

CHAPTER 8

Home and Youth Affairs Bureau

Youth Development Fund

**Audit Commission
Hong Kong
28 October 2024**

This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 83 of the Director of Audit contains 8 Chapters which are available on our website (<https://www.aud.gov.hk>).



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YOUTH DEVELOPMENT FUND

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YOUTH DEVELOPMENT FUND

Executive Summary

1. In his important speech delivered on 1 July 2022 and the Report to the 20th National Congress of the Communist Party of China, President Xi Jinping remarked that “Hong Kong will prosper only when its young people thrive”. According to the Government, it has all along attached great importance to youth development. Young people are encouraged to grasp the immense opportunities brought about by the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and at the same time embrace the world. In the 2015 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region announced the set-up of a \$300 million Youth Development Fund (YDF) as one of the initiatives to enhance support for the youngsters through supporting innovative youth development activities which are not covered by existing schemes, including subsidy in the form of matching fund for non-governmental organisations (NGOs) to assist young people to start their own businesses. Over the years, a number of funding schemes have been launched to promote youth development through collaboration with NGOs (hereinafter referred to as NGO operators), including the Funding Scheme for Youth Entrepreneurship in GBA (the Entrepreneurship Scheme), the Funding Scheme for Experiential Programmes at Innovation and Entrepreneurial Bases in GBA (the Experiential Scheme), the Funding Scheme for Youth Adventure Training Activities (FSYATA) and the Funding Scheme for Youth Positive Thinking Activities (FSYPTA). As at 30 June 2024, the total approved commitment of YDF amounted to \$900 million, and the amounts approved and disbursed under various funding schemes of YDF totalled \$245 million and \$167 million respectively.

2. The Youth Affairs Branch of the Home and Youth Affairs Bureau (HYAB) is responsible for the policy formulation, coordination and implementation of youth development initiatives. HYAB released the Youth Development Blueprint in December 2022 to outline the overall vision and guiding principles for the Government’s long-term youth development work in future. The Government established the Youth Development Commission (YDC) to enhance policy coordination within the Government on youth development work. The Action Group on Youth Development Fund and Programmes, and Action Group on Youth Wellness of YDC are responsible for overseeing the implementation of programmes and activities relating to YDF, among other duties. The Audit Commission (Audit) has

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recently conducted a review to examine the implementation of the funding schemes under YDF.

Entrepreneurial funding schemes providing start-up capital support

3. *Need to keep under review funding allocated for supporting young entrepreneurs under the scheme.* YDF provides entrepreneurial support for youth through the Entrepreneurship Matching Fund (EMF) and the Entrepreneurship Scheme, which were launched in 2016 and 2019 respectively. Both schemes provide young entrepreneurs with start-up capital support, while the latter provides more entrepreneurial support and incubation services (e.g. mentorship programmes and relevant guidance and support on business operations) to them. Audit noted that under the first round of the Entrepreneurship Scheme:

- (a) 16 (48%) NGOs were selected as operators (with a total approved funding of \$136.8 million) out of 33 applications received. The NGO operators are responsible for selecting young entrepreneurship applicants (YEAs) for granting the start-up capital subsidy and providing the related services;
- (b) out of 2,805 applications received by the 16 NGO operators, only 217 (8%) YEAs were selected for providing start-up capital subsidy and related services; and
- (c) HYAB, being the secretariat of YDC and the Action Group on Youth Development Fund and Programmes, had reported progress of the implementation of EMF and the Entrepreneurship Scheme but had not compiled statistics and reported the acceptance rate of YEAs regularly (paras. 1.5, 2.2 and 2.6 to 2.8).

4. *Need to ensure that a fair mechanism for selecting YEAs is in place.* According to HYAB's guidelines, NGO operators are required to have a fair mechanism for the selection of YEAs. Audit visited 2 NGO operators' offices to review the implementation of projects under the first round of the Entrepreneurship Scheme including the YEA selection process and found room for improvement. For example, 5 (23%) of the 22 YEAs selected by an NGO operator did not obtain the highest scores in the final interviews. According to the NGO operator, the YEAs were selected after deliberations of all the assessment panel members, and the

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assessment results had been sent to each member for confirmation. However, the documentation on the deliberations and some of the confirmations were not available. Also, for preliminary assessments and final interviews of YEAs, the documentary records of declarations of conflict of interest of some assessment panel members were not available for Audit inspection (paras. 2.13 and 2.14).

5. ***Need to ensure that checking of YEAs' eligibility is conducted in accordance with funding agreements.*** According to the funding agreements, NGO operators are responsible for checking the eligibility of YEAs. Regarding the checking of the eligibility criteria on whether the start-ups or YEAs have submitted the same or different applications to other NGO operators or received financial assistance other than public funds at the time of application, Audit examined the application forms prepared by all the 16 NGO operators and noted that 9 (56%) NGO operators did not request YEAs to make declaration concerning either or both criteria in the application forms. There was no documentary evidence showing that the NGO operators had taken other measures to check YEAs' eligibility in this regard (paras. 2.16 and 2.18).

6. ***Need to ensure that NGO operators deliver services in accordance with funding agreements.*** According to the funding agreements, NGO operators should carry out and complete the programmes and activities under two main categories, namely, start-up capital support and entrepreneurial support and incubation services. Audit noted that for the entrepreneurial support and incubation services provided under the Entrepreneurship Scheme, as at 30 June 2024, 4 NGO operators did not achieve the expected numbers of persons benefitted in 20 (27%) programmes/activities, with shortfall ranging from 13% to 89% (averaging 36%). According to the NGO operators, the under-achievements were mainly due to the impact of the coronavirus disease (COVID-19) epidemic (paras. 2.22 and 2.27).

7. ***Need to enhance monitoring of submission of reports by NGO operators.*** According to the funding agreements, NGO operators are required to submit reports within stipulated timeframes (i.e. every 3 to 6 months), as well as completion reports and audited accounts for monitoring purposes after completion of projects. Audit noted that:

- (a) ***EMF.*** For projects ended in the period from February 2018 to February 2021, 12 (44%) out of 27 reports (involving 4 NGO operators)

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were submitted late, ranging from 2 to 21 months (averaging 7 months) and the time taken to release final payments to NGO operators after their submission of the required reports ranged from 1 to 49 months (averaging 19 months); and

- (b) *The Entrepreneurship Scheme.* For the period from February 2021 to June 2024, among 158 reports which were due for submission by the 16 NGO operators on or before 30 June 2024, 86 (54%) reports were submitted late, ranging from 4 days to 27 months (averaging 6 months) (paras. 2.33 and 2.34).

8. *Need to enhance coverage of monitoring visits.* According to HYAB, YDC members and/or HYAB staff conduct monitoring visits to NGO operators to ascertain the effectiveness of the programmes/activities and monitor performance. Audit noted that:

- (a) for EMF, a total of 29 monitoring visits were conducted to all the 9 NGO operators. The number of visits to each NGO operator ranged from 2 to 6 times (averaging 4 times);
- (b) for the Entrepreneurship Scheme, a total of 44 monitoring visits were conducted to 13 (81%) out of 16 NGO operators. The number of visits to each NGO operator ranged from 1 to 8 times (averaging 3 times); and
- (c) there was no documentation on the reasons for not conducting monitoring visit to some NGO operators for the Entrepreneurship Scheme and conducting more frequent visits to some NGO operators for both schemes (para. 2.36).

The Experiential Scheme

9. *Need to improve participation in the Experiential Scheme.* The Experiential Scheme was rolled out in 2019 as one of the initiatives to enrich Hong Kong young people's understanding of the innovation and entrepreneurial bases in Mainland cities of GBA. Subsidy was provided for NGO operators to organise short-term experiential programmes (duration of 6 to 28 days). In February 2021, HYAB entered into funding agreements with 15 NGO operators for implementing

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18 programmes under the first round of the Experiential Scheme with a target of 767 participants. Audit noted that as of August 2023, there was a shortfall of 6 (33%) programmes and 466 (61%) participants, which were contributed by withdrawals of 3 NGO operators, cancellations of 3 programmes, and less participants recruited by some NGO operators than estimated. According to HYAB, the shortfalls were mainly because of the COVID-19 epidemic (paras. 3.2 and 3.4 to 3.7).

10. ***Need to enhance monitoring of NGO operators' work in recruiting participants.*** Audit visited the offices of 2 NGO operators to review the implementation of programmes under the Experiential Scheme, one of which was engaged to organise a 28-day programme for 45 participants. According to the NGO operator's funding proposal, it should openly recruit participants via different promotion channels (e.g. website, issuing promotion letters to tertiary institutions and arranging 8 roadshows in various tertiary institutions). Audit noted the following issues:

- (a) ***Inadequacies in promotion work.*** The link to the NGO operator's website was provided in the letters sent to tertiary institutions. However, the website was not updated to include essential information, for example, the departure date of the programme, which did not facilitate potential applicants planning their schedule and joining the programme. On the other hand, it only provided 1 roadshow to 4 tertiary institutions each, totalling 4 instead of 8 roadshows as stated in the funding proposal; and
- (b) ***Participants entirely from a single tertiary institution.*** The NGO operator had engaged a university in GBA as a "supporting tertiary institution" to help recruit its students to participate in the programme. According to the records of the NGO operator and HYAB, there was a total of 52 applications, of which 45 were from students of the university. Some applicants attaining higher scores in the interviews did not participate due to personal reasons, and all the 45 places were taken up by students of the university (paras. 3.13, 3.15, 3.16 and 3.19).

11. ***Need to ensure that checking of participants' eligibility is carried out in accordance with funding agreements.*** Hong Kong permanent residents aged between 18 and 35 and had not participated in any of the programmes under the Experiential Scheme before were eligible for the scheme. According to the funding agreements, NGO operators should ensure that participants met the two criteria by checking their

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eligibility. Audit examined the NGO operator's records and found that of the 45 participants, 2 were not Hong Kong permanent residents. In other words, they were ineligible but were allowed to participate in the programme. According to the funding agreement, all expenses incurred by ineligible participants would not be funded (paras. 3.23 and 3.25).

12. ***Need to enhance accuracy of participants' information submitted to HYAB.*** According to HYAB's guidelines, NGO operators are required to submit a list of participants of the programme (including name) to HYAB to facilitate cross-checking of participants' eligibility. Audit noted that, of the 45 participants, the particulars (including the names) of 5 (11%) participants on the list submitted to HYAB by the NGO operator did not tally with its records. The same discrepancies were also found in the post-trip questionnaires submitted to HYAB (paras. 3.28 and 3.29).

13. ***Room for improvement in checking participants' eligibility by HYAB.*** According to HYAB's guidelines, NGO operators should submit a list of participants with their particulars to HYAB for checking their eligibility. Audit noted that:

- (a) such information did not include Hong Kong identity card numbers, which might undermine the effectiveness of such checking; and
- (b) HYAB may request NGO operators to submit participants' declaration forms regarding their eligibility for the scheme (which included the Hong Kong identity card numbers of participants). However, there was no evidence that HYAB had made such request for monitoring purposes as of July 2024 (para. 3.38).

14. ***Room for improvement in monitoring of performance of NGO operators.*** Audit noted the following issues:

- (a) ***Delay in submission of reports by NGO operators.*** According to the funding agreements, NGO operators are required to submit reports (e.g. completion reports and audited accounts) of the programmes within the specified timeframe for disbursement of grants and monitoring purposes. There were delays in submission of reports by NGO operators. For example, for the period February 2021 to August 2023, the delays in

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submission of audited financial statements ranged from 10 to 113 days (averaging 56 days). Furthermore, the overdue report reminders were sent 1 to 86 days after the due dates of the reports (averaging 39 days); and

- (b) *Need to enhance coverage of monitoring visits.* For the period March 2021 to September 2023, a total of 21 monitoring visits were conducted by YDC members and/or HYAB staff to 11 (92%) of the 12 NGO operators, the number of visits to each NGO operator ranged from 1 to 3 times. There was no documentation on the reasons for not conducting visits to the NGO operator and more visits to some NGO operators (paras. 3.40 to 3.42 and 3.45).

15. *Need to consider setting performance indicators for the Experiential Scheme.* According to HYAB, an indicator had been set in the 2023 Policy Address to increase the number of beneficiaries under various youth exchange and internship programmes in the Mainland and overseas under the bureau from about 17,000 in 2019 to no less than 30,000 in 2024. This indicator covered the Experiential Scheme, which served similar purpose of enriching the experience of young people through offering exposure opportunities outside Hong Kong. However, no performance indicator had been set specifically for the Experiential Scheme. To evaluate the effectiveness and enhance accountability, HYAB needs to consider setting performance indicators for all schemes under YDF (including the Experiential Scheme) and reporting the achievements thereon (paras. 3.48 and 3.49).

Other youth development schemes

16. *Need to keep in view participation in FSYATA and FSYPTA.* FSYATA and FSYPTA subsidise NGO operators to provide adventure training activities for young people in support of their healthy personal development and organise projects that are conducive to nurturing young people's positive thinking respectively. NGO operators are required to state the target numbers of participants in the funding proposals. Audit noted that the progress of some NGO operators appeared to be slower as at 30 June 2024 (with the schemes having operated for a year):

- (a) for FSYATA, the projects should run from July 2023 to August 2025. The actual number of participants ranged from 15% to 55% of the target numbers, with 3 out of the 4 NGO operators achieving less than half of the target numbers; and

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- (b) for FSYPTA, the projects should run from July 2023 to June 2025. The actual number of participants ranged from 17% to 84% of the target numbers, with 4 out of the 7 NGO operators achieving less than half of the target numbers (paras. 4.2, 4.5, 4.6 and 4.8).

17. ***Need to ensure timely submission of reports and returns by NGO operators.*** According to the funding agreements, NGO operators shall submit reports (e.g. completion reports and audited accounts) for disbursement of grants and for monitoring purposes. For FSYATA, they were also required to submit monthly returns for activities to be organised to HYAB within a specified timeframe. Audit noted that some NGO operators did not submit the reports and returns in accordance with the stipulated timeframes. For example, for FSYATA, the delays for submission of the progress report was 30 days and those for returns ranged from 1 to 29 days (averaging 6 days). Despite delays in the submissions, reminders were only sent to 3 (50%) of the 6 NGO operators to follow up on overdue reports and returns (paras. 4.17 to 4.20).

Other related issues

18. ***Need to continue to broaden membership of the Alliance of Hong Kong Youth Innovation and Entrepreneurial Bases in the Greater Bay Area (the Alliance).*** HYAB and two other leading parties established the Alliance in December 2023 to provide young entrepreneurs with a one-stop information, publicity and exchange platform. As at 30 June 2024, there were 59 member organisations and 44 activities had been organised. The objectives of the Alliance are, among others, to leverage on member organisations' resources and to foster exchange and cooperation among the stakeholders. Hence, a broader membership is conducive to the Alliance's development and operations. There was scope for expanding the membership of the Alliance (paras. 5.2 to 5.4).

19. ***Room for improvement in managing the thematic website.*** To promote the entrepreneurial support schemes, HYAB and YDC launched the "We Venture" thematic website in February 2021 providing information of NGO operators and their projects/programmes. Audit noted that the numbers of page views and unique visitors decreased by 64% and 36% respectively in 2023 compared to 2021 and some information that was of concern to applicants (e.g. announcement date for application results) was not always provided on the website (paras. 5.5 and 5.6).

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20. ***Need to report YDF financial position to YDC.*** Since the establishment of YDF in 2016, YDC and its relevant Action Groups (see para. 2) have been overseeing the implementation of YDF's funding schemes and programmes. Audit noted that since YDC's establishment in April 2018 and up to July 2024, HYAB had only reported the overall utilisation of YDF to YDC once and had not reported the projected utilisation of YDF (paras. 5.20 and 5.21).

21. ***Need to leverage YDF to further support youth development.*** Set up in 2016 and having a total approved commitment of \$900 million, as at 30 June 2024, about \$245 million funding had been approved under YDF. According to HYAB, it has planned to launch new rounds of the various youth development schemes in this year and the next few years, covering areas including youth entrepreneurship, youth adventure training and youth positive thinking, etc. With the enormous development potential in GBA, the Government's commitment in supporting youth development and youth entrepreneurship and HYAB's plan to launch new rounds of the youth development schemes, HYAB needs to continue to, in consultation with YDC, upon reviewing the financial position of YDF, explore measures to ensure the optimal utilisation of YDF (paras. 5.25 and 5.26).

