by successful applicants are timely processed by CITF Secretariat in accordance with the stipulated time pledge.

Audit recommendations

3.16 **Audit has *recommended* that the Secretary for Development should:**

(a) **regarding the submission of disbursement requests for technology adoption projects:**

(i) **complete the review on the 3-month timeframe for submission of the first disbursement requests by successful applicants as scheduled, having regard to policy objectives, operational needs of the industry and experience gained in the implementation of CITF, and take prompt follow-up action after the review;**

(ii) **continue to take measures to closely monitor the submission of disbursement requests by successful applicants and take appropriate follow-up actions (e.g. issue of reminders and warning letters, and referral to MC) on the overdue cases; and**

(iii) **consider setting a specific timeframe on submission of final disbursement requests by successful applicants;**

(b) **regarding the tracking and reminder system:**

(i) **enhance documentation on the issue of reminders and warning letters (including those conducted via phone calls) and the follow-up actions taken;**

(ii) **set out more clearly the need to refer cases of irregularity to MC in CITF's operation manual; and**

(iii) **consider using the system for monitoring approved manpower development projects; and**

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- (c) **take measures to ensure that disbursement requests submitted by successful applicants are timely processed by CITF Secretariat in accordance with the stipulated time pledge.**

Response from the Government

3.17 The Secretary for Development agrees with the audit recommendations. She has said that DEVB will:

- (a) review, amongst other things, the stipulated timeframe (including the 3-month timeframe) for submission of disbursement requests by successful applicants in the overall review of CITF to be completed in June 2023; and
- (b) suitably adjust the timeframe to ensure that it will be up-to-date to support the objectives of CITF while addressing the operational needs of the industry and the experience gained in the implementation of CITF as explained in paragraph 3.8 above.

Monitoring of project implementation

3.18 According to the terms and conditions of CITF, an approved project is required to be carried out strictly in accordance with CITF's "Guide to Application", the requirements stipulated in the application form (together with the declaration) and the notification of approval, and the terms and conditions.

Need to take measures to ensure the timely submission of completion reports

3.19 According to the terms and conditions of CITF, the successful applicants will be required to submit completion reports (Note 33) to CITF Secretariat within twelve months from the dates of the first disbursement request for approved

Note 33: *According to the terms and conditions of CITF, in general, successful applicants receiving funding of more than \$500,000 in a single application on technology adoption project or any amount in an application on manpower development project should submit an audited financial report duly certified by auditors together with the completion report.*

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technology adoption projects and nine months upon the completion of the approved manpower development projects. The completion reports must include details of the results, performance, achievements and/or evaluation of the approved projects, and be prepared in a standard format provided and stipulated by CITF Secretariat.

3.20 As of September 2022, there were a total of 991 approved technology adoption projects with the first disbursement requests received more than twelve months ago and 18 approved manpower development projects completed more than nine months ago (i.e. due for submission of completion reports — see para. 3.19). Audit noted that, as of September 2022, of these 1,009 (i.e. 991 + 18) projects:

- (a) completion reports had not been received for 596 (59%) projects, which had been overdue for 1 day to 3.2 years (averaging about 1 year); and
- (b) completion reports had been received for 413 (41%) projects, of which:
 - (i) completion reports of 278 (67%) projects were submitted 1 day to 2.2 years (averaging 4.8 months) after the required deadlines; and
 - (ii) completion reports of 135 (33%) projects were submitted within the required deadlines.

3.21 According to DEVB:

- (a) completion reports primarily serve the purpose of confirming the completion of the trial of the technologies in the project or the completion of activities for manpower development for evaluating the performance and benefits of the technologies adopted. Based on the experience gained in the implementation of CITF, it is noted that successful applicants often need more time to operate the technologies for a reasonable period after their procurement and installation (i.e. the time they filed their first disbursement request) in order to know and be able to set out in the completion reports the benefits brought about by the technologies to their operation;
- (b) while some applicants have not submitted their completion reports according to the prescribed timeframe due to the reason above, suitable safeguards on disbursement of funds are in place, as follows:

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- (i) before approving the first disbursement requests of the applicants (which accounts for 80% of the approved funding), CITF Secretariat has ensured that the funded items had been delivered to the sites for adoption by the successful applicants by checking the serial numbers and photographs/delivery notes of the funded items; and
- (ii) CITF Secretariat has also ensured that the final disbursement requests (which accounts for the remaining 20% of the approved funding) will not be approved without receiving the completion reports from the successful applicants; and
- (c) it has planned to review the timeframe for submission of completion report in its overall review of CITF, which is scheduled for completion in June 2023 (see para. 4.37(b)).

3.22 In Audit's view, DEVB needs to:

- (a) complete the review on the timeframe for submitting the completion reports by successful applicants as scheduled and take prompt follow-up actions after the review; and
- (b) take measures to ensure the timely submission of completion reports by successful applicants (including taking appropriate follow-up actions on overdue cases).

