

Continuing Education Fund

A. Introduction

The Audit Commission (“Audit”) conducted a review of the Continuing Education Fund (“CEF”). CEF was launched on 1 June 2002. It aims to subsidize adults with learning aspirations to pursue continuing education and training, with a view to facilitating Hong Kong’s transition to a knowledge-based economy having regard to an increasingly globalized economy.

2. Hon SHIU Ka-fai declared that he served as unremunerated honorary advisers/members upon the invitation from some non-governmental organizations or trade associations, which might have provided CEF courses. Hon LUK Chung-hung declared that he was a member of the Hong Kong Federation of Trade Unions, which had organized CEF courses. Hon Louis LOONG Hon-biu declared that he was a member of the Executive Committee of the Hong Kong Family Welfare Society, which might have provided CEF courses. Hon YUNG Hoi-yan and Hon Edmund WONG Chun-sek declared that they had received fees reimbursement under CEF.

Background

3. The Labour and Welfare Bureau (“LWB”) is responsible for overseeing the operation of CEF. The Head, Working Family and Student Financial Assistance Agency (“WFSFAA”) is the controlling officer of CEF. The Office of the Continuing Education Fund (“OCEF”) of WFSFAA is responsible for the administration of CEF. The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (“HKCAAVQ”) provides advisory service on the implementation of CEF, including conducting assessments of applications for CEF course registrations, renewals and amendments, and monitoring the quality of reimbursable courses. In the period from the launch of CEF on 1 June 2002 to 31 May 2022, WFSFAA approved 721 209 reimbursement claims and disbursed \$5.24 billion.¹

4. The total funding provision for CEF approved by the Finance Committee of the Legislative Council was \$16.2 billion, comprising the initial injection of \$5 billion in 2002 and the subsequent injections of \$1.2 billion and \$10 billion in 2009 and 2018

¹ Eligible claimants may submit an unlimited number of claims for reimbursement of course fees up to a maximum sum of \$25,000.

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respectively. Up to 31 May 2022, CEF's accumulated expenditure amounted to \$5.52 billion² and the balance of the total funding provision was \$10.68 billion.

5. The Committee held two public hearings on 6 and 12 December 2022 to receive evidence. Opening statement made by **Mr Chris SUN Yuk-han, Secretary for Labour and Welfare**, at the first public hearing is in *Appendix 7*.

Operation of CEF

6. Noting from paragraph 1.5 of the of the Director of Audit's Report No. 79 ("the Audit Report") that in the period from the launch of CEF on 1 June 2002 to 31 May 2022, WFSFAA approved 721 209 reimbursement claims and disbursed \$5.24 billion, the Committee enquired about the mechanism put in place by LWB to evaluate the extent to which CEF had achieved its objectives. **Secretary for Labour and Welfare** and **Mr Stanley WAN Ching-yu, Principal Assistant Secretary for Labour and Welfare (Manpower)** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that since the establishment of CEF, consultants had been engaged to conduct review and user survey every several years on the operation of CEF. The Consultancy Study completed in September 2017 and the findings of a user survey of over 2 000 participants showed that CEF had largely achieved its intended objectives. The Study revealed that more than 80% of respondents who had claimed CEF subsidies agreed that CEF courses had helped enhance their knowledge and skills. In addition, most of the respondents considered that CEF courses could assist them in preparing for employment.

7. Referring to paragraph 1.12 of the Audit Report about the advisory role of HKCAAVQ with LWB in the implementation of CEF, the Committee questioned whether the current working relationship between LWB and HKCAAVQ was likely to lead to role ambiguity or unclear delineation of powers and responsibilities. **Secretary for Labour and Welfare** and **Principal Assistant Secretary for Labour and Welfare (Manpower)** responded at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 3 January 2023 (*Appendix 8*) that LWB and HKCAAVQ had clear roles and responsibilities under CEF all along. HKCAAVQ's responsibilities as a service provider were set out in the service agreement signed between LWB and HKCAAVQ.

² The accumulated expenditure comprised \$5.24 billion disbursed to eligible claimants and administrative costs of \$0.28 billion.

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8. In response to the Committee's enquiry about the procedures and timeline for considering and signing the service agreement with HKCAAVQ, **Principal Assistant Secretary for Labour and Welfare (Manpower)** and **Mr Albert CHOW, Executive Director, HKCAAVQ** advised at the public hearing, and **Secretary for Labour and Welfare** elaborated in his letter dated 3 January 2023 (*Appendix 8*) that in general, HKCAAVQ would submit to LWB a draft service agreement before the start of a financial year, providing the estimated numbers of various applications for CEF course registration, the required working hours, the hourly rate and the amount of estimated budgetary fee. After examining the actual number of applications received and work progress in the first three quarters, HKCAAVQ would submit to LWB an updated report providing more accurate estimates for the whole year. Before the end of the financial year, HKCAAVQ would conclude the final service fees with LWB and sign the service agreement. HKCAAVQ had submitted the draft agreement for 2022-2023 to LWB in April 2022, and the work progress during the first three quarters of 2022-2023 was being reviewed.

B. Monitoring of reimbursable courses and course providers

9. With reference to paragraphs 2.4 to 2.7 of the Audit Report, the Committee asked about the improvement measures to be taken by LWB and HKCAAVQ to shorten the processing time of applications for CEF course registration, for renewal of registration and for amendment of registration, as well as measures to facilitate the course providers in submitting all required information/documents for their applications. The Committee further asked whether LWB would consider employing information technology to enhance its monitoring over the work of HKCAAVQ in this aspect, for example, developing a common online platform to track the progress of each application.

10. **Principal Assistant Secretary for Labour and Welfare (Manpower)** and **Executive Director, HKCAAVQ** advised at the public hearing, and **Secretary for Labour and Welfare** elaborated in his letter dated 3 January 2023 (*Appendix 8*) that LWB would strengthen the monitoring and documentation of the time required for each procedure involved in the application for CEF course registration, and at the same time would require HKCAAVQ to perform its gate-keeping role by confirming as early as possible if the application materials submitted by course providers met the requirements. If information and/or documents were found missing in the application, LWB or HKCAAVQ would inform course providers as soon as possible, and would set a deadline for submission of supplementary documents while maintaining close communication with course providers to expedite the processing of applications. Currently, course providers

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could also make use of HKCAAVQ's e-Portal platform to submit completed application forms and supporting documents. LWB had requested access to HKCAAVQ's e-Portal for real-time monitoring of the processing progress of the submitted applications for course registration.

11. With reference to paragraph 2.9(a) of the Audit Report, the Committee enquired about the follow-up actions taken by LWB/WFSFAA for the late submission of the 39 applications for renewal of CEF course registration, the measures to be taken by LWB/WFSFAA to address the late submission of renewal applications by course providers, and whether there were students affected by the non-renewal of registration of a CEF course after the expiry of its registration.

