

Ref: CB4/PAC/R81

5 January 2024

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 7 of the Director of Audit's Report No.81
Reindustrialisation and Technology Training Programme

Thank you for your letter of 20 December 2023. Our response to the issues raised is submitted at Annex for the Public Accounts Committee's consideration.

Yours sincerely,



(Ivan K B Lee)

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, Vocational Training Council

Chapter 7 of the Director of Audit's Report No. 81
Reindustrialisation and Technology Training Programme
Questions raised and information requested

Part 2: Monitoring of training courses and course providers

- 1) With reference to paragraph 2.8 of the Director of Audit's Report (Audit Report) No. 81, of the 1 470 public courses successfully registered under the Reindustrialisation and Technology Training Programme (the Training Programme) in 2022-23, not all of them were approved in good time. The approvals for 336 (23%) courses were granted less than 2 weeks before course commencement dates and approvals for 128 (9%) courses were granted on or after course commencement dates. According to paragraph 2.40 of the Audit Report, course providers should publicise their courses as Training Programme courses only after being successfully registered. Will the Government advise on:
 - (a) the current manpower establishment and workload, and whether any other measures are under study to enhance the efficiency in processing course applications, given that the Training Programme Secretariat has substantially increased the manpower establishment to handle the significant increase in the number of applications as mentioned in paragraph 2.21 of the Audit Report. If there are, the details; and
 - (b) whether the Government has considered to establish a standard processing time of applications for public course registration to make sure that sufficient time has been allowed for these courses to be successfully registered before course commencement. If yes, the details.

Government Response

- (a) In August 2018, the New Industrialisation and Technology Training Programme (retitled from "Reindustrialisation and Technology Training Programme" on 25 October 2023) (the Training Programme) was launched under the Innovation and Technology Fund (ITF). Since the launch of the Training Programme, the Innovation and Technology Commission (ITC) has all along appointed the Vocational Training Council (VTC) as the Training Programme Secretariat.

At the launch of the Training Programme, the Secretariat had an establishment of five staff, and was increased to six in 2022 in view of the increase in workload. Notwithstanding the above, the Training Programme Secretariat was not at full staff strength due to staff attrition.

The number of training grant applications received by the Training Programme Secretariat increased substantially from 648 in 2019-20 to 4 502 in 2022-23, and the number of public course registration applications received increased substantially from 410 in 2019-20 to 2 135 in 2022-23, far exceeding the processing capacity of the Secretariat, which led to longer processing time for public courses.

In view of the above and after discussion between ITC and VTC, the Training Programme Secretariat establishment has been substantially increased to 14 staff in August 2023, so as to handle the significant increase in workload arising from the increase in applications. Currently, the Training Programme Secretariat staff strength has increased to 11, and recruitment of additional staff is underway in order to expedite application processing. At the same time, ITC in collaboration with the Secretariat has revised the Training Programme internal operational manual to establish clearer processing procedures so as to facilitate Secretariat staff to process applications more efficiently.

- (b) In order to allow sufficient time for course providers to complete the public course processing procedures, after deliberation with the Training Programme Secretariat and taking into account actual circumstances, ITC has devised a performance pledge on the processing time of applications for public course registrations and has incorporated such a pledge in the revised “Guidance Notes for Public Course and Tailor-made Course Applications” updated in October 2023. According to paragraph 21 of the “Guidance Notes for Public Course and Tailor-made Course Applications”, the notification of application result to the course provider will normally be released not later than 60 working days upon satisfactory receipt of all required documents from the course provider. In order to better monitor the processing time, ITC has requested the Training Programme Secretariat to provide detailed breakdown of the processing time statistics to ITC on a monthly basis and maintain file records of the statistics.
- 2) According to paragraph 2.10 and Table 6 of the Audit Report, the Audit Commission (Audit) analysed the course fees per hour per trainee of the 4 099 courses approved in the period from the launch of the Training Programme to March 2023. Among them, the course fees per hour per trainee of 881 (21.5%) courses exceeded \$1,000, 65 (1.6%) courses exceeded \$2,000, and three (0.1%) courses exceeded \$4,000. With reference to paragraph 2.11 of the Audit Report, the Innovation and Technology Commission (ITC) had no requirement for the course providers to provide explanation on the reasonableness of the course fees in their applications. Will the Government advise on:

- (a) the reasons why there was no requirement for the course providers to provide explanation on the reasonableness of the course fees in their applications in the past, and whether the Government has sought more information and explanations (e.g. the consumables used in the teaching processes and their expenditures) from the relevant course providers of courses with course fees per hour per trainee higher than a certain amount; and
- (b) the ways for the Government to assess the reasonableness of course fee and whether it will look into additional monitoring measures to safeguard the appropriate use of funding, given that ITC, in liaison with the Training Programme Secretariat, has devised a revised vetting mechanism for public course registrations which takes into account the reasonableness of course fee for each course as part of the assessment criteria as mentioned in paragraph 2.21 of the Audit Report; if yes, the details; if not, the reasons.

Government Response

The predecessor of the Training Programme was the New Technology Training Scheme (NTTS). NTTS was launched in 1992 under the then Education and Manpower Branch (predecessor to the Labour and Welfare Bureau (LWB)) to fund local companies on staff training in new technologies. NTTS was overseen by LWB and administered by VTC. In 2017, NTTS was transferred from LWB to the Innovation, Technology and Industry Bureau. In August 2018, the Training Programme was launched under the ITF, predominately following the NTTS model and processing course applications under the following three main guiding principles -

- (i) whether the technologies involved are advanced in nature;
- (ii) whether the adoption of the technologies involved will benefit the economy of Hong Kong; and
- (iii) whether the technologies involved are not yet widely adopted in Hong Kong.

Before October 2023, although there is no explicit requirement for course providers to explain the reasonableness of their course fee in the application, the Training Programme Secretariat had invited course providers in individual cases who submitted applications with relatively high course fees to provide supplementary information and further explanations on the course fees during initial administrative vetting. In general, course providers stated that course fees include software licensing fees, while some course providers also stated that the course fees were higher due to the experience and qualifications of the trainers concerned.

ITC, in liaison with the Training Programme Secretariat, has devised a revised vetting mechanism for public course registrations which takes into

account the reasonableness of course fees for each course as part of the assessment criteria. Courses with unreasonably high course fees will be rejected. The new vetting mechanism along with all assessment criteria for public course registrations have been incorporated in the revised “Guidance Notes for Public Course and Tailor-made Course Applications” promulgated in October 2023. According to paragraph 16 of the Guidance Notes, the Secretariat will take into account multiple factors, including the course fees charged when conducting initial administrative vetting. In actual practice, the new vetting mechanism takes into account the relevant work experience and academic qualifications of the course trainer, the duration of the course, software licensing fee required for the course and number of trainees etc. when considering the reasonableness of the course fees. ITC will collaborate with the Training Programme Secretariat to optimise the vetting mechanism in a timely manner. At the same time, the Secretariat will conduct surprise class inspections to ensure that the actual course matches with the content and requirement of the approved application document (including the qualification of the trainer and software), so as to safeguard the appropriate use of funding.

- 3) According to paragraphs 2.28 to 2.32 of the Audit Report, no target was set by the Training Programme Secretariat on the number of surprise class inspections and not all course providers were covered by these inspections. Meanwhile, the Training Programme Secretariat had not conducted surprise class inspections on non-local courses to monitor their quality of training and to check whether the courses were conducted in compliance with the course registration applications. Will the Government advise on:
- (a) whether any key performance indicators will be set by the Training Programme Secretariat for class inspection mechanism, such as the number of inspections, the number of course providers to be inspected and the standard processing time for follow-up actions to be taken on problems detected during inspections; if yes, the details; if not, the reasons; and
 - (b) whether any measures are in place to monitor the quality of training of non-local courses and to ensure that the courses were conducted in compliance with the course registration applications; if yes, the details; if no, the reasons?

Government Response

- (a) ITC, in liaison with the Training Programme Secretariat, has devised a class inspection mechanism, which includes key performance indicators for class inspections for public courses and tailor-made courses per month, including target number of inspections per month, requirements for inspections, etc. The mechanism also features criteria for selecting course providers for

inspections, points to note for inclusion in the inspection reports and necessary follow-up actions (such as issuance of warning letter) on irregularities noticed during surprise class inspections. The Secretariat will conduct follow-up inspections on course providers that were found to have irregularities in surprise check, and take more severe measures against course providers that have violated the Guideline multiple times (including forbidding relevant course providers from making further applications under the Training Programme).