Scope for improvement in conducting site inspections

3.23 According to DEVB, in order to ensure that the funds granted under CITF are properly used by the successful applicants and to verify that the items funded by CITF are being used properly on site, site inspections will be conducted by CITF Secretariat. According to CITF's operation manual, CITF Secretariat adopts a risk-based approach in selecting CITF projects for site inspections, as follows:

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- (a) ***Technology adoption.*** Site inspections will be conducted on an applicant basis (Note 34) for approved ACT, BIM and MiC projects. For each project category, a specified percentage of projects with approved grant amount exceeding certain thresholds (Note 35) would be selected for site inspections. Inspections would be conducted within 12 months from the dates of the first disbursement request; and

- (b) ***Manpower development.*** For local courses and conferences with approved grants of \$300,000 or more, site inspections should be conducted at least once within the duration of programme.

Site inspections will also be conducted when there are complaints or suspected cases related to misuse of funding.

3.24 According to DEVB records, from October 2018 to December 2022, CITF Secretariat conducted site inspections on 196 approved projects (see Table 7).

Note 34: *Applicants who had been inspected before would not be inspected again unless there are reasonable doubts of non-compliance or complaints are received.*

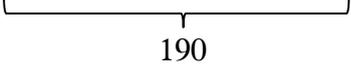
Note 35: *For example, for ACT projects, 15% of the approved applications with an approved funding amount above \$500,000 and 10% of the approved applications with an approved funding amount above \$200,000 would be selected for inspections.*

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Table 7

Number of approved projects with site inspections (October 2018 to December 2022)

Year	Number of projects with site inspections				
	Technology adoption			Manpower development	Total
	ACT	BIM	MiC		
2019 (Note)	5	41	–	6	52
2020	28	52	4	–	84
2021	4	30	–	–	34
2022	20	6	–	–	26
Total	57	129	4	6	196



190

Source: DEVB records

Note: According to DEVB records, no site inspection was conducted in 2018.

3.25 Audit noted that:

- (a) **Significant decrease in number of projects with site inspections conducted.** The total number of projects with site inspections conducted increased from 52 in 2019 to 84 in 2020, decreased to 34 in 2021 and 26 in 2022; and
- (b) **Need to conduct site inspections of projects in accordance with the timeframe set out in CITF's operation manual.** Regarding the site inspections for the 196 projects:
 - (i) **Technology adoption.** Of the 190 approved projects with site inspections conducted, for 57 (30%) projects, site inspections were conducted 1 day to 1.8 years (averaging 190 days) after 12 months from the respective dates of the first disbursement request (i.e. not meeting the 12-month timeframe — see para. 3.23(a)). In particular, for 2 (1% of 190) projects, site inspections were

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conducted about two months after the payment of the final instalment of the approved funding of the projects (Note 36); and

- (ii) *Manpower development.* According to DEVB records, from October 2018 to September 2022, all 6 site inspections were timely conducted.

3.26 According to DEVB:

- (a) the decrease in number of site inspections in 2021 and 2022 was due to difficulties in conducting site inspections during COVID-19 epidemic. CITF Secretariat performed documentary check (e.g. checking the requested photographs and videos from the successful applicants) to confirm the adoption of the technologies at the sites concerned; and
- (b) having regard to the experience gained after the implementation of the projects, it is noted that the conduct of site inspections at a later project stage before the funding disbursement for the final instalment has its merits as it enables CITF Secretariat to check and ensure that the successful applicants are using the procured products properly for a longer period of time. As such, DEVB has planned to review the timeframe for carrying out site inspections in its overall review of CITF, which is scheduled for completion in June 2023 (see para. 4.37(b)).

3.27 With a view to ensuring the funds granted under CITF are properly used by successful applicants and the items funded by CITF are being used properly on site, Audit considers that DEVB needs to complete the review on the timeframe for carrying out site inspections as scheduled and take prompt follow-up actions after the review.

Note 36: *According to DEVB, site inspections for these two projects were deferred to November 2020 due to difficulties in conducting site inspections during COVID-19 epidemic.*

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Overdue declaration of ownership of equipment procured by successful applicants

3.28 According to the terms and conditions of CITF, all title to and ownership of the equipment procured under approved CITF projects shall vest with the successful applicants. The successful applicants are forbidden to transfer, sell or lease, with a view to making profits, the equipment procured under the approved projects within the first three years of their procurement.

3.29 According to CITF's operation manual:

- (a) site inspections will be conducted by CITF Secretariat to verify that the items funded by CITF are being used properly on site (see para. 3.23); and
- (b) since October 2020, for approved technology adoption (other than BIM training) projects, successful applicants should submit declaration forms (Note 37) to declare compliance with the requirements related to the ownership of equipment procured by the end of the 24-month period (i.e. first declaration) and 36-month period (i.e. second declaration) from the dates of the first disbursement request.

3.30 Based on DEVB records, as of September 2022, Audit noted that there were 695 projects overdue for submission of the first declaration forms for 1 day to 1.7 years (averaging 7.8 months). Of these 695 projects, 157 (23%) projects were also overdue for submission of the second declaration forms for 3 days to 8 months (averaging 2.7 months).