Audit recommendations

22. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Secretary for Home and Youth Affairs should:**

Entrepreneurial funding schemes providing start-up capital support

- (a) **for the Entrepreneurship Scheme, provide more management information (e.g. acceptance rate of YEAs) to YDC and the Action Group on Youth Development Fund and Programmes to facilitate their review of the implementation details of the scheme (para. 2.10(a));**
- (b) **continue to provide more assistance and guidance to prospective NGO applicants and step up efforts in encouraging more NGOs to join the Entrepreneurship Scheme (para. 2.10(b));**

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- (c) **take measures to enhance the selection process of YEAs by NGO operators, including maintaining proper documentation on the assessment process (e.g. document justifications in cases where applicants with the highest scores in interviews were not selected), and management of conflict of interest (para. 2.31(a));**
- (d) **take measures to ensure that NGO operators' checking of the eligibility of YEAs is conducted in accordance with the funding agreements and properly documented (para. 2.31(b));**
- (e) **continue to take measures to ensure that NGO operators deliver programmes and activities under the entrepreneurial support and incubation services in accordance with the funding agreements (including expected numbers of persons benefitted), and require them to take prompt actions to rectify the shortfall in case of under-achievements (para. 2.31(e));**
- (f) **take further measures to ensure that NGO operators submit reports in accordance with the timeframes stipulated in funding agreements and expedite the payment process to NGO operators as far as practicable (para. 2.43(a));**
- (g) **expand the coverage of monitoring visits to all NGO operators, and specify the coverage and the frequency of monitoring visits in HYAB's guidelines (para. 2.43(b));**

The Experiential Scheme

- (h) **draw experience from the first round of the Experiential Scheme and provide assistance to NGO operators in delivering the programmes as appropriate in future, and step up efforts in promoting the scheme in collaboration with NGO operators (para. 3.11(b) and (c));**
- (i) **enhance monitoring of NGO operators' work in implementing the funding proposals, including the stated number of promotion activities, and remind NGO operators to recruit a more diverse mix of participants as far as practicable (para. 3.36(a));**

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- (j) **take measures to ensure that NGO operators conduct proper checks on participants' eligibility, and take follow-up actions to request refund from NGO operator(s) concerning ineligible participants (para. 3.36(c));**
- (k) **take measures to enhance the accuracy of information submitted by NGO operators regarding participants (para. 3.36(e));**
- (l) **strengthen monitoring of NGO operators' checking of participants' eligibility, including requesting NGO operators to submit participants' declaration forms for independent checking as appropriate (para. 3.50(a));**
- (m) **take measures to ensure that NGO operators submit reports in accordance with the stipulated timeframes, including issuing reminders to them in a timely manner, and expand the coverage of monitoring visits to all NGO operators (para. 3.50(b) and (c));**
- (n) **consider setting performance indicators for all schemes under YDF (including the Experiential Scheme) and reporting the achievements thereon (para. 3.50(d));**

Other youth development schemes

- (o) **continue to keep under review the progress of implementation of FSYATA and FSYPTA including the participation rates, and take follow-up actions as appropriate (para. 4.15(a));**
- (p) **continue to take measures to ensure that NGO operators of other youth development schemes submit reports and returns in accordance with the funding agreements, and take follow-up actions as appropriate (para. 4.32(a));**

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Other related issues

- (q) **continue to broaden the membership of the Alliance of Hong Kong Youth Innovation and Entrepreneurial Bases in the Greater Bay Area for providing more activities that benefit young entrepreneurs (para. 5.13(a));**
- (r) **keep under review the usage of the “We Venture” thematic website and take measures to attract more views and visitors, and consider providing more information (e.g. current status and timeline) related to the YDF schemes on the website (para. 5.13(b) and (c));**
- (s) **report the current and projected financial positions of YDF to YDC regularly for reference (para. 5.22(c)); and**
- (t) **continue to, in consultation with YDC, upon reviewing the financial position of YDF, explore measures to ensure the optimal utilisation of YDF (para. 5.28(a)).**

Response from the Government

23. The Secretary for Home and Youth Affairs agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

1.2 In his important speech delivered on 1 July 2022 and the Report to the 20th National Congress of the Communist Party of China, President Xi Jinping remarked that “a nation will prosper only when its young people thrive”, “Hong Kong will prosper only when its young people thrive”, “Hong Kong will develop only when its young people achieve well-rounded development”, “Hong Kong will have a bright future only when its young people have good career prospects”. According to the Government, it has all along attached great importance to youth development and strives to assist young people in overcoming the hurdles in education, employment, entrepreneurship and home ownership, so that the younger generation will see hope and opportunities for upward mobility. It has a vision to nurture a new generation of Hong Kong young people with an affection for our country and our city who are also equipped with global perspective, an aspiring mindset and positive thinking. Young people are also encouraged to grasp the immense opportunities brought about by the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and at the same time embrace the world. The Home and Youth Affairs Bureau (HYAB) is responsible for coordinating various bureaux in formulating an overall youth policy, setting policy objectives and priorities for youth development, and creating opportunities for upward mobility for young people (Note 1).

1.3 *Youth Development Fund (YDF)*. In the 2015 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region announced the set-up of a \$300 million YDF as one of the initiatives to enhance support for the youngsters through supporting innovative youth development activities which are not covered by existing schemes, including subsidy in the form of matching fund for non-governmental organisations (NGOs) to assist young people to start their own businesses. The details of the fund (such as eligibility criteria, approval procedures and allocation priority) were devised after consulting the then Commission on Youth

Note 1: *The then Home Affairs Bureau was responsible for these policy responsibilities before HYAB was formed to take over the responsibilities pursuant to the reorganisation of government structure on 1 July 2022. For the sake of simplicity, it was referred to as HYAB in this Audit Report.*

Introduction

(Note 2). YDF was set up in July 2016. Further to the initial commitment of \$300 million, the provision for YDF has been increased in the following two occasions:

- (a) in the 2018 Policy Address, the Chief Executive announced that, with the development of GBA that would bring about opportunities for aspiring Hong Kong young entrepreneurs, the Government would, in collaboration with an NGO, roll out a pilot scheme to encourage young people to utilise entrepreneurial bases in GBA. Making reference to the experience gained from the pilot scheme, a new scheme would be set up and an increase in commitment was made to YDF. In 2019, the approved commitment of YDF was increased by \$300 million (i.e. from \$300 million to \$600 million) for further enhancing support for youth development, especially for youth business start-ups, and ensuring that the longer-term and stable resources were available for the implementation of YDF. Two new funding schemes, i.e. the Funding Scheme for Youth Entrepreneurship in GBA (the Entrepreneurship Scheme — see para. 1.5(b)) and the Funding Scheme for Experiential Programmes at Innovation and Entrepreneurial Bases in GBA (the Experiential Scheme — see para. 1.6) were subsequently rolled out; and
- (b) the Chief Executive announced in the 2023 Policy Address that the Government would establish the Alliance of Hong Kong Youth Innovation and Entrepreneurial Bases in the Greater Bay Area (the Alliance) in 2023 to provide a one-stop information, publicity and exchange platform. It was also mentioned that HYAB would launch a new round of the two schemes, and that the scope of one of the schemes (i.e. the Experiential Scheme) has been expanded so as to encourage young people to explore entrepreneurial opportunities in the enormous Mainland market (see para. 1.6). The approved commitment of YDF was further increased by \$300 million (i.e. from \$600 million to \$900 million) in 2024.

Note 2: *The then Commission on Youth was an advisory body set up to advise the Government on matters relating to youth development. It was chaired by a non-official member and its members comprised non-official members from different backgrounds (e.g. incumbents of youth groups and academics) and representatives of government bureaux and departments including HYAB. The Commission was subsequently incorporated into the Youth Development Commission upon its set up in April 2018 (see para. 1.10). For the sake of simplicity, it was referred to as the Youth Development Commission in this Audit Report.*

After the two rounds of increase in commitment, the latest approved commitment of YDF amounted to \$900 million.

1.4 YDF aims at supporting youth entrepreneurship and youth development activities through collaboration with NGOs (hereinafter referred to as NGO operators). Over the years, a number of funding schemes have been launched under YDF to promote youth development. Details are shown in the ensuing paragraphs.

1.5 ***Entrepreneurial funding schemes providing start-up capital support.*** YDF provides entrepreneurial support for youth through the following funding schemes:

- (a) ***Entrepreneurship Matching Fund (EMF).*** EMF was launched in 2016 in collaboration with NGO operators to help young entrepreneurs start their own businesses with a matching start-up capital subsidy (i.e. capped at a matching ratio of 2:1 by the Government and NGO operators with a capital subsidy to each start-up up to \$450,000) and receive services, guidance, and gain valuable experience and knowledge from NGO operators during the start-up process; and
- (b) ***The Entrepreneurship Scheme.*** The Entrepreneurship Scheme was launched in 2019. It subsidises NGO operators to provide support to young people who are interested in starting their businesses in Hong Kong and Mainland cities of GBA and comprises two components, namely:
 - (i) ***Start-up capital component.*** It provides youth start-ups with seed funding through subsidising NGO operators in the form of a matching fund (i.e. capped at a matching ratio of 4:1 by the Government and NGO operators). Each start-up may receive a capital subsidy of up to \$600,000 (i.e. the ceiling of government subsidy for each eligible start-up team is \$480,000 to match with the \$120,000 funding from the NGO operator); and
 - (ii) ***Entrepreneurial support and incubation services component.*** It subsidises NGO operators to offer deeper, broader, more specific and sustainable entrepreneurial support and incubation services (e.g. mentorship programmes and relevant guidance and support to help grasp information on business operations and establish business

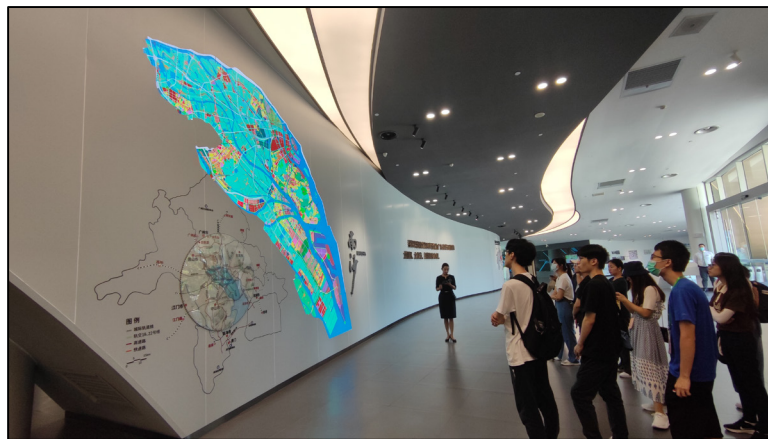
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network) for young people, including helping them settle in youth innovation and entrepreneurial (I&E) bases in Hong Kong and/or Mainland cities of GBA.

1.6 ***The Experiential Scheme.*** The Experiential Scheme was rolled out in 2019. It subsidises NGO operators to organise short-term (i.e. 6 to 28 days) experiential programmes at I&E bases in Mainland cities of GBA. The scope of coverage has been expanded from GBA cities to all Mainland provinces and municipalities since April 2024. By enriching Hong Kong young people's understanding of the I&E bases, as well as the relevant policies and supporting measures on innovation and entrepreneurship in the Mainland through the programmes, this will in turn assist young people to consider settling in the relevant I&E bases and starting businesses therein in the future. Photograph 1 shows a programme organised under the Experiential Scheme.

Photograph 1

Programme organised under the Experiential Scheme in Nansha in GBA



Source: HYAB records

1.7 ***Other youth development schemes.*** Apart from the entrepreneurial support schemes, a number of initiatives have been launched under YDF to promote youth development:

- (a) ***Innovative Youth Development Projects (IYDP)***. Launched in 2016, it subsidises NGO operators to organise innovative activities for youth which would help their development in various aspects (e.g. innovation) in the form of matching fund (i.e. capped at a matching ratio of 2:1 by the Government and NGO operators);
- (b) ***Pilot Scheme on Youth Outdoor Adventure Training Activities (Pilot Scheme on YOATA)***. Rolled out on a pilot basis in 2021, it subsidises NGO operators to provide systematic, quality and sizeable local outdoor adventure training activities in collaboration with schools for young people;
- (c) ***Funding Scheme for Youth Adventure Training Activities (FSYATA)***. Launched in December 2022, it subsidises NGO operators to provide adventure training activities of quality and scale for young people in a structured manner, so as to improve young people’s physical and mental well-being, foster their positive thinking and resilience as well as nurturing a sense of discipline and team spirit. Photograph 2 shows an activity organised under FSYATA; and

Photograph 2

Activity organised under FSYATA



Source: *HYAB records*

Introduction

- (d) ***Funding Scheme for Youth Positive Thinking Activities (FSYPTA).*** Launched in December 2022, it subsidises NGO operators to organise activities that are conducive to nurturing positive thinking among young people, particularly activities which involve cross-sectoral collaboration or are led by youth to drive community building in the form of matching fund (i.e. capped at a matching ratio of 4:1 by the Government and NGO operators). Photograph 3 shows an activity organised under FSYPTA.

Photograph 3

Activity organised under FSYPTA



Source: HYAB records

1.8 ***Youth Start-up Internship Programme (YSIP).*** In 2021, HYAB co-organised with the Hong Kong Cyberport Management Company Limited (Cyberport) for the first time for launching YSIP on a pilot basis to provide 100 internship placements at start-up companies for Hong Kong young people. YSIP aims to foster young people's interest in pursuing a career in innovation and technology, and at the same time nurture talent for the industry in support of Hong Kong's overall direction of promoting innovation and technology development. Following the success of the pilot programme, HYAB, together with Cyberport and the Hong Kong Science and Technology Parks Corporation (HKSTP), regularised and expanded YSIP in 2023 and a total of 200 internship placements were provided at start-up companies. YSIP has been funded under YDF since January 2024.

1.9 **Fund utilisation.** As at 30 June 2024, out of the total approved commitment of \$900 million, the amounts approved and disbursed under various schemes totalled \$244.6 million and \$166.8 million respectively (see Table 1).

Table 1

**Approved and disbursed amounts
under various schemes of YDF
(30 June 2024)**

Scheme/programme	Approved (\$ million)	Disbursed (\$ million)
EMF (Note 1)	24.3	22.2
Entrepreneurship Scheme	136.8	104.0
Experiential Scheme (Note 2)	2.7	2.7
IYDP (Note 1)	0.9	0.9
Pilot Scheme on YOATA (Note 1)	7.1	6.3
FSYATA	24.3	10.2
FSYPTA	26.6	10.6
YSIP	15.8	4.4
Others (e.g. publicity programmes)	6.1	5.5
Total	244.6	166.8

Source: HYAB records

Note 1: EMF, IYDP and Pilot Scheme on YOATA were discontinued in 2021 (see Table 2 in para. 2.2), 2018 and 2023 (see Table 5 in para. 4.4) respectively.

Note 2: The original approved amount for the Experiential Scheme was about \$5 million. Due to the outbreak of coronavirus disease (COVID-19) epidemic, NGO operators cancelled and scaled down some of the programmes (see paras. 3.5 to 3.7), the estimated funding for the scheme was revised accordingly to \$2.7 million.

Introduction

Youth Development Commission (YDC)

1.10 In April 2018, to promote youth development work in a more effective manner, the Government established YDC (Note 3) to enhance policy coordination within the Government and enable a more holistic and effective examination of and discussion on issues of concern to young people. YDC has six Action Groups, including the Action Group on Youth Development Fund and Programmes, and Action Group on Youth Wellness, which are responsible for overseeing the implementation of programmes and activities relating to YDF, among other duties (Note 4).

