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3 January 2018



Mr Anthony Chu
Clerk
Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee

Consideration of Chapter 7 of the Director of Audit's Report No. 69

Hong Kong Design Institute

Referring to your letter dated 20 December 2017, I attach herewith our reply to your written questions for your perusal. Thank you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carrie Yau', written over a horizontal line.

Carrie Yau
Executive Director
Vocational Training Council

Encl.

c.c. Secretary for Education (fax no. 2810 7235)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
Director of Audit (fax no. 2583 9063)

Part 2: Management of programmes

- 1) With reference to paragraphs 2.3 and 2.4, what measures have VTC and the Hong Kong Design Institute ("HKDI") taken to avoid significant difference between the actual enrolment and the planned enrolment of HKDI's programmes?

Against the backdrop of the overall declined S6 student population from year 2014 to 2017, it is only reasonable to adjust the planned enrolment figure downward accordingly. However, given some programmes were highly popular, the actual enrolment had been unexpectedly outperformed in the last few years, resulting in an over-enrolment.

Having reviewed the over-enrolment in the last three years, VTC and the HKDI have adjusted the planned enrolment figures. These adjustments include the increased planned places for the popular and over-enrolled Higher Diploma programmes and the reduction of the places for the under-enrolled Higher Diploma programmes having regard to resources implications, quality assurance and industry needs. The number of over-enrolled programmes has been reduced and at the same time the difference between the actual enrolment and the planned enrolment of HKDI's programmes has been largely reduced in AY2017/18 (see Appendix 1).

- 2) According to paragraphs 2.9 and 2.10, due to over-enrolment, 55 out of the 59 additional teaching staff posts in HKDI were filled by short contract staff from 2014-2015 to 2016-2017 academic years (all years mentioned hereinafter refer to academic years), which had exceeded the 15% limit on short contract staff issued by the Headquarters' Human Resources Division. Given that many programmes were consistently over-enrolled, why did HKDI not consider hiring additional staff with contract duration of more than one year or with open-ended contract?

For manpower planning purposes, the number of short-term contract posts is set at 15% of the total establishment. Nevertheless, the actual filling of posts by staff on various contract terms is subject to the long term operational needs of the VTC. In VTC, manpower is usually provided on Term post basis for special projects, time-limited initiatives and over-enrolment to allow greater flexibility for annual review and adjustment to changes. Maintaining staffing flexibility is particularly important to enable HKDI to stay current with the needs of industries and identify experts for its teaching workforce.

In view of EDB's projected S6 graduate numbers from year 2018 to 2027 (see Appendix 2), a continual drop of the student population is anticipated until year 2022. This was reflected in the admission exercise in year 2017 with considerable reduction of student number. Indeed, in AY2017/18, some staff contracts have not been renewed owing to the reduced student number. Over-enrolment is only a transient nature amidst the declining student population. Offering longer-term contracts is therefore considered not appropriate given the continuous actual downward trend of student population.

The manpower plan for HKDI in the AY2018/19 has ascertained no more than 15% of the total establishment under short-term contract mode.

- 3) With reference to paragraphs 2.14 and 2.15, can HKDI provide further information on how its planned enrolment numbers of the proposed new programmes were derived in the past three academic years, and how HKDI concluded that there would be no impact of the new programmes on teaching staff resources in its proposals? More importantly, given that the new programme proposals submitted by HKDI lacked critical information on student enrolment numbers and staff resources, how and why did the Design Discipline Academic Committee and the Vocational Education and Training Academic Board endorse and approve the 14 new programmes mentioned in paragraph 2.13 in the period 2012-2013 to 2016-2017?

