FINANCIAL ASSISTANCE SCHEMES FOR POST-SECONDARY AND TERTIARY STUDENTS

Executive Summary

1. The Government's policy on student finance is to ensure that no student is denied access to education due to a lack of means. The Working Family and Student Financial Assistance Agency (WFSFAA) under the Education Bureau administers six financial assistance schemes to provide support to eligible post-secondary and tertiary students. The six financial assistance schemes include three means-tested financial assistance schemes (i.e. Tertiary Student Finance Scheme — Publicly-funded Programmes (TSFS), Financial Assistance Scheme for Post-secondary Students (FASP) and Student Travel Subsidy (STS) for Tertiary or Post-secondary Students) and three non-means-tested loan schemes (i.e. Non-means-tested Loan Scheme for Full-time Tertiary Students (NLSFT), Non-means-tested Loan Scheme for Post-secondary Students (NLSPS) and Extended Non-means-tested Loan Scheme (ENLS)). In the 2025/26 academic year (all years mentioned hereinafter refer to academic years), WFSFAA approved 80,784 applications and provided financial assistance of about $3.5 billion under the six financial assistance schemes. The Audit Commission (Audit) has recently conducted a review of WFSFAA's work in administering the financial assistance schemes for post-secondary and tertiary students.

Processing of applications

2. ***Need to include all processed applications upon receipt of complete supporting documents in calculation of achievement of target processing time for applications.*** Audit examined the supporting documents for the calculation of the achievement of target processing time for applications as reported in WFSFAA's Controlling Officer's Report (COR) and on the performance pledge webpages of WFSFAA's website in the period from 2021/22 to 2024/25 and noted that: (a) for four schemes (i.e. TSFS, FASP, NLSFT and NLSPS), a large number of processed applications with incomplete information upon submission of the application forms (i.e. 82% to 85% of TSFS applications processed, 88% to 90% of FASP applications

processed, 20% to 41% of NLSFT applications processed and 28% to 50% of NLSPS applications processed) were excluded from the calculation of the achievement of target processing time for applications each year in the period; and (b) according to WFSFAA, supplementary information was required for these processed applications with incomplete information upon submission of the application forms and complete supporting documents were subsequently received. However, even after receiving complete supporting documents and processing these applications, WFSFAA still excluded applications with incomplete information upon submission of the application forms from the calculation of the achievement of target processing time for applications (para. 2.6).

3. ***Need to enhance monitoring of the processing time of applications with supplementary information subsequently required.*** For those applications with incomplete information upon submission of the application forms, WFSFAA will require supplementary information from applicants to process the applications. Audit noted that for four financial assistance schemes (i.e. TSFS, FASP, NLSFT and NLSPS), WFSFAA had not maintained the dates of receipt of complete supporting documents on its computer system, namely the Integrated Student Financial Assistance System (ISFAST), for applications with supplementary information subsequently required in the period from 2021/22 to 2025/26. Therefore, WFSFAA could not solely rely on ISFAST but had to rely on offline records to monitor the processing time for those applications with supplementary information subsequently required (i.e. the time taken to obtain complete supporting documents after receipt of applications and the time taken to complete the processing of those applications upon receipt of complete supporting documents). Audit examined the case files of 20 processed applications of the four financial assistance schemes with incomplete information upon submission of the application forms and supplementary information subsequently required in the period from 2021/22 to 2025/26 and found that: (a) for 3 (15%) applications, a long time was taken to obtain complete supporting documents after receipt of applications (i.e. more than 300 days). The time elapsed between the date of receipt of applications and the date of receipt of complete supporting documents ranged from 308 to 403 days (averaging 360 days); and (b) for 5 (25%) applications, target processing time was not met upon receipt of complete supporting documents, with processing time of 71 days for a TSFS application and 118 to 265 days (averaging 194 days) for 4 NLSFT/NLSPS applications (paras. 2.12 and 2.14).