Youth Development Blueprint

1.11 HYAB released the Youth Development Blueprint (the Blueprint) in December 2022 to outline the overall vision and guiding principles for the Government's long-term youth development work in future. The Blueprint put forward more than 160 concrete actions and measures to support youth development. With reference to the development stages of youth, these actions and measures were organised into four chapters, namely "Exploration", "Hope", "Empowerment" and "Contribution". The major actions and measures in the chapter on "Hope" included encouraging youth innovation and entrepreneurship, as well as facilitating their integration into the overall development of our country and expanding the development opportunities for them in GBA. The action agenda in the chapter on "Empowerment" included supporting young people to engage in activities that nurture positive thinking, as well as to promote their physical and mental well-being through adventure training activities.

Note 3: *YDC is chaired by the Chief Secretary for Administration and comprises a Vice-Chairman, 26 non-official members and 9 ex-officio members including the Secretary for Home and Youth Affairs. HYAB provides secretariat support to YDC. According to the Government, non-official members of YDC are highly representative including community leaders as well as experts and stakeholders involved in youth development work.*

Note 4: *The Action Groups under YDC were established since April 2023. Prior to that, the Working Group on Youth Development Fund and the Task Force on Youth Development Fund and Programmes were responsible for overseeing the implementation of programmes and activities relating to YDF. For the sake of simplicity, the Working Group or the Task Force would be referred to as the Action Group on Youth Development Fund and Programmes in this Audit Report.*

Alliance of Hong Kong Youth Innovation and Entrepreneurial Bases in the Greater Bay Area

1.12 Established in December 2023, the Alliance provides young entrepreneurs with a one-stop information, publicity and exchange platform. HYAB, the Hong Kong and Macao Affairs Office of the People's Government of Guangdong Province, and the Human Resources and Social Security Department of Guangdong Province are the three leading parties of the Alliance. As of June 2024, around 60 representative organisations from various sectors in Hong Kong and other cities of GBA joined the Alliance, including government and public organisations, I&E bases and NGOs. The Alliance aims to promote the high-quality development of youth I&E bases in Guangdong and Hong Kong, enhance Hong Kong young people's innovation and entrepreneurial capabilities, elevate their confidence in pursuing their career in GBA, and set the stage for them to build their future in GBA. Photograph 4 shows the launching ceremony of the Alliance.

Photograph 4

Launching ceremony of the Alliance



Source: HYAB records

Introduction

Responsible bureau

1.13 **HYAB.** The Youth Affairs Branch of HYAB is responsible for the policy formulation, coordination and implementation of youth development initiatives. Headed by the Commissioner for Youth, as at 30 June 2024, 26 staff from three divisions under the Branch were responsible for formulating, coordinating and implementing YDF funded schemes and programmes in addition to other youth programmes. An extract of HYAB organisation chart (as at 30 June 2024) is at Appendix A.

Audit review

1.14 In May 2024, the Audit Commission (Audit) commenced a review to examine the implementation of the funding schemes under YDF. The audit review has focused on the following areas:

- (a) entrepreneurial funding schemes providing start-up capital support (PART 2);
- (b) the Experiential Scheme (PART 3);
- (c) other youth development schemes (PART 4); and
- (d) other related issues (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.15 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB welcomes the review on YDF conducted by Audit, and will take appropriate follow-up actions and improvement measures according to the recommendations.

Acknowledgement

1.16 Audit would like to acknowledge with gratitude the full cooperation of the staff of HYAB during the course of the audit review.

PART 2: ENTREPRENEURIAL FUNDING SCHEMES PROVIDING START-UP CAPITAL SUPPORT

2.1 This PART examines funding schemes providing start-up capital support for young entrepreneurs under YDF, namely EMF and the Entrepreneurship Scheme, focusing on the following areas:

- (a) allocation of funding to NGO operators (paras. 2.2 to 2.11);
- (b) implementation of projects by NGO operators (paras. 2.12 to 2.32); and
- (c) monitoring of NGO operators (paras. 2.33 to 2.44).

Allocation of funding to non-governmental organisation operators

Background

2.2 As mentioned in the Blueprint (see para. 1.11), it is important to assist young people in overcoming hurdles in, among others, entrepreneurship and create a conducive environment for them to acquire the capacity and opportunity to pursue their aspirations. Both EMF and the Entrepreneurship Scheme provide young entrepreneurs with start-up capital support, while the latter provides more entrepreneurial support and incubation services to them. The details of the two funding schemes and their implementation status as at 30 June 2024 are summarised in Table 2.

Entrepreneurial funding schemes providing start-up capital support

Table 2

**Implementation status of EMF and the Entrepreneurship Scheme
(30 June 2024)**

	EMF	Entrepreneurship Scheme
No. of NGO operators	9	16
No. of start-up teams (No. of young entrepreneurs)	100 (about 190)	217 (about 400) (Note 2)
Project period	March 2017 to February 2021	February 2021 to June 2024
Project duration	1 to 4 years (average 2.6 years)	1.2 to 3.4 years (average 2.8 years)
Start-up capital support: Maximum amount to each start-up team	Ratio of 2:1	Ratio of 4:1
	Government: \$300,000 NGO operator: \$150,000 Total: \$450,000	Government: \$480,000 NGO operator: \$120,000 Total: \$600,000
Entrepreneurial support and incubation services: Maximum amount to NGO operator	N.A. (Note 1)	\$3.3 million
Approved amount	\$24.3 million	\$136.8 million
Disbursed amount	\$22.2 million	\$104.0 million

Source: Audit analysis of HYAB records

Note 1: According to the application guidelines for EMF, an additional 10% of the EMF funding was granted to cover manpower expenses, if the NGO operators required additional manpower to specifically handle youth start-up project applications. NGO operators were required to organise an appropriate number of mentorship and pre-entrepreneurship training programmes to young entrepreneurs out of their own funding.

Note 2: The figure represented the number of young entrepreneurs of the start-up teams who had benefitted from the start-up capital component (see para. 1.5(b)(i)). Besides, some 30,000 youths received the entrepreneurial support and incubation services (see para. 1.5(b)(ii)).

Entrepreneurial funding schemes providing start-up capital support

2.3 As for the second round of the Entrepreneurship Scheme, as of August 2024, NGOs applications for operating projects under the scheme had been closed and HYAB was in the process of vetting the applications.

Need to keep under review funding allocated for supporting young entrepreneurs under the scheme

2.4 Under EMF or the Entrepreneurship Scheme, organisations that can apply for operating projects include organisations registered under the laws of Hong Kong of a non-profit or charitable nature, or wholly owned or managed by the Government, or statutory organisations (hereinafter referred to as NGOs). An NGO applicant is required to complete an application form, to provide its background information and a proposal detailing the objectives of the project and expected outcomes, selection and assessment process for young entrepreneurship applicants (YEAs — Note 5), number of expected YEAs selected and corresponding budget and milestone achievements, etc. (Note 6) for HYAB's vetting and YDC's consideration and approval. An assessment panel was formed under the Action Group on Youth Development Fund and Programmes (see para. 1.10) to assess the funding proposals and make recommendations thereon (Note 7).

2.5 According to HYAB, NGOs were selected based on the merits of the proposals, as well as the capacity of the NGO applicants in delivering the projects. As for the funding amount to each NGO operator, it was based on the budgets stated

Note 5: *YEAs refers to young people (either applying as an individual or in a group (i.e. start-up team)) who apply to the NGO operator for funding support in starting up their own businesses under EMF or the Entrepreneurship Scheme.*

Note 6: *An applicant also needs to state the cooperating I&E base(s) in Hong Kong or Mainland cities of GBA recognised by the relevant authorities (if applicable) in the proposal.*

Note 7: *Convenor and members of the Action Group on Youth Development Fund and Programmes were invited to join an assessment panel as members to interview eligible NGO applicants after HYAB's preliminary vetting and assess the projects based on a set of selection criteria. The assessment panel then recommended a list of projects to be funded under the funding schemes for approval by the Action Group/the chairman of the assessment panel.*

Entrepreneurial funding schemes providing start-up capital support

in the funding proposals, subject to a maximum amount approved by YDC (Note 8). According to HYAB, the assessment panel had not set a maximum number of NGO operators to be funded for EMF or each round of the Entrepreneurship Scheme.

2.6 Audit noted that, under EMF, 9 (27%) NGOs were selected as operators out of 33 applications received with a total approved funding of \$24.3 million. As for the first round of the Entrepreneurship Scheme (February 2021 to June 2024), 16 (48%) NGOs were selected as operators out of 33 applications received with a total approved funding of \$136.8 million. According to HYAB, in view of the substantial amount of funding involved, a rigorous selection process was put in place to ensure that the NGO operators would have adequate experience in youth entrepreneurship and sufficient support for professional consultancy services to young entrepreneurs.

2.7 The NGO operators are responsible for selecting YEAs for granting the start-up capital subsidy and providing the entrepreneurial support and incubation services. Audit noted that under the Entrepreneurship Scheme:

- (a) while the number of YEAs to be selected by each NGO operator should not be fewer than 10 generally, HYAB did not set an upper limit on the number;
- (b) for each NGO operator, the maximum amount of grant of the start-up capital was \$6 million (see Note 8 to para. 2.5). As such, the amount provided to each YEA would decrease if the NGO operators decided to select more YEAs; and

Note 8: *According to the application guidelines, the maximum funding amount provided to each NGO operator was \$3 million for EMF for start-up capital support. As for the first round of the Entrepreneurship Scheme, the maximum funding amounts for each NGO operator were:*

- (a) *\$6 million for start-up capital support; and*
- (b) *\$3.3 million for entrepreneurial support and incubation services. Among the 16 NGO operators, 13 applied for the maximum funding for the start-up capital support in the funding proposals and were approved by the chairman of the assessment panel (see Note 7 to para. 2.4).*

Entrepreneurial funding schemes providing start-up capital support

- (c) out of 2,805 applications received by the 16 NGO operators, only 217 (8%) YEAs (Note 9) were selected for providing start-up capital subsidy and related services.

2.8 As can be seen from paragraphs 2.6 and 2.7, the demand for funding under the entrepreneurial funding schemes with start-up capital support was keen, both from NGOs (acceptance rates of 27% and 48%) and from YEAs (acceptance rate at only 8%). In this connection, Audit noted that while HYAB, being the secretariat of YDC and the Action Group on Youth Development Fund and Programmes, had reported progress of the implementation of EMF and the Entrepreneurship Scheme, it had not compiled statistics and reported the acceptance rate of YEAs regularly.

2.9 In Audit's view, the number of applications from YEAs and the corresponding acceptance rate are useful indicators for gauging the demand for the schemes. There is merit for HYAB to provide this information and also the reasons for rejection of YEAs to YDC and the Action Group to facilitate their review of the implementation details of the Entrepreneurship Scheme, such as the maximum funding amounts for NGO operators, so as to support worthwhile projects for young entrepreneurs. As mentioned in paragraph 2.6, 33 applications were received from NGO applicants for operating projects under the scheme and the acceptance rate was 48%. In this regard, while the number of NGO operators and number of start-up teams benefitted have increased under the Entrepreneurship Scheme as compared with EMF, Audit considers that HYAB needs to continue to provide more assistance and guidance (e.g. organise sharing sessions by incumbent NGO operators) to prospective NGO applicants and step up efforts in encouraging more NGOs to join the scheme with a view to increasing the pool of eligible NGOs for implementing projects under the scheme.

Note 9: *In response to Audit's enquiry, HYAB informed Audit in May and August 2024 that the number of applications received by each NGO operator ranged from 20 to 850, and the number of YEAs selected ranged from 12 to 22, giving the acceptance rates ranging from 3% to 60%. The areas covered in selected YEAs' entrepreneurial projects included education, medicine and biotechnology, retail and information technology, etc.*

Audit recommendations

2.10 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) **for the Entrepreneurship Scheme, provide more management information (e.g. number of applications from YEAs, the corresponding acceptance rate and reasons for rejection of YEAs) to YDC and the Action Group on Youth Development Fund and Programmes to facilitate their review of the implementation details of the scheme, such as the maximum funding amounts for NGO operators, so as to support worthwhile projects for young entrepreneurs; and**
- (b) **continue to provide more assistance and guidance to prospective NGO applicants and step up efforts in encouraging more NGOs to join the Entrepreneurship Scheme with a view to increasing the pool of eligible NGOs for implementing projects under the scheme.**

Response from the Government

2.11 The Secretary for Home and Youth Affairs agrees with the audit recommendations.

Implementation of projects by non-governmental organisation operators

Need to ensure that a fair mechanism for selecting YEAs is in place

2.12 Upon selection of the NGO operators by the assessment panel (see para. 2.5), HYAB signs a funding agreement with each of them. According to the funding agreements, NGO operators should, among other obligations:

- (a) carry out and complete the funded projects in accordance with the funding agreements (including the funding proposals). For the Entrepreneurship Scheme, it also includes the delivery of services under the entrepreneurial support and incubation services component;

Entrepreneurial funding schemes providing start-up capital support

- (b) organise, conduct and/or perform the programmes and activities in accordance with the funding agreements and guidelines;
- (c) submit requisite reports and final accounts in accordance with the funding agreements; and
- (d) recruit and select YEAs and ensure that the selected YEAs meet the eligibility criteria of the schemes.

2.13 According to HYAB's guidelines, NGO operators are required to have a fair mechanism for the selection of YEAs. For example, the mechanism should include:

- (a) fair and reasonable recruitment procedures and selection criteria; and
- (b) an assessment panel to conduct selection interviews to evaluate the business quality of start-ups. The assessment panel must include persons with experience in relevant fields.

2.14 Audit visited 2 NGO operators' offices (NGO operator A (Operator A) and NGO operator B (Operator B) — Note 10) to review the implementation of projects under the first round of the Entrepreneurship Scheme including the YEA selection process. Assessment panels were formed to evaluate eligible applications from YEAs by both NGO operators. The selection process mainly comprised two stages (i.e. preliminary assessment and final interview). Audit noted the following issues:

- (a) ***Rationale for selection of YEAs not documented and relevant documents not properly kept.*** Operator A had selected 22 YEAs. Audit checked the list of YEAs selected against the assessment records and found that 5 (23%) of them did not obtain the highest scores in the final interviews. Upon enquiry, Operator A informed Audit in July 2024 that the 22 YEAs were selected after deliberations of all the assessment panel members. Such deliberations were essential for the purpose of moderation given potential

Note 10: *Of the 16 NGO operators of the first round of the Entrepreneurship Scheme, the 2 NGO operators selected for visits were with the highest number of start-up teams under their purview.*

Entrepreneurial funding schemes providing start-up capital support

variations in standard applied by individual panel members based on the same assessment form. However, the relevant documentation on the deliberations was not available. According to Operator A, a list had been sent to each member for confirmation of the assessment results. However, the confirmations for 4 (27%) out of 15 members of the assessment panel were not available. As for the remaining 11 members' confirmations, although the records were available for Audit inspection, there was no documentation on the justifications for selecting the YEAs. On the other hand, for Operator B, the 18 YEAs with the highest scores were selected;

- (b) ***Documentation on declaration of conflict of interest not available.*** According to both NGO operators, they adopted a declaration approach to manage conflict of interest. Audit noted that for Operator A:
- (i) ***Preliminary assessment.*** The documentary records of declarations for 18 (82%) of 22 members were not available for Audit inspection; and
 - (ii) ***Final interview.*** According to Operator A, members of the assessment panel were verbally informed of the need to declare conflict of interest. However, there was no documentary evidence showing that the 15 members had made such declarations. Upon enquiry, Operator A informed Audit in July 2024 that 6 members of the assessment panel for the final interviews were directors/staff of the NGO operator who were governed by the code of conduct and therefore no additional declaration was required to be signed. Nevertheless, for the 9 assessment panel members from external parties, there was also no documentary evidence showing that these members had made the declarations. On the other hand, declarations were made by Operator B's assessment panel members; and
- (c) ***Score sheets not signed or not properly prepared.*** Members of the assessment panels were invited to give scores to YEAs in the preliminary assessments/final interviews based on a set of selection criteria. Audit noted that for Operator A, 104 (40%) out of a total of 261 score sheets for

Entrepreneurial funding schemes providing start-up capital support

the final interviews were not signed by the assessment panel members (Note 11), and there were calculation errors in 8 (3%) score sheets.