12. **Principal Assistant Secretary for Labour and Welfare (Manpower)** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that:

- though the 39 renewal applications were not submitted four months before the expiry of the validity period, they were all submitted before the registered expiry dates and hence these applications were not regarded as late submission;
- WFSFAA would issue letters to remind CEF course providers the requirements and deadline for submitting applications for course renewal and registration in the Qualifications Register (“QR”); and
- according to the record, no learners' applications for reimbursement claims had been found to be affected by CEF courses that had expired and failed to be renewed for registration in time. To strengthen the safeguarding of learners' interests, the CEF Authority would consider introducing penalty clauses under CEF terms and conditions to take appropriate regulatory actions against late submission of applications for renewal.

13. Referring to paragraphs 2.11 and 2.12(a) of the Audit Report about courses without valid QR registrations found on the reimbursable course list on the CEF website, the Committee asked whether a control system was in place to regularly sample check the validity of QR registration and whether a punishment mechanism was formulated to deal with course providers who failed to notify LWB of courses with QR registrations terminated. **Secretary for Labour and Welfare** and

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Principal Assistant Secretary for Labour and Welfare (Manpower) advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that LWB had commenced conducting regular sample checks on CEF courses on the reimbursable course list, examining and verifying the validity of the registration of specific number of courses on QR every time. In case of invalid registration of relevant CEF course on QR, LWB would promptly update the validity period of the CEF course concerned and remove courses with invalid QR registration from the CEF website. If the course provider had repeatedly failed to submit renewal application before the stipulated deadline, the CEF Authority would take appropriate regulatory actions depending on the situation, including issuance of warning letter and awarding of penalty points, etc.

14. According to paragraph 2.14 of the Audit Report, LWB anticipated in April 2018 that the number of courses eligible for registration under CEF would increase to at least 11 800. However, the Committee noted from paragraph 2.15 of the Audit Report that there were only 7 298 registered reimbursable courses as at 1 July 2022. The number might even decrease substantially after 31 March 2023 because CEF course registrations of 3 174 (43%) courses that were not registered in QR would expire on 31 March 2023 and the number of newly registered courses decreased by 84% from 2 225 in 2019-2020 to 360 in 2021-2022. Furthermore, up to 30 June 2022, no applications for registration of online courses had been received. The Committee sought the reasons for the significant decrease in the number of newly registered courses between 2019-2020 and 2021-2022, and the proactive measures to be taken by LWB to enhance both the quality and quantity of CEF courses to ensure diversified choices available for learners.

15. **Secretary for Labour and Welfare, Principal Assistant Secretary for Labour and Welfare (Manpower)** and **Executive Director, HKCAAVQ** explained at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 10 January 2023 (*Appendix 9*) that CEF launched a series of enhancement measures in April 2019 to motivate residents to pursue continuing education, including the doubling of subsidy ceiling to \$20,000 per person. Course providers had proactively submitted applications for CEF course registration in response to the market demand after the implementation of the enhancement measures. As a result, the number of newly registered courses increased significantly by 2 225 in the first year (i.e. 2019-2020) followed by a slower rise in the subsequent two years. The CEF Authority would continue to encourage existing course providers and potential newcomers to develop new courses to meet the latest market trends in professions and skills, and proactively provide assistance to their applications for new course registrations, with a view to increasing the number of registered courses.

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Besides, the enhancement measures implemented from 1 August 2022 (including a further increase of the subsidy ceiling to \$25,000 per person) would attract more course providers to register their courses under CEF.

16. Referring to paragraph 2.21 of the Audit Report about post-registration inspections conducted by WFSFAA and HKCAAVQ, the Committee asked how bogus classes and bogus students could be detected during surprise inspections conducted by WFSFAA, and whether consideration could be given to joint inspection organized by both WFSFAA and HKCAAVQ to enhance the efficiency, effectiveness and value for money of the operation. The Committee sought the respective numbers of cases of bogus classes and bogus students detected by WFSFAA and overlapping cases of surprise inspection where courses were inspected by both WFSFAA and HKCAAVQ from 2017-2018 to 2021-2022.

17. **Secretary for Labour and Welfare, Principal Assistant Secretary for Labour and Welfare (Manpower), Mr Andrew TSANG Yue-tung, Head, WFSFAA and Mr Sunny YEUNG Pa-wut, Controller, Student Finance Office, WFSFAA** explained at the public hearing, and **Head, WFSFAA and Secretary for Labour and Welfare** elaborated in their letters dated 2 December 2022 (*Appendix 10*) and 3 January 2023 (*Appendix 8*) respectively that:

- CEF course providers were required to provide their class schedules to WFSFAA before the beginning of every quarter, and update WFSFAA of any subsequent changes. Based on the latest class schedules received, WFSFAA would conduct surprise class inspections without giving prior notice to the course providers. During the inspection, WFSFAA's inspectors would verify the attendance register on the spot against the actual number of learners observed in the classroom, the environment of the classroom, teaching content, and the interaction between the instructors and the learners. Course providers would be required to clarify or provide explanations on any doubtful issues observed;
- while no bogus class or bogus student was detected during the 560 surprise inspections conducted by WFSFAA from 2017-2018 to 2021-2022, other irregularities were observed in 189 of these surprise inspections. Depending on the severity of such irregularities, 164 reminders and 18 warnings were issued accordingly; and

- inspections by WFSFAA and HKCAAVQ were of different purposes and required different professional capabilities by the inspectors. HKCAAVQ's inspections assessed the quality of course delivery while WFSFAA's inspections mainly authenticated reimbursement claims and detected bogus classes and bogus students. If there were reports or complaints against course provider(s) and/or CEF course(s), LWB would coordinate WFSFAA and HKCAAVQ to conduct joint inspections subject to the circumstances and staffing, as well as taking into account factors, such as resource implications and cost-effectiveness, etc., to conduct timely review and increase the number of joint inspections. LWB would discuss with WFSFAA and HKCAAVQ in the coming year to conduct joint inspections on a trial basis to assess the effectiveness of joint inspections. The numbers of overlapping cases of surprise inspections where a course inspected by both WFSFAA and HKCAAVQ within one month ranged from 9 to 14 between 2017-2018 and 2021-2022.

18. The Committee noted from paragraphs 2.22 and 2.23 of the Audit Report that the annual target number of post-registration inspections on CEF course providers conducted by WFSFAA had remained unchanged at 252 since 2009-2010, and such annual target number consisted of both scheduled inspections and surprise inspections (i.e. the more scheduled inspections needed to be conducted, the fewer surprise inspections would be conducted by WFSFAA to meet the target of 252). The Committee asked why the annual target number of inspections of 252 had not been adjusted upwards correspondingly with the significant increase in the number of reimbursement claims approved in the past five financial years as shown in Table 1 in paragraph 1.5 of the Audit Report,³ and whether LWB agreed that the arrangement of combining the numbers of the above two types of inspections into one single annual target number of inspections was undesirable.

19. **Head, WFSFAA** explained at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that the annual target number of inspections of 252 conducted by WFSFAA was set in 2009-2010 when the number of reimbursement claims received in the year before 2009-2010 was around 57 800. Since then, the number of claims received had dropped continually while the annual target number of inspections was

³ According to Table 1 in paragraph 1.5 of the Audit Report, the number of reimbursement claims of CEF course fees approved by WFSFAA increased from 17 024 in 2017-2018 to 47 552 in 2021-2022.