The new Higher Diploma programmes proposed in the past three academic years include the following:

For launch in AY2015/16

Higher Diploma in Transmedia (planned enrolment: 90)

Higher Diploma in Jewellery and Image Product Design (planned enrolment: 60)

Higher Diploma in Furniture and Lifestyle Product Design (planned enrolment: 60)

Higher Diploma in Stage and Set Design (planned enrolment: 30)

For launch in AY2016/17

Higher Diploma in Fashion Media Design (planned enrolment: 30)

Higher Diploma in Costume Design for Performance (planned enrolment: 30)

Higher Diploma in Fashion Design Menswear (planned enrolment: 30)

Higher Diploma in Jewellery Design and Technology (planned enrolment: 60)

For launch in AY2017/18

Higher Diploma in Visual Design for Journalism (planned enrolment: 30)

In line with the corporate programme planning policy and procedures of the VTC, the Design Discipline's plan for full-time pre-employment programmes is reviewed and updated annually to better respond to the needs and new developments of Hong Kong's economy and students' aspirations. Factors such as manpower demand, changes in market supply, advice from industry, past application / enrolment statistics, progressing rates of existing programmes, and supporting resources are taken into account in the planning process. Under VTC's overall admission plan which has taken into consideration the predicted downward trend of number of secondary school leavers in Hong Kong, the planned enrolment number of each new programme proposed by the Design Discipline for AY2016/17 and AY2017/18 was set at 30 students. The planned enrolment for "Higher Diploma in Jewellery Design and Technology" was set at 60 places as in the previous year given the industry demand of the current year.

The statement about "no significant impact on teaching resources" as mentioned in the Audit Report was mainly found in the Definitive Programme Documents of the transformed or transferred programmes reviewed by the Audit. Out of the five sets of "programme proposals" (definitive programme documents) reviewed by Audit, three of them were programmes transformed from existing programmes ("Higher Diploma in Publication Design and Print Media" from "Higher Diploma in Printing and Publishing", "Higher Diploma in Fashion Design Menswear" from "Higher Diploma in Fashion Design") or transferred from another VTC Discipline ("Higher Diploma in Jewellery Design and Technology" from the Engineering Discipline). For these transformed or transferred programmes, the student places and teaching staff were transferred from the existing programmes or the former Discipline respectively, and hence no significant impact was found on existing resources.

The "definitive programme document" reviewed by the Audit is one of the documents in VTC's Quality Assurance (QA) mechanism guiding programme development. The Design Discipline Academic Committee discussed and considered the development of programmes at different stages,

including the review of the “feasibility study report” for new programmes at the initial programme proposal stage, and the validation report submitted by the programme validation panel after the validation exercise.

Following the QA process, the Design Discipline Academic Committee ultimately endorsed the new/revised programmes considering the recommendation of the Programme Validation Panel in the Programme Validation Reports. The Vocational Education and Training Academic Board (VETAB) discussed further the submitted programmes and approved the overall allocation of student places and resources to Disciplines, and the Disciplines would periodically report the progress of academic development and activities to the VETAB.

- 4) According to paragraph 2.17, the Programme Boards of VTC have to obtain information on the industry manpower demand from outside channels for programmes not covered by the manpower surveys of the Training Boards of VTC. Has VTC assessed whether such third-party information is useful in determining manpower demand in these industries?

Manpower surveys of the following VTC Training Boards have covered the industries relevant to the majority of the Design Discipline’s programmes:

- Fashion and Textile Training Board
- Jewellery, Watch and Clock Training Board
- Media and Communications Training Board
- Print Media and Publishing Training Board
- Building, Civil Engineering and Built Environment Training Board
- Beauty Care and Hairdressing Training Board

The Design Discipline and its Programme Boards exercise due diligence to obtain relevant information published by external trade or design bodies and the government statistics, and through consultation with the advisory boards served by industry members such as the Design Discipline Advisory Board (DEDAB) and the Design Institute Advisory Board (DIAB). Such information is found useful as industry practitioners who sit on these bodies/boards have provided the most up-to-date market information.

- 5) According to paragraph 2.21(b), VTC will consider the need for conducting a manpower survey on the design industry. What is the result of VTC's consideration? Does VTC have a plan to conduct such survey?

We shall review the merit as well as the usefulness of information of manpower surveys provided by the existing training boards, external trades or design bodies in considering the need for VTC to conduct a manpower survey on the design industry according to paragraph 2.21(b).