3.31 According to DEVB:

- (a) all successful applicants are required to sign a declaration on their compliance with the terms and conditions of CITF upon application,

Note 37: *Apart from the clause related to the ownership of equipment procured, the declaration forms also include other requirements stipulated in the terms and conditions of CITF.*

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including the requirement on ownership of equipment procured within the first three years of its procurement; and

- (b) the declaration forms to be signed by the end of the 24-month period and 36-month period aim to provide additional reassurance that the successful applicants have complied with the terms and conditions of CITF during the relevant period (i.e. 24-month period or 36-month period) as they have so declared upon application. In other words, the signing of these additional declaration forms entails no additional requirement. The applicant is contractually obligated to comply with the terms and conditions of CITF throughout the project period upon its signing of declaration upon application. To ensure that the declaration arrangements are reasonable and necessary, DEVB has planned to review the need and the timeframe for submitting these declarations in its overall review of CITF, which is scheduled for completion in June 2023 (see para. 4.37(b)).

3.32 In Audit's view, DEVB needs to complete the review on the need and the timeframe for submission of the declaration forms related to the ownership of equipment procured by successful applicants as scheduled and take prompt follow-up actions after the review.

Need to ensure compliance with the requirements on acknowledgement of funding support from CITF

3.33 According to the terms and conditions of CITF, the successful applicant shall acknowledge the funding support from CTF in all of its applicable marketing and publicity activities as well as publications. For publications, the successful applicant is also required to inform and send a prototype to CTF Secretariat for approval in writing prior to the production.

3.34 Audit noted that the requirements on acknowledgement of funding support from CTF were not strictly followed by the successful applicants in two approved manpower development projects, as follows:

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- (a) **Project A.** In August 2019, Applicant A submitted a CITF application to organise a non-local training/visit for practitioners. The application was approved in October 2019 with approved grant of about \$148,000. The event was held in October 2019. Audit noted that the funding support from CITF had not been acknowledged on the website and the poster of the event. In January 2020, Applicant A submitted a disbursement request to CITF Secretariat, which was subsequently approved in March 2020; and
- (b) **Project B.** In April 2021, Applicant B submitted a CITF application to organise an international conference in Hong Kong. The application was approved in May 2021 with approved grant of \$355,900. The conference was held in May 2021. Audit noted that, while there was a special acknowledgement to CIC on the website and the booklet of the conference, funding support from CITF had not been acknowledged therein. In April and September 2022, Applicant B submitted disbursement requests to CITF Secretariat. As of February 2023, the requests were under processing.

3.35 According to DEVB, for Projects A and B, applications for funding were shortly granted before the event days. The successful applicants had already printed the publicity materials before obtaining CITF approval and hence CITF acknowledgement on the websites and posters were not incorporated. That said, for Project A, DEVB noticed that the successful applicant had published the event on its newsletter after the event and had not acknowledged CITF. CITF Secretariat had reminded the applicant to observe the acknowledgement requirement accordingly.

3.36 In Audit's view, DEVB needs to take measures to ensure that successful applicants comply with the requirements on acknowledgement of funding support from CITF in all their applicable marketing and publicity activities as well as publications.

Audit recommendations

3.37 **Audit has recommended that the Secretary for Development should:**

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- (a) regarding the submission of completion reports:**
 - (i) complete the review on the timeframe for submitting the completion reports by successful applicants as scheduled and take prompt follow-up actions after the review; and**
 - (ii) take measures to ensure the timely submission of completion reports by successful applicants (including taking appropriate follow-up actions on overdue cases);**
- (b) complete the review on the timeframe for carrying out site inspections and the need and the timeframe for submission of the declaration forms related to the ownership of equipment procured by successful applicants as scheduled, and take prompt follow-up actions after the review; and**
- (c) take measures to ensure that successful applicants comply with the requirements on acknowledgement of funding support from CITF in all their applicable marketing and publicity activities as well as publications.**

Response from the Government

3.38 The Secretary for Development agrees with the audit recommendations. She has said that DEVB will cover, in the overall review of CITF to be completed in June 2023, the stipulated timeframe for submission of completion reports and conducting of site inspections to ensure that it is up-to-date to support the objectives of CITF while addressing the operational needs of the industry and experience gained in the implementation of CITF as explained in paragraphs 3.21 and 3.26.

PART 4: OTHER RELATED ISSUES

4.1 This PART examines other issues related to CITF focusing on:

- (a) safeguarding national security (paras. 4.2 to 4.6);
- (b) promotion and publicity programmes (paras. 4.7 to 4.11);
- (c) governance issues (paras. 4.12 to 4.25); and
- (d) other administrative issues (paras. 4.26 to 4.41).

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 the safeguarding of national security

4.3 Audit noted that, as of January 2023, the terms and conditions of CITF had not incorporated guidelines and requirements related to the safeguarding of national security.

4.4 According to DEVB:

- (a) it conducted a review on CITF in August 2022, with a view to strengthening the safeguards for matters concerning national security, and proposed some amendments to the terms and conditions of CITF;
- (b) as of January 2023, it was seeking legal advice on the proposed amendments and will incorporate the relevant amendments to the terms and conditions of CITF thereafter; and
- (c) it will continue to review the CITF operations regularly to safeguard national security and implement measures as considered necessary.

Audit recommendation

4.5 **Audit has recommended that the Secretary for Development should, taking into account the legal advice, incorporate the amendments to the terms and conditions of CITF relating to strengthening regulation over matters concerning the safeguarding of national security.**

Response from the Government

4.6 The Secretary for Development agrees with the audit recommendation. She has said that DEVB will take on board the audit recommendation.