2.15 In Audit's view, HYAB needs to take measures to enhance the selection process of YEAs by NGO operators, including maintaining proper documentation on the assessment process (e.g. document justifications in cases where applicants with the highest scores in interviews were not selected), and management of conflict of interest.

Need to ensure that checking of YEAs' eligibility is conducted in accordance with funding agreements

2.16 According to the funding agreements, NGO operators are responsible for checking the eligibility of YEAs (see para. 2.12(d)). For the Entrepreneurship Scheme, the criteria that YEAs need to meet include:

- (a) they must not have received funding from EMF;
- (b) when making an application, they must attach a detailed business plan and declare whether they have submitted applications to other NGO operators; and
- (c) they must declare whether they have received financial assistance other than public funds. If they receive funding other than public funds in future, they must report such fact in a timely manner.

2.17 According to HYAB, NGO operators would check the eligibility of each application based on the supporting documents submitted by YEAs. NGO operators would also provide information of selected YEAs (e.g. names and extract of Hong Kong identity card numbers) to HYAB for further verifications and cross-checking to ensure that no selected YEA would receive more than one subsidy under the scheme or had previously received funding from EMF (see para. 2.16(a)).

Note 11: *According to Operator A, the list of YEAs selected by the assessment panel members (see para. 2.14(a)) was submitted to its board of directors for approval.*

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2.18 Regarding the checking of the eligibility criteria on whether the start-ups or YEAs have submitted the same or different applications to other NGO operators (see para. 2.16(b)) or received financial assistance other than public funds at the time of application (see para. 2.16(c)), Audit examined the application forms prepared by all the 16 NGO operators (see para. 2.6) and noted that:

- (a) 7 (44%) NGO operators requested YEAs to make declaration concerning both criteria in the application forms;
- (b) 1 (6%) NGO operator did not request YEAs to declare whether they have received financial assistance other than public funds; and
- (c) 8 (50%) NGO operators did not request YEAs to make declaration concerning both criteria in the application forms.

There was no documentary evidence showing that the 9 NGO operators mentioned in (b) and (c) had taken other measures to check YEAs' eligibility in accordance with the funding agreements.

2.19 In Audit's view, HYAB needs to take measures to ensure that NGO operators' checking of the eligibility of YEAs is conducted in accordance with the funding agreements and properly documented (e.g. requesting NGO operators to require YEAs to make declarations concerning their eligibility in the application forms).

Need to ensure that NGO operators incorporate applicable clauses in agreements with selected YEAs

2.20 Under the Entrepreneurship Scheme, according to HYAB's guidelines, an NGO operator is required to sign an agreement with each selected YEA. HYAB's guidelines also stipulate that the agreements must incorporate the "applicable terms and conditions" from the funding agreements between HYAB and NGO operators. However, HYAB had not specified which terms and conditions were "applicable". Audit examination of the agreements of the 16 NGO operators with selected YEAs noted inconsistencies in the terms and conditions incorporated. For example, each of the following terms and conditions had been suitably incorporated by 10 (63%) of the 16 NGO operators:

Entrepreneurial funding schemes providing start-up capital support

- (a) to ensure that the businesses operated are not receiving any other public or Government funding sources during the project period unless with the Government's prior written consent; and
- (b) the business must not be acquired by a third party or terminated or any or all of their interests, rights, benefits or obligations under their business is assigned, transferred, sub-contracted or otherwise disposed of during the regulatory period.

2.21 In light of the Audit findings, HYAB needs to provide clearer guidelines to NGO operators on what constitutes “applicable” terms and conditions to facilitate their work in preparing agreements with selected YEAs.

Need to ensure that NGO operators deliver services in accordance with funding agreements

2.22 According to the funding agreements of EMF and the Entrepreneurship Scheme, NGO operators should carry out and complete the programmes and activities under two main categories, namely, start-up capital support and entrepreneurial support and incubation services. Audit has found room for improvement in NGO operators' delivery of these support services in accordance with the funding agreements.

2.23 ***Start-up capital support.*** The start-up capital support aims to provide seed funding in the form of matching fund. According to HYAB's guidelines:

- (a) for both schemes, the amount should be released to the selected YEAs in phases, upon achievements of relevant milestone targets during the project periods to satisfy their initial capital needs (Note 12); and

Note 12: *According to HYAB's guidelines, for the subsidy provided by the Government, the entire amount should be disbursed to the selected YEAs as a grant with conditions. For the matching fund provided by the NGO operators, the entire amount should be disbursed as a grant with conditions or a loan, or a combination of both.*

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- (b) for the Entrepreneurship Scheme, NGO operators should set clear milestone targets for different stages (Note 13) with selected YEAs, and guide the selected YEAs to achieve these milestone targets and develop their businesses. NGO operators are required to submit a milestone schedule of selected YEAs under their purview at the beginning of funding scheme, and demonstrate to HYAB that all selected YEAs had successfully reached their milestone targets before they could receive the next phase of funding. In the progress and completion reports, NGO operators are required to report the achievements of milestone targets by selected YEAs.

2.24 Audit noted that:

- (a) for EMF, 1 (11%) out of 9 NGO operators (see para. 2.6) had applied to HYAB for extending the project period for 3 months; and
- (b) for the Entrepreneurship Scheme, 11 (69%) of the 16 NGO operators had applied to HYAB for extending the project periods, ranging from 1.8 to 4.7 months (averaging 2.7 months).

According to HYAB, the reasons for the extensions were mainly due to the COVID-19 epidemic which had brought about significant impact and constraints to various selected YEAs of different industries. The less than favourable economic environment and uncertain business outlook had greatly impeded the development of selected YEAs and so the NGO operators and selected YEAs needed more time to achieve the milestone targets, which were set without foreseeing the prolonged period of the epidemic. The project periods of all the 12 NGO operators were extended. All projects under EMF and the first round of the Entrepreneurship Scheme were completed by February 2021 and June 2024 respectively.

Note 13: *Examples of first milestone targets include completing business registration procedures in Hong Kong and/or Mainland cities in GBA, and successfully settling in I&E bases in Hong Kong and/or Mainland cities in GBA. Other examples of milestone targets include successful production of product prototypes, completing product development, successfully launching the products in the market and opening of physical stores, etc.*

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2.25 In Audit's view, HYAB needs to continue to take measures to ensure that NGO operators closely monitor selected YEAs' achievement of the milestone targets for timely completion of projects.

2.26 *Entrepreneurial support and incubation services.* NGO operators are responsible for carrying out programmes and activities under the entrepreneurial support and incubation services in accordance with the funding proposals (Note 14). Programmes and activities organised must include, for example, mentorship programmes and professional consultancy services (e.g. legal and/or policy consultation). These services should be provided to young people interested in starting their businesses, including but not limited to the selected YEAs of the start-up teams receiving the start-up capital subsidy. As at 30 June 2024, for the Entrepreneurship Scheme, some 30,000 youths had benefitted from these services (see Note 2 to Table 2 in para. 2.2).

2.27 NGO operators are required to report the implementation status of the programmes and activities under the entrepreneurial support and incubation services in the progress/completion reports (Note 15). Audit examined the completion reports under the Entrepreneurship Scheme submitted by 5 NGO operators (Note 16). Audit noted that as at 30 June 2024:

- (a) a total of 73 types of programmes/activities were organised, meeting the target numbers of types of programmes/activities with the required frequencies; and

Note 14: *According to HYAB, after the signing of funding agreements, there were changes to the targets (i.e. number of types of programmes/activities with required frequencies and number of persons benefitted). For analysis purpose, the targets listed in the completion reports were used to compare with the actual achievements.*

Note 15: *For EMF, the NGO operators were required to organise mentorship and pre-entrepreneurship training programmes (see Note 1 to Table 2 in para. 2.2) and report in the completion reports. There were no specific requirements on the number of types of programmes/activities and number of persons benefitted. According to the completion reports, all NGO operators had organised such programmes/activities.*

Note 16: *As at 30 June 2024, 5 out of 16 NGO operators (see para. 2.6) had submitted completion reports to HYAB. For the remaining NGO operators, their completion reports were not due for submission yet.*

Entrepreneurial funding schemes providing start-up capital support

- (b) 4 NGO operators did not achieve the expected numbers of persons benefitted in 20 (27%) programmes/activities, with shortfall ranging from 13% to 89% (averaging 36%). According to the explanations provided by the NGO operators in the completion reports, the under-achievements were mainly due to the impact of the COVID-19 epidemic (Note 17).

2.28 According to the funding agreements, if the scope/scale of the programmes/activities against the funding proposals under the entrepreneurial support and incubation services has been reduced, the subsidy shall be reduced on a proportional basis or to such amount as the Government deems fit. According to HYAB, payment of subsidy for the entrepreneurial support and incubation services was made on a reimbursement basis (i.e. depending on the actual expenditures incurred). For some of the programmes/activities (e.g. visits), the actual expenditures incurred would be subject to the actual number of persons benefitted, and in such case the subsidy disbursed would be reduced correspondingly. For some other programmes/activities (e.g. talks/seminars), the actual expenditures incurred would be the same irrespective of the actual number of persons benefitted. While there were also other instances in which the number of persons benefitted fell short of the expected numbers, HYAB made the final payments of the services component subsidy without adjustments. This had taken into account the impact brought about by the COVID-19 epidemic especially on the attendance at physical programmes/activities, and that the NGO operators concerned had met the target numbers of types of programmes/activities with the required frequencies (Note 18).

2.29 While noting the impact of the COVID-19 epidemic on the attendance in certain programmes, to ensure that more youths benefit from the programmes and

Note 17: *According to HYAB, regarding the programme with 89% shortfall in the number of persons benefitted, it involved the provision of free-of-charge co-working space for young entrepreneurs, the usage of which was extremely low at the heights of the COVID-19 epidemic due to the social distancing considerations.*

Note 18: *According to the funding agreements, the payments of entrepreneurial support and incubation services component of the subsidy were disbursed to the NGO operators in phases upon satisfaction of certain criteria (e.g. submission of reports to the satisfaction of the Government). As at 30 June 2024, out of the 4 NGO operators, final payments were made to 2 of them. For the other 2 NGO operators, HYAB was in the process of vetting the completion reports for arranging the final payments.*

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activities under the Entrepreneurship Scheme, HYAB should continue to take measures to ensure that NGO operators deliver programmes and activities under the entrepreneurial support and incubation services in accordance with the funding agreements (including expected numbers of persons benefitted), and require them to take prompt actions to rectify the shortfall in case of under-achievements.

Need to ensure that clauses on safeguarding national security are incorporated in funding agreements

2.30 The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region was implemented on 30 June 2020. The Law stipulates that it is the constitutional duty of the Hong Kong Special Administrative Region to safeguard national security. In this connection, Audit noted that for the second round of the Entrepreneurship Scheme in 2024 (see para. 2.3), HYAB had incorporated specific clauses on safeguarding national security in the application guidelines. As of August 2024, HYAB was in the process of vetting the applications from NGOs. In Audit's view, HYAB needs to ensure that clauses on safeguarding national security are incorporated in the funding agreements to be signed between HYAB and NGO operators, and between NGO operators and selected YEAs.

Audit recommendations

2.31 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) **for the Entrepreneurship Scheme, take measures to enhance the selection process of YEAs by NGO operators, including maintaining proper documentation on the assessment process (e.g. document justifications in cases where applicants with the highest scores in interviews were not selected), and management of conflict of interest;**
- (b) **take measures to ensure that NGO operators' checking of the eligibility of YEAs is conducted in accordance with the funding agreements and properly documented (e.g. requesting NGO operators to require YEAs to make declarations concerning their eligibility in the application forms);**

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- (c) **provide clearer guidelines to NGO operators on what constitutes “applicable” terms and conditions to facilitate their work in preparing agreements with selected YEAs;**
- (d) **continue to take measures to ensure that NGO operators closely monitor selected YEAs’ achievement of the milestone targets for timely completion of projects;**
- (e) **continue to take measures to ensure that NGO operators deliver programmes and activities under the entrepreneurial support and incubation services in accordance with the funding agreements (including expected numbers of persons benefitted), and require them to take prompt actions to rectify the shortfall in case of under-achievements; and**
- (f) **for the second round of the Entrepreneurship Scheme, ensure that clauses on safeguarding national security are incorporated in the funding agreements to be signed between HYAB and NGO operators, and between NGO operators and selected YEAs.**

Response from the Government

2.32 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that:

- (a) for the second round of the Entrepreneurship Scheme, HYAB has updated the guidelines for NGO operators on the checking of eligibility of YEAs and the funding agreements to be signed with selected YEAs, and will remind NGO operators on the need to maintain proper and complete documentation for the selection process of YEAs;
- (b) HYAB will continue to closely monitor the performance of NGO operators and the achievement of stipulated targets, and provide suitable guidance and support to NGO operators as and when necessary; and
- (c) HYAB attaches great importance to safeguarding national security and has incorporated relevant clauses in the funding agreements for the second round of the Entrepreneurship Scheme.

Monitoring of non-governmental organisation operators

Need to enhance monitoring of submission of reports by NGO operators

2.33 According to the funding agreements, NGO operators are required to submit reports (e.g. progress reports and financial reports) within stipulated timeframes (i.e. every 3 to 6 months), as well as completion reports and audited accounts (within 6 months after completion of the funded projects) for monitoring purposes.

2.34 Audit examined the submission of reports by the NGO operators for both EMF and the Entrepreneurship Scheme, details are as follows:

- (a) ***EMF.*** To safeguard the interest of the Government, final payments would only be disbursed to NGO operators upon submission of required reports (i.e. completion report, financial report and audited accounts) and acceptance by the Government. Audit noted that for projects ended in the period from February 2018 to February 2021:
 - (i) 12 (44%) out of 27 reports (involving 4 NGO operators) were submitted late, ranging from 2 to 21 months (averaging 7 months); and
 - (ii) the time taken to release final payments to NGO operators after their submission of the required reports ranged from 1 to 49 months (averaging 19 months). The last final payment was made in May 2024 (i.e. over 3 years after the end of the projects); and
- (b) ***The Entrepreneurship Scheme.*** Audit noted that there were delays in the submission of reports for the period from February 2021 to June 2024 by the 16 NGO operators. Among 158 reports which were due for submission on or before 30 June 2024, 86 (54%) reports were submitted late, ranging from 4 days to 27 months (averaging 6 months). The delays as at 30 June 2024 is shown in Table 3.

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Table 3

**Delays in submission of reports
for the Entrepreneurship Scheme
(30 June 2024)**

Delay	No. of reports
Less than or equal to 3 months	33 (38%)
More than 3 and up to 6 months	17 (20%)
More than 6 and up to 12 months	25 (29%)
More than 12 months	11 (13%)
Total	86 (100%)

Source: Audit analysis of HYAB records

2.35 Upon enquiry, HYAB informed Audit in July and September 2024 that:

- (a) regarding the long time taken in releasing payments to some NGO operators for EMF:
 - (i) some NGO operators took longer time to respond to HYAB's queries on the reports during the black-clad violence in 2019 and the persistent COVID-19 epidemic thereafter, which had significantly hindered the verification/clarification process;
 - (ii) upon receipt of the reports, the secretariat vetted the reports against prescribed requirements and requested NGO operators to clarify or provide further supplementary information before processing the request for final payments;
 - (iii) once the reports were found in order and to the Government's satisfaction, agreement of the Convenor of the Action Group on Youth Development Fund and Programmes was duly sought and final payments were disbursed to the NGO operators accordingly; and

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- (iv) regarding the case which took 49 months to release the final payment to the NGO operator after submission of required report (see para. 2.34(a)(ii)), the clarification on the report was provided by the NGO operator to the satisfaction of the Government in mid-March 2024 and final payment was subsequently issued in early-May 2024; and
- (b) for both schemes, if NGO operators had not submitted the reports when approaching/exceeded the deadlines, HYAB would take follow-up actions (e.g. sending e-mail reminders and calling the NGO operators) to urge them to submit the reports.