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maintained at 252. The number of claims received had been rising continuously since 2019-2020, reaching a total of around 50 100 in 2021-2022. LWB and WFSFAA would take into account factors, such as risk assessment, resources implications and cost-effectiveness, etc., in re-examining the respective target numbers of surprise and scheduled inspections, and consider increasing the total number of surprise and scheduled inspections in 2023-2024.

20. Noting that the surprise inspections conducted by WFSFAA as shown in Table 7 in paragraph 2.23 of the Audit Report were all successful inspections, the Committee sought the number of unsuccessful inspections conducted by WFSFAA from 2017-2018 to 2021-2022 and the corresponding follow-up actions taken.

21. **Secretary for Labour and Welfare** and **Head, WFSFAA** explained at the public hearing, and **Secretary for Labour and Welfare** advised in his letter dated 3 January 2023 (*Appendix 8*) that:

- WFSFAA conducted a total of 560 successful surprise inspections from 2017-2018 to 2021-2022. Of these 560 inspections, 21 were not successfully completed at the first attempt. The reasons of failure to complete an inspection included change of teaching venue by the course provider, early class dismissal, mistakes in the class schedules submitted by the course provider and cancellation of class due to the sickness of the instructor or learners; and
- warning letters or reminders were issued to the course providers concerned for changing the teaching venue or class schedules, or cancelling class without giving prior notice to WFSFAA. In general, reminders were issued where such irregularity was observed for the first time and reasonable explanation was given by the course provider, while warning letters were issued for repeated occurrence of the irregularity or where there was no reasonable explanation from the course provider. Where change of the teaching venue was involved, WFSFAA would follow up and check if the teaching venue had been registered with CEF, and issue a warning letter in case of non-compliance.

22. With reference to paragraphs 2.26, 2.28 and 2.29 of the Audit Report, the Committee questioned whether LWB considered it acceptable for HKCAAVQ to include the unsuccessful inspections in counting towards achieving the annual target

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number of surprise inspections and to apply the same basis of calculation for service fees to both successful and unsuccessful inspections, and why LWB had not checked the correctness of the service fees before paying HKCAAVQ. The Committee enquired about the remedial measures to be taken by LWB/HKCAAVQ to ensure the proper use of public funds.

23. **Secretary for Labour and Welfare** and **Executive Director, HKCAAVQ** responded at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 10 January 2023 (*Appendix 9*) that LWB agreed with the recommendations in paragraphs 2.27 and 2.30 of the Audit Report, and would ensure that only inspections successfully conducted were counted towards achieving the annual target number of surprise inspections and the calculation of surprise inspection fees paid to HKCAAVQ. LWB was discussing with HKCAAVQ about the inclusion of provisions into the new service agreements to improve the surprise inspections on course providers. These included the enhanced checking on individual inspection reports, setting out clearly the annual target number of successful inspections, deducting unsuccessful inspections from the payable fee, arrangement for re-visits and the reporting mechanism for unsuccessful inspections, etc.

24. In response to the Committee's enquiry about the difficulties encountered by HKCAAVQ in conducting surprise inspections and the measures to be taken by LWB/HKCAAVQ to minimize the number of unsuccessful surprise inspections, **Executive Director, HKCAAVQ** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 10 January 2023 (*Appendix 9*) that apart from the three reasons identified in paragraph 2.26 of the Audit Report leading to unsuccessful inspections (i.e. "courses concerned were inactive", "no one in the premises", and "course directors/responsible persons were not available"), other factors included the course provider already moving out of the registered address, no longer in operation or untraceable. To minimize the number of unsuccessful surprise inspections, HKCAAVQ proposed that while attaching to the principle of not alerting the targeted course providers, a more comprehensive information search would be conducted to obtain the needed intelligence before the surprise inspections. These might include, for example, web search, phone calls and informal site checks, aiming to have better pre-visit preparation to minimize the possibility of unsuccessful surprise inspections.

25. According to paragraph 2.31 of the Audit Report, HKCAAVQ officers only verbally informed course providers at the spot of the observations found and remedial actions required for the non-compliances identified during surprise inspections. The

Committee questioned whether the lack of written documentation had led to HKCAAVQ's failure to make follow-up inspections to course providers with non-compliances, and enquired about the measures to be taken by LWB/HKCAAVQ to ensure that the non-compliances found in surprise inspections were duly rectified by the course providers concerned.

26. **Secretary for Labour and Welfare and Principal Assistant Secretary for Labour and Welfare (Manpower)** responded at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 10 January 2023 (*Appendix 9*) that LWB agreed with the recommendations in paragraphs 2.32(a) and (b) of the Audit Report. HKCAAVQ would send the course providers emails informing them of the non-compliances identified during surprise inspections and the required remedial actions with stipulated implementation timeframe. These procedures would be followed up by telephone calls. LWB would add relevant provisions to the service agreement and regularly monitor the implementation status by HKCAAVQ.

27. According to paragraph 2.31(c) of the Audit Report, LWB agreed in July 2018 on HKCAAVQ's proposal of conducting class inspections. The class inspections were subsequently postponed to 2022-2023 due to the coronavirus disease 2019 ("COVID-19") epidemic. The Committee asked why class inspections were not conducted before the outbreak of COVID-19 (i.e. before the end of 2019) and during the time when the epidemic subsided. **Principal Assistant Secretary for Labour and Welfare (Manpower)** and **Executive Director, HKCAAVQ** explained at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 10 January 2023 (*Appendix 9*) that in July 2018, HKCAAVQ proposed conducting class inspections to assess the teaching and learning quality of course delivery, and advised that specialists were needed to join the inspections with HKCAAVQ's officers. However, due to the difficulties in recruiting specialists, conduct of class inspections was subsequently postponed to 2022-2023 amid the COVID-19 epidemic in 2019-2020. LWB was discussing with HKCAAVQ about resuming the class inspections as quickly as possible and setting the target of completing 15 class inspections by 2022-2023.

28. According to paragraph 2.33 of the Audit Report, course providers were required to follow specified requirements in promoting reimbursable courses, including, among others, prohibition from promoting reimbursable courses with other non-CEF courses. The Committee enquired about the rationale behind such

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requirement, and the number of cases associated with such non-compliance in the past five years as well as the follow-up actions taken for these non-compliance cases.

29. **Head, WFSFAA** and **Controller, Student Finance Office, WFSFAA** explained at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 10 January 2023 (*Appendix 9*) that according to CEF terms and conditions, course providers were prohibited from bundling a registered CEF course with any non-CEF course during promotion. Such requirement was to prevent learners from being confused by misleading presentation in the course provider's promotion materials that a non-CEF course would be reimbursable under CEF. In general, a warning letter would be issued by WFSFAA for more serious non-compliances, including promotion of a CEF course together with other non-CEF course(s), offering gifts/discounts to learners, etc. A reminder would be issued by WFSFAA where the non-compliance in the promotion materials was less severe, such as omission of the required wording about Qualification Framework, as well as incomplete or inaccurate course title, admission prerequisites, tuition fees and reimbursement prerequisites, etc. From 2017-2018 to 2021-2022, 70 reminders and 15 warning letters covering a total of 86 irregularities identified from CEF course promotion materials were issued by WFSFAA.

