

政府總部  
勞工及福利局

香港添馬添美道  
政府總部



LABOUR AND WELFARE BUREAU  
GOVERNMENT SECRETARIAT

Central Government Offices  
Tim Mei Avenue  
Tamar, Hong Kong

本函檔號 Our Ref.: LWB CR 4/5110/07 Pt.14

來函檔號 Your Ref.: CB4/PAC/R73

電話號碼 Tel. No.: 2810 3931

傳真號碼 Fax No.: 2524 7635

14 January 2020

Mr Anthony CHU  
Clerk to the Legislative Council Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Mr CHU,

Regarding your letters dated 18 December 2019 addressed separately to the Secretary for Labour and Welfare and the Director of Social Welfare concerning Chapter 10 of the Director of Audit's Report No. 73 on Child Development Fund (CDF), replies by the Labour and Welfare Bureau (LWB) and the Social Welfare Department (SWD) are at Annex.

Yours sincerely,

(signed)

( Andrew Tsang )  
for Secretary for Labour and Welfare

c.c. Director of Social Welfare (Attn.: Mrs. KWOK LI Mung-ye, Helen)  
Secretary for Financial Services and the Treasury - fax. no.: 2147 5239  
Director of Audit - fax. no.: 2583 9063

Questions concerning Report No. 73 of the Director of Audit  
Chapter 10 – Child Development Fund

**(I) Labour and Welfare Bureau (LWB)’s reply**

**Question 1:** According to paragraph 2.5, the Child Development Fund (CDF) would be fully implemented by batches in 3 to 5 years. Paragraph 2.6 mentioned that 8 years had elapsed since the first batch of CDF projects was launched in 2009 which did not appear to tally with the envisaged time frame of fully implementing the CDF in 3 to 5 years. Table 5 also mentioned that, in March 2019, LWB provided an update on the estimated number of participants in the CDF. Accordingly, the total number of participants funded by the financial commitment of \$900 million was estimated to be 30 000. However, as at June 2019, the accumulated number of CDF project participants was only 18 140 (i.e. projects had yet to be launched for 11 860 children).

- (a) After 8 years, the actual number of children having benefitted from the CDF only reached 60% of the target. The progress was very slow. Can LWB provide a reasonable explanation?
- (b) What practical measures will be taken by LWB to expedite the progress of projects?

**Answer 1:** When proposing to the Legislative Council (LegCo) in 2008 to create a new commitment of \$300 million for establishing the CDF, providing an additional funding provision of \$300 million for the CDF in 2015-16, and announcing the injection of an additional \$300 million into the CDF in 2018-19, the Government provided the number of beneficiaries for each funding provision and the implementation progress of CDF projects on each occasion. The numbers of beneficiaries mentioned were the rough estimates then. According to the current estimation, the total funding provision of \$900 million is expected to benefit about 30 000 children. Regarding the implementation schedule, before the latest injection of \$300 million into the

CDF in 2018-19, the CDF had in fact already allocated \$541 million (i.e. 90.2% of the funding provision of first \$600 million). We will continue to utilise the remaining provision to launch more CDF projects to benefit more children. In taking forward the projects, the Government must ensure that the objectives of the CDF are met. Among these, the mentorship programme is an important component of the CDF. We must ensure that the non-governmental organisations (NGOs)/schools can recruit a sufficient number of quality and committed mentors to join the projects.

To expedite the progress of implementation of CDF projects, the Government had adopted the following practical measures in the past few years:

- (1) We have since 2015 adopted a “one-plus-one approach” in awarding CDF projects to NGOs, allowing each selected NGO to be awarded two projects in one go (i.e. the first project and the subsequent second project), so that an NGO with performance in its first project satisfactory to the Government can proceed to implement the second project soonest possible.
- (2) Apart from CDF projects run by NGOs, we have rolled out CDF projects through a school-based approach since the 2013/14 academic year to strengthen the community’s capacity in supporting CDF projects and extend the reach of CDF projects, with a view to benefitting more underprivileged children. The responses on school-based projects met our expectations, especially in making good use of the school network to recruit participants and mentors.

On the premise of ensuring the policy objectives of the CDF are met, the Government will continue to enhance the implementation of the CDF, taking into consideration the practical experiences and capacity of the operators, etc.

**Question 2:** As mentioned in paragraph 2.9, the Audit Commission (Audit) considered that, to improve public accountability, LWB needs to keep the LegCo updated on relevant information about the implementation of the CDF and about the progress of launch of projects. According to the LegCo papers, from 2015 to 2018, when LWB briefed LegCo members on its policy initiatives of the Policy Address, there was only one paragraph mentioning the continued implementation of CDF without detailed updates and review on the implementation of projects.