4. ***Need to strengthen measures to minimise the recurrence of processing errors and incorrect assessments of assistance.*** TSFS/FASP applications are subject

to monthly counter-checks before payment of financial assistance. After payment of financial assistance, successful TSFS/FASP applications are subject to year-end counter-checks. Audit examination of the results of the monthly counter-checks for 27,986 TSFS/FASP applications and the year-end counter-checks for 14,225 TSFS/FASP applications in the period from 2021/22 to 2025/26 revealed that: (a) as identified in monthly counter-checks, 151 (0.5%) applications had processing errors and 3 (0.01%) applications had incorrectly assessed amount of assistance; and (b) as identified in year-end counter-checks, 241 (1.7%) applications had processing errors and 16 (0.1%) applications had incorrectly assessed amount of assistance. Of the 392 (151 + 241) applications identified with processing errors in the monthly counter-checks and the year-end counter-checks in the period from 2021/22 to 2025/26: (a) for 114 (29%) applications, there were miscalculations in the family members' income received; and (b) for 101 (26%) applications, there were miscalculations in the bank balance/cash value of insurance. Besides, while WFSFAA had compiled management reports on the results of the year-end counter-checks for each academic year for review by senior management, Audit noted that the management reports on the results of the monthly counter-checks were not compiled for review by senior management (paras. 2.30 to 2.33).

5. ***Need to enhance understanding of the applicants on the family income and assets required to be disclosed in the applications.*** Successful TSFS/FASP applications are subject to authentication. For the period from 2021/22 to 2023/24, 5,125 TSFS/FASP applications were authenticated by home visits and 3,648 TSFS/FASP applications were authenticated by bank searches. In the period from 2021/22 to 2023/24: (a) 525 (10.2%) of 5,125 TSFS/FASP applications had discrepancies identified in authentication by home visits and 313 (8.6%) of 3,648 TSFS/FASP applications had discrepancies identified in authentication by bank searches. The discrepancy rate identified in authentication by home visits in each year ranged from 10.0% to 10.5% and that identified in authentication by bank searches in each year ranged from 7.7% to 9.3%; and (b) the total amount of overpaid financial assistance identified in authentication by home visits was $16.1 million and that identified in authentication by bank searches was $18.9 million. The amount of overpaid financial assistance identified in authentication by home visits in each year ranged from $4.9 million to $6.3 million and that identified in authentication by bank searches in each year ranged from $5.2 million to $7.6 million. According to WFSFAA, most discrepancies identified in home visit exercises were due to omissions of income (e.g. employment income) whereas discrepancies identified in bank search exercises were mainly due to omission of assets (e.g. bank deposits, insurance policies and e-wallet balances) (paras. 2.30, 2.35 and 2.36).

6. ***Need to expedite the reporting of authentication exercises to senior management.*** Audit reviewed the records of the authentication exercises for the period from 2021/22 to 2023/24 and found that a long time was taken to conclude the results and observations of the authentication exercises in the reports to the senior management for review. The management reports were only available about 1.3 years after the end of the respective academic year. For example, for 2023/24, the authentication exercises by bank searches and home visits commenced in July 2023 and in September 2023 respectively, and the results of the authentication were available in December 2025 (i.e. about 1.3 years after the end of 2023/24). As of August 2026, the management reports on the results of the authentication for 2024/25 were being compiled and are expected to be available in the fourth quarter of 2026 (para. 2.38).

7. ***Room for improvement in processing cases of authentication by home visits.*** Audit analysed the records of 5,125 cases of authentication by home visits in the period from 2021/22 to 2023/24 and noted that: (a) for 215 (4%) authentication cases, home visits were not conducted within the specified timeframe (i.e. 2 months from the dates of assignment). The home visits were conducted 1 day to 103 days after the specified timeframe (averaging 15 days); (b) for 1,753 (34%) authentication cases, Investigation Reports were not completed within the specified timeframe (i.e. 3 months from the dates of home visit). The Investigation Reports were completed 1 day to 509 days after the specified timeframe (averaging 39 days); and (c) for 139 (3%) authentication cases, countersigning of the Investigation Reports was not completed within the specified timeframe (i.e. 3 months after receipt of the report). The Investigation Reports were countersigned 1 day to 21 days after the specified timeframe (averaging 5 days) (para. 2.42).