30. With reference to paragraph 2.37(d) of the Audit Report, the Committee enquired about the amount involved and the amount to be refunded by HKCAAVQ in respect of the payment made by LWB for the unsuccessful surprise inspections conducted by HKCAAVQ. **Secretary for Labour and Welfare** and **Executive Director, HKCAAVQ** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that HKCAAVQ agreed with the findings in paragraph 2.29 of the Audit Report that “for unsuccessful surprise inspections, the time required for some tasks should have been less than that for the successful ones”. LWB was discussing with HKCAAVQ the specific details of the refund on the basis of the \$3.7 million service fees paid for the 156 unsuccessful inspections as mentioned in paragraph 2.28 of the Audit Report.

31. According to paragraph 2.42 of the Audit Report, some course providers promoted reimbursable courses on the Internet as a means of paving the way for emigration, which was not compatible with the aim of CEF. The Committee questioned whether there was negligence in the inspection work performed by WFSFAA and HKCAAVQ, which failed to identify such irregularity, and whether HKCAAVQ had a role to play in examining the promotional materials and content of reimbursable courses to ensure that they meet the objectives of CEF.

32. **Secretary for Labour and Welfare, Head, WFSFAA and Executive Director, HKCAAVQ** responded at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 10 January 2023 (*Appendix 9*) that during the inspections performed by WFSFAA and HKCAAVQ in the past, there were no explicit checks on whether the presentation in course providers' promotional materials was compatible with the aim of CEF. Regarding the example quoted in Figure 3 of paragraph 2.42 of the Audit Report, the CEF Authority identified initially that the course provider concerned mainly offered electrically and mechanically related training courses to the learners who wished to be qualified for a licence in that industry. The course provider had been required to withdraw or cease using promotional materials as a means of paving the way for emigration with immediate effect. WFSFAA also advised course providers in early December 2022 not to promote reimbursable courses in any way deviating from the objectives of CEF, and reminded the staff responsible for inspections to pay attention in this regard. LWB was considering stating more clearly the relevant requirements and the penalty clauses in CEF terms and conditions.

33. The Committee further enquired about the regulatory actions against those course providers with irregularities identified in their promotional materials. To prevent reoccurrence of similar issues, the Committee asked whether LWB would consider requiring all course providers to submit their promotional materials for vetting in processing their registration applications and making this procedure as one of the prerequisites for registration, as well as devising a list of non-compliance cases associated with promotional materials to facilitate compliance with CEF terms and conditions by course providers.

34. **Secretary for Labour and Welfare, Head, WFSFAA, Controller, Student Finance Office, WFSFAA and Executive Director, HKCAAVQ** advised at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 10 January 2023 (*Appendix 9*) that:

- WFSFAA had already issued letters reminding course providers not to promote reimbursable courses in any way deviating from the objectives of CEF. According to the current CEF terms and conditions, course providers should keep record of all promotional materials of CEF courses for at least seven years for inspection by the CEF Authority's officers. The CEF Authority reserved the right to require relevant course providers to withdraw or cease using promotional materials considered to be inappropriate or undesirable. In cases of repeated non-compliances or non-cooperation, the CEF Authority would consider

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taking further regulatory actions against the course provider concerned, such as cancelling the registration of the relevant CEF course(s);

- taking into account the resource implications and cost-effectiveness, etc., the CEF Authority had no plan to require course providers to submit all promotional materials in advance during the process of their applications for CEF course registration. Nevertheless, more efforts would be made to monitor the promotion of CEF courses in the market; and
- in light of a wide variety of possible non-compliance circumstances in promotion, it was considered that devising an exhaustive list of possible cases of non-compliance was not feasible upon review of the situation. A negative list might also easily mislead course providers that all other circumstances outside the list were compliant with the stipulated requirements.

35. Referring to paragraph 2.46 of the Audit Report about the handling of course providers' non-compliances with terms and conditions, the Committee enquired about the measures/mechanism to prevent the course providers with histories of non-compliances from re-applying for CEF course registrations by using new company names, and sought the number of cases of registration termination in the past five years.

36. **Principal Assistant Secretary for Labour and Welfare (Manpower)** advised at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 10 January 2023 (*Appendix 9*) that:

- according to the mechanism and procedures on de-registration of CEF courses set out in CEF terms and conditions, Responsible Person or Course Director of de-registered CEF course(s) were prohibited from applying for CEF course registrations or from acting as Responsible Person or Course Director for course provider within a specified period. The CEF Authority would review the personal information and profile of the Responsible Person and Course Director of the course provider during the vetting process of new course registration applications to ensure exclusion of non-eligible persons or organisations; and
- in the past five years from 2017-2018 to 2021-2022, the CEF Authority handled one case of de-registration of courses from the CEF reimbursable course list. As the Responsible Person and Course

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Director of the relevant course provider were convicted and sentenced in a criminal case of conspiracy to defraud (unrelated to CEF courses), the CEF Authority de-registered six CEF courses offered by that course provider in May 2021. The course provider completed all classes that had commenced before the de-registration. No complaint was received from learners about unsuccessful application for fee reimbursement in respect of the courses.

37. With reference to paragraph 2.50 of the Audit Report, the Committee asked about the progress of drawing up guidelines on the criteria for the issuance of reminders and warnings to course providers on their non-compliances with CEF terms and conditions. **Secretary for Labour and Welfare** advised in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA was reviewing the work of issuing reminders and warning letters to course providers not complying with CEF terms and condition, and would align the criteria for the issuance of reminders and warning letters. WFSFAA would also promulgate guidelines setting out the objective criteria and samples of circumstances, including the severity of non-compliance matters and impact on learners' interests, to rationalize the basis for the issuance of reminders and warning letters.

C. Reimbursement claims

38. According to Table 9 in paragraph 3.3 of the Audit Report, the number of reimbursement claims carried forward to the following financial year was increasing over the past five financial years from 1 417 in 2017-2018 to 6 555 in 2021-2022. The Committee enquired about the reasons for the rising trend and the measures to be taken by WFSFAA to clear the outstanding claims. **Head, WFSFAA** and **Controller, Student Finance Office, WFSFAA** explained at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that with the increase of CEF subsidy from \$10,000 to \$20,000 per learner in April 2019, the number of applications for reimbursement claims had increased year by year, resulting in an increase in the number of reimbursement claims carried forward to the next financial year. In March 2020, WFSFAA completed a system upgrade to incorporate the processing of CEF claims into the Agency's "Integrated Student Financial Assistance System". The upgrade brought about substantial improvement in the WFSFAA's efficiency in processing CEF reimbursement claims.

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39. With reference to Table 9 in paragraph 3.3 of the Audit Report, the Committee asked why the number of reimbursement claims processed by WFSFAA increased by 144% from 20 192 in 2019-2020 to 49 331 in 2021-2022, while the processing of reimbursement claims by WFSFAA, according to paragraph 3.10 of the Audit Report, took longer time during the COVID-19 epidemic because of the special work-from-home arrangement and the substantial number of officers affected by the disease. The Committee also noted from paragraph 3.9(a) of the Audit Report that the elapsed time between receipt of claims and commencement of processing (20.7 days on average) represented 54.8% of the average elapsed time between receipt of claims and fund disbursement of 29 840 claims processed in 2021-2022. The Committee enquired about the reasons for such relatively long elapsed time and the improvement measures to be taken by WFSFAA to expedite processing of reimbursement claims.