**Will LWB submit a detailed report to LegCo each year later on, including: (a) the annual expenditure of the CDF; (b) the approved funding amount for and operating performance of each non-governmental organisation ("NGO") operator, including the number of children benefitted, effectiveness of the activities, and financial reports; (c) whether the operator can meet the agreed standards; and (d) the measures to be taken by the Government for addressing the operators' failure to meet the agreed standards?**

**Answer 2:** Since the inception of the CDF, from time to time, the LWB has provided to the LegCo the latest information and progress of implementation of the CDF. When the LWB briefs the LegCo Panel on Welfare Services on its policy initiatives in the Policy Address in future, apart from continuing to provide basic information concerning the CDF (e.g. the timeframe for launching projects, the latest number of children who have benefitted from CDF projects, etc.), we will also provide information on the expenditure of the CDF and the operators' overall performance and compliance with project requirements, etc.

**Question 3:** In 2008, the Government commissioned the Department of Applied Social Sciences of the Hong Kong Polytechnic University to conduct an evaluation study on the CDF's pioneer projects, which lasted for 42 months from December 2008 to June 2012. The consulting team conducted five rounds of survey, three rounds of focus group discussion, and collected process data from each NGO operator of the pioneer projects regularly.

**However, no further assessment has been conducted since then. Does the LWB have any plan to commission an external professional organisation to conduct a second detailed assessment for CDF projects and prepare a review report?**

**Answer 3:** From time to time, the LWB has commissioned consultancy studies on the CDF. In 2008 to 2012, LWB commissioned the Hong Kong Polytechnic University to conduct a longitudinal study on the first batch of CDF projects. Apart from this study mentioned in the question, LWB commissioned the University of Hong Kong in 2015 to conduct a consultancy study to assess the long-term impact on participants who had completed CDF projects. LWB has recently commissioned the Hong Kong Polytechnic University in 2018 to conduct a further study to keep track of CDF participants and the comparison group of non-CDF-participants who took part in the aforementioned study. This further study is near completion and the final report is expected to be ready by March 2020.

In summary, the results of the above studies had reaffirmed that the three key components (i.e. personal development plan, mentorship programme and targeted savings) contributed to the objectives of the CDF and had a positive impact on the future development of CDF participants, including: the participants who had completed CDF projects had greater motivation and interest in learning, higher academic expectations, greater self-confidence, and enhanced communication skills; they also considered that they had received higher levels of social support; and had a more positive orientation for their future. Furthermore, the study results had revealed that CDF projects helped the children participants enhance their ability to manage resources, develop persistent savings habits, and formulate a vision for their future.

**Question 4:** **As mentioned in Case 2 of paragraph 4.8, at a meeting held in December 2018, the Steering Committee on the Child Development Fund (SCCDF) discussed the criteria for inclusion as strategic partners and the nomination of 4 organisations (including Organisation X) as strategic**

partners. A total of 13 committee members (including Member A) attended the meeting. According to the information published on the website of Organisation X, Member A was a committee member of Organisation X. Upon enquiry, LWB informed the Audit that Member A had declared her affiliation with Organisation X at the beginning of the meeting, but Member A's declaration of potential conflicts of interest had not been recorded in the minutes of meeting.

- (a) Why was Member A's declaration not recorded in the minutes of meeting? How did LWB know that Member A made a declaration at the beginning of the meeting? Please set out how the Government has handled Case 2, including whether the officer responsible for taking the minutes of meeting has been penalised;
- (b) Has the Government investigated whether there are other potential declaration of interest cases similar to Case 2?;
- (c) Will the Government review the the system for making declaration of interest for all members of SCCDF and Vetting Committee, including adding a form of declaration of interest, listing out in details the official positions held by each member and whether they have held position in any non-governmental organisations?

**Answer 4:**

Regarding the discussion of the criteria for inclusion as strategic partners at the SCCDF meeting held in December 2018, the criteria concerned were to encourage organisations to become strategic partners of the CDF, actively support the work of the CDF and be committed to continue make contribution in the following year. This matter involved no monetary benefit. Every SCCDF meeting is attended by representatives of the LWB and the SWD. Having regard to the concern raised by the Audit on the record of declaration of interest of one of the non-official members, for future SCCDF meetings, we will remind the responsible note-taker of the meeting to duly record members' declarations made at meetings in the minutes of meetings.

The SCCDF has all along adopted the “one-tier reporting system” as stipulated in a memorandum “Advisory and Statutory Bodies - Declaration of Interests” issued by the Secretary for Home Affairs, i.e. when an SCCDF member perceives a potential conflict of interest in a matter placed before the committee, he/she should make a full disclosure of his/her interest. LWB will review the system for making declaration of interest for the SCCDF from time to time in accordance with the aforesaid memorandum to ensure that the system matches the needs of the SCCDF.