8. ***Need to ensure that the cases of authentication by bank searches are processed within specified timeframe.*** Audit analysed the records of 1,755 cases of authentication by bank searches that required follow-up investigations in the period from 2021/22 to 2023/24 and noted that: (a) for 161 (9%) authentication cases, the time target on completing the Investigation Report within 3 months after the date of assignment was not met. The Investigation Reports were completed 1 day to 328 days after the specified timeframe (averaging 45 days); and (b) for 13 (0.7%) authentication cases, the time target on completing countersigning of the Investigation Report within 3 months after receipt of the report was not met. The Investigation Reports were countersigned 1 day to 121 days after the specified timeframe (averaging 29 days) (para. 2.46).

9. ***Need to expedite the recovery/offsetting of overpayment.*** The total amount of overpaid financial assistance identified in authentication by home visits and bank searches in the period from 2021/22 to 2023/24 was $35 million. Recovery/offsetting of overpayment was required according to WFSFAA's guidelines. Up to September 2026, of the total amount of overpaid financial assistance of $35 million, $32 million (91%) (involving 528 cases) had been recovered/offset or with agreed repayment plans, with the remaining cases filed to the Official Receiver's Office (ORO) or referred to the Department of Justice (DoJ) for recovery actions, or closed as recovery actions were no longer required (e.g. successful appeal cases). Audit analysed the time elapsed between the date of completion of authentication work and the date of recovering/offsetting the overpayment or agreeing the repayment plans for the 528 cases. Audit found that the time elapsed ranged from 8 days to 4 years (averaging 3 months). For 19 (3.6%) cases, a long time was taken (i.e. more than one year) to recover/offset the overpayment or agree the repayment plans (para. 2.50).

10. ***Need to report suspected fraud cases to the Hong Kong Police Force in a timely manner.*** According to WFSFAA's guidelines, for suspected fraud cases identified in authentication, full recovery of financial assistance and referral of case to the Hong Kong Police Force for further investigation will be taken, if necessary. In the period from 2021/22 to 2024/25, 125 cases of suspected fraud were identified in authentication by home visits and bank searches, and WFSFAA reported the suspected fraud cases to the Hong Kong Police Force. Audit analysed the time elapsed between the deadlines of submitting applications for review against rejection (if applications for review against rejection were not submitted) or the date of notification of results of applications for review against rejection (if applications for review against rejection were submitted) and the dates of reporting to the Hong Kong Police Force for 20 cases of suspected fraud in the period from 2021/22 to 2024/25. Audit found that the time elapsed ranged from 17 to 378 days (averaging 64 days). For 2 (10%) cases, a long time was taken (i.e. more than three months) to report the suspected fraud cases to the Hong Kong Police Force (paras. 2.53 and 2.54).

Loan repayment

11. Loan borrowers under the five financial assistance schemes involving loans (i.e. TSFS, FASP, NLSFT, NLSPS and ENLS) are required to repay their loans, which normally commence on 1 December of the year of graduation or when the course has officially ended, until the loan and interest accrued thereon are fully repaid. According to WFSFAA, cases with two or more consecutive overdue quarterly

instalments, or six or more consecutive overdue monthly instalments are regarded as default cases. To alleviate the financial burden of loan borrowers amidst the coronavirus disease (COVID-19) epidemic, the Government provided interest-free deferral of loan repayment arrangement (i.e. "deferral arrangement") for a 5-year period from 1 April 2020 to 31 March 2025 (i.e. the suspension period). Loan borrowers (except those who had chosen to opt out of the deferral arrangement) only resumed loan repayment from 1 April 2025. As at 30 September 2026: (a) the number of cumulative default cases was 9,515; (b) the default rate in terms of number of loan repayment accounts was 4.1%; (c) the amount in default was $131.3 million; (d) the amount of undemanded principal and arrears in defaulted accounts was $695.1 million; and (e) the default rate in terms of loan amount was 4.2% (paras. 3.2 to 3.4).