- 6) According to paragraph 2.41(a), VTC will consider monitoring the completion rate of HKDI's Higher Diploma programmes. What is the result of VTC's consideration? Does VTC agree that the programme completion rate and the module retention rate measure different aspects of the programmes and it is important for VTC to monitor the programme completion rate in addition to the module retention rate?

While the retention rate and the completion rate measure different aspects of the programmes, the programmes of HKDI/IVE are so designed with a module accumulation structure. Hence the rationale of calculating the retention rate on a module basis is practical and applicable. Consistent with the strategy of “multiple-entry” and “multiple-exit” of Vocational and Professional Education and Training, VTC has been mindful in designing a performance indicator measuring the proportion of students completing their studies.

- 7) According to paragraph 2.41(b), VTC will ascertain the reasons for low completion rates of some programmes (in particular Higher Diploma in Architectural Design and Landscape Architecture), and identify areas for improvement. What is the progress of the review and has VTC ascertained the reasons for low completion rates and areas for improvement?

In respect of Appendix F in Audit Report concerning the low completion rate of the graduates of HD in Architectural Design and HD in Landscape Architecture, the main reason is that the curricula of the two programmes consist of a number of core modules with prerequisites requiring the students to pass specific modules before starting those core modules. Also, other programmes offered by HKDI often require students to satisfy the skill building sequence according to their industry nature. Such curricular design aims to train up each student to join the industry workplace with stronger confidence and readiness upon graduation, but such industry simulated training approach becomes quite a challenge for some of the pre-employed youths who are not familiar with the workplace setting. As a result, some students of Architecture, Interior and Product Design may take more than 2 years to complete their study programme (while the Audit analysis shows a completion rate at the end of the second year study). We would set up a task force to further assist students and enhance the authentic workplace training.

- 8) With reference to paragraph 2.28, has VTC/HKDI investigated into the reasons behind the failure of HKDI to meet the target employment rate? If so, what is the result of the investigation? With reference to paragraph 2.41(c), what kind of measures is VTC considering to improve the employment rate? In addition, please provide the employment rates of the other 12 member institutions for the past five years for the sake of comparison with the employment rate of HKDI.

The fluctuation of employment rates for some programmes is due to the changing industry environments. For instance, upheavals in the television industry in recent years, including the closure of TV and broadcast stations, might have affected the job hunting pace of the Higher Diploma in Film and Television graduates of 2015 (showing an employment rate of 77.4%). With the increasing demand of the industry in late 2016, the employment rate of the Higher Diploma in Film and Television graduates of 2016 returned to 90.4% at the time of the survey. On the other hand, the recruitment for fashion or product designers might have also been cut back around 2015 and 2016 due to the global economic downturn leading to shrinking exports and retail trade of Hong Kong. The employment rate of HKDI by programmes for graduates of 2014-2016 is set out in Appendix 3.

From the above findings, the industry environment, different job natures in the design industry, and the characteristics and aspirations of the design graduates are among the factors affecting the surveyed results. VTC and the Disciplines are regularly reviewing and updating the match of the graduates' attributes and the industry's manpower needs through the QA mechanisms, such as the Programme Quality Analysis Reports, the programme revalidation cycle, and consultation with the industry through various channels including the discipline/institute advisory boards and the industry training boards.

VTC is also reviewing with the Statistics Section and the Programme Teams to more closely track the employment situation of the Design graduates. The Statistics Section is considering ways to improve the response rate from Design graduates in the Graduate Employment Survey so as to reflect a more holistic picture. The Programme Teams are working on ways for the timely sharing of job opportunities with graduates to help accelerating their rate of taking up employment.

The employment rates of HKDI and the other member institutions from AY2011/12 to AY2015/16 are listed in Appendix 4 as requested.

Part 3: Campus development and management

- 9) According to paragraphs 3.16 and 3.17, in the funding application submitted to FC on 22 June 2007, VTC submitted the project cost estimate of \$992.8 million based on the reinforced concrete ("RC") Scheme to the Architectural Services Department for vetting in March and April 2007. However, the modified Hybrid Scheme had been adopted in the Client Consultants Group meeting on 30 April 2007, and the project consultant revised the project cost estimate from \$992.8 million to \$1,064.1 million on 15 June 2007 based on the modified Hybrid Scheme. Why had VTC not submitted the revised project cost estimate to the Architectural Services Department and not revised the project cost estimate in the funding application submitted to FC on 22 June 2007?