Promotion and publicity programmes

4.7 According to MoC, CITF Secretariat is responsible for organising and conducting regular promotion and publicity activities with an aim to promote CITF to industry stakeholders and general public. According to CITF Secretariat:

- (a) from October 2018 to September 2022, it organised some 200 promotion and publicity activities including seminars, webinars, experience sharing sessions by successful applicants, conferences and signature events; and
- (b) it publicises CITF and disseminates information to the public by newspapers, e-newsletter, radio broadcasting, banners and social media platforms, and uses digital marketing (e.g. electronic direct mail) to disseminate information directly to industry stakeholders (e.g. contractors and consultants).

Need to step up efforts in promoting CITF

4.8 ***Target beneficiaries submitting applications under the technology adoption aspect.*** According to the paper seeking approval from the Finance Committee in June 2018 for setting up CITF (see para. 1.2), DEVB estimated that about 7,700 target beneficiaries (comprising 1,300 contractors, 5,900 subcontractors and 500 consultants) would be benefited from the technology adoption aspect under CITF. However, from October 2018 to September 2022, there were only 1,140 (15% of 7,700) beneficiaries, mainly comprising 211 (16% of 1,300) contractors, 737 (12% of 5,900) subcontractors and 188 (38% of 500) consultants, submitted applications under CITF (see Table 8).

Table 8

**Target beneficiaries of CITF submitting applications
under the funding aspect of technology adoption
(October 2018 to September 2022)**

Target beneficiaries	Number of eligible applicants estimated by DEVB in June 2018 (a)	Actual number of applicants (Note 1) (b)	Percentage (c) = (b) ÷ (a) × 100%
Contractor	1,300 (Note 2)	211	16%
Subcontractor	5,900	737	12%
Consultant	500	188	38%
Others	N/A	4	N/A
Overall	7,700	1,140	15%

Source: DEVB records

Note 1: The number represents the total number of applicants submitted funding applications (irrespective of the status of the applications) under the technology adoption aspect during the period from October 2018 to September 2022.

Note 2: In March 2023, DEVB informed Audit that, based on the latest CIC records, there were currently about 580 eligible contractors who have paid levy to CIC in the past 24 months and have ongoing works projects eligible for CITF application. Based on the above population, the percentage of eligible contractors who have applied for CITF would be 36% (i.e. $211 \div 580 \times 100\%$).

4.9 ***Use of social media and video sharing platforms to promote CITF.*** In order to better communicate with industry stakeholders on the updated news of CITF and to share updated knowledge on innovation and technology, CITF Secretariat set up 2 social media accounts in 2018 and 2019, and uploaded promotional videos onto the official CIC channel and CITF channel of the video sharing and social media platforms since March 2019 and April 2022 respectively. Based on the information shown in social media and video sharing platforms on 10 March 2023:

Other related issues

- (a) there were 716 and 147 followers for the 2 social media accounts;
- (b) a total of 3 and 132 promotional videos related to CITF had been uploaded onto the related video sharing and social media platforms since March 2019 and April 2022 respectively. The number of views of the 3 videos ranged from 657 to 1,234 views (averaging 1,015 views) and that of the 132 videos ranged from 6 to 357 views (averaging 55 views); and
- (c) CITF Secretariat did not maintain records of the number of followers of its 2 social media accounts, and the number of views of promotional videos uploaded onto the official CIC channel and CITF channel of the video sharing and social media platforms on a regular basis for monitoring purpose.

Audit recommendations

4.10 **Audit has *recommended* that the Secretary for Development should:**

- (a) **step up efforts in promoting CITF to eligible applicants with a view to encouraging them to submit applications under CITF (particularly those who have not made applications before); and**
- (b) **take measures to make better use of social media and video sharing platforms for promoting CITF and maintain records of the number of followers and views of promotional videos for these platforms for monitoring purpose.**

Response from the Government

4.11 The Secretary for Development agrees with the audit recommendations. She has said that CITF Secretariat will, starting from 1 April 2023, have in place an outreach team to help enhance promotional efforts targeting at those eligible applicants who have not yet applied for CITF, especially small and medium-sized enterprises. These eligible applicants will be provided with tailor-made technology recommendations and support, ranging from briefing on application requirements to advice on implementation of the technology on site.

Governance issues

Scope for improvement in appointing SC members

4.12 In October 2017, the Government announced that it would appoint more young people to various Government boards and committees with the aim of increasing the overall ratio of young members (i.e. persons who are aged between 18 and 35) to 15% by June 2022.

4.13 Audit noted that, of the total number of non-official members appointed for SC, the number of young members appointed was 1 (9%), 1 (8%) and 1 (8%) for Term 1 to 3 (Note 38) respectively.

4.14 In Audit's view, DEVB needs to consider appointing more young members to participate in SC in future with a view to increasing the overall ratio of young members in SC.

Scope for improvement in making declaration of interests

4.15 According to DEVB, for declaration of interests:

- (a) ***One-tier reporting system.*** MC and VSCs adopt a one-tier reporting system. The chairperson and members of MC and VSCs need to report conflict of interests as and when it arises at meeting; and
- (b) ***Two-tier reporting system.*** SC adopts a two-tier reporting system. The chairperson and members of SC shall register in writing (i.e. registration forms for declaration of interests) their personal interests when they first join the committee, and annually thereafter. Besides, the chairperson and members need to report conflict of interests as and when it arises at meeting.