40. **Head, WFSFAA** and **Controller, Student Finance Office, WFSFAA** explained at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA's processing work was seriously hindered by the COVID-19 epidemic in 2021 and 2022. This was partly due to the Government's special work-from-home arrangement. The staffing in OCEF was further worsened when a substantial number of staff who contracted the virus or became close contacts of confirmed cases had to be quarantined. WFSFAA had implemented overtime working arrangements once circumstances allowed to catch up for the loss in processing time, and mobilized staff of other sections of WFSFAA to assist in the clearance of the backlog of applications.

41. According to the paragraph 3.6 of the Audit Report, WFSFAA had excluded the claims with missing information and/or supporting documents in the comparison of the actual processing time with the performance targets. The Committee asked whether LWB had requested WFSFAA to re-define the performance targets on processing time to cover the time interval for collecting all necessary information and documents from claimants. **Head, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA would, in consultation with LWB, review the performance targets, taking into consideration the trends in the volume of applications as well as the staffing to process applications. Any revisions to performance targets were expected to apply from 2023-2024.

42. With reference to Case 1 in paragraph 3.13 of the Audit Report on a reimbursement claim approved by WFSFAA based on invalid documents, the

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Committee enquired about the authentication procedures/mechanism for reimbursement claims certified by course providers and the measures to be taken by WFSFAA to prevent recurrence. The Committee asked whether LWB would stipulate explicitly in CEF terms and conditions the responsibility of course providers for providing accurate information relating to the eligibility of course participants for reimbursement claims.

43. **Head, WFSFAA** and **Controller, Student Finance Office, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA conducted authentication exercises with course providers twice a year to cover all successful claims other than those already checked by WFSFAA during the scheduled inspections. WFSFAA provided the application records of relevant reimbursement claims to course providers, and required them to verify the accuracy of information submitted by applicants. Course providers should issue documentary proof of “successful completion” of the courses to CEF applicants, in accordance with relevant requirements and provisions stipulated in CEF terms and conditions and “Guide to Registration, Post-registration and Renewal of Reimbursable Courses under CEF”.

44. The Committee further enquired about the penalties, in addition to issuing warning letters, for course providers’ negligence in certifying claim forms and whether such penalties were imposed on course providers in the past five years. **Principal Assistant Secretary for Labour and Welfare (Manpower)** and **Head, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that for negligent cases in connection with claimants’ eligibility for claiming CEF, WFSFAA would issue a warning letter to the course provider and take recovery action of the overpaid subsidies from claimants. From 2017-2018 to 2021-2022, there were a total of 13 negligent cases relating to claimants’ eligibility involving issuance of 10 warning letters. All the 13 cases had the overpaid subsidy recovered. Details of the statistics are provided in the above letter from the Secretary for Labour and Welfare.

45. According to paragraph 3.12 of the Audit Report, WFSFAA had incorrectly approved reimbursement claims submitted by six claimants under 18 years of age at the start of the courses concerned. The Committee asked how the incidents occurred, and sought the details of the mechanism and system enhancement to be put in place by WFSFAA to prevent the recurrence of similar incidents. **Head, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that the incidents were due to the subject

staff's misunderstanding of the relevant eligibility criteria. To avoid recurrence of similar incidents, WFSFAA had enhanced the processing system to incorporate computer checking together with a mechanism of two-tier verification by other staff. WFSFAA would also strengthen training for the staff concerned.

46. With reference to paragraph 3.19 of the Audit Report, the Committee asked about the measures to be taken by WFSFAA to ensure that its staff had obtained consent from the course participants concerned before inspections, and whether WFSFAA would explore the feasibility of requiring all course participants to sign the Statement of Consent on releasing personal data to WFSFAA for inspection purpose upon course enrolment, regardless of whether they would subsequently claim reimbursements from CEF.

47. **Head, WFSFAA** and **Controller, Student Finance Office, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA had revised the inspection procedures to ensure that inspectors would conduct prior check on the consent from the course participants concerned before examining their personal information. Currently, course providers were required to ask every course participant at the commencement of CEF courses to complete a Statement of Consent indicating agreement on the release of personal data to WFSFAA for CEF inspection purpose. Course participants who did not complete the statement or did not give consent for the disclosure of personal data to WFSFAA would be regarded as having no intention to apply for reimbursement claims under CEF.

48. The Committee further asked whether LWB would consider maintaining statistics on the percentage of course participants applying for reimbursements of course fees to facilitate WFSFAA to obtain early consent from participants of a course with records of high percentage of participants claiming reimbursements. **Head, WFSFAA** and **Controller, Student Finance Office, WFSFAA** responded at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA currently maintained statistics on the course participants applying for reimbursements of course fees for every CEF course. The enrolment number of a CEF course and the proportion of course participants applying for CEF subsidy depended on multiple factors, such as the attractiveness of the course, number of classes operated by and admission arrangement of the course provider, as well as personal choices of learners. The CEF Authority had no intention to collect additional data to influence learners' decision in applying for fee subsidy.

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49. According to paragraphs 3.37 and 3.38 of the Audit Report, the usage of online submission accounted for 7% and 6% of the reimbursement claims received in 2020-2021 and 2021-2022 respectively. WFSFAA attributed the low usage of online submission of reimbursement claims partly to the convenience brought by the provision of one-stop service of free-delivery of completed paper claim forms to WFSFAA by some course providers. The Committee asked whether there were any proactive measures that could be taken by WFSFAA in collaboration with course providers to encourage online submission of reimbursement claims, and how the Centralised e-Service Portal could facilitate online submission of reimbursement claims.

50. **Head, WFSFAA and Controller, Student Finance Office, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** elaborated in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA would explore in collaboration with course providers the feasibility of digitalization of the certification process. The Centralised e-Service Portal to be developed by WFSFAA would be a one-stop service portal for applicants of all financial assistance schemes, including CEF, under the purview of WFSFAA. The Portal would offer user account management function and an array of value-added features, such as pre-filling of e-forms for returning applicants, online submission of applications and uploading of supporting documents as well as viewing of the application status of all applications under WFSFAA. The project was expected to commence in the first quarter of 2023.

D. Other issues

51. With reference to paragraphs 4.4 and 4.6 of the Audit Report, the Committee asked whether requirements relating to the safeguarding of national security had been incorporated as appropriate in CEF terms and conditions and the service agreement with HKCAAVQ, and enquired about the progress of preparing guidelines to course providers on matters relating to the safeguarding of national security, the estimated timeframe for promulgating the guidelines and the major contents to be covered in the guidelines.