The submission to PWSC/FC was prepared before the modified Hybrid Scheme was adopted since such consideration required further deliberation. Therefore, the revised estimate of the scheme has not been incorporated into the project cost estimate in the final submission made to FC in June 2007.

- 10) According to paragraph 3.23, since April 2007, the modified Hybrid Scheme had been adopted and the RC Scheme had been considered only as a fall-back option. Why had the Steering Committee for the TKL Campus development project not been informed that the RC Scheme was only a fall-back option before the Steering Committee recommended to pursue the RC Scheme at the meeting held in January 2008 (paragraph 3.22)?

As pointed out in paragraph 3.33 (a) which stated that "At its meeting on 26 October 2007, the Steering Committee noted that the cost estimates could well exceed the LegCo approved budget by over \$100 million and asked that alternative scheme be explored. The Consultant Team has put forward a more economical alternative which would use reinforced concrete (RC) for the 4 towers and the sky platform, but which would be bulky in outlook.", the Steering Committee under VTC Council was aware of the RC Scheme as a fall back option.

- 11) According to paragraph 3.33(c), the Executive Director, VTC has said that measures will be taken to ensure thorough discussion on scheme adoption for Government subvented projects. What measures have been taken or will be taken?

The VTC has, since 2014, provided to the Estates Committee under VTC Council details of project information, and up-to date cost estimates to the ArchSD for comments in seeking funding from the FC. Measures will be taken i.e. alternative development schemes will be presented to relevant Committees, and the final scheme to be adopted will be discussed with ArchSD before implementation.

- 12) According to paragraph 3.30, the Audit Commission ("Audit") reviewed the meeting records (from July 2007 to June 2008) of the Council, Standing Committee, Estates Committee and Steering Committee of VTC, and noted that no reporting of outturn income and expenditure for the TKL Campus development project had been made at the meetings of Council/Committees. Is there currently any policy on preparing and safekeeping these meeting records, including how long the records will be held, in order to ensure that discussion and decisions on changes to the construction of future works will be documented? If yes, what are the reasons that reporting could not found in the meeting records?

During the period from July 2007 to June 2008, the progress of the HKDI project and breakdown of its up-to-date (pre-tender) cost estimates against the FC approved budget were presented to the Steering Committee in Oct 2007, and there were various Committee papers seeking Council's and Committees' approval on award of tenders and expenditure of the project. Final accounts of the construction contracts were also submitted to ArchSD and they had no adverse technical comments.

Since the inception of VTC in year 1982, it is VTC's policy to keep all Council and Committees meeting records.

- 13) According to paragraph 3.39, the auditorium of HKDI was closed for about a quarter to a third of a year due to maintenance and was used by external parties for 2 to 10 days per year. Will HKDI follow through with the Audit recommendations in paragraphs 3.53(c) and 3.53(d)?

HKDI will explore possible measures to shorten the maintenance period of the auditorium with due consideration of the safety issues. For the renovation works of the auditorium, contractors will be asked to propose ways in minimizing the maintenance time.

HKDI will follow through the audit recommendation in paragraph 3.53(c) and 3.53(d) with best endeavour.

- 14) According to paragraph 3.50, VTC has appointed a consultant on the issue of management of lifts and escalators in HKDI, and the consultant is preparing recommendations and a study report. When will the recommendations and report be published?

VTC regularly met with the Consultant who briefed VTC on its work and findings in the meetings. The Consultant submitted an interim report on its findings in August 2017 and agreed to submit a final report with its recommendations to the VTC in the first quarter of 2018.

Part 4: Administrative issues

- 15) According to paragraph 4.6, amongst the 810 inventory items found missing in annual stocktaking exercises, 623 (77%) were computer equipment of which, 127 were desktop or notebook computers and 209 were portable storage devices. However, there was no documentary evidence showing that HKDI had taken remedial steps as stipulated in the VTC guidance note on data breach incident handling and notifications to contain the harm or damage that might cause to the data subjects. Why has HKDI not taken these remedial steps? What measures has HKDI taken to ensure that the abovesaid guidance note will be complied with in future?