Note 38: *Term 1 was from 7 September 2018 to 6 September 2020, Term 2 was from 7 September 2020 to 6 September 2022, and Term 3 was from 7 September 2022 to 6 September 2024.*

Other related issues

4.16 Audit noted that while DEVB had requested the chairperson and members of SC to declare their personal interests in the first years of Terms 1, 2 and 3, it did not request them to declare their personal interests in the second year of Terms 1 and 2 (i.e. in 2019 and 2021). In the event, annual declaration forms were not received from the chairperson and members of SC in 2019 and 2021.

4.17 In Audit's view, DEVB needs to take measures to ensure that the chairperson and members of SC declare interests upon appointment and annually thereafter in a timely manner in accordance with CITF requirements.

Time pledge for preparation and issuance of meeting materials not met for some meetings

4.18 According to CITF Secretariat, the time pledge for preparing and issuing the meeting materials of MC and VSCs was set out in 2019. It is required that meeting notices and meeting documents should be issued to members 14 and 7 calendar days before meetings respectively. Besides, meeting minutes should be issued to members within 21 calendar days after meetings.

4.19 Audit selected 4 MC meetings and 9 VSCs (comprising 1 ACTVSC, 4 BIMVSC and 4 MDVSC) meetings held from October 2018 to September 2022 for review and noted that the time pledge was not met in some cases, as follows:

- (a) meeting notices of 5 (38%) meetings were issued to members less than 14 calendar days before meetings, ranging from 6 to 7 calendar days before meetings (averaging 7 calendar days);
- (b) meeting documents of 2 (15%) meetings were issued to members less than 7 calendar days before meetings, ranging from 0 to 6 calendar days before meetings (averaging 3 calendar days); and
- (c) meeting minutes of 5 (38%) meetings were issued to members more than 21 calendar days after meetings, ranging from 24 to 43 calendar days after meetings (averaging 31 calendar days).

4.20 In Audit's view, DEVB needs to take measures to ensure that the meeting materials are timely prepared and issued to members of MC and VSCs in accordance with the stipulated time pledge of CITF.

Need to timely submit the required documents to SC

4.21 According to MoC:

- (a) MC should submit the following reporting materials to SC in accordance with the specified timeframes:
 - (i) an annual plan and the associated annual budget for the next financial year by the end of June in each financial year (i.e. the period from 1 January to 31 December); and
 - (ii) a year-end report after the end of the last financial year; and
- (b) CIC should submit audited financial statements of CITF for the last financial year to SC within six months after the end of the last financial year.

4.22 Audit noted that:

- (a) ***Annual plans and budgets.*** The annual plans and budgets of 2020 to 2023 were all not submitted for SC's approval within the required timeframe, with delays ranging from 18 days to 14.5 months (averaging 7.2 months);
- (b) ***Year-end reports.*** While deadlines are set for submissions of annual plans and budgets and audited financial statements, no specific deadline is set for the submission of year-end reports by MC; and
- (c) ***Audited financial statements.*** The audited financial statements of 2020 and 2021 were not submitted to SC within the required timeframe. They were submitted in September 2021 and July 2022 respectively (i.e. more than six months after the end of the last financial year of 2020 and 2021).

Other related issues

4.23 In Audit's view, DEVB needs to strengthen measures to ensure the timely submission of required documents (including annual plans and budgets, year-end reports and audited financial statements) to SC by both MC and CIC in accordance with the timeframes set out in MoC.

Audit recommendations

4.24 **Audit has *recommended* that the Secretary for Development should:**

- (a) **consider appointing more young members to participate in SC in future with a view to increasing the overall ratio of young members in SC;**
- (b) **take measure to ensure that:**
 - (i) **the chairperson and members of SC declare interests upon appointment and annually thereafter in a timely manner in accordance with CITF requirements; and**
 - (ii) **the meeting materials are timely prepared and issued to members of MC and VSCs in accordance with the stipulated time pledge of CITF; and**
- (c) **strengthen measures to ensure the timely submission of required documents (including annual plans and budgets, year-end reports and audited financial statements) to SC by both MC and CIC in accordance with the timeframes set out in MoC.**

Response from the Government

4.25 The Secretary for Development agrees with the audit recommendations. She has said that DEVB will take on board the audit recommendations.

Other administrative issues

Need to keep under review the funding allocation between technology adoption and manpower development

4.26 According to DEVB, CITF was established to encourage wider adoption of innovative construction methods and technology in the construction industry, and to build up the capacity of construction professionals to leverage innovation for continuous improvement (see para. 1.2). In seeking approval of the Finance Committee in June and July 2018 for the establishment of CITF, DEVB said that:

- (a) upon the establishment of the Fund, it was proposed to use the main bulk of the Fund for technology adoption while the remainder of the Fund would be used for manpower development, as follows:
 - (i) about 80% of the Fund would be used to directly subsidise the construction industry in adopting innovative building technology (i.e. technology adoption); and
 - (ii) about 20% of the Fund would be utilised to finance construction practitioners and tertiary students to undertake training (i.e. manpower development); and
- (b) the funding allocation would be determined and reviewed regularly by SC, taking into account the latest development of the industry, its needs and responses.