52. **Mr HO Kai-ming, Under Secretary for Labour and Welfare** advised at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 3 January 2023 (*Appendix 8*) that:

- LWB would make reference to the relevant guidelines issued by the Education Bureau and consult course providers on possible national

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security risk related to conducting reimbursable courses. LWB would be preparing and promulgating the necessary guidelines and setting up the complaint mechanism over matters concerning the safeguarding of national security. The guidelines would require the Responsible Person and/or the Course Director of the course provider to strengthen guidance, supervision and regulation over the course content, teaching materials, course delivery, and staff management concerning the safeguarding of national security;

- on crisis management, the guidelines under drafting would require course providers to set up complaint mechanism on matters safeguarding national security. The CEF Authority would maintain close communication with course providers to ensure that the guidelines were operational, and not affecting academic autonomy, as well as ensuring that all organizations, associations or individuals would comply with the National Security Law and all other laws safeguarding the national security, and would not perform or engage in any acts or activities that might endanger national security. HKCAAVQ would work with LWB on the adoption of relevant arrangements by LWB; and
- LWB would seek legal advice in drafting the guidelines and incorporating it into CEF terms and conditions. The target was to complete the draft guidelines and promulgate them to the course providers in the first half of 2023, and require Responsible Persons of course providers to sign declaration on matters concerning the safeguarding of national security.

53. According to paragraphs 4.9 and 4.13(c) of the Audit Report, a large percentage of non-civil service contract (“NCSC”) staff (ranging from 91% to 94% between 2017-2018 and 2021-2022) were employed by WFSFAA because CEF had been operated on a non-recurrent mode. Noting that CEF had been established for two decades, the Committee asked whether there were justifiable grounds for WFSFAA to replace those NCSC positions with civil service posts in view of the long-term operation of CEF, and the reasons why the management posts in OCEF were taken up by civil servants.

54. **Under Secretary for Labour and Welfare** and **Head, WFSFAA** explained at the public hearing, and **Secretary for Labour and Welfare** added in his letter dated 3 January 2023 (*Appendix 8*) that LWB would review the CEF operation from time to time. Based on the review results, WFSFAA would continue to ensure that the

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employment of NCSC staff in OCEF fit the ambit of NCSC scheme, and in consultation with LWB and the Civil Service Bureau, review the need for NCSC positions. The management posts of WFSFAA overseeing the work on CEF were considered more appropriate to be taken up by civil servants having regard to the tremendous funding of CEF, the volume of applications received and the leadership required for staff management.

55. In response to the Committee's enquiry about the progress of the revamp of the WFSFAA's website (including CEF website) as mentioned in paragraph 4.22 of the Audit Report, **Head, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA's revamped website was expected to be launched in the first quarter of 2023.

56. With reference to paragraph 4.27 of the Audit Report, the Committee enquired about the measures to be taken by WFSFAA in collaboration with course providers to improve the response rates of the CEF opinion surveys. **Head, WFSFAA** advised at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that WFSFAA would conduct online CEF opinion surveys in future, and explore means to effectively remind claimants to return the completed questionnaires.

57. With reference to paragraph 4.29(b) of the Audit Report, the Committee sought information about the nature of the consultancy services procured under Contract C, and the reasons/justifications for tightening the requirement on minimum relevant experience of the project manager in the quotation exercise for Contract C. **Principal Assistant Secretary for Labour and Welfare (Manpower)** and **Head, WFSFAA** explained at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that the scope of the consultancy services for the 2016 CEF Review (i.e. Contract C) was greatly expanded as compared to the consultancy studies conducted previously. The additionally required services included a study review on the schemes in five outside economies in encouraging continuous learning and a systematic comparison with Hong Kong, as well as soliciting and assessing views from the general public through different focus groups and public engagement sessions. To ensure service quality, there was a need to raise correspondingly the experience requirements of the service provider and project manager.

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58. With reference to paragraph 4.34 of the Audit Report, the Committee asked whether LWB would consider developing a centralized system to facilitate its monitoring over the work of WFSFAA and HKCAAVQ through enhanced data sharing. **Under Secretary for Labour and Welfare** and **Principal Assistant Secretary for Labour and Welfare (Manpower)** responded at the public hearing, and **Secretary for Labour and Welfare** supplemented in his letter dated 3 January 2023 (*Appendix 8*) that LWB was responsible for overseeing the operation of CEF which involved the work of WFSFAA and HKCAAVQ. Apart from the current practice of requiring OCEF to submit the statistics on CEF reimbursement claims regularly, LWB was considering to require OCEF and HKCAAVQ to provide more information for random check and access right to their systems of electronic platforms for processing applications for CEF reimbursement claims and CEF course registration, with a view to knowing more rapidly about the progress of individual applications.

E. Conclusions and recommendations

Overall comments

59. The Committee

- emphasizes that it is incumbent upon LWB, which plays the watchdog role in the administration of CEF, to ensure that CEF is operated in alignment with its aim of subsidizing adults with learning aspirations to pursue continuing education and training, with a view to complementing the development trend of globalization and facilitating Hong Kong's transition to a knowledge-based economy. The Head, WFSFAA, as the controlling officer of CEF, is accountable for the proper use of CEF and has a duty to ensure that the applications for reimbursement of course fees under CEF are processed with great prudence;
- considers that it is high time for LWB to review the aim of CEF, which has remained unchanged since its launch in 2002, so as to better cater for the demands of a rapidly changing economic environment;

Collaborative relationship with HKCAAVQ

- expresses serious concern that LWB has undermined its monitoring role over the work of HKCAAVQ by its failure to delineate clearly in the

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service agreements with HKCAAVQ the responsibilities and liabilities of and the service requirements on HKCAAVQ, as well as to put in place a proper mechanism (for example, by inserting clawback clauses) to deal with HKCAAVQ's non-compliances with the service requirements, as evidenced by the following:

- (a) reported number of surprise inspections conducted by HKCAAVQ included unsuccessful inspections. In the period from 2017-2018 to 2021-2022, 156 (43.7%) of the 357 surprise inspections conducted by HKCAAVQ were unsuccessful. If the unsuccessful inspections were excluded, the number of inspections did not meet the annual target set by LWB in any of the five years. Overall speaking, the number of successful inspections only met 50.3% of the target (ranging from 16.5% to 73.3% each year);
 - (b) HKCAAVQ did not make follow-up surprise inspections in 99 (84%) cases of the 118 unsuccessful inspections conducted in the period from 2017-2018 to 2020-2021; and
 - (c) the standard time for successful surprise inspections was used in calculating the service fees paid to HKCAAVQ for unsuccessful surprise inspections, even though the time required for some tasks (such as follow-up after the inspection, report writing and report clearance) should have been less than that for the successful ones;
- notes that:
- (a) LWB has commenced discussion with HKCAAVQ on adding provisions to the new service agreements to improve the service requirements for surprise inspections conducted by HKCAAVQ on course providers. These include setting out clearly the annual target number of successful inspections, deducting unsuccessful inspections from payable fees, arrangement for re-visits after unsuccessful visits and the reporting mechanism, etc.;
 - (b) in April 2022, HKCAAVQ submitted to LWB the draft service agreement for 2022-2023, and the two parties are reviewing the work progress for the first three quarters of the year. By the end of 2022-2023, HKCAAVQ will conclude the final service fees with LWB and sign the service agreement; and