As the delays in some cases were quite long, HYAB needs to take further measures to ensure that NGO operators submit reports in accordance with the timeframes stipulated in funding agreements and expedite the payment process to NGO operators as far as practicable.

Need to enhance coverage of monitoring visits

2.36 According to HYAB, YDC members and/or HYAB staff conduct monitoring visits to NGO operators (e.g. attending programmes/activities as observers) to ascertain the effectiveness of the programmes/activities and monitor performance. Audit examined HYAB records of monitoring visits for EMF (conducted in the period from March 2017 to July 2018) and the Entrepreneurship Scheme (conducted in the period from March 2021 to June 2024), and noted that:

- (a) for EMF:
 - (i) a total of 29 monitoring visits (Note 19) were conducted to all the 9 NGO operators; and
 - (ii) the number of visits to each NGO operator ranged from 2 to 6 times (averaging 4 times);

Note 19: *One of the monitoring visits involved 7 NGO operators.*

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- (b) for the Entrepreneurship Scheme:
 - (i) a total of 44 monitoring visits were conducted to 13 (81%) out of 16 NGO operators;
 - (ii) the number of visits to each NGO operator ranged from 1 to 8 times (averaging 3 times); and
 - (iii) no monitoring visit was conducted to 3 (19%) NGO operators; and
- (c) there was no documentation on the reasons for not conducting monitoring visit to some NGO operators for the Entrepreneurship Scheme and conducting more frequent visits to some NGO operators for both schemes.

2.37 According to HYAB, monitoring visit was only one of the management tools to monitor the effectiveness and performance of NGO operators. Apart from that, HYAB kept track of the implementation of the programmes through various means, including regular interim progress review meetings with all NGO operators joined by selected YEAs, visits by HYAB staff to all NGO operators and day-to-day communications with NGO operators, etc. As far as EMF was concerned, it was not uncommon to plan the number of visits paid to individual NGOs based on the nature of the activities as well as individual merits.

2.38 While noting HYAB's explanations, Audit considers that HYAB needs to expand the coverage of monitoring visits to all NGO operators, and specify the coverage and the frequency of monitoring visits in HYAB's guidelines.

Need to keep under review achievements of key performance indicators

2.39 In the 2022 and 2023 Policy Addresses, the following indicators have been set for the Entrepreneurship Scheme (Note 20):

Note 20: *Audit noted that performance indicator had not been set for EMF to measure the effectiveness of the scheme. According to HYAB, EMF was discontinued in 2021 and performance indicators had been introduced for the Entrepreneurship Scheme which succeeded EMF in supporting youth entrepreneurship.*

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- (a) no less than 100 funded youth start-up teams in aggregate to have settled in Mainland cities of GBA by 2026; and
- (b) no less than 70% and 80% (i.e. 70% in the 2022 Policy Address and 80% in the 2023 Policy Address) of the participants surveyed to consider their understanding of business start-up to increase after joining the scheme (Note 21).

2.40 Audit examined the achievement of the indicators and noted that as at 30 June 2024:

- (a) 71 youth start-up teams had settled in Mainland cities of GBA (e.g. Guangzhou, Shenzhen and Zhuhai); and
- (b) 198 (99%) out of 199 participants surveyed considered their understanding of business start-up had increased after joining the scheme (i.e. over-achieved the 70% target in the 2022 Policy Address).

2.41 HYAB aims to achieve the performance indicators in the Policy Addresses by 2026 (i.e. no less than 100 funded youth start-up teams in aggregate to have settled in Mainland cities of GBA) and 2027 (i.e. no less than 80% of the participants surveyed to consider their understanding of business start-up to increase after joining the second round of the Entrepreneurship Scheme — see para. 2.39(b)). In Audit's view, HYAB needs to continue to keep under review the achievements of the key performance indicators and take follow-up actions as appropriate.

2.42 Regarding setting outcome indicators to reflect effectiveness of the entrepreneurial funding schemes, Audit noted that there are schemes of similar nature that HYAB can make reference in Hong Kong and internationally. For example:

- (a) in Hong Kong, according to a research article of the Research Office of the Legislative Council Secretariat, Cyberport and HKSTP are two major

Note 21: *According to HYAB, the 70% indicator corresponded to the first round of the Entrepreneurship Scheme which was completed in June 2024 and the 80% indicator corresponded to the second round of the Entrepreneurship Scheme which was expected to be completed in 2027.*

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bodies operating publicly-funded incubation programmes for start-ups. The survival rates of the start-ups since the inception of the incubation programmes and up to 2019 were over 70%; and

- (b) according to the World Bank, “when measuring the performance of an incubator, some common quantitative as well as qualitative metrics arise. It is often that the indicators identified take into consideration outcomes such as the survival rate of the company”.

However, up to June 2024, HYAB did not maintain and report statistics of the survival rates of start-ups established under EMF or the Entrepreneurship Scheme. To facilitate the assessment of the effectiveness of the schemes, HYAB needs to consider setting more outcome indicators making reference to market/international practices (e.g. measuring survival rates for start-ups under the Entrepreneurship Scheme) as appropriate and reporting their achievement.

Audit recommendations

2.43 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) **for the Entrepreneurship Scheme, take further measures to ensure that NGO operators submit reports in accordance with the timeframes stipulated in funding agreements and expedite the payment process to NGO operators as far as practicable;**
- (b) **expand the coverage of monitoring visits to all NGO operators, and specify the coverage and the frequency of monitoring visits in HYAB’s guidelines;**
- (c) **continue to keep under review the achievements of the key performance indicators for the Entrepreneurship Scheme and take follow-up actions as appropriate; and**
- (d) **consider setting more outcome indicators making reference to market/international practices (e.g. measuring survival rates for start-ups under the Entrepreneurship Scheme) as appropriate and reporting their achievement.**

Response from the Government

2.44 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB will continue to:

- (a) closely monitor the performance of NGO operators including but not limited to issue of reminders on overdue reports and conduct of monitoring visits. HYAB has also modified its internal guidelines in this regard; and
- (b) keep under review the achievements of the key performance indicators, and consider compiling more management information for assessing the effectiveness of the Entrepreneurship Scheme.

PART 3: THE EXPERIENTIAL SCHEME

3.1 This PART examines the Experiential Scheme under YDF, focusing on the following areas:

- (a) participation in the first round of the Experiential Scheme (paras. 3.2 to 3.12);
- (b) implementation of programmes by NGO operators (paras. 3.13 to 3.37); and
- (c) monitoring of NGO operators (paras. 3.38 to 3.51).

Participation in the first round of the Experiential Scheme

Background

3.2 The Experiential Scheme was rolled out in 2019 as one of the initiatives to enrich Hong Kong young people's understanding of the I&E bases in Mainland cities of GBA (see para. 1.6). Salient features of the first round of the scheme were as follows:

- (a) ***Objective.*** To assist Hong Kong young people to consider settling in the relevant I&E bases and starting businesses therein in the future;
- (b) ***Eligibility of participants.*** Hong Kong permanent residents aged between 18 and 35 who had not participated in any of the programmes under the Experiential Scheme before; and
- (c) ***Scope of funding.*** Subsidy was provided for NGO operators to organise short-term experiential programmes with a duration ranging from 6 to 28 days at the I&E bases in Mainland cities of GBA. Each programme should comprise not less than 12 eligible participants. The amount of

funding was calculated based on the number of days of the programme and the number of participants (Note 22).

3.3 As of June 2024, about \$2.7 million was disbursed (see Table 1 in para. 1.9) and a total of 301 youths had participated in the scheme. As for the second round of the scheme, NGOs applications for operating programmes under the scheme had been closed in May 2024 and HYAB was in the process of vetting the applications as of August 2024. Audit has examined the implementation of programmes under the first round of the scheme which were completed by August 2023 and found room for improvement.

Need to improve participation in the Experiential Scheme

3.4 Following the roll-out of the Experiential Scheme in 2019, an assessment panel consisting of members of the Action Group on Youth Development Fund and Programmes had been formed for assessing applications for the scheme. In January 2021, based on the proposals submitted by NGO applicants and recommendations of the assessment panel, YDC endorsed about \$5 million funding for the scheme (see Note 2 to Table 1 in para. 1.9). In February 2021, HYAB entered into funding agreements with 15 NGO operators for implementing programmes under the first round of the Experiential Scheme. According to the funding agreements, NGO operators should, among other obligations:

- (a) carry out and complete the programmes in accordance with the funding agreements (including the funding proposals);

Note 22: *Apart from subsidising expenditure incurred by eligible participants, the funding also included:*

- (a) *expenditure for Hong Kong staff members of the NGO operator (up to 5% of the total grant);*
- (b) *direct expenses related to complementary activities (e.g. pre-tour activities) (up to 10% of the total grant); and*
- (c) *expenditure for publicity and administrative activities (up to 15% of the total grant).*

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- (b) organise, conduct and/or perform the programmes and activities in accordance with the funding agreements and guidelines (Note 23);
- (c) submit requisite reports and audited accounts in accordance with the funding agreements; and
- (d) ensure that the participants meet the eligibility criteria of the scheme.

3.5 According to the funding agreements, 15 NGO operators were engaged to implement 18 programmes (Note 24). They were required to state the target numbers of programmes to be organised and participants to be involved in the funding proposals, which formed part of the funding agreements. A comparison of the target numbers with the actual achievements is shown in Table 4.

Note 23: *According to the funding agreements, to facilitate NGO operators to carry out their duties and obligations, HYAB might from time to time issue any requirements and directives on the scheme to NGO operators. In March 2021, HYAB issued “Rules for using allocated fund” for the scheme and revised in August 2022 for strict adherence by NGO operators.*

Note 24: *According to the funding agreements, of the 15 NGO operators, 12 operators would each organise 1 programme and 3 operators would each organise 2 programmes. The maximum grant was \$0.7 million per programme and \$1.4 million per NGO operator (i.e. maximum 2 programmes per operator).*

Table 4

**Implementation status of the Experiential Scheme
(August 2023)**

	Target	Actual	Shortfall
No. of NGO operators	15	12	3 (20%)
No. of programmes	18	12	6 (33%)
No. of participants	767	301	466 (61%)

Source: Audit analysis of HYAB records

3.6 Audit noted that the following factors contributed to the shortfall:

- (a) withdrawals of 3 NGO operators, resulting in a shortfall of 3 programmes and 127 participants;
- (b) cancellations of 3 programmes by 3 NGO operators, resulting in a shortfall of 120 participants; and
- (c) less participants recruited by some NGO operators than estimated, resulting in a shortfall of 219 participants.

3.7 According to HYAB, the shortfalls were mainly because of the COVID-19 epidemic. For 18 programmes approved under the Experiential Scheme in February 2021, all of them were suspended during the prolonged epidemic. With the resumption of normal travel between the Mainland and Hong Kong in February 2023, HYAB immediately resumed the programmes for completion by 31 August 2023. The NGO operators faced various degrees of challenges in resuming the programmes, for example, recruitment difficulties at the initial stage of full resumption of normal travel, changes in the circumstances of the connection and mode of cooperation with the I&E bases, manpower shortage of the NGO operators and tight time schedule. Despite the various challenges, HYAB had worked hand in hand with the NGO operators and managed to complete 12 programmes that benefitted some 300 participants in less than six months.

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- 3.8 According to the funding agreements, the Government:
- (a) shall be entitled to withhold payment of the grant if NGO operators fail to complete the scope/scale of programmes and activities as stipulated in the funding proposals and fail to provide justifications that are acceptable to the Government;
 - (b) may require all or any of the grant be returned if it has reasonable ground to believe the programme has substantially deviated from the funding proposals; and
 - (c) will take into account NGO operators' performance and non-performance of the programmes in processing any future funding applications.

Also, according to HYAB's guidelines, NGO operators should notify the Action Group on Youth Development Fund and Programmes (Note 25) about the cancellation of programmes not less than 2 weeks before the scheduled departure date of the programmes, and should refund the grant to the Government within one month from the endorsement of the cancellation by the Action Group.

3.9 Audit examined the 6 cancelled programmes (see para. 3.6(a) and (b)) and noted that:

- (a) the 6 NGO operators that withdrew from the scheme or cancelled the programmes had refunded the grant within the stipulated timeframe;
- (b) 2 NGO operators did not notify HYAB about the cancellation of the programmes within the stipulated timeframe (i.e. not less than 2 weeks), with delays of 8 and 10 days; and
- (c) upon receiving NGO operators' notifications, the time taken by HYAB to seek endorsement from the Action Group ranged from 10 to 43 days (averaging 25 days).

Note 25: *In practice, the NGO operators notified HYAB, being the secretariat of the Action Group on Youth Development Fund and Programmes, about the cancellations of programmes. HYAB then sought endorsement from the Action Group for the cancellations.*

3.10 While noting the exceptional circumstances under the COVID-19 epidemic and its impact on delivering the programmes under the first round of the scheme, in view of the high percentage of shortfall in the number of participants and in order to achieve the objective of enriching more young people's understanding of the I&E bases in GBA, Audit considers that HYAB needs to take further measures to improve the Experiential Scheme.

Audit recommendations

3.11 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **remind NGO operators to promptly inform HYAB of any cancellation of programmes under the Experiential Scheme within the stipulated timeframe and report the cancellations to the Action Group on Youth Development Fund and Programmes in a timely manner;**
- (b) **draw experience from the first round of the scheme and provide assistance to NGO operators in delivering the programmes as appropriate in future; and**
- (c) **in collaboration with NGO operators, step up efforts in promoting the scheme.**

Response from the Government

3.12 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB had worked with NGO operators hand in hand to address the various challenges in resuming the experiential programmes immediately after the COVID-19 epidemic and managed to complete 12 programmes that benefitted some 300 participants in less than six months. HYAB will draw experience from the first round of the Experiential Scheme and continue to work closely with NGO operators in the implementation and publicity efforts of the programmes.

Implementation of programmes by non-governmental organisation operators

3.13 Audit visited the offices of 2 NGO operators (Note 26) to review the implementation of programmes under the Experiential Scheme. According to the funding agreements, NGO operator C (Operator C) and NGO operator D (Operator D) were engaged to organise a 28-day programme each under the first round of the Experiential Scheme. In August 2023, they organised a programme for 45 and 40 participants to visit I&E bases in GBA respectively.

Need to enhance monitoring of NGO operators' work in recruiting participants

3.14 According to the funding agreements, NGO operators are responsible for recruiting applicants to join the programmes/activities. According to HYAB's guidelines, NGO operators are required to have a fair mechanism for selecting participants. For example, the mechanism should include fair and open recruitment procedures and selection criteria, and an assessment panel to conduct interviews to select the most appropriate applicants to join the programmes/activities under the scheme.

3.15 *Inadequacies in promotion work.* According to Operator C's funding proposal, it should openly recruit participants via different promotion channels, including but not limited to website, social media and issuing promotion letters to tertiary institutions, youth associations and clansmen associations, and arranging 8 roadshows in various tertiary institutions.

3.16 Operator C had sent letters and used website/social media to invite applications. Audit noted that:

- (a) the link to Operator C's website was provided in the letters sent to tertiary institutions. However, the last update date of the website was February 2021 (i.e. the date of the funding agreement) and it was not

Note 26: *Of the 12 NGO operators of the first round of the Experiential Scheme, the 2 NGO operators selected for visits were among those with the highest funding amounts (over \$0.6 million each).*

updated to include essential information, for example, the departure date of the programme, which did not facilitate potential applicants planning their schedule and joining the programme;

- (b) according to the information on the website, it was publicised (as of July 2024) that the Hong Kong student society of a university in GBA (University A) would be an “assisting organiser” of the programme;
- (c) it only provided 1 roadshow to 4 tertiary institutions each, totalling 4 roadshows, instead of 8 as stated in the funding proposal; and
- (d) in a progress meeting with HYAB in early July 2023, Operator C had verbally informed HYAB that it had engaged University A as a “supporting tertiary institution” to help recruit its students to participate in the programme.