12. ***Need to strengthen measures to minimise defaulted loans.*** Audit analysed the number of cumulative default cases, the default rates, the amount in default and the amount of undemanded principal and arrears in defaulted accounts for each of the five financial assistance schemes involving loans (i.e. TSFS, FASP, NLSFT, NLSPS and ENLS) as at 31 July 2026. Audit noted that, of the five financial assistance schemes, ENLS had the highest number of cumulative default cases, the largest amount in default and the highest default rates in terms of number of loan repayment accounts and in terms of loan amount, while NLSPS had the largest amount of undemanded principal and arrears in defaulted accounts (para. 3.6).

13. ***Need to expedite actions in initiating legal recovery actions for default cases.*** If both the defaulter and his indemnifier(s) have failed to settle the arrears, displaying an uncooperative or irresponsive attitude, or if attempts to locate the defaulter are in vain, WFSFAA will consider taking legal actions by either referring the case to DoJ (for debt more than $75,000), or filing a claim directly to the Small Claims Tribunal (for debt not more than $75,000) against the defaulter and/or his indemnifier(s) to recover the full amount of the outstanding loan together with interest(s), surcharge/administrative fee (if any) and recovery costs in one lump sum. As at 31 July 2026, there were a total of 10,278 default cases under the five financial assistance schemes involving loans. For 4,598 (45%) of the 10,278 default cases, legal recovery actions had not been initiated or they were not processed under bankruptcy, individual voluntary arrangement and deferment application. WFSFAA compiles ageing analysis to analyse the length of period without receiving positive response from loan borrowers/indemnifiers (including loan repayment or any response to WFSFAA's contact regarding the loans) for the default cases where legal recovery actions have not been initiated against the defaulters/indemnifiers or they

were not processed under bankruptcy, individual voluntary arrangement and deferment application. Audit examined the ageing analysis of the 4,598 default cases where legal recovery actions had not been initiated or they were not processed under bankruptcy, individual voluntary arrangement and deferment application as at 31 July 2026 and noted that for 1,456 (32%) cases, there had been no positive response from loan borrowers/indemnifiers for more than 1 year. For 257 (6%) cases, there had been no positive response from loan borrowers/indemnifiers for more than 5 years (paras. 3.15 and 3.16).

14. ***Room for improvement in referral of default cases to DoJ.*** According to WFSFAA's guidelines, for cases selected for referral to DoJ, depending on the case nature, the time target for a WFSFAA case officer to refer a case to DoJ is 124 to 164 days counting from the date on which the case was assigned to the officer for preparing the required documentation. According to WFSFAA, those cases where legal recovery actions had not commenced would not be referred to DoJ during the 5-year suspension period (i.e. from April 2020 to March 2025). Audit examined 20 cases referred to DoJ in the period from 2021/22 to 2025/26 and noted that a long time was taken to refer the cases to DoJ after the resumption of repayment arrangement in April 2025 for 4 (20%) cases: (a) for 3 cases assigned to the WFSFAA case officers right before the 5-year suspension period (i.e. March 2020), the time elapsed between the date of resumption of repayment arrangement and the date of referring the case to DoJ ranged from 339 to 492 days (averaging 417 days); and (b) for another case assigned to the WFSFAA case officer during the 5-year suspension period (i.e. July 2020), the time elapsed between the date of resumption of repayment arrangement and the date of referring the case to DoJ was 454 days (paras. 3.18 and 3.19).

