

SOCIAL INNOVATION AND ENTREPRENEURSHIP DEVELOPMENT FUND

Executive Summary

1. Launched in September 2013, the Social Innovation and Entrepreneurship Development Fund (SIE Fund) seeks to alleviate poverty and social exclusion as well as foster the well-being and cohesion of the society by promoting social innovation and nurturing social entrepreneurship. SIE Fund Task Force was set up under the Commission on Poverty to provide advice on all policies and procedures governing the operation of SIE Fund and matters relating to the administration of the Fund. As SIE Fund Task Force Secretariat, the Digital Policy Office under the Innovation, Technology and Industry Bureau oversees the operation of SIE Fund. The Fund has accorded priority to initiatives that support three areas contributing to the development of social innovation and entrepreneurship, namely “Innovative Programmes”, “Capacity Building” and “Research”. SIE Fund was established as a Trust Fund under the Secretary for Home and Youth Affairs Incorporation Ordinance (Cap. 1044) with The Secretary for Home and Youth Affairs Incorporated as the Trustee. The total funding allocated to SIE Fund amounted to \$1 billion, comprising \$500 million allocated from the Lotteries Fund in September 2013 and \$500 million allocated in 2021-22 with the passage of the Appropriation Bill 2021 by the Legislative Council. Since the launch of SIE Fund in September 2013 and up to December 2025, of the \$1 billion allocated to SIE Fund, the total funding commitment was \$807 million and the total funding disbursed was \$577 million. The Audit Commission (Audit) has recently conducted a review of SIE Fund.

Engagement of intermediaries and processing of applications

2. *Need to critically review the practice of providing score sheets with pre-filled preliminary scores to Intermediary Assessment Committee (IAC) members for assessment of proposals from proponents for intermediaries.* Since March 2015 and up to December 2025, three batches of 4 intermediaries each were engaged by SIE Fund Task Force to design and administer “Innovative Programmes”. According to the blueprint endorsed by SIE Fund Task Force for the engagement of

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intermediaries of the third batch under “Innovative Programmes”, proposals which have passed the preliminary assessment by SIE Fund Task Force Secretariat would be further assessed by IAC members by assigning scores to each proposal based on the predetermined assessment criteria (i.e. paper assessments). Audit reviewed the records of the paper assessments conducted by IAC members and found that: (a) instead of providing IAC members with blank score sheets for assigning scores to each proposal, score sheets with pre-filled preliminary scores were provided by SIE Fund Task Force Secretariat to IAC members; (b) for IAC members who did not return their score sheets, the Secretariat assumed that the pre-filled preliminary scores had been endorsed by IAC members; and (c) for the 14 IAC members involved in the assessment of proposals, only 3 members had returned the score sheets, 1 member did not return the score sheet but advised the Secretariat to adopt the preliminary scores, and for the remaining 10 members, no replies had been received from the members and the Secretariat adopted the preliminary scores without making further confirmation with the members (paras. 2.2 and 2.6).

3. ***Need to strengthen measures in enhancing applicants’ understanding of application requirements under “Innovative Programmes”.*** 1,749 applications were received by the four intermediaries engaged in the third batch under “Innovative Programmes” from April 2023 to June 2025. Audit analysed the 1,749 applications and found that: (a) the percentage of approved applications (i.e. 12%) was on the low side; (b) the percentage of rejected applications was high, with 1,487 (85%) applications being rejected, of which 1,285 (86% of 1,487) applications were rejected in the initial assessments. The reasons for rejection included incomplete or insufficient application information, and lack of a clear plan for reaching the beneficiaries; and (c) the percentage of approved applications varied greatly among programmes of intermediaries, ranging from 6% to 25%. In view of a considerable number of applications rejected due to reasons including incomplete or insufficient application information and lack of a clear plan for reaching the beneficiaries, Audit considers that the Digital Policy Office needs to, in collaboration with the intermediaries, strengthen measures in enhancing applicants’ understanding of the application requirements for applications under “Innovative Programmes” (paras. 2.16, 2.17 and 2.19).

