

Ref : F/820/25

4 January 2023

Clerk to Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Ms Shirley Chan)

Dear Ms Chan,

**Public Accounts Committee
Chapter 4 of the Director of Audit's Report No. 78
Technology Voucher Programme**

Thank you for your letter of 21 December 2022. Our response to the issues raised is submitted at Annex for the Public Accounts Committee's consideration.

Yours sincerely,



(Ms Rebecca Pun)

Commissioner for Innovation and Technology

c.c. Secretary for Innovation, Technology and Industry
Secretary for Financial Services and the Treasury
Director of Audit
Executive Director, Hong Kong Productivity Council

Part 2: Processing of Applications

- 1 According to paragraphs 2.9 to 2.10 of the Director of Audit's Report No. 78 (Audit Report), from 2017 to 2021, the lead time between receipt of TVP application and completion of vetting and assessment was quite long, and increased from 3.4 months in 2017 to close to 12 months in 2021. Separately, the Audit Commission examined 25 applications received between April 2020 and June 2021, and noted that relevant case officers sought clarifications from the applicants on issues such as insufficient documents around 6 months after the receipt of applications on average. In this regard, please advise –
- (a) whether the Innovation and Technology Commission (ITC) understands the reasons of the abovementioned lead time required;
 - (b) does ITC have any proposal to enhance and expedite the process; and
 - (c) whether ITC is aware of situations where case officers were alleged to find faults with the choice of words rather than real problems in the application when seeking clarifications from applicants, and whether ITC has any proposal for improvement?

- A: (a) The Innovation and Technology Commission (ITC) introduced a series of enhancement measures to the Technology Voucher Programme (TVP) in April 2020. Since then, the number of TVP applications increased almost three times from 2 302 in 2019 to 6 310 in 2020 and 5 672 in 2021, which far exceeded ITC's processing capacity. Coupled with the adverse impact brought by the COVID-19 pandemic on normal operation, there was a sizable backlog of TVP applications pending processing between 2020 and 2021. Case officers were hence not able to seek early clarifications from the applicants on issues such as insufficient supporting documents in order to further process the applications.
- (b) To expedite the processing of applications, ITC, after reporting to the Legislative Council in April 2021, appointed the Hong Kong Productivity Council (HKPC) as the implementation partner of TVP in June 2021 and served as the Secretariat of TVP. ITC aims to utilise HKPC's existing and subsequently increased manpower resources as well as its experience to increase the processing capacity in handling applications.

With the concerted efforts of ITC and HKPC, all applications received by end-2021 have been vetted by end-April 2022 and submitted to the TVP Committee for assessment.

For applications submitted from January to September 2022, HKPC sought supplementary information from applicants on issues such as insufficient supporting documents around 23 days on average from the day of receiving the applications. As of end-November 2022, HKPC has completed the vetting of all applications received on or before end-July 2022, and the applications have been submitted to the TVP Committee for assessment.

In 2022, HKPC vetted 12 136 applications (including applications which were subsequently withdrawn or ineligible), out of which 10 680 were supported by the TVP Committee and subsequently approved by Commissioner for Innovation and Technology. Compared with 1 536 and 3 787 applications approved in 2020 and 2021 respectively, there is a significant increase in the processing capacity.

- (c) Upon receipt of applications, the Secretariat checks the eligibility of applicants and conducts preliminary vetting. The Secretariat may ask applicants to clarify or provide supplementary information as necessary. This ensures the accuracy and completeness of the applications being assessed by the TVP Committee, allows the TVP Committee to have a thorough and complete assessment of applications including details of projects and expenditures, and facilitates the smooth assessment process. When seeking clarifications from the applicants, the Secretariat provides the name and direct phone number of the case officer. The applicant can approach the case officer direct in case of any doubt regarding the clarification sought by the Secretariat.

Part 3: Monitoring of Projects

- 2 According paragraphs 3.26 to 3.27 of the Audit Report, from 2018-19 to 2020-21, only five projects were selected in each financial year for the post-disbursement site visits (a total of 15 projects), and all of them were conducted more than one year after the completion of the projects. The Audit Commission recommended that ITC increases the number of projects selected for post-disbursement site visits and

ensures that post-disbursement site visits are conducted in a timely manner. In this regard, please advise –

- (a) whether ITC has set a reasonable percentage for post-disbursement site visits;
- (b) whether ITC would consider alternative modes of assessment (such as requesting applicants to submit videos and explain the status of equipment and hardware procured under the funding) to replace physical site visits which were unable to be conducted; and
- (c) whether ITC would obtain detailed understanding on project deliverables and gather information from applicants before conducting site visits, with a view to improving efficiency so that more site visits could be conducted?

- A: (a) As part of the final report vetting process (i.e. completed project), ITC and HKPC arrange visits to premises of selected applicants before final fund disbursements. The target percentage is 10% of projects with final project reports accepted by the TVP Committee. After the COVID-19 pandemic has gradually stabilised since mid-2022, ITC and HKPC have resumed on-site visits. In 2022, ITC and HKPC conducted a total of 188 pre-disbursement site visits (i.e. over 9%) and the target of 10% would be achieved in future.

In addition, after the final fund disbursements, ITC selects projects on a random basis to verify compliance with TVP requirements after project completion. ITC is conducting a review of the mechanism, with a view to increasing the frequency of the visits and setting a reasonable percentage for post-disbursement site visits, so that the visits will be conducted in a more timely manner.

- (b) As pre-disbursement physical inspection was not feasible due to the COVID-19 pandemic, ITC has introduced remote site visits since May 2022. By way of video conference, the applicant is requested to showcase the software/hardware procured under the project and their model numbers and serial numbers, originals of relevant documents (such as payment invoices and receipts), and the operation of the project deliverable system. This arrangement has also been adopted in post-disbursement site visits since May 2022.

Under the situation where the COVID-19 pandemic comes under control, if an applicant requests a site visit conducted remotely via video, ITC and HKPC will consider the circumstances of each request (such as the complexity of the project and the reason the

applicant cannot accommodate physical inspection) and exercise discretion as appropriate.

- (c) When processing final project reports, ITC and HKPC request applicants to provide evidence of deliverables (e.g. delivery receipts, screen captures of software systems, photos of equipment/hardware, records of training conducted such as photos and training materials etc.) as well as payment invoices and corresponding receipts for each expenditure item. ITC and HKPC review the aforementioned information before conducting site visits, and specify the scope of visits when informing applicants of the site visit arrangements so as to increase efficiency of the visits.