3.17 Upon enquiry, HYAB informed Audit in September 2024 that the Hong Kong student society of University A (see para. 3.16(b)) was engaged mainly for its support in recruiting participants back in 2021. When the programme was resumed in 2023, it was no longer involved, and the relevant website was decommissioned before then and therefore no updated activity information was provided there. While noting HYAB’s explanation and Operator C’s subsequent clarification (Note 27), as the outdated website link was included in the promotion letters sent to the tertiary institutions (see para. 3.16(a)), Operator C provided incorrect information to potential applicants and might cause confusion.

3.18 In this connection, according to the application guidelines, an NGO applicant was required to state in the application form if there was any “co-organiser” in the programme and this information would be included in the funding agreement. According to HYAB, while Operator C publicised that the Hong Kong student society of University A was an “assisting organiser”, the nature of which was different from a “co-organiser”. In Audit’s view, the public might not be able to distinguish the

Note 27: *Upon enquiry, HYAB informed Audit in September and October 2024 that according to Operator C’s subsequent clarification to HYAB, its new website commenced operation in July 2023 and the latest information of the programme was provided therein.*

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difference between the two and might misunderstand about the role of the organisation.

3.19 *Participants entirely from a single tertiary institution.* An assessment panel had been formed to select participants based on a set of assessment criteria in July 2023. According to Operator C and HYAB's records, there was a total of 52 applications, of which 45 were from students of University A. All the 45 places were taken up by students of University A (Note 28).

3.20 As mentioned in paragraphs 3.15 to 3.18, there were inadequacies in promoting the programme. The fact that the participants were solely from one tertiary institution and there was only a limited number of applicants from other sources might be an indication that Operator C's promotion efforts were not very effective. It is beneficial for experiential programmes to comprise a diverse mix of participants from different backgrounds to facilitate knowledge sharing from wider perspectives, and to increase creativity and innovation.

3.21 According to HYAB, it was especially challenging for NGO operators to resume the programmes immediately following the full resumption of normal travel between the Mainland and Hong Kong. In particular, it was observed that at the initial stage, young people generally adopted a more conservative attitude towards participating in various non-local programmes/activities, which was understandable considering that they had not travelled outside Hong Kong for three years. Such exceptional circumstances had affected the recruitment efforts of NGO operators. Besides, given the tight time schedule, not all NGO operators could execute in full their promotion work plans, which were drawn up a few years before.

Note 28: *Members of the assessment panel assessed the applicants based on a list of pre-determined questions. The applicants were selected according to their scores. According to the list of applicants and their particulars kept by Operator C, among the remaining 7 applicants, 5 were from 5 different tertiary institutions (in Mainland or Hong Kong), and 2 did not state their schools/occupation. While some attained higher scores in the interviews than some of the 45 participants, they did not participate due to personal reasons.*

3.22 In Audit's view, given the return to normalcy, HYAB needs to enhance monitoring of NGO operators' work in implementing the funding proposals, including the stated number of promotion activities, and remind NGO operators to recruit a more diverse mix of participants as far as practicable. There are also merits to formulate measures to minimise confusions caused by the use of terms relating to the role of the parties involved in the programmes (e.g. co-organisers or assisting organisers) by NGO operators when publicising the programmes.

Need to ensure that checking of participants' eligibility is carried out in accordance with funding agreements

3.23 Hong Kong permanent residents aged between 18 and 35 and had not participated in any of the programmes under the Experiential Scheme before were eligible for the scheme (see para. 3.2(b)). According to the funding agreements, NGO operators should ensure that participants of the programme met the two criteria of the scheme by checking their eligibility (see para. 3.4(d)). Also, according to HYAB's guidelines, participants were required to submit declaration forms prior to departing for the programmes to declare that they had not participated in the scheme before.

3.24 Audit examination of Operator C's checking of participants' eligibility noted that:

- (a) it did not require applicants to declare if they met the two eligibility criteria in the application forms;
- (b) according to Operator C, when the applicants attended selection interviews, its staff conducted the following checking to verify their eligibility for the programme:
 - (i) confirmed verbally with applicants that they had not participated in the scheme before; and
 - (ii) checked applicants' Hong Kong identity cards to see if they were Hong Kong permanent residents and met the age requirement.

However, the documentation on such checking was not available; and

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- (c) the participants made declarations in the declaration forms (according to HYAB's guidelines) that they had not participated in the scheme before.

3.25 Audit examined Operator C's records of the 45 participants and noted that the identification document numbers of 2 participants did not resemble usual Hong Kong identity card numbers. Upon enquiry, Operator C informed Audit in August 2024 that the 2 participants were not Hong Kong permanent residents but were Macao residents. In other words, they were ineligible but were allowed to participate in the programme. According to the funding agreement, all expenses incurred by ineligible participants in the programme would not be funded.

3.26 In this connection, Audit also examined the application forms of all 12 NGO operators (see Note 26 to para. 3.13) and noted that, while this was not a mandatory requirement, some NGO operators had requested applicants to declare their eligibility in the application forms. Out of the 12 NGO operators:

- (a) 4 (33%) NGO operators required applicants to declare whether they met the two eligibility criteria in the application forms (including Operator D);
- (b) 2 (17%) NGO operators required applicants to make declaration for one of the two criteria in the application forms; and
- (c) 6 (50%) did not require applicants to make any declaration concerning their fulfillment of the two eligibility criteria in the application forms (including Operator C).

3.27 In Audit's view, HYAB needs to take measures to ensure that NGO operators conduct proper checks on participants' eligibility, and take follow-up actions to request refund from NGO operator(s) concerning ineligible participants. To facilitate checking and follow-up actions, there is merit to request NGO operators to require applicants to make declarations on their eligibility in the application forms.

Need to enhance accuracy of participants' information submitted to HYAB

3.28 According to HYAB's guidelines, NGO operators are required to submit a list of participants of the programme (including name, sex, age and school attended) to HYAB. According to HYAB, this information facilitates the cross-checking of the participants' eligibility that they have not participated in programmes organised under the scheme by other NGO operators. According to the funding agreements, all information supplied in relation to the programme should be true, accurate and complete in all respect and is not misleading, whether by omission or otherwise.

3.29 Audit noted that, of the 45 participants of the programme, the particulars (including the names) of 5 (11%) participants on the list submitted to HYAB by Operator C did not tally with its records (Note 29). The same discrepancies were also found in the post-trip questionnaires submitted to HYAB.

3.30 In Audit's view, HYAB needs to take measures to enhance the accuracy of information submitted by NGO operators regarding participants (e.g. conduct random checking of source documents and remind NGO operators to enhance checking before submission).

Need to improve on management of conflict of interest

3.31 According to the funding proposal of Operator D, it should recruit participants via different channels (e.g. website, social media and promotion letters to tertiary institutions). A total of 86 eligible applications were received for its programme involving applicants from different tertiary institutions in Hong Kong, Mainland and overseas. All the applicants were invited for interviews. An assessment panel had been formed (comprising two panel members and an administrative staff) to select participants based on a set of assessment criteria. The 86 applicants were divided into 8 interview groups and each group was interviewed by one panel member.

Note 29: *Other records kept by Operator C on the programme included declaration forms signed by participants on their eligibility (see para. 3.24(c)) and insurance policies purchased for the participants.*

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3.32 Upon enquiry, Operator D informed Audit in August 2024 that the assessment panel members were not required to declare conflict of interest. According to HYAB's guidelines, NGO operators are required to have a fair mechanism for selecting participants. In this regard, as a good practice, assessment panel members should declare actual or perceived conflict of interest, in particular in the circumstances where each group was interviewed by only one panel member. HYAB needs to take measures to ensure that NGO operators follow good practice in managing conflict of interest in the selection of participants.

Need to ensure compliance with requirements relating to insurance and publicity

3.33 **Insurance requirement.** According to the funding agreement, an NGO operator should procure insurance policies issued by authorised insurance companies under the Insurance Ordinance (Cap. 41) for the programme. Audit noted that:

- (a) the insurance policy purchased by Operator C was not issued by an authorised insurance company under the Ordinance; and
- (b) while Operator D had appointed a travel agent to help arrange the logistics of the programme (including accommodation, transportation and insurance), it could only provide the insurance proposal but not the insurance policy for Audit inspection.

3.34 **Publicity requirement.** According to HYAB's guidelines, an NGO operator should include an introduction of HYAB and YDC, and the logos of YDC and "We Venture" (i.e. the thematic website of the entrepreneurial support schemes — see para. 5.5) in the promotion materials and publications of the programme. However, Audit noted that Operator C did not include an introduction of HYAB and YDC, and the logos of YDC and "We Venture" in some of the promotion materials and publications for its programme.

3.35 In Audit's view, HYAB needs to enhance monitoring of compliance with the requirements in the funding guidelines, including the insurance and publicity requirements.

Audit recommendations

3.36 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) **enhance monitoring of NGO operators' work in implementing the funding proposals, including the stated number of promotion activities, and remind NGO operators to recruit a more diverse mix of participants as far as practicable;**
- (b) **formulate measures to minimise confusions caused by the use of terms relating to the role of the parties involved in the programmes (e.g. co-organisers or assisting organisers) by NGO operators when publicising the programmes;**
- (c) **take measures to ensure that NGO operators conduct proper checks on participants' eligibility, and take follow-up actions to request refund from NGO operator(s) concerning ineligible participants;**
- (d) **request NGO operators to require applicants to make declarations on their eligibility in the application forms;**
- (e) **take measures to enhance the accuracy of information submitted by NGO operators regarding participants (e.g. conduct random checking of source documents and remind NGO operators to enhance checking before submission);**
- (f) **take measures to ensure that NGO operators follow good practice in managing conflict of interest in the selection of participants; and**
- (g) **enhance monitoring of compliance with the requirements in the funding guidelines, including the insurance and publicity requirements.**

Response from the Government

3.37 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB:

- (a) will continue to enhance monitoring of NGO operators in the implementation of experiential programmes and compliance with the requirements in the funding guidelines. HYAB will also encourage NGO operators to follow good practices including recruitment of a more diverse mix of participants and management of conflict of interest in the selection of participants;
- (b) has updated the guidelines for NGO operators on the publicity requirement, including but not limited to featuring HYAB, YDC and the logo of government-funded projects and using appropriate terms for the various partners involved in the implementation of programmes; and
- (c) will take further measures to ensure that NGO operators conduct proper checking on the eligibility of participants and submit accurate information on participants to HYAB. Operator C has refunded the grant concerning ineligible participants to the Government.

Monitoring of non-governmental organisation operators

Room for improvement in checking participants' eligibility by HYAB

3.38 According to HYAB's guidelines, NGO operators should submit a list of participants with their particulars to HYAB for checking their eligibility for the Experiential Scheme (see para. 3.28). However, Audit noted that:

- (a) such information did not include Hong Kong identity card numbers, which might undermine the effectiveness of such checking (e.g. could not identify unusual identity card numbers which might indicate that the participants were not Hong Kong permanent residents — see also audit findings in para. 3.25); and

- (b) according to HYAB's guidelines, HYAB may request NGO operators to submit participants' declaration forms (which included the Hong Kong identity card numbers of participants) (see para. 3.23). However, there was no evidence that HYAB had made such request for monitoring purposes as of July 2024.

3.39 In Audit's view, HYAB needs to strengthen monitoring of NGO operators' checking of participants' eligibility, including requesting NGO operators to submit participants' declaration forms for independent checking as appropriate.

Room for improvement in monitoring of performance of NGO operators

3.40 ***Delay in submission of reports by NGO operators.*** According to the funding agreements, NGO operators are required to submit reports (e.g. completion reports and audited accounts) of the programmes within the specified timeframe (e.g. to submit completion reports within 3 months after programme completion date) for disbursement of grants and monitoring purposes (Note 30).

3.41 Audit examined the submission of reports by the NGO operators for the period February 2021 to August 2023 and noted there were delays in submission of completion reports (ranging from 2 to 31 days (averaging 8 days)) and audited financial statements (ranging from 10 to 113 days (averaging 56 days)).

3.42 In this connection, Audit also noted that while there were delays in submission of completion reports by 8 NGO operators and submission of audited financial statements by 12 NGO operators, HYAB only sent overdue report reminders to 7 (58%) NGO operators. Furthermore, the reminders were not sent timely, i.e. ranged from 1 to 86 days (averaging 39 days) after the due dates of the reports.

3.43 In Audit's view, HYAB needs to take measures to ensure that NGO operators submit reports in accordance with the stipulated timeframes, including

Note 30: *According to HYAB, it had issued e-mail reminders to all NGO operators for submission of reports prior to the deadlines of submission.*

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issuing reminders to them in a timely manner, and provide guidelines for staff on the follow-up actions on overdue reports.

3.44 *Need to enhance coverage of monitoring visits.* According to the funding agreements and HYAB's guidelines, for monitoring the progress of implementation of the programmes and providing advice to NGO operators, YDC members and/or HYAB staff may attend and participate in any of the programmes/activities. To facilitate the visits, NGO operators are required to furnish invitation/notification to HYAB not less than two weeks before the programmes/activities.

3.45 Audit examination of the monitoring visits conducted by YDC members and/or HYAB staff for the period March 2021 to September 2023 noted that:

- (a) a total of 21 monitoring visits were conducted to 11 (92%) of the 12 NGO operators, and no monitoring visits were conducted to 1 (8%) of the NGO operators;
- (b) the number of visits to each NGO operator ranged from 1 to 3 times; and
- (c) there was no documentation on the reasons for not conducting visits to the NGO operator and more visits to some NGO operators.

3.46 In this connection, Audit analysed the invitations/notifications submitted by the NGO operator mentioned in paragraph 3.45(c) and noted non-compliance with the timeframes for submission. The NGO operator only notified HYAB after the scheduled programmes/activities or provided notifications to HYAB at short notice (e.g. same day notification), which was not conducive to the planning of the monitoring visits.

3.47 To strengthen monitoring, Audit considers that, HYAB needs to expand the coverage of monitoring visits to all NGO operators (e.g. specifying the coverage and frequency of monitoring visits in HYAB's guidelines) and take measures to ensure that NGO operators submit invitations/notifications of scheduled programmes/activities in accordance with the timeframes stipulated in HYAB's guidelines.

Need to consider setting performance indicators for the Experiential Scheme

3.48 In the 2022 and 2023 Policy Addresses, indicators have been set for other schemes under YDF (see paras. 2.39 and 4.24). However, no performance indicator has been set specifically for the Experiential Scheme. Upon enquiry, HYAB informed Audit in September 2024 that in the 2023 Policy Address, it had set an indicator to increase the number of beneficiaries under various youth exchange and internship programmes in the Mainland and overseas under the bureau from about 17,000 in 2019 to no less than 30,000 in 2024. This indicator covered the Experiential Scheme, which served similar purpose of enriching the experience of young people through offering exposure opportunities outside Hong Kong.

3.49 In Audit's view, to evaluate the effectiveness of the scheme and enhance accountability, HYAB needs to consider setting performance indicators for all schemes under YDF (including the Experiential Scheme) and reporting the achievements thereon.

Audit recommendations

3.50 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **for the Experiential Scheme, strengthen monitoring of NGO operators' checking of participants' eligibility, including requesting NGO operators to submit participants' declaration forms for independent checking as appropriate;**
- (b) **take measures to ensure that NGO operators submit reports in accordance with the stipulated timeframes, including issuing reminders to them in a timely manner;**
- (c) **expand the coverage of monitoring visits to all NGO operators and take measures to ensure that NGO operators submit invitations/notifications of scheduled programmes/activities in accordance with the timeframes stipulated in HYAB's guidelines; and**

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- (d) **consider setting performance indicators for all schemes under YDF (including the Experiential Scheme) and reporting the achievements thereon.**

Response from the Government

3.51 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB will continue to strengthen monitoring of NGO operators in the implementation of experiential programmes and take further measures to ensure their compliance with the funding guidelines. In this respect, HYAB has enhanced its internal guidelines on the conduct of random checking and monitoring visits and issue of reminders on overdue reports.

PART 4: OTHER YOUTH DEVELOPMENT SCHEMES

4.1 This PART examines other youth development schemes under YDF, focusing on the following areas:

- (a) implementation of programmes by NGO operators (paras. 4.5 to 4.16); and
- (b) monitoring of NGO operators (paras. 4.17 to 4.33).