4. ***Need to enhance monitoring of application processing to ensure that specified/indicative timeframes are complied with under “Innovative Programmes”.*** The intermediary service agreements specify the required timeframe for submission of the Joint Intermediary and Task Force Vetting Committee (JVC)’s further assessment results by the intermediaries. SIE Fund Task Force Secretariat’s

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Workflow also sets out the indicative timeframe for completing each stage of processing of applications. For the applications received by the intermediaries of the third batch under “Innovative Programmes”, the Secretary-General approved 218 applications in the period from October 2023 to December 2025. Audit reviewed the records of the processing of the 218 applications and noted that: (a) SIE Fund Task Force Secretariat did not maintain records on the submission date of JVC’s further assessment results. As a result, there was no readily available information on whether the intermediaries had submitted JVC’s further assessment results to the Secretariat within the specified timeframe; and (b) for 217 of the 218 approved applications, Secretary-General’s approvals were not obtained within the indicative timeframe (i.e. 91 days from the application deadlines). The time elapsed between the application deadlines and the dates of Secretary-General’s approvals exceeded the timeframe by 5 to 72 days (averaging 37 days) (paras. 2.20 and 2.21).

5. ***Funding agreements under “Innovative Programmes” not signed within indicative timeframe.*** In the period from October 2023 to December 2025, the Secretary-General approved 218 applications received by the intermediaries of the third batch under “Innovative Programmes”. As at 31 December 2025, of the 218 approved applications, funding agreements for 209 (96%) applications had been signed, and those for 9 (4%) applications had not been signed. Audit analysed the records of signing funding agreements for the 218 approved applications and found that: (a) for 182 (87%) of the 209 approved applications with funding agreements signed, funding agreements were not signed within the indicative timeframe (i.e. 119 days from the application deadlines). The time elapsed from the application deadlines to the dates of signing funding agreements exceeded the timeframe by 6 to 202 days (averaging 36 days); and (b) for the 9 approved applications with funding agreements not yet signed, up to 31 December 2025, the time elapsed from the application deadlines ranged from 201 to 219 days (averaging 215 days), exceeding the indicative timeframe by 82 to 100 days (averaging 96 days). Audit further analysed the time elapsed from the dates of Secretary-General’s approvals to the dates of signing funding agreements for the 209 approved applications with funding agreements signed. For 42 of the 209 approved applications, the agreements were signed more than 4 weeks after the Secretary-General’s approvals, and for 2 of the 42 approved applications, the agreements were signed more than 180 days after the Secretary-General’s approvals (paras. 2.26 to 2.28).

6. ***Room for improvement in monitoring of application processing under “Capacity Building” and “Research”.*** In the period from 2020 to 2025, 60 applications under “Capacity Building” and “Research” were approved. Audit

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examined the processing of the 60 applications and found that SIE Fund Task Force Secretariat did not maintain records on the dates of completion of some key stages of application processing (e.g. receipt of complete applications with information sufficient for substantive assessments, and completion of further assessments by the Proposal Assessment Committee). As a result, there was no readily available information on whether the applications had been processed by SIE Fund Task Force Secretariat within the specified timeframes (para. 2.38).

7. ***Need to enhance guidelines on documentation of results of checking on duplicate submissions for applications under “Capacity Building” and “Research”.***

According to SIE Fund Task Force Secretariat’s guidelines, in order to avoid duplication of resources, checking on duplicate submissions of funding applications was necessary in the application assessment process in order to guard against double funding and fund shopping of the same proposals. SIE Fund Task Force Secretariat’s guidelines also stipulated that for applications under “Innovative Programmes”, the intermediaries and SIE Fund Task Force Secretariat were required to record the results of the checking on duplicate submissions. However, Audit found that SIE Fund Task Force Secretariat’s guidelines did not stipulate that SIE Fund Task Force Secretariat was required to record the results of the checking on duplicate submissions for applications under “Capacity Building” and “Research”. As a result, there was no readily available information on whether SIE Fund Task Force Secretariat had completed the checking on duplicate submissions for applications under “Capacity Building” and “Research” (para. 2.42).