As regards the system for making declaration of interest for the Vetting Committee, all members of the Vetting Committee are government officers who should declare their actual or potential conflicts of interest (if any) in accordance with the established mechanism, which included using a specified form to declare their connection (if any) with the applicant organisations for confirmation by the Chairperson of the Vetting Committee that all members had completed the procedures of declaration of interests and whether any member should withdraw from the meeting before proceeding on vetting the service proposals.

**Question 5:** As mentioned in paragraph 4.29, set up in 2008 and having a total financial commitment of \$900 million, the CDF is expected to benefit 30 000 underprivileged children through its projects, promoting their longer-term development with the ultimate aim of alleviating inter-generational poverty. Will LWB set a concrete timetable and implement specific policies for the ultimate aim of alleviating inter-generational poverty?

**Answer 5:** Inter-generational poverty is a complicated social issue. Alleviation of poverty for different groups involves the work areas of various bureaux and departments. Among these, the objectives of the CDF are to provide support for participating children from a disadvantaged background to widen their horizons, enhance their exposure, help them develop a saving habit and encourage them to plan for the future, and providing these children with more personal development opportunities. Through formulating and implementing personal development plans, the CDF assists

these children to develop positive attitudes, raise their personal capacity and resilience, etc. To sum up, CDF projects aim to lay good foundations for their future growth and development, with the hope of helping them move out of their family poverty situation in the long run.

According to the abovementioned further study which is near completion, in summary, the study result had reaffirmed the contribution of the three key components of CDF projects to the objectives of the CDF in helping the children participants enhance their ability to manage resources, develop persistent savings habits, and formulate a vision for their future. Furthermore, the study result had demonstrated that operators, participants, their parents and mentors consider that CDF had a positive impact on the future development of CDF participants, including raising their abilities to manage resources and plan for the future, widening their personal networks, developing persistent saving habits, greater self-confidence, and enhanced communication skills, etc. These attributes are beneficial to the healthy growth and future career development of CDF participants and will help them move out of their family poverty situation.

## **(II) Social Welfare Department (SWD)'s reply**

**Question 6:** As mentioned in paragraphs 2.25 and 2.26, the demand for CDF projects by districts was approximated by the number of children (aged 10 to 16) living on Comprehensive Social Security Assistance (CSSA) Scheme over the territory. However, the Audit noted that the above methodology did not take into account the number of other underprivileged children who were not living on CSSA. Examples of such other children include those whose household income was less than 75% of the median monthly domestic household income.

**Will the SWD review the methodology used in the launch of CDF projects, including proactively reaching out to children from families with household income less than 75% of the median monthly domestic household income, so that more children in need of assistance can benefit?**



**Answer 6:** SWD has accepted the Audit recommendations to make reference to the relevant figures relating to children with low income background (i.e. the number of children aged 10 to 16 whose household income is less than 75% of the relevant median monthly domestic household income) from the Census and Statistics Department before inviting a new batch of NGOs to operate CDF projects. The SWD will also consider several other factors, including the number of children aged 10 to 16 from families receiving CSSA or of low-income by district, the size of the geographical areas and the actual situation of previous recruitment of participants by project operators in various districts, in order to more accurately assess the demand for the CDF and to set more suitable district quotas for NGO-run CDF projects.

NGOs and schools have all along applied for funding from the CDF to operate their projects. They set up mechanisms and adopted different strategies and methods to recruit participants prior to project launch, including proactive reach-out to underprivileged children to recruit them to participate in CDF projects. Where necessary, SWD's district social welfare offices will assist operators to promote their projects to recruit more children in need.

**Question 7:** As mentioned in paragraph 3.25, the Audit analysed the timeliness of submission of audited financial reports for 83 completed CDF projects. Audit noted that, as at 31 July 2019, of the 295 reports required to be submitted, 247 (84%) reports had been overdue, with delays ranging from 1 to 1 092 days (averaging 229 days). As mentioned in paragraph 3.26, of the 30 delayed submissions in the 10 completed projects examined by Audit, written reminders were not issued in 24 (80%) cases.

- (a) Please provide the number of written reminders issued to these 247 overdue reports and explain in detail the reasons why written reminders were not issued to all operators with delayed submissions.
- (b) Has SWD taken any follow-up actions or even imposed penalties on operators with delayed submissions? If so, what are the details? If not, is SWD condoning delayed submissions?

**(c) Will SWD prohibit operators with delayed submissions from applying for the CDF and operating projects in future?**

**Answer 7:** Through telephone and/or email contact, SWD has been issuing operators with advance and post-deadline reminders urging them to submit audited financial reports (AFRs). This notwithstanding, operators have often been late in completing their submissions, mainly because their submitted reports did not comply with the stipulated requirements. SWD had to ask operators repeatedly for clarification, amendment or re-submission of the unclear or inaccurate parts in the reports.