- (b) ITC and the Training Programme Secretariat have devised a mechanism requesting non-local course trainees to submit documentary evidence of attendance upon request in addition to the regular post-completion training report, as well as requesting the course providers to record and maintain file records of the relevant classes for necessary inspection by the Training Programme Secretariat upon request.
- 4) With reference to paragraph 2.34, the course fee charged by a course provider on the Training Programme trainees was higher than that on non-Training Programme trainees and the Training Programme Secretariat was not informed of the offer of voucher to trainees by a course provider. In this connection, has the Government investigated whether defrauding of the Government and wasting of public money was involved, recovered the excessive subsidy from the organisation or company involved, and referred the case to law enforcement agency?

Government Response

We will closely monitor the development of the relevant case. If any company submits reimbursement claim regarding the course with evidence that the company has received any form of rebate from the course provider, the Training Programme Secretariat will take appropriate follow-up actions, including suspending the processing of the relevant application and referring the case to law enforcement agency for follow-up actions. According to the record of the Training Programme Secretariat, so far no company has submitted reimbursement claim for the course mentioned at paragraph 2.34 of the Audit Report.

To avoid recurrence of similar cases in the future, ITC and the Training Programme Secretariat has revised the relevant Guidance Notes and application forms. Course providers are required to charge the same course fee for both Training Programme trainees and non-Training Programme trainees. All course providers and companies are also required to make full disclosure of any discounts on course fees. Any misrepresentations or material non-disclosures by the course providers or applicant companies will

be referred to the law enforcement agencies for follow-up actions as appropriate.

- 5) According to paragraphs 2.40 and 2.43, while some training courses without registration were publicised as registered public courses, ITC has requested the Training Programme Secretariat to step up the monitoring of course providers and devise a mechanism on taking appropriate follow-up actions on course providers who falsely claim that their training courses have been successfully registered under the Training Programme. Please advise on the details of the mechanism and follow-up actions.

Government Response

According to paragraph 22 of the updated “Guidance Notes for Public Course and Tailor-made Course Applications”, course providers should not publicise their training courses as Training Programme courses unless they have been successfully registered.

In actual operation, the Training Programme Secretariat would proactively conduct random checks on the promotional materials of course providers, as well as conduct investigations pursuant to complaints received. If it is established that a course provider has falsely claimed that its training courses have been successfully registered under the Training Programme, such training course would not be registered. At the same time, the Training Programme Secretariat will issue a warning letter to the course provider and impose penalty according to the mechanism, including prohibition of any future application to the Training Programme in the event of major non-compliance.

Part 3: Processing of training grant applications and reimbursement claims

- 6) With reference to paragraphs 3.8 to 3.10 of the Audit Report, the Training Programme Secretariat had not monitored the time taken from receipt of reimbursement claims to disbursement of training grants on a periodic basis. Audit noted that for the 461 reimbursement claims approved in the period from January to March 2023, the average time taken from receipt of reimbursement claims to disbursement of training grants was 146 days. Will the Government set a target on the processing time, implement measures to enhance its efficiency in processing claims, and address delayed reimbursement claims in a timely manner and keep records of the reasons for the delays; if yes, the details; if no, the reasons?

Government Response

The number of training grant applications received by the Training Programme Secretariat increased significantly from 648 in 2019-20 to 4 502 in 2022-23. The number of public course registration applications received also increased significantly from 410 in 2019-20 to 2 135 in 2022-23, far exceeding the processing capacity of the Training Programme Secretariat. In view of this, after discussion with VTC, ITC has significantly increased the manpower establishment of the Training Programme Secretariat in August 2023 to handle the increase in workload and expedite the processing of training grant applications. At the same time, ITC in collaboration with the Secretariat has revised the Training Programme internal operational manual to establish clearer processing procedures so as to facilitate Secretariat staff to process applications more efficiently.