15. ***Delays in filing proof of debt for bankruptcy cases.*** WFSFAA will be informed of the bankruptcy status of loan borrowers and their indemnifiers through checking bi-weekly gazetted notice of bankruptcy orders from ORO on individuals who have been declared bankrupt in the past two weeks, ad-hoc bankruptcy petitions received from loan borrowers or indemnifiers, or ad-hoc notices or letters from solicitors or nominees, and conducting bankruptcy order search where necessary. According to WFSFAA's guidelines on handling of bankruptcy cases, a proof of debt is expected to be filed to ORO within an estimated timeframe of 74 working days (or 44 working days prior to 21 March 2024) after confirmation of bankruptcy status from ORO through bankruptcy order search with ORO. Audit examined 20 cases involving handling of bankruptcy in the period from 2021/22 to 2025/26 and noted that for 17 (85%) cases, there were delays in filing proof of debt after confirmation

of bankruptcy status from ORO through bankruptcy order search, ranging from 71 to 164 working days (averaging 117 working days) (paras. 3.22 and 3.23).

16. ***Scope for improving the computer system for management of defaulted loans.*** Audit notes that there is scope for improving ISFAST to facilitate management of defaulted loans: (a) ISFAST cannot compile the ageing analysis of the default cases to analyse the length of period without receiving positive response from loan borrowers/indemnifiers for the default cases where legal recovery actions have not been initiated against the defaulters/indemnifiers or they were not processed under bankruptcy, individual voluntary arrangement and deferment application; (b) ISFAST cannot compile analysis of the timeliness of referring cases to DoJ for taking legal recovery actions and the progress of legal recovery actions; and (c) ISFAST does not feature an automated alert function to prompt WFSFAA case officers to take necessary loan recovery actions in a timely manner (para. 3.29).

Other issues

17. ***Need to ensure that responses of the Review Sub-Committee (RSC) members on cases of review against rejection are provided within stipulated deadline.*** Applicants of TSFS and FASP may apply for review against rejection. Under the prevailing processing mechanism, these cases are processed and considered by RSC (including RSC Secretariat) through meetings or circulation of papers. For review cases considered through circulation of papers, RSC members are required to inform WFSFAA of their decisions within the stipulated deadline (usually within 2 to 3 weeks). In the period from 2021/22 to 2025/26, 19 papers (involving a total of 590 cases of review against rejection) were circulated to RSC members for consideration. Audit examined the records of the RSC members' responses to the 19 papers and found that: (a) for 1 (5%) paper, a member did not inform WFSFAA of the decision and 4 other members had delays in informing WFSFAA of their decisions. The delays ranged from 1 to 5 days (averaging 3 days); and (b) for another 17 (90%) papers, 1 to 8 members in each circulation (involving a total of 15 members) had delays in informing WFSFAA of their decisions. The delays ranged from 1 to 41 days (averaging 6 days) (paras. 4.6 and 4.7).

18. ***Need to review the effectiveness of promotional videos.*** Audit examination of the number of views of the 274 promotional videos that had been published on WFSFAA's website and a social media platform in the period from 2021/22 to 2025/26 revealed that 90 (33%) promotional videos recorded number of views of less

than 100, of which the contents were mainly related to the application process. While social media platforms are popular for use by post-secondary and tertiary students, Audit noted that promotional videos had only been disseminated through one social media platform (para. 4.21).

19. ***Need to improve response rate of opinion surveys.*** In order to collect feedback on the application process, applicants for five financial assistance schemes (i.e. TSFS, FASP, NLSFT, NLSPS and ENLS) are invited to complete an online opinion survey upon submission of their applications. Audit analysed the response rates of the opinion surveys for the period from 2021/22 to 2025/26 and found that: (a) the overall response rate ranged from 30% to 42%. For 2024/25 and 2025/26, the response rates for TSFS and FASP were the lowest among the five financial assistance schemes; and (b) the response rates for TSFS and FASP both decreased from 42% for 2021/22 to 28% for 2025/26, while the response rate for ENLS also decreased from 60% for 2021/22 to 51% for 2025/26 (paras. 4.25 and 4.26).

