

MARITIME AND AVIATION TRAINING FUND

Executive Summary

1. It is the Government's strategic objective to enhance Hong Kong's position as an international maritime and aviation centre. The Maritime and Aviation Training Fund (MATF) was established in April 2014. It sustains and enhances the Government's support for the manpower development and promotion of the maritime, aviation and logistics industries. Since its establishment, MATF has been providing funding support for training incentives, subsidy schemes and scholarship schemes for students and in-service practitioners of relevant disciplines and industries. The Transport and Logistics Bureau (TLB) provides secretariat support to MATF. The Manpower Development Committee under the Hong Kong Maritime and Port Board, the Tripartite Taskforce on Manpower Training (Aviation) (TTA) and the Hong Kong Logistics Development Council are responsible for advising on the administration of and monitoring the implementation progress of the schemes for the maritime, aviation and logistics sectors respectively. As at 31 December 2024, the total commitment of MATF was \$500 million and its accumulated expenditure was about \$234 million. The Audit Commission (Audit) has recently conducted a review to examine the administration of MATF.

Training schemes administered by Transport and Logistics Bureau and Marine Department

2. TLB is mainly responsible for administering the Professional Training and Examination Refund Scheme (ProTERS) and the Maritime and Aviation Internship Scheme (MAIS) while the Marine Department (MD) is responsible for administering the three seafaring training schemes, namely the Sea-going Training Incentive Scheme (SGTIS), the Local Vessel Trade Training Incentive Scheme (LVTITIS) and the Local Vessel Competency Enhancement Scheme (LVCES) (para. 2.2).

3. *Administration of ProTERS.* Under ProTERS, in-service practitioners in the maritime and aviation sectors will be refunded 80% of the fees after satisfactory completion of a pre-approved course or passing a pre-approved examination if they

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have not been granted any other forms of subsidy or financial assistance for the relevant course/examination. Course providers/examination authorities are required to apply for inclusion of their courses/examinations in the pre-approved list under ProTERS (paras. 2.3 and 2.7). Audit examination revealed the following room for improvement:

- (a) ***Need to enhance the processing of applications.*** According to TLB's processing guidelines, if all required information is available, it will inform the applicant of the application result in around eight weeks from the receipt of an application. Of the 9,142 applications (5,528 for the maritime sector and 3,614 for the aviation sector) received and processed in the period from 2019-20 to 2024-25 (up to December 2024), 905 (16%) and 601 (17%) applications of the maritime sector and the aviation sector respectively, in which no supplementary information had been requested from the applicants, had been processed for more than eight weeks (paras. 2.4 and 2.5);
- (b) ***Need to take enhancement measures to prevent double subsidies.*** In a case of the maritime sector, while the applicant was refunded the full examination fee of \$4,550 under SGTIS Phase 1 in October 2021, he also submitted an application under ProTERS for the same examination in December 2022 and was refunded \$3,640 in October 2023. For the aviation sector, as endorsed by TTA in June 2022, TLB planned to seek assistance from the Office of the Continuing Education Fund to cross-check the applications for courses/examinations that are covered by both the Continuing Education Fund and ProTERS (Aviation). However, as of December 2024, no checking with the Office of the Continuing Education Fund had been performed by TLB (para. 2.6); and
- (c) ***Need to implement review mechanism and enhanced control measures.*** Audit noted that:
 - (i) ***Maritime sector.*** The Chairman of the Steering Group on Maritime Services Manpower suggested at the meeting held in November 2021 that a benchmark on the number of attendees should be considered to determine if the pre-approved courses should be retained in the list. However, it was not until December 2024 that TLB suggested that the course providers/examination authorities would be required to review the contents of all their courses/examinations, and remove those obsolete

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or inactive course(s)/examination(s) from the pre-approved courses/examinations list at regular intervals (i.e. three years); and

- (ii) **Aviation sector.** Every approved course/examination will have a validity period of three years with effect from June 2022. For courses/examinations approved before June 2022, TLB planned to conduct the renewal reviews in five batches, with the first batch and the last batch of reviews scheduled to be completed by July 2024 and July 2025 respectively. However, as at 31 December 2024, the first batch renewal review had not been completed. Moreover, most of the enhanced control measures endorsed by TTA with effect from June 2022, for example on-site inspections and surprise visits, had not been performed up to 31 December 2024 (paras. 2.9 and 2.11).