4.27 Audit noted that, of the total grants of \$767 million approved under CITF since its launch in October 2018 and up to September 2022, technology adoption accounted for 98% (\$754 million) (Note 39) and manpower development accounted for 2% (\$13 million).

Note 39: *According to DEVB, the \$754 million for technology adoption included \$28 million for BIM training (which was related to manpower development) for the period from October 2018 to September 2022.*

Other related issues

- 4.28 In March 2023, DEVB informed Audit that:
- (a) the funding allocation of 80% for technology adoption and 20% for manpower development as mentioned in the meeting of the Finance Committee in July 2018 for the establishment of CITF were initial estimates during the scheme formulation stage. It serves as indicative figures and would be subject to regular review by SC, taking into account the latest development of the industry and stakeholders' feedback to the Fund. It was not intended to be a rule of funding allocation during the implementation of the Fund;
 - (b) in fact, the Fund and its allocation should be responsive to the changing needs of the industry and stakeholders' feedback by timely introduction of the enhancement measures (Note 40); and
 - (c) it is considered that the allocation should keep varying subject to the enhancement measures launched and the industry's response, and hence a prescribed fixed allocation may not be appropriate.

4.29 In Audit's view, DEVB needs to keep under review the allocation of funding for technology adoption and manpower development, taking into account the latest development of the industry, its needs and responses.

Need to closely monitor the progress of development of Data Administration and Management System

4.30 According to MoC, CIC should devise and host a dedicated website for CITF with e-portal functions including online application and online management of the application status and reimbursement. The e-portal was fully implemented in January 2019 and allows online submission of applications, disbursement requests and completion reports by the applicants, and supports vetting of applications and disbursement requests by CITF Secretariat. The e-portal also maintains information

Note 40: *The enhancement measures included, for example, the launch of new initiatives to support enhanced BIM training in early 2022, Multi-trade Integrated Mechanical, Electrical and Plumbing (see para. 4.37(a)(i)) under MiC in August 2022 and the upcoming launch of enhanced support for Smart Site Safety System for private works projects in April 2023.*

of all CITF applications (e.g. project details, vetting results of CITF Secretariat, progress status and reimbursement details).

4.31 According to CITF Secretariat, the e-portal cannot generate management reports automatically. It is the practice of CITF Secretariat to manually extract data from e-portal into different spreadsheets (e.g. CITF master summary, disbursement summary, inspection summary and standard analytical reports) and further integrates with other data from workflows performed outside the e-portal for monitoring the application status, data analysis and management reporting.

4.32 With a view to enhancing data and report generation quality, and efficiency of processing applications, CIC further engaged a contractor in 2021 to design and develop the Data Administration and Management System (DAMS), which was targeted for completion by December 2022. DAMS aims to integrate and manage data from multiple sources, generate standard analytical reports and provide interfaces/dashboards for CITF Secretariat to retrieve data and perform analysis.

4.33 Audit noted that, as of January 2023, DAMS was still not ready for use. According to DEVB, as of January 2023, DAMS was still under the system testing stage. As further enhancement of DAMS was required in order to incorporate the enhancement measures launched under CITF in early 2022 (see para. 4.37(a)), the expected launch date has been deferred to the second quarter of 2023.

4.34 In Audit's view, DEVB needs to closely monitor the progress of the development of DAMS to ensure its early implementation with a view to enhancing the monitoring of CITF.

Need to keep under review the performance and achievement of CITF

4.35 ***Need to compile management reports based on completion reports of projects.*** According to the terms and conditions of CITF, for each approved project, the successful applicants are required to submit completion reports (see para. 3.19), which contains:

Other related issues

- (a) details of the results, performance, achievements and/or evaluation in terms of productivity, safety and environmental impact of the approved projects; and
- (b) comments of the approved projects by the beneficiaries and quantitative measurements on the benefits to the construction industry as a whole (e.g. increase in productivity and reduction in fuel consumption) after using the new technology.

According to DEVB, CITF Secretariat submitted regular progress reports on CITF (including number of applications, funding amount approved and examples of achievements of individual funded items in achieving the purposes of CITF). Audit noted that CITF Secretariat did not compile management reports based on the completion reports of projects (e.g. summarising the performance and achievement of completed projects, and comments of beneficiaries). In Audit's view, there is merit in compiling such information on a regular basis with a view to further enhancing the operation and performance of CITF.

4.36 *Scope for enhancing performance measures.* According to DEVB, apart from the performance pledge related to the timeframe for completing the processing of CITF applications (see para. 2.5) and the processing of disbursement requests (see para. 3.13), it has also:

- (a) set general performance indicators (e.g. number of applications received and amount of funding approved each year); and
- (b) monitored the types of technologies and products funded and individual cases to demonstrate how the four objectives of CITF (see para. 1.2) are achieved (Note 41).