Monitoring of approved projects

8. ***Records on submission, assessment and approval of operation reports and financial reports for “Innovative Programmes” projects not properly maintained in SIE Fund Information System.*** According to the intermediary service agreements, after assessing the operation reports and financial reports submitted by the grantees of “Innovative Programmes” projects, the intermediaries are required to submit the grantees’ reports and the assessment results to SIE Fund Task Force Secretariat by uploading them to SIE Fund Information System. Information such as the due dates for report submission by intermediaries, dates of submission by intermediaries, and dates of Secretary-General’s approvals is captured by the System for producing various management reports and monitoring of submissions and approvals of reports. Audit noted that records on the submission, assessment and approval of the operation reports and financial reports that were accepted by the Secretary-General after

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June 2024 was not readily available for Audit’s review. According to SIE Fund Task Force Secretariat, the access by intermediaries to SIE Fund Information System had been suspended in June 2024 due to security issues. Since then, the intermediaries were unable to submit the grantees’ reports and assessment results via the System. Instead, the reports and assessment results had been submitted by the intermediaries via sending emails to individual subject officers of the Secretariat. The monitoring of submissions and assessments of reports relied on individual subject officers using their own records for projects under their purview. Such information had not been updated in SIE Fund Information System since the system suspension in June 2024 (paras. 3.4 and 3.5).

9. ***Need to enhance monitoring of submission of operation reports and financial reports for “Innovative Programmes” projects.*** To facilitate the monitoring and evaluation of approved projects, the grantees of “Innovative Programmes” projects are required to submit operation reports and financial reports via the respective intermediaries to SIE Fund Task Force Secretariat for review in accordance with the due dates specified in the funding agreements. In the period from January 2023 to June 2024, the Secretary-General accepted 265 operation reports and 269 financial reports submitted by the grantees of “Innovative Programmes” projects via the intermediaries. Audit reviewed the records of submission of these reports by the grantees and the intermediaries (paras. 3.2, 3.3 and 3.8). Audit found that:

- (a) ***Records on report submission dates by grantees were not maintained.*** SIE Fund Task Force Secretariat did not maintain records on the submission dates of all the 265 operation reports and 269 financial reports by the grantees. As a result, it could not be ascertained whether these reports were submitted by the grantees within the specified report submission due dates (para. 3.8(a)); and
- (b) ***Delays in submission of grantees’ operation reports and financial reports together with their assessments by intermediaries.*** According to the intermediary service agreements, the intermediaries are required to submit to the Secretariat the grantees’ operation reports and financial reports together with their assessments within one month after the report submission due dates. Audit found that: (i) of the 265 grantees’ operation reports, there were delays in submission of 130 (49%) grantees’ operation reports together with intermediaries’ assessments by the intermediaries, ranging from 1 to 288 days (averaging 61 days). In particular, for 30 (23%) of the 130 reports, the delays were more than 90 days; and (ii) of

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the 269 grantees' financial reports, there were delays in submission of 131 (49%) grantees' financial reports together with intermediaries' assessments by the intermediaries, ranging from 1 to 373 days (averaging 76 days). In particular, for 37 (28%) of the 131 reports, the delays were more than 90 days (para. 3.8(b)).

10. ***Need to expedite completion of assessments of grantees' operation reports and financial reports for "Innovative Programmes" projects.*** In the period from January 2023 to June 2024, the Secretary-General accepted 265 operation reports and 269 financial reports submitted by the grantees of "Innovative Programmes" projects via the intermediaries. Audit found that: (a) long time had been taken to receive clarifications and finalised reports from the grantees/intermediaries upon receipt of some grantees' reports. For 16 (6%) of the 265 operation reports and 83 (31%) of the 269 financial reports accepted by the Secretary-General, the time taken to receive clarifications and finalised reports from grantees/intermediaries was more than 2 months, ranging from 72 to 529 days (averaging 173 days) for operation reports and 61 to 552 days (averaging 124 days) for financial reports; and (b) the assessments of the grantees' finalised reports from the intermediaries were not completed by SIE Fund Task Force Secretariat within the specified timeframe (i.e. within two months upon receipt of grantees' finalised reports from the intermediaries) for 96 reports. For 22 (8.3%) of 265 operation reports and 74 (27.5%) of 269 financial reports accepted by the Secretary-General, the assessments of the grantees' finalised reports from the intermediaries were not completed by SIE Fund Task Force Secretariat within the specified timeframe (i.e. 60 days). The time taken for completion of assessments upon receipt of grantees' finalised reports from the intermediaries ranged from 62 to 182 days (averaging 86 days) for operation reports and 61 to 281 days (averaging 95 days) for financial reports (paras. 3.12 to 3.14).