4. **Administration of MAIS.** Under MAIS, companies in the maritime and aviation sectors are invited to offer internship places for students to provide them with early exposure to the wide spectrum of career opportunities in the sectors (para. 2.15). Audit examination revealed the following room for improvement:

- (a) **Need to enhance the participation of secondary six school leavers.** The eligibility criteria of MAIS were extended to cover secondary six school leavers for the aviation sector and the maritime sector in 2017 and 2023 respectively. However, for the maritime sector, only 7 (2%) of the 289 interns with approved reimbursement applications in 2023 and 2024 were secondary six school leavers. As regards the aviation sector, only 8 (1%) of the 893 interns with approved reimbursement applications from 2020 to 2023 were secondary six school leavers (paras. 2.19 and 2.20); and
- (b) **Need to tighten monitoring of recruiting interns.** Interns repeatedly working in the same companies may depart from the primary objective of MAIS. However, 8 (1%) of the 785 students recruited as interns in the period from 2020 to 2024 for the maritime sector and 3 (0.3%) of the 870 students recruited as interns in the period from 2020 to 2023 for the aviation sector had been employed by the same participating companies for more than once (para. 2.21).

5. **Administration of seafaring training schemes.** MD provides subsidy/financial incentive under three seafaring training schemes, namely SGTIS,

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LVTIS and LVCEs (para. 2.25). Audit examination revealed the following room for improvement:

- (a) ***Room for improvement in processing applications.*** For the approved applications from 2019-20 to 2024-25 (up to December 2024), there were late applications approved under all the three schemes. For example, for SGTIS Phase 1, 136 (77%) of the 177 approved applications were submitted late with delays ranging from 1 to 855 working days and averaging 66 working days. Audit selected 53 approved late applications for examination and noted that:
 - (i) while MD's processing flowcharts did not stipulate the circumstances/procedures for exercising discretion in approving late applications, in 31 applications, MD exercised discretion in approving the late applications; and
 - (ii) there were input errors in the databases in 8 applications and there was no supervisory check in MD's data input process (paras. 2.26 and 2.27); and
- (b) ***Need to enhance participation in further phases of SGTIS.*** SGTIS comprised four phases to assist young people to sit for the first professional qualifications and progress further under the career ladder. As of February 2025, of the 158 approved applicants claiming monthly subsidy under SGTIS Phase 1 from 2019-20 to 2023-24, 80 (50%) applicants had not enrolled in the examination of Certificate of Competency (Deck Officer/Marine Engineer Officer) Class 3 (paras. 2.25 and 2.28).

Training schemes administered by non-governmental administrators

6. ***Need to consider entering into contractual agreements with non-governmental administrators.*** According to Financial Circular No. 2/2017, for all funding schemes/funds created with public money and involving payouts to non-governmental parties, a Controlling Officer or his/her delegate should enter into contractual agreements with parties involved to lay down the exact terms and conditions of all disbursements. As at 31 December 2024, of the 11 training schemes

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administered by non-governmental administrators, TLB had not entered into contractual agreements with the administrators of 6 schemes (paras. 3.3, 3.5 and 3.6).

7. ***Need to consider implementing additional measures in safeguarding national security.*** The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (HKSAR) was implemented on 30 June 2020. The Law stipulates that it is the constitutional duty of the HKSAR to safeguard national security. Besides, the Safeguarding National Security Ordinance took effect on 23 March 2024. It is stated in the Preamble of the Ordinance that any institution, organization and individual in the HKSAR must abide by the law of HKSAR applicable for safeguarding national security. However, for the 5 training schemes with contractual agreements entered into between TLB and pertinent administrators, Audit noted that there were no specific clauses concerning the safeguarding of national security in the contractual agreements for 4 of them (paras. 3.11 and 3.12).