All VTC staff are reminded, on a regular basis, of the Guidance on Data Breach Handling and Information Security Handling. So far, no data breach incident of HKDI has been identified. Campus Secretariat/DILWL has sent a reminder to all DILWL staff on 9 October 2017 again to alert all staff of the VTC guidelines on data security and protection. The relevant circulars would be re-circulated to all DILWL staff every 6 months.

- 16) According to paragraph 4.11(a), HKDI will review and take more rigorous effort to enhance its procedures, controls and documentation in inventory management in response to irregularities as revealed in paragraphs 4.4 to 4.6: stocktaking had not been conducted for three financial years, the long time required to complete some stocktaking exercises, and some inventory items were found missing in the three annual stocktaking exercises. What is the result of the review?

Since the release of the Audit Report, Finance & Supplies Division at VTCHQs has been undertaking the review of the stocktaking guidelines. While awaiting recommendations from Finance & Supplies Division, HKDI has shared the audit findings and recommendations with all its Heads of Departments in November 2017. HKDI will take corresponding follow up action upon review of the guidelines and draw up improvement measures as necessary. It is targeted that the recommendations and specific measures be drawn up in the first quarter of 2018.

- 17) According to paragraph 4.27, the Corporate Environmental Office of the VTC Headquarters will propose ways to enhance environmental awareness among staff and students; the Estates, Health and Safety Division has also devised an implementation plan to enhance the overall energy performance in the campus. What measures have been taken to enhance environmental awareness among staff and students? What are included in the implementation plan to enhance the overall energy performance in the campus?

The following measures have been taken to enhance environmental awareness among staff and students in the HKDI:

- a) activities organized by VTC Corporate Environmental Office for VTC staff to enhance their environmental awareness include talk, seminar, workshop, visit, guided tour, etc.
- b) mass emails have been sent to all VTC staff promoting behaviour on mitigating emission of greenhouse gases, energy saving.

- c) environmental guidelines have been promulgated for staff including Guidelines of good practices of saving electricity and water use and Guidelines of greening measures to be taken in organizing events and meetings.
- d) sticker labels of “Please switch off before you leave” and “離開前請關掉電源” have been distributed to campuses for posting (a total of ~7000 labels distributed in March 2017).
- e) a set of 3 posters of “慳啲啦” series of posters (on reducing consumption of electricity, water and paper) was printed and distributed to campuses for posting in December 2017.
- f) a set of public notices on environmental behaviours (on conserving water, electricity and paper, and waste reduction and recycling) was distributed for campuses’ use in March 2017.
- g) participation of student environmental ambassadors in volunteer service of community environmental events.
- h) VTC’s headquarters has been promoting environmental programmes, charters and award schemes to campuses and facilitating their participation.

As regards the implementation plan to enhance the overall energy performance in the campus, the following measures have been adopted:

- a) replace downlight, fluorescent lamps and flood light by energy efficient LED lamps.
- b) replace split type air conditioners by inverter types to save energy.
- c) raise temperature set points of air conditioning systems in summer months.
- d) exercise stringent control of switching off electrical services, equipment and appliance during non-operating hours.
- e) adjust temperature settings of chiller plants to cope with the cooling load.