20. ***Room for improvement in the chatbot of WFSFAA.*** In March 2023, WFSFAA launched a chatbot namely "S. Buddy" on its website to provide prompt replies and round-the-clock enquiry services about its financial assistance schemes for the users. Audit noted that: (a) on the starting interface of the chatbot, a list of various financial assistance schemes administered by WFSFAA will be displayed. Upon selecting a scheme, relevant information of the scheme will be shown by the chatbot and free-text input is available for users to raise further enquiries. However, as at July 2026, free-text input was not available on the starting interface and a scheme (i.e. STS for Tertiary or Post-secondary Students) was not included in the list of the schemes shown on the starting interface. Users might have difficulties in raising enquiries related to STS for Tertiary or Post-secondary Students; and (b) there was no evaluation survey for users to rate the chatbot's performance upon closing their chat sessions (paras. 4.34 and 4.36).

Audit recommendations

21. **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 Head, Working Family and Student Financial Assistance Agency should:**

Processing of applications

(a) **include all processed applications for financial assistance schemes upon receipt of complete supporting documents in the calculation of achievement of target processing time for applications as reported in COR and on the performance pledge webpages of WFSFAA's website with a view to holistically reflecting the achievement (para. 2.28(a));**

(b) **maintain the information on the processing of applications (e.g. dates of receipt of complete supporting documents for applications under all financial assistance schemes) on ISFAST and enhance the monitoring of the processing time of applications with supplementary information subsequently required (para. 2.28(c) and (d));**

(c) **take measures to expedite the processing of applications with supplementary information subsequently required and ensure that the target processing time for applications is met upon receipt of complete supporting documents (para. 2.28(e) and (f));**

(d) **strengthen measures to minimise the recurrence of processing errors and incorrect assessments of assistance (para. 2.57(a));**

(e) **compile the management reports on the results of the monthly counter-checks for review by senior management (para. 2.57(b));**

(f) **take measures to enhance the understanding of the applicants on the family income and assets required to be disclosed in the applications to avoid omission/understatement of family income and assets (para. 2.57(c));**

(g) **take measures to expedite the reporting of authentication exercises to the senior management as far as practicable (para. 2.57(d));**

(h) **take measures to ensure that the cases of authentication by home visits are processed within the specified timeframe as far as possible (para. 2.57(e));**

(i) **take measures to ensure that the cases of authentication by bank searches are processed within the specified timeframe as far as possible (para. 2.57(f));**

(j) **expedite the recovery/offsetting of overpaid financial assistance to ensure that such overpayment is recovered/offset in a timely manner (para. 2.57(g));**

(k) **take measures to ensure that suspected fraud cases are reported to the Hong Kong Police Force in a timely manner (para. 2.57(h));**

Loan repayment

(l) **continue to monitor the loan default situation of the five financial assistance schemes and strengthen measures to minimise defaulted loans (para. 3.9);**

(m) **expedite actions in initiating legal recovery actions for default cases to recover the outstanding loans, in particular for those cases without receiving positive response from loan borrowers/indemnifiers for a long time (para. 3.31(b));**

(n) **for cases selected for referral to DoJ, expedite actions in referring cases to DoJ by case officers after case assignment (para. 3.31(c)(i));**

(o) **take measures to ensure that the proof of debt is filed to ORO within the estimated timeframe as far as practicable (para. 3.31(d));**

(p) **explore measures to enhance ISFAST to facilitate management of defaulted loans (para. 3.31(f));**

Other issues

(q) **take measures to ensure that the responses of RSC members on cases of review against rejection are provided within the stipulated deadline with a view to processing the cases in a timely manner (para. 4.9(b));**

(r) **review the effectiveness of the promotional videos and continue to explore the opportunity of disseminating relevant information through more channels (e.g. other social media platforms which are popular for use by post-secondary and tertiary students) (para. 4.23(e));**

(s) **explore measures to further improve the response rates of the opinion surveys (para. 4.32(a)); and**

(t) **consider enhancing the user experience and putting in place appropriate measures (e.g. enhancing the starting interface of the chatbot), and taking appropriate measures (e.g. conducting evaluation surveys) to collect feedback from chatbot users so as to further improve the performance of the chatbot (para. 4.40(a) and (b)).**

Response from the Government

22. The Head, Working Family and Student Financial Assistance Agency agrees with the audit recommendations.