Background

4.2 Apart from supporting young entrepreneurs, HYAB had launched a number of schemes under YDF to help the development of various aspects of young people in Hong Kong:

- (a) ***IYDP***. It was launched in 2016 to support NGO operators to conduct innovative youth development activities (e.g. workshops and simulating games — see para. 1.7(a)). Funding agreement was signed with an NGO in March 2017 for organising activities for young people aged between 12 and 35 (Note 31);
- (b) ***Pilot scheme on YOATA***. In 2021, YDC endorsed the roll-out of this thematic funding scheme to provide local outdoor adventure training activities for young people on a pilot basis under YDF through partnership with an NGO (see para. 1.7(b));
- (c) ***FSYATA***. It is on the action agenda of the Blueprint (see para. 1.11) to promote young people’s physical and mental well-being which subsidises NGO operators to provide adventure training activities for young people in support of their healthy personal development (see para. 1.7(c)). An assessment panel under the Action Group on Youth Wellness

Note 31: *Under IYDP, the NGO operator organised animated-comic-games related youth development activities from 2017 to 2018 with an attendance of about 5,000 (excluding the attendance at the exhibition/promotion booths of the activities).*

Other youth development schemes

(see para. 1.10) has been formed for assessing NGOs' applications for the scheme (Note 32); and

- (d) **FSYPTA.** It is on the action agenda of the Blueprint which subsidises NGO operators to organise projects that are conducive to nurturing young people's positive thinking (see para. 1.7(d)) (Note 33). An assessment panel under the Action Group on Youth Wellness has been formed for assessing NGOs' applications for the scheme (Note 34).

4.3 HYAB entered into funding/grant agreements (collectively referred to as funding agreements) with NGO operators for organising programmes/activities under the respective schemes mentioned in paragraph 4.2. According to the agreements, NGO operators should, among other obligations:

- (a) carry out and complete the programmes/activities in accordance with the funding agreements (including the funding proposals);
- (b) organise, conduct and/or perform the programmes/activities in accordance with the funding agreements and guidelines; and
- (c) submit requisite reports and audited accounts in accordance with the funding agreements.

Note 32: *According to the progress reports of the NGO operators, as of February 2024, 76 adventure training activities (e.g. day/residential camps) were organised.*

Note 33: *Examples of FSYPTA projects included:*

- (a) *a mock trial justice education project to enable young people to gain understanding of the judicial system, respect for law and an agreeable attribute of positive thinking; and*
- (b) *narrative guided film screenings to help young people foster strengths and attributes on positive characters such as resilience, sense of national identity and belonging, etc., coupled with thematic sharing by elites to reinforce positive thinking.*

Note 34: *According to the progress reports of the NGO operators, as of June 2024, over 1,000 sessions of positive thinking activities were organised.*

Other youth development schemes

4.4 The implementation status of the schemes as at 30 June 2024 is summarised in Table 5.

Table 5
Implementation status of other youth development schemes
(30 June 2024)

	IYDP	Pilot Scheme on YOATA	FSYATA	FSYPTA
Target group	Aged 12 to 35	Secondary 3 to 5 students in Hong Kong	Aged 14 to 18/ Secondary 3 to 6 students in Hong Kong (Note 1)	Aged 12 to 35
Project period	July 2017 to July 2018	July 2021 to February 2023	July 2023 to August 2025	July 2023 to June 2025
No. of NGO operators	1	1	4	7
No. of participants/attendance	5,131	2,838	4,355 (Note 2)	6,198 (Note 2)
Approved amount	\$0.9 million	\$7.1 million	\$24.3 million	\$26.6 million
Disbursed amount	\$0.9 million	\$6.3 million	\$10.2 million	\$10.6 million
Status	Discontinued	Discontinued	In operation	In operation

Source: Audit analysis of HYAB records

Note 1: According to the application guidelines (forming part of the funding agreement), should the target participants of the proposed project include other Hong Kong residents aged 39 or below (according to the Blueprint (see para. 1.11), the target group for youth development programmes are for people aged 12 to 39), NGO operators should provide the details and the rationale for YDC's consideration.

Note 2: According to HYAB, the numbers of participants/attendance were subject to change and further clarifications with the NGO operators.

Implementation of programmes by non-governmental organisation operators

Need to keep in view participation in FSYATA and FSYPTA

4.5 For FSYATA and FSYPTA, according to the application guidelines, NGO operators are required to state the target numbers of participants in the funding proposals. According to the proposals, the projects should run from July 2023 to August 2025 for FSYATA and from July 2023 to June 2025 for FSYPTA (Note 35).

4.6 Audit analysis (see Table 6) noted that as at 30 June 2024 (with the schemes having operated for a year):

- (a) for FSYATA, the actual number of participants ranged from 15% to 55% of the target numbers, with 3 out of the 4 NGO operators achieving less than half of the target numbers; and
- (b) for FSYPTA, the actual number of participants ranged from 17% to 84% of the target numbers, with 4 out of the 7 NGO operators achieving less than half of the target numbers.

Note 35: *For FSYATA, 4 NGOs were selected as operators out of 33 applications from NGOs for organising programmes under the scheme. As for FSYPTA, 7 NGOs were selected as operators out of 113 NGO applicants.*

Table 6

**Number of participants/attendance under FSYATA and FSYPTA
(30 June 2024)**

NGO operator	Target (a)	Actual (b)	Achievement (c) = (b) ÷ (a) × 100%
<i>FSYATA</i>			
E	3,500	921	26%
F	3,520	1,932	55%
G	5,990	904	15%
H	2,028	598	29%
<i>FSYPTA</i>			
I	1,000	839	84%
J	1,090	185	17%
K	6,206	2,856	46%
L	1,000	404	40%
M	1,000	617	62%
N	2,000	395	20%
O	1,600	902	56%

Source: Audit analysis of HYAB records

Remarks: According to HYAB, the numbers of participants/attendance were subject to change and further clarifications with the NGO operators.

4.7 Upon enquiry, HYAB informed Audit in August and September 2024 that:

- (a) the number of participants did not necessarily spread evenly throughout the project period unless otherwise stated in the funding proposals;
- (b) taking into account the necessary publicity by NGO operators as well as the lead time required by schools to plan ahead and fix all extra-curricular activities, stakeholders' response at the initial stage was considered reasonable; and
- (c) HYAB had all along been closely monitoring the progress of implementation of the schemes by way of kick-off meetings, regular reports and returns, follow-up meetings with NGO operators, inviting NGO

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operators to meetings of the Action Group to report progress of their projects and monitoring visits, etc. Notwithstanding this, HYAB would continue to remind the NGO operators of the key performance indicators under the funding agreements and urge them to meet the targets set.

4.8 While noting HYAB's explanations, as the progress of some NGO operators appeared to be slower, Audit considers that HYAB needs to continue to keep under review the progress of implementation of the schemes including the participation rates, and take follow-up actions as appropriate (e.g. provide assistance to NGO operators as necessary).

Need to improve tendering procedures

4.9 *Need to minimise post-tender closing amendments and ensure that proper documentation is kept.* For the Pilot Scheme on YOATA, HYAB required the NGO operator to procure external consultancy services to conduct a review on the effectiveness of the scheme. YDC approved an amount of \$0.65 million for engaging a third-party consultant to conduct the study through an open tender.

4.10 The NGO operator was responsible for conducting the tender exercise and overseeing the consultancy study. Audit examined the records of the procurement process and noted changes to the tender price of the successful tenderer (Tenderer A) had been made by the NGO operator during the tender assessment process, as follows:

- (a) the tender was closed in late-January 2022. A tender opening team (comprising two staff of the NGO operator) was responsible for opening the tenders. The tender price of Tenderer A was \$686,448 (i.e. the sum stated in Tenderer A's budget proposal, inclusive of overhead costs) (Note 36);
- (b) in mid-February 2022, tender evaluation was conducted by a tender assessment panel (comprising three staff of the NGO operator) at an

Note 36: *According to the tender documents, tenderers were required to provide quotes for each deliverable and include all costs, but were not specifically required to state overhead costs. According to the NGO operator's records, no adjustment had been made to the other three tenderers' tender prices.*

assessment panel meeting. Assessment interviews were conducted in accordance with the tender documents;

- (c) in late-February 2022, when the panel endorsed the tender evaluation report with recommendations on all tenderers, Tenderer A was evaluated against a price of \$636,000 (i.e. exclusive of overhead costs with the number rounded up to the nearest thousand); and
- (d) in March 2022, Tenderer A was awarded the contract for the consultancy study at a contract sum at \$635,600 (i.e. exclusive of overhead costs but without rounding the number).

Despite the changes, there was no documentation on the justifications for the amendments.

4.11 According to HYAB, there is relevant provision in the funding guidelines on the procurement best practices that requires NGO operators to keep record of all information relevant to the tender process for at least seven years. In Audit's view, in light of the audit findings and to ensure a fair tender process, HYAB needs to take further measures to ensure that NGO operators follow the procurement best practices in the funding guidelines.

Need to ensure compliance with requirements relating to insurance and record keeping

4.12 According to the funding agreements and tender documents, NGO operators and the consultant of the Pilot Scheme on YOATA were required to:

- (a) procure insurance policies (e.g. employees' compensation and public liability insurance) to meet any claims arising from or relating to the projects under the schemes;
- (b) for public liability, procure insurance policies for the benefit and in the joint names of NGO operators and the Government; and
- (c) to keep and maintain relevant records and information in relation to the project for a minimum period of seven years after the completion of the

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project or the expiry of the agreements for Government's inspection and verification.

4.13 Audit examined the insurance policies procured for other youth development schemes for the relevant programme periods and noted non-compliances with the funding agreements and tender documents, as follows:

- (a) for the consultancy study for Pilot Scheme on YOATA (see para. 4.9), for the period March 2022 to April 2023, according to the budget proposal, the consultant would procure an insurance policy for participants (e.g. participating in interviews/meetings for the study) and a budget of \$20,000 had been included in the proposal. However, HYAB informed Audit in August 2024 that the NGO operator considered that a separate insurance policy for the study was not required as all the interviews/meetings were conducted at the NGO operator's campsite which was covered by the insurance policy for the Pilot Scheme. While noting HYAB's explanation, Audit found that the consultancy fees had been paid to the consultant without deducting the relevant cost;
- (b) for FSYPTA, for the period July 2023 to June 2024, 3 public liability policies procured for programmes under the scheme (procured by 2 of the 7 NGO operators) were not issued in the joint names of the Government and the NGO operators concerned; and
- (c) for IYDP, upon enquiry, HYAB informed Audit in August 2024 that due to the relocation of office by the NGO operator in 2019 and changes in personnel after the completion of the funded project in July 2018, the NGO operator was unable to locate the public liability policies, contrary to the record keeping policy.

4.14 In Audit's view, HYAB needs to enhance monitoring of compliance with the requirements in the funding agreements, including the insurance and record keeping requirements. In cases where the insurance policies were considered not required, the relevant costs should be refunded to the Government.

Audit recommendations

4.15 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **continue to keep under review the progress of implementation of FSYATA and FSYPTA including the participation rates, and take follow-up actions as appropriate (e.g. provide assistance to NGO operators as necessary);**
- (b) **take further measures to ensure that NGO operators follow the procurement best practices in the funding guidelines; and**
- (c) **enhance monitoring of compliance with the requirements in the funding agreements, including the insurance and record keeping requirements. In cases where the insurance policies were considered not required, the relevant costs should be refunded to the Government.**

Response from the Government

4.16 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB:

- (a) will continue to closely monitor the performance of NGO operators and provide suitable guidance to them as and when necessary;
- (b) has taken action by incorporating relevant provisions on the procurement best practices in regular reminders for NGO operators' attention and compliance; and
- (c) will continue to enhance monitoring of compliance with the requirements in the funding agreements, including putting in place mechanism to require NGO operators to submit copy of relevant insurance policies for checking. NGO operator of the Pilot Scheme on YOATA has refunded the redundant cost of insurance policy to the Government.

Monitoring of non-governmental organisation operators

Need to ensure timely submission of reports and returns by NGO operators

4.17 *Delays in submission of reports.* According to the funding agreements, NGO operators shall submit reports (e.g. completion reports, financial reports and audited accounts) for disbursement of grants and for monitoring purposes. NGO operators failing to submit reports in accordance with the agreements may result in the Government cancelling or suspending grant disbursements or termination of agreements.

4.18 Audit examined the submission of reports of the relevant programme periods and noted that some NGO operators did not submit the reports in accordance with the stipulated timeframes (see Table 7), with delays ranging from 30 to 98 days.

Table 7

**Delay in submission of reports by NGO operators
(30 June 2024)**

Type of reports	IYDP (July 2017 to July 2018)	Pilot Scheme on YOATA (July 2021 to February 2023)	FSYATA (July 2023 to February 2024)	FSYPTA (July 2023 to June 2024)
	Delay (Days)			
First progress report	—	35	30 (Note 1)	N.A. (Note 2)
Second progress report	—	75	N.A. (Note 2)	
Audited accounts	98	30		

Source: *Audit analysis of HYAB records*

Note 1: *Of the 4 NGO operators, 2 submitted the first progress reports late for 30 days.*

Note 2: *Reports not yet due for submission.*

4.19 *Delays in submission of monthly returns.* According to the funding agreements for FSYATA, NGO operators shall permit and arrange HYAB staff and/or YDC members to attend/participate in activities as observers to examine the progress of the activities for monitoring purpose. In this connection, NGO operators are required to submit monthly returns for activities to be organised to HYAB within a specified timeframe. Audit examined the monthly returns submitted by NGO operators for the period August 2023 to August 2024 and noted delays in submissions ranging from 1 to 29 days (averaging 6 days). Such delay might hinder HYAB's visits as observers for monitoring purpose.

4.20 *Reminders not always sent.* Despite delays in submission of reports and monthly returns, Audit noted that reminders were only sent to 3 (50%) of the 6 NGO operators to follow up on overdue reports and returns (see paras. 4.18 and 4.19) (Note 37). In this connection, Audit noted that HYAB had not issued detailed guidelines on monitoring the implementation of other youth development schemes for reference by staff (e.g. follow-up actions on delay in submission of reports by NGO operators).

4.21 Audit considers that HYAB needs to continue to take measures to ensure that NGO operators submit reports and returns in accordance with the funding agreements, and take follow-up actions as appropriate (e.g. send reminders to NGO operators). There are also merits for HYAB to provide guidelines for staff on the follow-up actions on overdue reports and returns (e.g. stipulating timeframes for sending reminders to NGO operators on overdue reports/returns and requiring staff to document justifications for deviations).

Need to avoid over-payment to NGO operators

4.22 According to the funding agreement of the Pilot Scheme on YOATA, for an activity with 20 to 30 participants, HYAB would only disburse a maximum of 80% of claims of grant made by the NGO operator. Audit analysis of the 88 activities organised for the period from July 2021 to December 2022 noted that despite the

Note 37: *Upon enquiry, HYAB informed Audit in September and October 2024 that reminders were sent to the 3 NGO operators but not the remaining 3 NGO operators. Nevertheless, some of the required reports/returns were submitted within a short period of time after deadline (i.e. 2 days).*

Other youth development schemes

numbers of participants for 2 activities were 28 and 30, HYAB disbursed the full amount claimed, resulting in an over-payment of \$16,992 to the NGO operator.

4.23 In Audit's view, HYAB needs to take measures to ensure that the claiming and disbursement of grants are conducted in accordance with funding agreements, and take follow-up actions to request refund for over-payment of grant as appropriate.

Need to keep under review achievements of key performance indicators

4.24 In the 2022 Policy Address, the following indicators have been set for FSYATA and FSYPTA:

- (a) **FSYATA.** Provide systematic and quality adventure training activities to young people for no less than 50,000 attendance, including about 10,000 attendance in the first round by mid-2025;
- (b) **FSYPTA.** Nurture positive thinking of young people through youth-led projects involving cross-sectoral efforts to benefit no less than 30,000 attendance, including about 6,000 attendance in the first round by mid-2025; and
- (c) **FSYATA/FSYPTA.** No less than 70% of responding participants to consider themselves having developed a positive outlook on life after joining either of the two schemes.