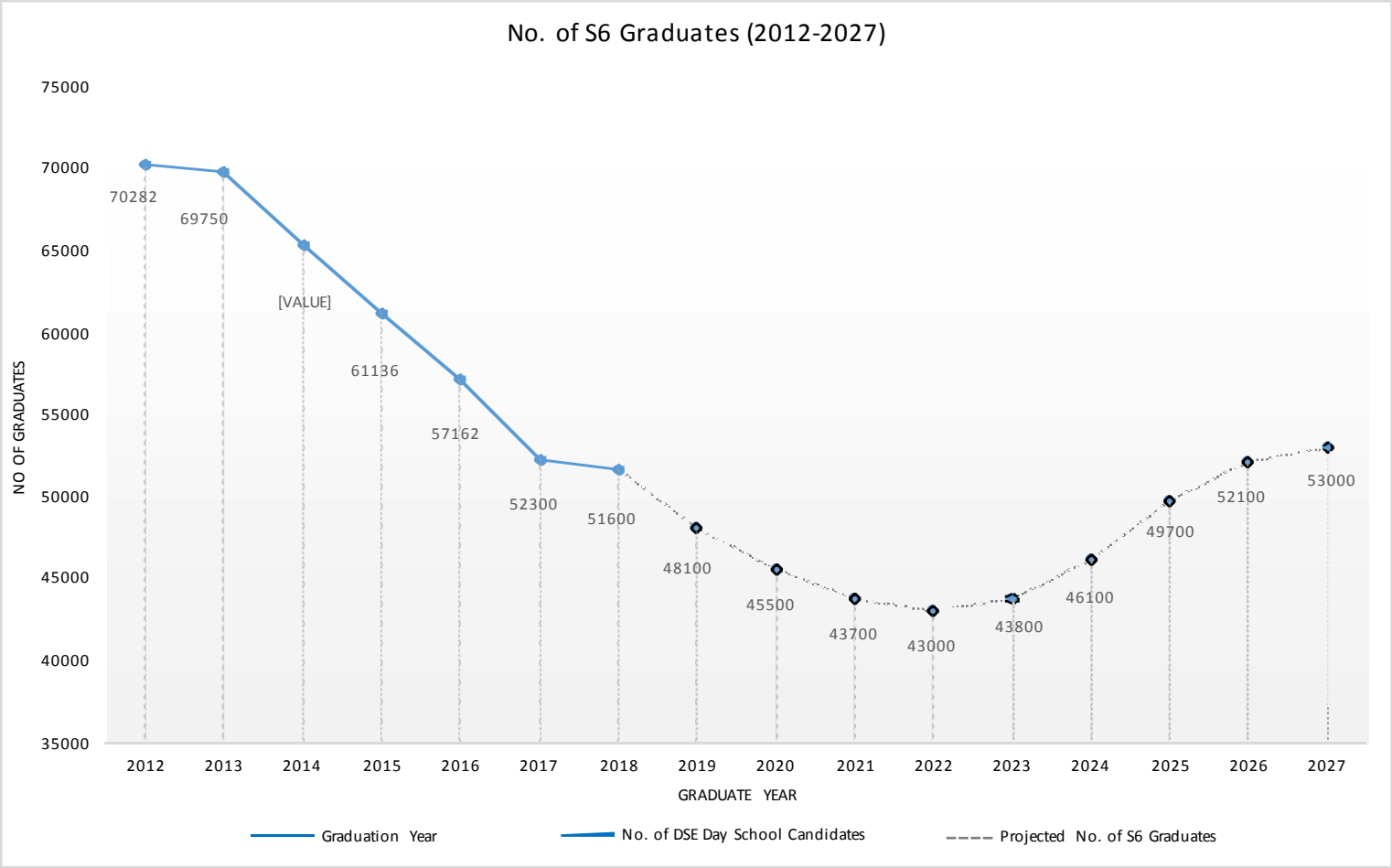
Appendix 1

Over-enrolment of Year 1 new students Hong Kong Design Institute (2014/15 to 2017/18)

Year	No. of programmes offered	No. of programmes with over- enrolment	All programmes			Over-enrolled programmes		
			Planned enrolment	Actual enrolment	Over- enrolment	Planned enrolment	Actual enrolment	Over- enrolment
2014/15	13	12	2,190	2,795	605 (27.6%)	2,040	2,648	608 (29.8%)
2015/16	17	13	2,220	2,804	584 (26.3%)	1,710	2,382	672 (39.3%)
2016/17	21	13	2,265	2,729	464 (20.5%)	1,530	2,143	613 (40.1%)
2017/18	22	9	2,070	2,209	139 (6.7%)	1,110	1,506	396 (35.7%)