11. ***Need to enhance monitoring of submission of operation reports and financial reports by grantees of "Capacity Building" and "Research" projects.*** In the period from 2020 to 2025, 327 reports (comprising 31 operation reports and 31 financial reports for "Capacity Building" projects, and 132 operation reports and 133 financial reports for "Research" projects) of the 60 projects under "Capacity Building" and "Research" approved in the same period were due for submission by the grantees (para. 3.30). Audit found that:

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- (a) ***Records on submission dates of grantees' report were not readily available.*** For 105 (32%) of the 327 reports, SIE Fund Task Force Secretariat did not have readily available information on the dates of submission by grantees. As a result, there was no readily available information to assess whether these reports were submitted by the grantees within the due dates of submission specified in the funding agreements (para. 3.30(a)); and
- (b) ***Delays in submission of operation reports and financial reports by grantees.*** For the remaining 222 reports, Audit found that there were delays in submission for 73 reports: (i) for 10 (36%) of the 28 operation reports and 5 (18%) of the 28 financial reports of “Capacity Building” projects, the delays ranged from 1 to 164 days (averaging 36 days) and 2 to 117 days (averaging 38 days) respectively; and (ii) for 25 (30%) of the 84 operation reports and 33 (40%) of the 82 financial reports of “Research” projects, the delays ranged from 1 to 16 days for the 25 operation reports, and ranged from 1 to 22 days for the 33 financial reports (para. 3.30(b)).
12. ***Need to ensure that project deliverables are submitted by grantees of “Research” projects within stipulated timeframe.*** In the period from 2020 to 2025, 14 project deliverables were due for submission by grantees of “Research” projects. Audit reviewed the records of submission of these project deliverables by the grantees and found that there were delays in submissions of project deliverables by grantees for 12 (86%) of the 14 project deliverables. The delays ranged from 6 to 215 days (averaging 95 days) (para. 3.33).
13. ***Need to closely monitor the progress of implementation of “Smart Silver” Digital Inclusion Programme for Elders (DI Programme) by appointed organisations to ensure achievements of committed targets for key performance indicators (KPIs).*** According to the funding agreements signed between SIE Fund Task Force Secretariat and the appointed organisations of DI Programme, the appointed organisations are required to achieve the targets for each of the KPIs in the 24-month engagement period. The committed targets (which were at least the same or higher than the minimum requirements) had been set out for each appointed organisation for measuring the appointed organisations’ achievements of KPIs. In the period from December 2024 to May 2025, for all the 12 appointed organisations, some committed targets for KPIs were not met: (a) for 1 appointed organisation, the number of elders served fell short of the target by 28%; (b) for all the 12 appointed organisations, the number of help desk sessions held fell short of the targets. The

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shortfalls ranged from 4% to 16%, averaging 11%; and (c) for all the 12 appointed organisations, the number of training activities held fell short of the targets. The shortfalls ranged from 4% to 26%, averaging 12% (paras. 3.45 to 3.47).

14. ***Need to enhance guidelines on conducting site visits at help desks under DI Programme.*** In the period from December 2024 to December 2025, SIE Fund Task Force Secretariat conducted 48 site visits at help desks under DI Programme for monitoring purpose. According to the Secretariat, it has issued a site visit template that serves as a guiding framework for conducting site visits. Audit reviewed the site visit template and the records of the 48 site visits, and found that: (a) there were no guidelines on the frequency of conducting site visits and the criteria for selecting help desks for inspections; and (b) the scope of the site visits varied among the 48 site visits conducted. In 33 (69%) site visits, the site visits covered the help desk sessions only. In the remaining 15 (31%) site visits, both the help desk sessions and training activities were covered (para. 3.56).

Other related issues

15. ***Low attendance of some members at SIE Fund Task Force meetings.*** For the 36 SIE Fund Task Force members who had served the Task Force for at least one complete term at SIE Fund Task Force meetings held in the period from July 2020 to December 2025, Audit found that: (a) 2 members had not attended any of the 8 and 14 SIE Fund Task Force meetings held during their tenures respectively; and (b) the attendance rate of another member at SIE Fund Task Force meetings was low (i.e. 13%) during the tenure (para. 4.3).