Note 41: *For example, according to a study conducted by a local university on two pilot MiC projects in Hong Kong, MiC adoption can save the construction time by 30% to 50%, reduce the construction cost by at least 10%, increase the productivity by 100% to 400%, and with performance improvements in terms of quality, environment and construction safety. According to the feedback from CITF beneficiaries, the use of automatic bar bending machine can reduce the manpower need by 75%, the use of transportation robotics can increase the productivity by 10 folds, and the use of demolition robotics can speed up the construction time by 5 to 6 times.*

In Audit's view, DEVB needs to make continued efforts to enhance the performance measures of CITF with a view to better reflecting the performance and achievement of CITF.

4.37 *Need to keep under review the implementation of new funding schemes and complete overall review as early as possible.* According to MoC, DEVB and CIC should conduct reviews on the operation of CITF, as follows:

- (a) *Mid-term review.* Mid-term review should be conducted after two years of operation of CITF (i.e. October 2020) to assess its effectiveness (Note 42) and identify ways for improvement and enhancement. According to DEVB, the mid-term review commenced in October 2020 by a consultant engaged by CIC and was completed in September 2021. Under the mid-term review, the consultant conducted industry-wide surveys and focus group meetings (Note 43). The consultant collated various findings for each funding scope and provided recommendations for enhancement. The findings and proposed enhancement measures were discussed and endorsed by MC in August 2021 and approved by SC in September 2021. Since 1 January 2022, the following enhancement measures have been introduced:
 - (i) 4 new funding schemes (i.e. pioneering application related to ACT (Note 44), BIM project-based coaching, BIM Viewer Collaborative

Note 42: *According to the mid-term review report: (a) 80% of respondents perceived CITF as helpful to both the entire industry as well as their business; (b) CITF were considered as drivers accelerating technology adoption, particularly in raising awareness, reducing financial burden and training up talents; (c) 85% of respondents confirmed an increased number of BIM skilled staff; and (d) 75% of current beneficiaries will recommend CITF to others.*

Note 43: *The mid-term review focused on: (a) awareness of CITF and construction technologies of industry stakeholders; (b) current technology adoption situation and barriers to adoption; and (c) views of industry stakeholders on the effectiveness of CITF including funding ceiling, funding scope and funding operation.*

Note 44: *With the introduction of the new funding scheme for pioneering application, cost incidental to introducing the technology for experiential use in Hong Kong could be reimbursed to applicants at a 70% matching ratio in general.*

Other related issues

Training Scheme and Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP — Note 45) under MiC); and

- (ii) enhancement measures (e.g. increase in matching ratio of locally developed innovations or products under ACT from 75% to 80% and increase in the funding ceilings for ACT and BIM); and
- (b) **Overall review.** Overall review should be conducted after four years of operation of CITF (i.e. October 2022) or having committed 80% of the \$1 billion allocation (Note 46), whichever is the earlier. According to DEVB, the overall review was planned to be conducted in October 2022. In July 2022, the proposed scope of the overall review (i.e. to assess the achievements of CITF and identify its way forward) was circulated to MC for approval. According to 2023 business plan, the overall review is targeted for completion in June 2023.

4.38 Audit noted that:

- (a) as of December 2022 (i.e. 12 months after the introduction of the new funding schemes in January 2022 — see para. 4.37(a)(i)), only 27 applications had been received (comprising 7 applications for pioneering application related to ACT, 2 applications for BIM project-based coaching, 17 applications for BIM Viewer Collaborative Training Scheme and 1 application for MiMEP under MiC); and
- (b) as of December 2022 (i.e. 2 months after the target commencement date of October 2022), the overall review of CITF had not yet commenced. According to DEVB, it was expected that the tender for the overall review

Note 45: *MiMEP refers to the integration of multi-trade building services components into a single assembly of prefabricated modules, manufactured in a factory then transported to the site for connection of modules to complete various trades of building services installations on site. With the introduction of the new funding scheme, project consultants are encouraged to carry out MiMEP design at the project beginning and mechanical, electrical and plumbing contractors are encouraged to design and construct MiMEP modules in order to enhance the productivity.*

Note 46: *According to DEVB, as of September 2022, the approved funding of CITF was \$767 million (i.e. 77% of the \$1 billion allocation).*

would be awarded in February 2023 and the review is targeted for completion in June 2023.

- 4.39 In Audit's view, DEVB needs to:
- (a) keep under review the implementation of the new funding schemes introduced in January 2022 and take measures to publicise the schemes to the industry; and
 - (b) complete the overall review of CITF as soon as possible with a view to identifying areas for further improvement, assessing its performance and paving the way forward.

Audit recommendations

- 4.40 **Audit has recommended that the Secretary for Development should:**
- (a) **keep under review the allocation of funding for technology adoption and manpower development, taking into account the latest development of the industry, its needs and responses;**
 - (b) **closely monitor the progress of the development of DAMS to ensure its early implementation with a view to enhancing the monitoring of CITF;**
 - (c) **take measures to compile management reports based on the completion reports of projects (including the results, performance, achievements and/or evaluation of the approved projects, comments of the beneficiaries, and quantitative measurements on the benefits to the construction industry) on a regular basis with a view to further enhancing the operation and performance of CITF;**
 - (d) **make continued efforts to enhance the performance measures of CITF with a view to better reflecting the performance and achievement of CITF;**