8. ***Need to enhance participation in some training schemes.*** Audit examined the participation in four schemes administered by non-governmental administrators, namely the Ship Repair Training Incentive Scheme (SRTIS), the Partial Tuition Refund Scheme for the Specialised Aircraft Maintenance Programme (PTRS), the Overseas Exchange Sponsorship Scheme (OESS) and the Aviation Operations Training Incentive Scheme (AOTIS), and found that:

- (a) a significant portion of graduates/beneficiaries dropped out of SRTIS, PTRS and AOTIS; and
- (b) the anticipated number of beneficiaries was not met for OESS for the academic years 2019-20 to 2023-24 (para. 3.16).

9. ***Need to enhance monitoring on the employment requirements of scholarship recipients.*** Scholarship recipients under MATF have to undertake to work full-time in the maritime-related or aviation-related field in Hong Kong for a period of not less than 12 or 18 months after graduation. Audit examination of the employment details provided by the administrators for the scholarship recipients from 2019-20 to 2023-24 revealed that:

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- (a) ***Maritime sector.*** Of the 80 recipients, the employment records of 22 (28%) recipients could not show that the employment requirements of the scholarships had been fulfilled. For 17 (21%) recipients, there were no employment records provided by the relevant administrators. However, there was no documentary evidence showing that TLB had taken follow-up actions; and
- (b) ***Aviation sector.*** Of the 121 recipients, the relevant undertakings from 56 (46%) recipients were collected by TLB only after TLB's approval of disbursements to the administrators. Moreover, except for the 10 (8%) recipients who had withdrawn from the scheme or had failed to fulfil the scholarship requirements, no employment details were provided by the administrators concerning the remaining recipients (paras. 3.17 to 3.19).

Promotion initiatives under Maritime and Aviation Training Fund

10. ***Implementation of Maritime Promotion Project Funding.*** The Maritime Promotion Project Funding was introduced in 2014. TLB is responsible for vetting applications (paras. 4.2 and 4.3). Audit examination revealed the following room for improvement:

- (a) ***Need to consider setting target processing time for vetting applications.*** While TLB did not stipulate target processing time for vetting applications, the processing time in 18 (43%) of the 42 applications processed from 2019 to 2024 was more than 2 months, ranging from 61 to 1,526 days (para. 4.4);
- (b) ***Need to ensure timely submission of evaluation reports by project organisers.*** An organiser was required to submit an evaluation report (together with the copies of all relevant quotations/receipts/invoices for the sponsored expenditure items) within three months after the completion of project activities. Of the 34 projects completed from 2019 to 2024, there were delays in 12 (35%) projects in submitting the evaluation reports. The delays ranged from 5 to 447 days, averaging 59 days (paras. 4.5 and 4.7);

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- (c) ***Need to enhance vetting of project expenditure.*** Audit selected 10 (29%) of the 34 projects completed from 2019 to 2024 to examine TLB's work in vetting expenditure incurred and found scope for improvement in 6 projects, for instance:
 - (i) ***Insufficient number of quotations for procurement.*** In 4 (40%) projects, there were occasions that the quotation requirements had not been complied with; and
 - (ii) ***Receipts of sponsored items not submitted.*** In one project with a final approved sponsorship of \$220,000, only quotation records were submitted by the organiser. There was no documentary evidence showing that the organiser had submitted any receipts or TLB had requested for the receipts (para. 4.8); and
- (d) ***Room for improvement in assessing effectiveness of promotion projects.*** Regarding the evaluation reports submitted for the 34 projects completed from 2019 to 2024:
 - (i) no evaluation reports were submitted for 2 (6%) projects;
 - (ii) in 21 (62%) projects, the organisers had not fully reported the essential elements (i.e. general responses/feedback received from the participants for the activities) in the evaluation reports; and
 - (iii) the actual number of participants in 21 (62%) projects did not meet the expected number of participants, and the reasons for the shortfall were not provided in the evaluation reports in 15 (71%) of the 21 projects (para. 4.9).