16. ***Room for improvement in declarations of interests.*** According to SIE Fund Task Force guidelines, SIE Fund Task Force and the two standing committees adopt a two-tier reporting system on declaring matters which may give rise to a conflict of interest. Audit examination of the first-tier declarations of interests made by SIE Fund Task Force members in the period from July 2020 to December 2025 revealed that: (a) for 13 (87%) of the 15 SIE Fund Task Force members who were first appointed in the period, the requests for making first-tier declarations of interests were sent out by SIE Fund Task Force Secretariat 1 to 12 days after the commencement of the respective terms. The declarations of interests of the 13 members were submitted to the Secretariat 2 to 23 days after the commencement of the respective terms; (b) the request for annual submission of declarations was not

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sent out to Task Force members for the 5th term (i.e. from 1 January 2023 to 30 June 2024). Hence, the annual declarations for the 10 members involved were not submitted; and (c) for the 43 annual declarations of interests requested in the period, 20 (47%) were submitted to the Secretariat 1 to 24 days (averaging 9 days) after the due dates for completion of the annual declarations of interests (paras. 4.7 and 4.8).

17. *Need to ensure that the information in SIE Fund Information System is complete and up-to-date.* SIE Fund Information System was set up in January 2015 to assist SIE Fund Task Force Secretariat in the receipt and assessment of applications, fund disbursements, monitoring of report submissions, and generation of statistical/management reports of projects handled by the intermediaries under “Innovative Programmes”. Audit reviewed the records maintained in SIE Fund Information System as at 31 December 2025 and found that: (a) project information in SIE Fund Information System was incomplete. As at 31 December 2025, there were 638 approved projects handled by the intermediaries under “Innovative Programmes”. However, the information of only 493 projects was maintained in SIE Fund Information System. The records on the submission, assessment and approval of the operation reports and financial reports that were accepted by the Secretary-General after June 2024 had not been updated in the System since the system suspension in June 2024; (b) some information of the projects handled by the intermediaries under “Innovative Programmes” was not available in the System. For example, records on the submission dates of the operation reports and financial reports by the grantees were not maintained in the System, and the log sheets of all the 19 site visits and 14 compliance checks on procurement requirements conducted by the intermediaries in the period from February 2023 to December 2025 had not been uploaded to SIE Fund Information System; and (c) while SIE Fund Information System had been functionally enhanced to take care of records of projects under “Capacity Building” and “Research” in October 2025, data input for past and current project information was in progress (paras. 4.11 and 4.12).

18. *Need to conduct comprehensive review on funding mechanisms and operational approach of SIE Fund.* In 2016 and 2021, SIE Fund Task Force commissioned a tertiary institution in Hong Kong to conduct a longitudinal study to assess the performance of SIE Fund covering the periods from its inception in February 2013 to June 2020 (i.e. the first longitudinal study) and from July 2020 to December 2023 (i.e. the second longitudinal study) respectively. In the second longitudinal study, which has concluded in March 2025, it was said that in light of the findings of the second longitudinal study and the potential expansion of the

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beneficiary base, along with the nature of services offered by funded projects over the past decade, it was an opportune moment for the Fund to conduct a comprehensive review of its funding mechanisms and operational approach. Audit found that as at 31 December 2025, comprehensive review of SIE Fund’s funding mechanisms and operational approach had not been conducted (para. 4.17).