SWD understands that improvement should be made in the follow-up of AFR submissions, and has implemented a series of measures, including issuing reminders since June 2019 to agency heads or even chairpersons of the boards of directors of the operators with regard to their overdue AFRs. SWD is conducting an internal review on the improvement measures and is preparing a draft for an enhanced mechanism. SWD believes that the enhanced mechanism can improve the situation of operators' delayed submission of AFRs.

Despite late AFR submissions by some operators, considering their overall satisfactory performance in services, SWD considers that at this stage a proactive and positive approach should be adopted, including understanding the difficulties encountered and common mistakes made by operators in preparing financial reports, so as to offer more relevant guidance and assistance. For instance, SWD issued financial guidelines and template on 31 December 2019 for operators' reference. For individual operators that still cannot comply with the stipulated requirements or continue to put up a poor service performance, SWD will not rule out consideration of imposition of more stringent monitoring measures.

**Question 8:** **According to paragraph 3.31, of the 10 completed projects examined by Audit, 6 had surplus funds, which had not been clawed back promptly by SWD. As at**

31 July 2019, of the 6 projects, only 2 projects had the surplus funds clawed back. As mentioned in paragraph 3.30, AFRs are passed to its Finance Branch for review and vetting according to SWD's practices. Consequent upon the review and vetting, SWD's CDF Office will issue letters to the CDF operators demanding refund of any surplus funds (hereinafter referred to as demand notes). According to the service agreements, operators shall return all the surplus funds to the Government within 14 days from the date of the demand note issued by the Government.

- (a) Please set out the details of all projects with surplus funds, and the surplus amount of each since the launch of CDF. Has SWD issued demand notes in respect of each of the above projects and requested the operators to return all surplus funds to the Government within 14 days? If not, please specify the reason(s) why demand notes were not issued in respect of each of the projects.
- (b) Please set out the details of the projects which had not returned their surplus funds within 14 days from the issuance of demand notes, the number of operators involved, and the amount involved. With respect to these operators who had not returned their surplus funds within 14 days, has SWD demanded the return of funds by other means, including legal action?
- (c) Will SWD prohibit operators who had delayed the return of surplus funds from applying for future CDF projects? If so, please provide the details of the operators which have been penalised. If not, is SWD condoning delayed return of funds?

**Answer 8:**

As at 24 December 2019, of the 105 completed projects, SWD has vetted the financial reports of 94 projects (90%), among which 51 projects (54%) should refund surplus funds (see Appendix for details of each batch), with an average surplus of around HK\$94,000 to be refunded per project. SWD has issued notifications of refund to all operators that are required to return surplus funds, and has clawed back surplus funds of 49 projects (around 96%). According to records, operators on average returned surplus funds within

25 days from the issuance of notifications of refund. As regards the two projects that have yet to return surplus funds, SWD is following up actively, and expects that the respective surpluses will be clawed back within January 2020.

On the return of surplus funds, SWD considers that at this stage a proactive and positive approach should be adopted, including understanding the difficulties encountered by operators in returning the surplus funds, and providing flexible measures to assist operators with actual difficulties (such as administrative procedures) in returning surplus funds (such as exercising discretion on reasonable grounds to extend the deadline for returning the surplus funds), and at the same time offering recommendations for improvement. For individual operators that still cannot comply with the stipulated requirements or continue to put up a poor service performance, SWD will not rule out consideration of imposition of more stringent monitoring measures.

**Question 9:** **As stated in paragraph 4.29, the CDF was set up in 2008 with a total financial commitment of \$900 million. It is expected to benefit 30 000 underprivileged children through its projects, promoting their longer-term development with the ultimate aim of alleviating inter-generational poverty. Has the SWD followed up regularly on whether the families having completed the projects have their living standards improved and inter-generational poverty alleviated?**

**Answer 9:** As mentioned in LWB's reply to question 3, LWB commissioned various consultants to conduct study on the effectiveness of various stages of the CDF, including the impact on future development of participants. SWD has all along been involved in the monitoring of each consultancy study in the context of the SCCDF. Therefore, SWD does not plan to conduct separate studies on the participants who had completed CDF projects.

**Clawing back of surplus funds from 51 projects  
(As at 24 December 2019)**

Batch	Number of completed projects	Number of projects with surpluses	Number of projects with surpluses clawed back
<b>NGO-run projects</b>			
1	7	3	3
2	15	10	10
3	18	12	12
4	21	9	9
5	27	8	7
Subtotal	88	42	41
<b>School-based projects</b>			
1	7	5	4
2	10	4	4
Subtotal	17	9	8
Total	105 <sup>Note</sup>	51	49

Note: SWD has vetted the financial reports of 94 projects (90%).