Appendix 2

Graduation Year	No. of S6 Graduates ^(Note)
2012	70282
2013	69750
2014	65270
2015	61136
2016	57162
2017	52300
2018	51600
2019	48100
2020	45500
2021	43700
2022	43000
2023	43800
2024	46100
2025	49700
2026	52100
2027	53000



Notes:

1. 2012 - 2017 figures refer to the actual no. of HKDSE Day School Candidate (source from HKEAA)
2. 2018 - 2027 figures refer to the projected no. of S6 graduates (source from EDB Sep 2016)

Appendix 3

Employment Rate of HKDI by programmes (Graduates of 2014 - 2016)

Dept		Programme Title	Employment Rate			Remarks
			Graduates of			
		2014	2015	2016		
Product and Interior Design ^(Note)	HD in Architectural Design	n/a	100%	100%	All graduates of 2014 pursued further study	
	HD in Furniture and Lifestyle Product Design				commenced in AY2015/16	
	HD in Jewellery and Image Product Design				commenced in AY2015/16	
	HD in Landscape Architecture	83%	88%	100%		
	HD in Stage and Set Design				commenced in AY2015/16	
	HD in Interior Design	100%	83%	88%		
	HD in Product Design	91%	70%	82%		
	HD in Exhibition Design	90%	90%	85%		
	HD in Jewellery Design and Technology				operated by Design Discipline since AY2016/17	
Communication Design and Digital Media	HD in Advertising Design	79%	89%	91%		
	HD in Creative Media	82%	86%	78%		
	HD in Digital Music and Media	84%	85%	86%		
	HD in Film and Television	96%	77%	90%		
	HD in Printing and Publishing	78%	86%		discontinued in AY2014/15	
	HD in Publication Design and Print Media			95%	commenced in AY2014/15	
	HD in Transmedia				commenced in AY2015/16	
	HD in Visual Communication	96%	87%	90%		
Design Foundation Studies	HD in Visual Arts and Culture	73%	67%	75%		
	HD in Visual Design for Journalism				commenced in AY2017/18	
Fashion and Image Design	HD in Fashion Branding and Buying			90%	commenced in AY2014/15	
	HD in Fashion Design	79%	75%	80%		
	HD in Fashion Image Design	61%	90%	83%		
	HD in International Fashion Business	84%	82%		discontinued in AY2014/15	
	HD in Fashion Media Design				commenced in AY2016/17	
	HD in Costume Design for Performance				commenced in AY2016/17	
	HD in Fashion Design Menswear				commenced in AY2016/17	
Overall		84%	84%	86%		
Target of VTC		90%				

Note: The Department of PID was renamed the Department of Architecture, Interior and Product Design with effect from 2017/18.

Appendix 4

Employment Rate of VTC by Institutes from AY 2011/12 to AY 2015/16

Full-time programmes

Institutes	Employment rate				
	AY 2011/12	AY 2012/13	AY 2013/14	AY 2014/15	AY 2015/16
Hong Kong Design Institute (HKDI)	88%	87%	83%	84%	86%
Technological and Higher Education Institute of Hong Kong (THEi)					95%
School for Higher and Professional Education (SHAPE)	87%	89%	89%	87%	89%
Hong Kong Institute of Vocational Education (IVE)	90%	91%	90%	90%	91%
Hotel and Tourism Institute (HTI)^	95%	96%	93%	94%	89%
Chinese Culinary Institute (CCI)^	97%	98%	96%	96%	94%
International Culinary Institute (ICI)^				100%	90%
Maritime Services Training Institute (MSTI)^	98%	92%	91%	98%	93%
Youth College (YC)	94%	89%	90%	88%	88%

Notes :

(1) Employment rate is not available in the following institutes :

- Institute of Professional Education and Knowledge (PEAK)
- Pro-Act by VTC
- Integrated Vocational Development Centre (IVDC)
- Shine Skills Centre

(2) Employment rate = No. of employed graduates / (No. of employed graduates + No. of graduates seeking job)

(3) ^ Include all full-time pre-employment programmes with job placement services

(4) No graduate of THEi from AY2011/12 to AY2014/15

(5) No graduate of ICI from AY2011/12 to AY2013/14

Source : Statistics Section

Date : 27 December 2017