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- (c) LWB is discussing with HKCAAVQ the arrangement for the refund of \$3.7 million service fees paid for the 156 unsuccessful inspections conducted in the period from 2017-2018 to 2021-2022, and HKCAAVQ will work with LWB and refund the relevant amount;
- recommends LWB to:
 - (a) regularly review the content of the service agreements with HKCAAVQ to rectify any irregularities/non-compliances possibly arising from role ambiguity or unclear delineation of powers and responsibilities between LWB and HKCAAVQ in administering CEF;
 - (b) examine whether the current practice of signing the service agreement with HKCAAVQ at the end of the financial year is appropriate and desirable; and
 - (c) explore other comparable organizations that are capable of serving as an adviser to LWB on the implementation of CEF;
- requests LWB to provide, when available, a copy of the service agreement with HKCAAVQ for 2022-2023;

Post-registration inspections conducted by WFSFAA

- expresses serious concern about WFSFAA's inadequacies in conducting post-registration inspections of CEF course providers, as evidenced by the following:
 - (a) since 2009-2010, the annual target number of post-registration inspections, comprising scheduled inspections and surprise inspections, conducted by WFSFAA has been set at 252.⁴ The number of scheduled inspections conducted by WFSFAA increased by 5.3% from 132 in 2020-2021 to 139 in 2021-2022 because there were more course providers with reimbursement claims considered necessary for on-site authentication. However, the number of

⁴ As the number of scheduled inspections conducted by WFSFAA is affected by the number of course providers with reimbursement claims considered necessary for on-site authentication, the more scheduled inspections need to be conducted, the fewer surprise inspections will be conducted by WFSFAA to meet the target of 252.

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surprise inspections conducted decreased with no apparent reason by 5.8% from 120 in 2020-2021 to 113 in 2021-2022; and

- (b) while the number of reimbursement claims of CEF course fees approved by WFSFAA increased from 17 024 in 2017-2018 to 47 552 in 2021-2022, the annual target number of post-registration inspections of 252 has not been adjusted upwards correspondingly by WFSFAA to keep up with the significant increase in the number of reimbursement claims approved in the past five financial years;
- notes that:
 - (a) LWB and WFSFAA will take into account factors such as risk assessment, resources implications and cost-effectiveness, etc. in reviewing the respective target numbers of surprise and scheduled inspections, and consider increasing the total number of post-registration inspections in 2023-2024; and
 - (b) the number of overlapping cases of surprise inspection (i.e. courses that were inspected by both WFSFAA and HKCAAVQ), with a time interval of one month between the inspections conducted by both parties, for the period from 2017-2018 to 2021-2022 ranged from 9 to 14;
- recommends LWB to regularly review the modus operandi of the post-registration inspections conducted by WFSFAA and HKCAAVQ with a view to enhancing the efficiency, effectiveness and value for money of the inspection work;
- notes that LWB will discuss with WFSFAA and HKCAAVQ in the coming year to organize joint inspections on a trial basis to assess the effectiveness of joint inspections;
- requests LWB to revert to the Committee on the outcome of the review on the respective target numbers of scheduled and surprise inspections, as well as the effectiveness assessment results of joint pilot inspections;

Promotion of reimbursable courses

- expresses grave concern that WFSFAA has failed to identify course providers' non-compliances with CEF terms and conditions on promotion of reimbursable courses, as evidenced by the following:

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- (a) Audit reviewed the reports of 228 scheduled inspections by WFSFAA and 23 surprise inspections by HKCAAVQ. In 41 (18%) of the 228 reports for scheduled inspections and one (4%) of the 23 reports for surprise inspections, there was no documentary evidence showing that the inspection officers adopted alternative ways to examine whether the requirements on promotion had been complied with when the course providers did not provide the promotion materials for inspection. In 65 (77%) of the 84 scheduled inspections by WFSFAA which involved more than one course, the inspection officers only checked the promotion materials of one of the courses under inspection, but not those of all courses under inspection;
 - (b) in all the 228 scheduled inspections and 23 surprise inspections, the inspection officers of WFSFAA and HKCAAVQ did not check promotion materials other than promotion leaflets and the course providers' websites;
 - (c) for the promotion materials of five courses offered by five course providers reviewed by Audit, the course providers did not fully comply with CEF terms and conditions on promotion of reimbursable courses. For example, the specified standard wordings were not included in the course brochure of one course, and QR registration numbers and validity periods were not depicted for four courses; and
 - (d) some course providers promoted reimbursable courses on the Internet as a means to pave way for emigration, which was not compatible with the aim of CEF;
- strongly recommends LWB/WFSFAA to:
- (a) require course providers to submit their promotional materials for vetting in the processing of their registration applications and making this procedure as one of the prerequisites for registration;
 - (b) step up inspections of promotional materials of CEF courses on the Internet and take regulatory actions as appropriate against those course providers who fail to comply with CEF terms and conditions in promoting reimbursement courses; and

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- (c) incorporate guidelines and requirements relating to the safeguarding of national security in CEF terms and conditions for course providers;⁵

Application of information technology in CEF's operations

- expresses grave concern that the inadequate use of information technology in the administration of CEF has hampered the monitoring over the work of WFSFAA and HKCAAVQ by LWB, and the quality and efficiency of service delivery in CEF's operations, as evidenced by the following:
 - (a) the time for completing the processing of applications for CEF course registration, for renewal of registration and for amendment of registration were longer than the stipulated time;
 - (b) submission of reimbursement claims was mainly by paper. The usage of online submission was low, accounting for only 7% and 6% of the claims received in 2020-2021 and 2021-2022 respectively;
 - (c) NCSC staff, who represented over 90% of the manpower strength in OCEF, were mainly engaged in the processing of reimbursement claims; and
 - (d) electronic submission service was not available for CEF claimants to return the completed questionnaires of opinion survey to WFSFAA directly online;
- notes that:
 - (a) course providers can currently make use of HKCAAVQ's e-Portal platform to submit completed application forms and supporting documents. LWB has requested HKCAAVQ for access to its e-Portal for real-time monitoring of the processing progress of the submitted applications for course registration; and

⁵ The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region stipulates that the Government of the Hong Kong Special Administrative Region shall take necessary measures to strengthen public communication, guidance, supervision and regulation over matters concerning national security, including those relating to schools, universities, social organizations, the media, and the Internet.

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- (b) LWB is considering requiring OCEF and HKCAAVQ to provide more information for random check and access right to their systems of electronic platforms for processing applications for CEF reimbursement claims and CEF course registration; and
- strongly recommends that:
 - (a) LWB should explore the feasibility of developing a centralized system for sharing data such as student particulars and course schedules with a view to enhancing its monitoring over the work of WFSFAA and HKCAAVQ and achieving collaborative efficiency in administering CEF;
 - (b) WFSFAA should consider providing a one-stop online platform for CEF claimants to facilitate electronic submission of applications and opinion survey questionnaires; and
 - (c) HKCAAVQ should take proactive measures to incentivize and facilitate course providers to make electronic submission of applications and supporting documents.

