

*Child Development Fund*

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The Audit Commission ("Audit") conducted a review of the Child Development Fund ("CDF").

2. Hon SHIU Ka-fai declared that he was unremunerated honorary adviser or honorary member to some non-governmental organizations or trade associations.

3. The Administration established CDF in April 2008 with an initial allocation of \$300 million. CDF seeks to: (a) support the longer-term development of children from a disadvantaged background; (b) encourage these children to plan for the future and cultivate positive attitudes; (c) provide them with more personal development opportunities; and (d) help them to formulate and implement personal development plans ("PDPs"), develop an asset-building habit, and accumulate financial as well as non-financial assets. The financial commitment on CDF was further increased in 2015 and 2018 by \$300 million each. The Administration expected CDF to benefit some 30 000 children with total financial commitment of \$900 million. Non-governmental organizations and schools could apply for funding to operate CDF projects. Children participating in projects are those aged between 10 and 16, coming from a disadvantaged background, and not having participated in CDF projects before. One of the key components of CDF projects was the targeted savings programme, under which each participant was required to set a savings target and accumulate savings for realizing his/her PDP. Project operators were provided with funding provisions on a per-participant basis.

4. The management of CDF involved four parties, namely: (a) Labour and Welfare Bureau ("LWB") which is the policy bureau for CDF; (b) Steering Committee on CDF ("SCCDF") which steers the design, and oversees and monitors the implementation of CDF; (c) Vetting Committee which assesses the quality aspects of applications for CDF projects; and (d) Social Welfare Department ("SWD") which assists LWB in the day-to-day administration and monitoring of projects.

5. The Committee noted the following findings from the Director of Audit's Report:

Planning the launch of projects and commissioning project operators

- according to the information provided to the Legislative Council ("LegCo") in 2008 and 2009, it was envisaged that at least

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13 600 children would benefit from the first financial commitment of \$300 million in three to five years. However, the actual time frame to complete the first batch of CDF projects was eight years, which was longer than the envisaged time frame;

- LWB did not inform LegCo after the estimated total number of participants of CDF was updated to 30 000 in March 2019;
- in the seven years from 2013 to 2019, no non-governmental organization-run projects were launched in 2013 and 2016. The lapse of time between the launch of a batch of non-governmental organization-run projects and the launch of an ensuing batch varied, ranging from 18 to 21 months;
- the methodology of setting of district quotas did not take into account the number of other children who, while not living on Comprehensive Social Security Assistance, were having a disadvantaged background and eligible to join CDF projects. Audit further noted that the number of such other children would be considerable in the order of 150 000;

Implementation of projects

- Audit noted six incidents of non-compliance with requirements on insurance and procurement in the 10 projects examined. SWD did not identify the non-compliance during site visits for four of the six incidents;
- for projects launched from 2018 onwards, operators were required to use 60% of training provisions for participants directly. However, no guidelines had been issued by SWD setting out other principles of using training provisions e.g. on the types and costs of programmes, for operators;
- of the 295 reports required to be submitted as at 31 July 2019, 247 (84%) had been overdue, with delays ranging from 1 to 1 092 days;

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- for the 10 projects examined, surplus funds had not been clawed back promptly.<sup>1</sup> Considerable time (e.g. 956 days for a project) had been taken to complete the review of the audited financial reports;
- for 83 completed projects, of the 895 output/outcome indicators stipulated in their service agreements, the agreed standards had not been attained for 136 (15%) indicators. SWD's follow-up actions were less than satisfactory;

Governance and other administrative matters

- for monitoring CDF, a range of information (e.g. statistics on output/outcome indicators) was provided to SCCDF. Less information was provided to SCCDF as more batches of projects were implemented;
- there was a case where an SCCDF member's declaration of interests had not been recorded in the minutes of meeting as required. Records did not show that LWB had reviewed, from time to time, SCCDF's system for declaration of interests having regard to the memorandum issued by Secretary for Home Affairs in 2005;<sup>2</sup>
- publicity and promotion efforts were inadequate to increase the awareness of CDF projects in schools and among school teachers. Teachers and principals had not been reached out via related bodies such as associations of teachers;
- in 2015, LWB informed the LegCo Panel on Welfare Services that it would step up efforts in arranging value-added activities. However, Audit noted that, from 2014 to 2018, the total number of value-added activities had dropped from its peak of 38 in 2016 to 31 in 2018 (18%). The total number of participants had also dropped from 2 602 in 2017 to 1 973 in 2018 (24%); and

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<sup>1</sup> As at 31 July 2019, of the six projects with surplus funds, only two projects had the surplus funds clawed back, while the clawing back for four projects was yet to be done.

<sup>2</sup> Secretary for Home Affairs issued a memorandum in 2005, entitled "Advisory and Statutory Bodies — Declaration of Interests". By the memorandum, bureaux and departments are reminded to review from time to time the system for declaration of interests for the advisory and statutory bodies under their purview, so as to ensure that the system matches the needs of the body concerned.

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- taking into account the experience gained over the years in implementing CDF projects, it was worth for LWB to re-examine some parameters of CDF in view of the results of the "Further Study on the Long Term Development of CDF Project Participants" and consider the way forward for CDF.

6. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding planning the launch of projects and commissioning project operators, implementation of projects and governance and other administrative issues. The consolidated replies from **Secretary for Labour and Welfare** and **Director of Social Welfare** are in *Appendix 42*.

7. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.