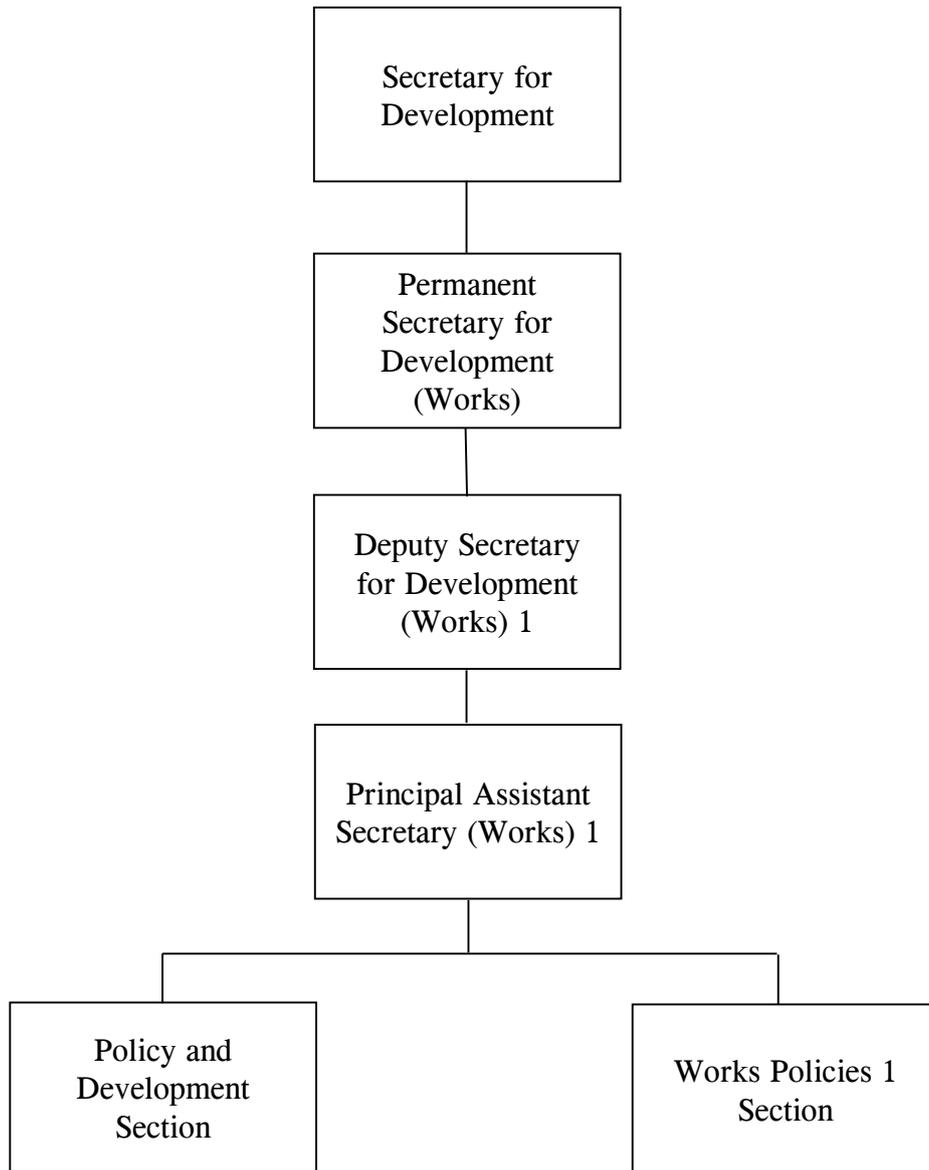
Other related issues

- (e) **keep under review the implementation of the new funding schemes introduced in January 2022 and take measures to publicise the schemes to the industry; and**
- (f) **complete the overall review of CITF as soon as possible with a view to identifying areas for further improvement, assessing its performance and paving the way forward.**

Response from the Government

4.41 The Secretary for Development agrees with the audit recommendations. She has said that DEVB and CITF Secretariat will, in the context of the overall review of CITF to be completed in June 2023, make continued efforts in enhancing the performance measures and identify areas for further improvements with a view to ensuring that CITF would meet the construction industry's evolving needs for innovation and technologies.

**Development Bureau:
Organisation chart (extract)
(30 September 2022)**



Source: DEVB records

Acronyms and abbreviations

ACT	Advanced Construction Technologies
ACTVSC	Advanced Construction Technologies Vetting Sub-committee
Audit	Audit Commission
BIM	Building Information Modelling
BIMVSC	Building Information Modelling Vetting Sub-committee
CIC	Construction Industry Council
CITF	Construction Innovation and Technology Fund
DAMS	Data Administration and Management System
DEVB	Development Bureau
LegCo	Legislative Council
MC	Management Committee on Construction Innovation and Technology Fund
MDVSC	Manpower Development Vetting Sub-committee
MiC	Modular Integrated Construction
MiCVSC	Modular Integrated Construction Vetting Sub-committee
MiMEP	Multi-trade Integrated Mechanical, Electrical and Plumbing
MoC	Memorandum of Cooperation
SC	Steering Committee on Construction Innovation and Technology Fund
STB	Prefabricated Steel Reinforcing Bar
VSC	Vetting Sub-committee on Construction Innovation and Technology Fund