Way forward

11. ***Need to consider including performance indicators in the Controlling Officer's Report.*** According to Financial Circular No. 2/2017, as a good practice, the Controlling Officer should consider developing and reporting on appropriate performance measures for a fund. When consulting the Legislative Council on the two rounds of increase in commitment (\$200 million in 2019 and another \$200 million in 2023), TLB only provided projected cash flows in the papers submitted to the Panel

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on Economic Development without an estimation of number of beneficiaries. Audit evaluated the outcome of the 12 schemes under the initial approved commitment of funding in 2014 and noted that in 7 (58%) schemes, the total number of beneficiaries up to 31 December 2024 was lower than the number of beneficiaries estimated in 2014 for the ensuing five years. There is a need for TLB to consider including in the Controlling Officer's Report performance indicators (paras. 5.3 to 5.6).

12. *Need to regularly review the usage of MATF.* In 2024, TLB conducted a comprehensive review to evaluate the impact and effectiveness of MATF. The consultant found that some of the schemes of MATF could be further enhanced to improve or sustain their efficiency and effectiveness and a number of enhancement measures were proposed. Audit considers that TLB needs to regularly review the usage of MATF and fine-tune the implementation details (paras. 5.15 and 5.16).

Audit recommendations

13. **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 Transport and Logistics should:**

Training schemes administered by TLB and MD

- (a) **expedite the processing of applications of ProTERS (para. 2.13(a));**
- (b) **investigate the case mentioned in paragraph 3(b) and take enhancement measures accordingly, and take prompt follow-up actions to check with the Office of the Continuing Education Fund for courses/examinations covered by both the Continuing Education Fund and ProTERS (Aviation) (para. 2.13(b) and (c));**
- (c) **expedite the implementation of the review mechanism under ProTERS, and formulate an implementation plan for the enhanced control measures and incorporate them into the processing guidelines of ProTERS (Aviation) (para. 2.13(e) and (f));**
- (d) **enhance the participation of secondary six school leavers in MAIS (para. 2.23(b));**

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- (e) **closely monitor the implementation of the new employment arrangement that each intern will only be sponsored once under MAIS for working in the same participating company, and evaluate its effectiveness (para. 2.23(c));**
- (f) **in collaboration with the Director of Marine:**
 - (i) **set out circumstances and related procedures that MD staff can exercise discretion in approving late applications of the seafaring training schemes (para. 2.30(a));**
 - (ii) **consider imposing supervisory check in the data input process with a view to ensuring data accuracy of the seafaring training schemes (para. 2.30(b)); and**
 - (iii) **take measures to improve the participation in further phases of SGTIS (para. 2.30(d));**

Training schemes administered by non-governmental administrators

- (g) **formalise the existing administrative arrangements and consider entering into contractual agreements with the pertinent administrators of the six training schemes (para. 3.9);**
- (h) **consider incorporating/updating clauses concerning safeguarding of national security in contractual agreements or memoranda of understanding with pertinent administrators (para. 3.14);**
- (i) **take measures to enhance the participation in SRTIS, PTRS, OESS and AOTIS (para. 3.21(a));**
- (j) **for maritime scholarship schemes, enhance TLB's monitoring of the employment details of the scholarship recipients and follow up with the administrators on the proposed remedial measures for checking employment requirements (para. 3.21(b));**
- (k) **for the aviation scholarship scheme, ensure that undertakings from scholarship recipients are collected before approval of disbursement to**

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the administrators, and require the administrators to provide employment details of all recipients (para. 3.21(c));

Promotion initiatives under MATF

- (l) consider setting a target processing time for vetting applications for the Maritime Promotion Project Funding (para. 4.12(a));
- (m) take measures to ensure timely submission of evaluation reports by the organisers for completed projects (para. 4.12(c));
- (n) tighten the financial control and vetting of expenditure incurred in promotion projects (para. 4.12(d));
- (o) ensure that all essential elements are reported by organisers in the evaluation reports, and reasons have been provided should the actual number of participants fall short of the expected number of participants (para. 4.12(e));

Way forward

- (p) consider including in the Controlling Officer's Report performance indicators (e.g. number of beneficiaries) quantifying the benefits brought to the manpower development for the maritime, aviation and logistics industries (para. 5.7); and
- (q) regularly review the usage of MATF and fine-tune the implementation details (para. 5.17).

Response from the Government

14. The Secretary for Transport and Logistics generally agrees with the audit recommendations.