Audit recommendations

19. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Commissioner for Digital Policy should:**

Engagement of intermediaries and processing of applications

- (a) **critically review the practice of providing the score sheets with pre-filled preliminary scores to IAC members for assessment of proposals from proponents for intermediaries under “Innovative Programmes” and take improvement measures where necessary (para. 2.10(a));**
- (b) **take measures to ensure that all score sheets on the proposals from proponents for intermediaries under “Innovative Programmes” are duly completed and returned by IAC members (para. 2.10(b));**
- (c) **in collaboration with the intermediaries, strengthen measures in enhancing applicants’ understanding of the application requirements for applications under “Innovative Programmes” (para. 2.34(a));**
- (d) **take measures to ensure that records on the submission date of JVC’s further assessment results under “Innovative Programmes” are properly kept and JVC’s further assessment results are submitted by the intermediaries to SIE Fund Task Force Secretariat within the specified timeframe (para. 2.34(b));**
- (e) **ascertain the reasons for not obtaining the Secretary-General’s approvals within the indicative timeframe for the majority of applications received by the intermediaries under “Innovative**

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Programmes” and enhance monitoring of application processing to ensure that the indicative timeframes are complied with (para. 2.34(c));

- (f) take measures to ensure that the funding agreements are signed with the successful applicants under “Innovative Programmes” within the indicative timeframes (para. 2.34(e));**
- (g) take measures to ensure that records on the dates of completion of key stages of application processing under “Capacity Building” and “Research” are properly kept and the applications are processed within the specified timeframes (para. 2.48(a));**
- (h) enhance guidelines on the documentation of results of checking on duplicate submissions for applications under “Capacity Building” and “Research” and take measures to ensure that the checking on duplicate submissions is conducted and the results of the checking are documented (para. 2.48(c));**

Monitoring of approved projects

- (i) maintain proper records on the information relating to the submission, assessment and approval of the operation reports and financial reports for “Innovative Programmes” projects, and take measures to ensure that such information is properly maintained in SIE Fund Information System to enhance monitoring of approved projects (para. 3.26(a));**
- (j) take measures to ensure that the records on the submission dates of the operation reports and financial reports by the grantees of “Innovative Programmes” projects are properly kept, and ensure that the operation reports and financial reports are submitted by grantees within the due dates of submission specified in the funding agreements (para. 3.26(b));**
- (k) take measures to ensure that the operation reports and financial reports of grantees of “Innovative Programmes” projects together with intermediaries’ assessments are submitted by the intermediaries within the specified timeframe (para. 3.26(c));**

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- (l) ascertain the reasons for the long time taken to receive clarifications and finalised operation reports and financial reports from grantees/intermediaries upon receipt of some grantees' reports for "Innovative Programmes" projects and take measures to expedite the receipt of clarifications and finalised operation reports and financial reports from grantees/intermediaries for "Innovative Programmes" projects (para. 3.26(d) and (e));
- (m) take measures to ensure that the assessments of the grantees' finalised operation reports and financial reports for "Innovative Programmes" projects are completed by SIE Fund Task Force Secretariat within the specified timeframe upon receipt of finalised reports from the intermediaries (para. 3.26(f));
- (n) take measures to ensure that management information is available for monitoring the submissions of grantees' operation reports and financial reports for "Capacity Building" and "Research" projects (para. 3.42(a));
- (o) enhance monitoring of submission of the operation reports and financial reports by grantees of "Capacity Building" and "Research" projects (para. 3.42(b));
- (p) take measures to ensure that project deliverables are submitted by grantees of "Research" projects within the timeframe stipulated in the funding agreements (para. 3.42(c));
- (q) closely monitor the progress of implementation of DI Programme by appointed organisations to ensure achievements of committed targets for KPIs (para. 3.64(a));
- (r) enhance guidelines on conducting site visits at help desks under DI Programme and ensure compliance with the guidelines on conducting site visits at help desks (para. 3.64(d));

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Other related issues

- (s) **closely monitor the attendance of members at SIE Fund Task Force meetings and take measures to encourage members to attend meetings as far as possible (para. 4.9(a));**
- (t) **issue requests to SIE Fund Task Force members for making first-tier declarations of interests in a timely manner and take measures to ensure that SIE Fund Task Force members make the first-tier declarations of interests in a timely manner (para. 4.9(c) and (d));**
- (u) **take measures to ensure that information maintained in SIE Fund Information System is complete and up-to-date for evaluation and monitoring of SIE Fund (para. 4.13); and**
- (v) **conduct a comprehensive review on SIE Fund to evaluate its funding mechanisms and operational approach, taking into account the audit observations and recommendations in this Audit Report, and closely monitor the implementation progress of the review (para. 4.19).**

Response from the Government

20. The Commissioner for Digital Policy agrees with the audit recommendations.