Specific comments

60. The Committee

Monitoring of reimbursable courses and course providers

- expresses concern that:
 - (a) the processing time of 45 (88%) registration applications for courses with QR registration (among 51 applications with processing commenced in the period from January to March 2022) was longer than the stipulated processing time of 60 days, ranging from 116 to 203 days;
 - (b) the processing time of 14 (70%) applications for renewal of registration not requiring re-accreditation (among 20 applications with processing commenced from September 2021 to March 2022)

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was longer than the stipulated processing time of 60 days, ranging from 65 to 231 days;

- (c) the processing time of 53 (98%) applications for amendment of registration (among 54 applications with processing commenced in January 2022) was longer than the stipulated processing time of 60 days, ranging from 111 to 233 days;
- (d) all the 39 applications for renewal of CEF course registration received in the period from September 2021 to March 2022 were submitted late, with delays ranging from 5 to 153 days. For 22 (56%) of the 39 applications, the processing of the renewals were completed after the CEF course registrations had expired, ranging from 12 to 187 days after the expiry dates;
- (e) for nine (6%) of the 150 courses on the reimbursable course list reviewed by Audit, the course registrations were not valid. However, these courses were shown as courses with valid registration on the reimbursable course list promulgated on CEF's website for potential claimants' reference;
- (f) as at 1 July 2022, there were 7 298 registered reimbursable courses. However, the number of registered reimbursable courses may decrease substantially after 31 March 2023 because CEF course registrations of 3 174 (43%) courses that were not registered in QR will expire on 31 March 2023. Furthermore, the number of newly registered courses decreased by 84% from 2 225 in 2019-2020 to 360 in 2021-2022. Although the scope of reimbursable courses was expanded to include eligible online courses in October 2021, no applications for registration of online courses had been received up to 30 June 2022;
- (g) Audit reviewed 23 successful surprise inspections conducted in the period from 2017-2018 to 2021-2022. Although non-compliances by course providers were found in all the 23 inspections, there were no records showing that HKCAAVQ had informed the course providers of the non-compliances and remedial actions required;
- (h) of the non-compliances found in 83 inspections in the period from 2017-2018 to 2020-2021 requiring follow-up inspections, HKCAAVQ did not follow up on 39 (47%) of those inspections;

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- (i) in July 2018, LWB agreed with HKCAAVQ's proposal on conducting class inspections to assess the quality of course delivery. However, up to 2021-2022, no class inspections had been conducted; and
 - (j) there were inconsistencies in WFSFAA's issuance of reminders and warnings to the course providers for similar non-compliances. For example, two course providers had two counts of non-compliances with the requirement on the collection of tuition fees by equal monthly instalments. A warning letter was issued to one course provider while a reminder was issued to the other;
- notes that:
- (a) the Secretary for Labour and Welfare has agreed with Audit's recommendations in paragraphs 2.17 and 2.35 of the Audit Report; and
 - (b) the Head, WFSFAA has agreed with Audit's recommendations in paragraphs 2.18, 2.36, 2.44 and 2.49 of the Audit Report;

Reimbursement claims

- expresses concern that:
- (a) a large percentage of claims were excluded from the comparison of actual processing time with performance targets. In the three-year period from 2019-2020 to 2021-2022, 8 332, 12 391 and 19 491 claims had been excluded from the comparison of the actual processing time with the performance targets, representing 41.3%, 38.4% and 39.5% of the total number of claims processed;
 - (b) monitoring on elapsed time between receipt of claims and fund disbursement needs improvement. For 29 840 claims with processing time monitored by WFSFAA in 2021-2022:
 - (i) the average elapsed time between receipt of claims and commencement of processing was 20.7 days, and the average elapsed time between completion of processing and fund disbursement was 11.5 days, representing 54.8% and 30.4% of the elapsed time between receipt of claims and fund disbursement (averaging 37.8 days) respectively; and

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- (ii) the average time of 5.6 days taken for processing the claims only represented 14.8% of the elapsed time between receipt of claims and fund disbursement, and was much shorter than the performance targets of six weeks for existing CEF account holders or eight weeks for CEF account opening together with the processing of the first claim;
- (c) in the period from July 2021 to June 2022, WFSFAA incorrectly approved reimbursements for course fees of 11 reimbursable courses, involving six ineligible claimants who were aged under 18 when the courses commenced;
- (d) in 2018, a reimbursement claim was approved based on a wrongly issued Letter of Certification and a wrongly certified claim form;
- (e) for 17 (12%) of the 139 scheduled inspections conducted by WFSFAA in 2021-2022, the number of claim records⁶ checked in each inspection varied greatly, ranging from 1 to 27 claim records. There was no documentary evidence showing the basis of determining the number of claim records checked in each inspection;
- (f) in 2021-2022, there was a case where WFSFAA staff had inspected the personal data of a course participant without obtaining prior consent;
- (g) inspection reports were not submitted in a timely manner. On average, 139 reports for the inspections conducted in 2021-2022 were submitted 27.7 days (ranging from 1 to 324 days) after the inspections. Of the 139 inspection reports, 35 (25%) reports were submitted later than 30 days after the inspections;
- (h) issuance of reminders/warning letters after inspections needs improvement. Of the 28 reminders/warning letters examined by Audit, three (10.7%) reminders did not include all the irregularities found during the inspections. Furthermore, there were no guidelines on the timeliness of issuing reminders/warning letters after inspections. On average, the 28 reminders/warning letters were issued 85.4 days (ranging from 5 to 468 days) after the inspections;

⁶ Claim record is a claim for one reimbursable course.

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- (i) authentication by course providers⁷ relied solely on the due diligence of course providers and there was no quality assurance mechanism in place to ensure the quality of authentication by course providers; and
 - (j) for the submission of authentication results by the course providers in the latest round of authentication conducted in the period from June 2021 to February 2022, 37 (32%) of the 116 course providers had not submitted the authentication results within one month, contrary to WFSFAA's requirement;
- notes that:
- (a) course providers are currently required to request every course participant at the commencement of CEF courses to complete a statement indicating consent for the release of personal data to WFSFAA for CEF inspection purpose. Course participants who do not complete the statement or who do not give such consent will be regarded as having no intention to make reimbursement claims under CEF; and
 - (b) the Head, WFSFAA has agreed with Audit's recommendations in paragraphs 3.15, 3.26, 3.35 and 3.41 of the Audit Report;

Other issues

- expresses concern that:
- (a) as at 31 March 2022, of the 80 NCSC staff in OCEF, 25 (31%) had worked in OCEF for three years or more. The annual NCSC staff costs increased by 99% from \$8.67 million in 2017-2018 to \$17.24 million in 2021-2022; and
 - (b) the contents of CEF's website did not automatically adjust to fit into the screen sizes of some mobile devices. Some information in CEF's website was available in English only and some was not available in simplified Chinese. Four (40%) of the 10 web pages in CEF's website checked by Audit using the tool in the Office of

⁷ Each course provider is required to assist in verifying the correctness of the information submitted by the claimants in support of the reimbursement claims.

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the Government Chief Information Officer's thematic website were not mobile-friendly;

- notes that the Head, WFSFAA has agreed with Audit's recommendations in paragraphs 4.5, 4.15, 4.21, 4.26, 4.31 and 4.36 of the Audit Report; and
- recommends LWB and WFSFAA to review the manpower deployment in OCEF, and ensure that proper balance is maintained between the interests of NCSC staff and the operational flexibility given to WFSFAA in the employment of NCSC staff.

Follow-up action

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