ITC has set performance pledges on the processing time of applications for training grant applications and for reimbursement claims, both of which have been incorporated into the revised “Guidance Notes for Training Grant Applications” issued in October 2023. According to paragraph 20 of the “Guidance Notes for Training Grant Applications”, the notification of application result to the company will normally be released not later than 25 working days upon satisfactory receipt of all required documents from the company. To monitor the processing time of training grant applications and reimbursement claims more effectively, ITC would request the Training Programme Secretariat to provide detailed breakdown of the processing time statistics to ITC on a monthly basis and maintain file records of the statistics. For reimbursement claims that do not meet the performance pledge, ITC will request the Secretariat to provide reasons for non-compliance and to follow-up in a timely manner.

- 7) According to paragraph 3.27 of the Audit Report, since the launch of the Training Programme in August 2018 and up to August 2023, the Training Programme Secretariat had not conducted on-site visits to companies applying for training grants, or devised the relevant guidelines and target numbers of on-site visits. Will the Government advise on:
- (a) the reasons why the Training Programme Secretariat had not conducted on-site visits to companies applying for training grants during the above five-year period, and the ways for it to ensure the compliance to the Training Programme requirements of companies applying for training grants and nominated employees during the same period; and
 - (b) the details of the guidelines on on-site visits to companies applying for training grants devised by ITC in consultation with the Training Programme Secretariat, including the scope of checks to be conducted, scenarios where the provision of additional documentary support should

suffice, scenarios where on-site visit is deemed necessary, and necessary follow-up actions to the visits as mentioned in paragraph 3.37 of the Audit Report, and whether relevant performance indicators will be devised for the number of on-site visits.

Government Response

The Training Programme Secretariat would review the information submitted by the company applying for training grant (including a copy of the company's valid business registration certificate, the academic qualifications of the nominated employees and their Mandatory Provident Fund records, etc.) to process the application. In case of doubt, the Secretariat will request the company concerned to provide the necessary supplementary documents and information for appropriate follow-up. Any omission or misrepresentation of information by the company applying for training grant may lead to rejection of applications, withdrawal of training grants approved, and part or full recoupment of grants awarded (including any overpayment of partial advance payment). So far, the Secretariat has ensured the compliance to the Training Programme requirements of companies applying for training grants and nominated employees mainly by checking relevant documents. The Secretariat would also conduct surprise class inspections on courses to check that nominated trainees attended the relevant courses.

To further strengthen monitoring of the Training Programme, ITC and the Training Programme Secretariat have formulated guidelines for on-site company visits, covering the circumstances under which on-site visits shall be conducted, the criteria for inspections during on-site visits, the points-to-note for inclusion in the visit reports, as well as follow-up actions required (such as issuing warning letters and imposing relevant penalties) in case of non-compliances found during the visit.

The Training Programme Secretariat will identify applicant companies of which on-site visits would be conducted on a risk-based approach. For example, if an applicant company fails to provide the required supplementary documents and information despite repeated requests by the Secretariat, or the Secretariat has reasonable doubts about the company (e.g. a company indicates on the application form that its company address is a residential location but the company provides catering services), on-site visits may be conducted. ITC will continue to liaise closely with the Secretariat and will consider the necessity to devise performance indicators for the number of on-site visits having regard to actual circumstances after the new arrangement has come into operation for a period of time.

Part 4: Other Issues

- 8) With reference to paragraph 4.20 of the Audit Report, Audit reviewed the four annual employer surveys for the period from the launch of the Training Programme in August 2018 to March 2022. It was noted that the average time gap between the end date of the period covered by the surveys and the date of commencing the surveys was 253 days, and the average time taken for the compilation of survey results was 133 days. In this connection, will the Government set a target on the processing time in respect of the commencement of employer surveys and the compilation of survey results; if yes, the details; if no, the reasons?

Government Response

ITC will continue to closely monitor the operation and effectiveness of the evaluation survey. We are also actively exploring with the Training Programme Secretariat to expedite the launch of the employer survey by, for example, rationalising the coverage period of each evaluation survey or the procedures of commencing an evaluation survey, so as to expedite the timetable for evaluation surveys and to set target processing time of the evaluation survey.