4.25 Audit examined the achievement of the indicators mentioned in paragraph 4.24 and noted that as at 30 June 2024:

- (a) the attendance was about 4,300 for FSYATA and about 6,000 for FSYPTA (see Table 5 in para. 4.4), which were 43% and 100% of the target of 10,000 and 6,000 attendance in the first round by mid-2025 respectively; and

- (b) as for the target on no less than 70% of responding participants to consider themselves having developed a positive outlook on life after joining either of the two schemes, according to HYAB, it had been keeping in view participants' response but the information on the achievement was not readily available.

4.26 According to the Policy Address, HYAB aims to achieve the performance indicators by mid-2025 (i.e. upon the completion of FSYATA/FSYPTA). In Audit's view, HYAB needs to continue to keep under review the achievements of the key performance indicators including compiling the relevant statistics for monitoring purpose and take follow-up actions as appropriate (e.g. providing assistance to NGO operators).

Need to conduct more comprehensive evaluations for individual schemes under YDF

4.27 IYDP was launched in 2016 with an aim to subsidise NGO operators to organise innovative activities for youth which would help their development (see para. 4.2(a)). HYAB did not launch another round of application for this scheme.

4.28 Upon enquiry of whether HYAB had conducted an evaluation on IYDP upon the completion of the scheme, HYAB informed Audit in August 2024 that the Action Group on Youth Development Fund and Programmes had reviewed YDF in January 2019, and decided to launch new funding schemes to provide more useful support to Hong Kong young people who intended to start their own businesses. However, Audit noted that the review had not specifically mentioned IYDP.

4.29 Audit also noted that the NGO operator of IYDP had reported feedback from participants of the programmes/activities and conducted a self-evaluation on the project in the completion report. The results were generally positive. However, there was no documentary evidence that HYAB had reported the results and conducted an overall evaluation of the scheme, including the experience in monitoring the scheme, for YDC's consideration of the way forward of the scheme.

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4.30 On the other hand, for the Pilot Scheme on YOATA rolled out in 2021, HYAB had partnered with an NGO for operating the scheme, and had conducted a consultancy study to evaluate the effectiveness of the scheme (see para. 4.9) and to distill a set of good practice for adoption into the full-scale funding scheme (i.e. FSYATA) in the future. According to HYAB, some of the good practices learnt from the Pilot Scheme had been incorporated into FSYATA.

4.31 In Audit's view, there is merit to conduct more comprehensive evaluations for individual schemes under YDF to draw experience from them with a view to improving implementation of similar schemes in the future.

Audit recommendations

4.32 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) **continue to take measures to ensure that NGO operators of other youth development schemes submit reports and returns in accordance with the funding agreements, and take follow-up actions as appropriate;**
- (b) **take measures to ensure that the claiming and disbursement of grants under other youth development schemes are conducted in accordance with funding agreements, and take follow-up actions to request refund for over-payment of grant as appropriate;**
- (c) **continue to keep under review the achievements of the key performance indicators for other youth development schemes including compiling the relevant statistics for monitoring purpose and take follow-up actions as appropriate (e.g. providing assistance to NGO operators); and**
- (d) **conduct more comprehensive evaluations for individual schemes under YDF to draw experience from them with a view to improving implementation of similar schemes in the future.**

Response from the Government

4.33 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB will:

- (a) continue to closely monitor the performance of NGO operators including but not limited to issue of reminders on overdue reports and returns. Relevant guidelines have been provided for staff in this regard accordingly;
- (b) continue to take measures to ensure that the claiming and disbursement of grants under other youth development schemes are conducted in accordance with funding agreements, including continuing to require NGO operators to submit attendance records and particulars of participants for random checking in addition to making reference to external auditor reports in the disbursement of grants. NGO operator of the Pilot Scheme on YOATA has refunded the over-payment of grant to the Government;
- (c) continue to closely monitor the performance of NGO operators and the achievement of the key performance indicators. Suitable guidance will be provided to NGO operators as and when necessary; and
- (d) review the effectiveness of the two ongoing funding schemes, i.e. first round of FSYATA and FSYPTA taking into account stakeholders' feedback, before rolling out the new rounds.

PART 5: OTHER RELATED ISSUES

5.1 This PART examines other issues relating to YDF, focusing on the following areas:

- (a) collaboration work and publicity (paras. 5.2 to 5.14);
- (b) other administrative issues (paras. 5.15 to 5.23); and
- (c) way forward (paras. 5.24 to 5.29).

Collaboration work and publicity

Need to continue to broaden membership of the Alliance

5.2 *The Alliance.* HYAB, in collaboration with various parties in GBA, established the Alliance (see para. 1.12) in December 2023 to provide young entrepreneurs with a one-stop information, publicity and exchange platform. It aims to promote high-quality development of youth I&E bases in Guangdong and Hong Kong and enhance Hong Kong young people's innovation and entrepreneurial capabilities. According to HYAB, about \$12 million had been earmarked under YDF for various initiatives to be put forward by the Alliance. The objectives and key tasks of the Alliance include:

- (a) leveraging on member organisations' resources to organise diversified activities, so as to provide young entrepreneurs with more comprehensive information and support services;
- (b) conveying Hong Kong young entrepreneurs' needs in relation to the business environment and policies in different cities of GBA to the relevant authorities;
- (c) fostering the exchange and cooperation between relevant stakeholders; and
- (d) disseminating information about supporting Hong Kong youth entrepreneurship in GBA as well as activities organised by member

organisations through the Alliance’s designated webpage (i.e. the “We Venture” thematic website — see para. 5.5).

5.3 As at 30 June 2024, there were 3 leading parties (Note 38) and 59 member organisations of the Alliance and 44 activities had been organised (e.g. sharing sessions and exchange activities on entrepreneurship). Table 8 shows the composition of member organisations of the Alliance.

Table 8

**Composition of member organisations of the Alliance
(30 June 2024)**

Type of organisation	No. of members
I&E bases in GBA	18
NGOs and social organisations	13
Post-secondary institutions and scientific research institutes	12
Government departments, official or public sector organisations	11
Professional organisations	3
Venture funds	2
Total	59

Source: HYAB records

5.4 The objectives of the Alliance are, among others, to leverage on member organisations’ resources and to foster exchange and cooperation among the stakeholders. Hence, a broader membership is conducive to the Alliance’s development and operations. In this connection, Audit noted that there was scope for expanding the membership of the Alliance. For example, of about 80 I&E bases in Hong Kong and Mainland cities of GBA which cooperated with the NGO operators

Note 38: *The 3 leading parties were HYAB, the Hong Kong and Macao Affairs Office of the People’s Government of Guangdong Province, and the Human Resources and Social Security Department of Guangdong Province.*

Other related issues

to support the Entrepreneurship Scheme, 18 (23%) were member organisations of the Alliance as of June 2024 (Note 39). In Audit's view, HYAB needs to continue to broaden the membership of the Alliance for providing more activities that benefit young entrepreneurs.

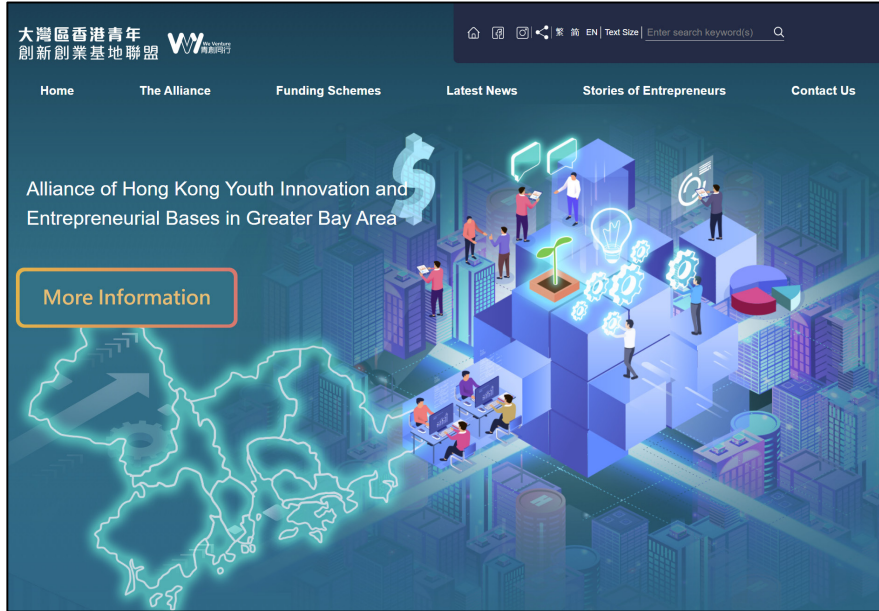
Room for improvement in managing the thematic website

5.5 *“We Venture” thematic website.* To promote the entrepreneurial support schemes (e.g. the Entrepreneurship Scheme and Experiential Scheme), HYAB and YDC launched the “We Venture” thematic website in February 2021 providing information of NGO operators and their projects/programmes. Such information included the backgrounds of the organisations, project descriptions, application criteria and methods, information of I&E bases and enquiry methods. Figure 1 shows the homepage of the “We Venture” thematic website.

Note 39: *NGO operators of the Entrepreneurship Scheme might cooperate with I&E bases in Hong Kong or Mainland cities of GBA (see Note 6 to para. 2.4). The 16 NGO operators cooperated with a total of about 80 I&E bases. According to HYAB, at this stage, only I&E bases recognised by both governments of the Hong Kong Special Administrative Region and the Guangdong Province would be invited to join as member organisations of the Alliance and all existing I&E bases recognised were already member organisations as of June 2024.*

Figure 1

Homepage of the “We Venture” thematic website



Source: “We Venture” thematic website

5.6 Audit noted the following issues regarding the “We Venture” thematic website:

- (a) the numbers of page views and unique visitors were on a decreasing trend (see Table 9), and decreased by 64% and 36% respectively in 2023 compared to 2021; and

Table 9

Usage of the “We Venture” thematic website
(February 2021 to May 2024)

Year	No. of page views	No. of unique visitors
2021 (from February)	1,617,740	76,223
2022	466,350	32,384
2023	586,846	48,912
2024 (up to 31 May)	250,496	21,865

Source: HYAB records

- (b) as of June 2024, the “We Venture” thematic website had provided some information related to the new rounds of the Entrepreneurship Scheme and Experiential Scheme (e.g. eligibility criteria). However, some information that was of concern to applicants was not provided, including whether the application period had started or ended and the announcement date for application results. In this regard, Audit noted that there were enquiries from the general public on these matters (Note 40).

5.7 In Audit’s view, HYAB needs to keep under review the usage of the “We Venture” thematic website and take measures to attract more views and visitors. It also needs to consider providing more information (e.g. current status and timeline) related to the YDF schemes on the thematic website.

Room for improvement in implementing publicity programmes

5.8 According to HYAB, it has continued to leverage online media and channels to bring young people together and tell good stories of Hong Kong. Apart from the “We Venture” thematic website, publicity efforts undertaken by HYAB and funded by YDF included YDC’s online publicity campaigns, and preliminary youth

Note 40: *According to HYAB, the start dates and end dates of the application periods of the new rounds of the two schemes were posted on the website during the respective application periods.*

engagement activities relating to the implementation of new initiatives (e.g. the Youth Link and a youth-based mobile application) under the Blueprint (see para. 1.11). As of June 2024, a total of \$5.5 million had been incurred under YDF (see Table 1 in para. 1.9).

5.9 ***YDC's online publicity campaigns.*** With the objective of cultivating a positive and forward-looking image of Hong Kong youth, HYAB and YDC launched a new social media account “Future in Progress” in Facebook and Instagram on a pilot basis in August 2022, and another social media account on four major Chinese social media platforms since July 2023. Up to mid-July 2024, there were some 76,000 followers for the campaigns. A total expenditure of about \$2.6 million had been incurred under YDF as of June 2024.

5.10 ***Youth Link.*** HYAB launched the Youth Link in September 2023 to link up participants of various Government's youth programmes (including YDF's funding schemes) and offer them opportunities to develop diverse talents, as well as strengthening their communication, interaction and mutual trust with the Government. A kick-off event of the Youth Link showcasing HYAB's various youth programmes and youth entrepreneurial teams was organised on 30 September 2023, and the relevant expenditure under YDF amounted to about \$1.5 million. As at 30 September 2024, there were 11,477 registered Youth Link members and 30 activities were organised for the members since its launch (Note 41).

5.11 ***Youth-based mobile application.*** The first release of the youth-based mobile application (HKYouth+) was launched in March 2024 to disseminate diversified information on various youth development programmes (including YDF's funding schemes) and provided a one-stop platform for young people to explore different opportunities and activities according to their needs and interests. To develop the mobile application, HYAB commissioned focus groups and a questionnaire survey with the objective of understanding the preferences and trends of mobile application usage among Hong Kong youths, the related expenditure incurred under YDF was about \$1.4 million.

Note 41: *In the 2023 Policy Address, an indicator has been set to organise/provide at least 10 youth development activities for members of the Youth Link by end of 2024. According to HYAB, the task was completed. In the 2024 Policy Address, an indicator has been set to organise/provide at least 20 youth development activities for members of the Youth Link within 2025.*

Other related issues

5.12 Audit noted that HKYouth+ recorded some 18,000 times of download and some 16,000 registered users since its first release and up to July 2024. According to HYAB, it has taken a soft launch approach, and the major objective during the phase of first release of HKYouth+ was to collect feedback from real users for bug fixes and necessary enhancements prior to promoting the use of the mobile application to wider audience. In Audit's view, there is room for HYAB to further strengthen the publicity programmes, including the online publicity campaigns, mobile application and the activities under the Youth Link.

Audit recommendations

5.13 Audit has *recommended* that the Secretary for Home and Youth Affairs should:

- (a) **continue to broaden the membership of the Alliance of Hong Kong Youth Innovation and Entrepreneurial Bases in the Greater Bay Area for providing more activities that benefit young entrepreneurs;**
- (b) **keep under review the usage of the “We Venture” thematic website and take measures to attract more views and visitors;**
- (c) **consider providing more information (e.g. current status and timeline) related to the YDF schemes on the thematic website; and**
- (d) **further strengthen the publicity programmes, including the online publicity campaigns, mobile application and the activities under the Youth Link.**

Response from the Government

5.14 The Secretary for Home and Youth Affairs agrees with the audit recommendations.

Other administrative issues

Need to promulgate detailed guidelines on administering YDF funded schemes

5.15 Audit found that HYAB had not issued detailed guidelines on administering the schemes for reference by its staff. For example, under the Entrepreneurship Scheme and the Experiential Scheme, there were no detailed guidelines on monitoring of NGO operators' checking of participants' eligibility (see paras. 2.18 and 3.24), follow-up actions on delays in submission of reports/returns by NGO operators (see paras. 2.34, 3.41, 4.18 and 4.19) and monitoring visits to NGO operators (see paras. 2.36 and 3.45).

5.16 In Audit's view, to ensure consistency in practice and to enhance its monitoring work, HYAB needs to promulgate detailed guidelines on administering YDF funded schemes and take measures to ensure their compliance.

Need to report to the Action Group on Youth Development Fund and Programmes regarding implementation progress of YSIP

5.17 *YSIP*. It was launched on a pilot basis in 2021 and funded by HYAB when all exchange and internship activities outside Hong Kong under HYAB had to be suspended in the midst of the COVID-19 epidemic. HYAB, together with Cyberport and HKSTP, regularised and expanded the programme in 2023 (see para. 1.8). In January 2024, HYAB signed engagement letters with Cyberport and HKSTP (Note 42) to implement a new round of YSIP (YSIP 2024) which was funded by YDF. YSIP 2024 provides 200 internship placements of 3 to 6 months, with the Government subsidising up to \$11,200 per month for each internship position, covering various disciplines such as data analysis, financial technology, artificial intelligence and business development, to Hong Kong young people at local start-ups. As at 30 June 2024, all 200 internship placements had been taken up and \$4.4 million had been disbursed under YDF.

Note 42: *According to the terms and conditions of the engagement letters, participants of YSIP shall be selected in a fair and open manner, and the list of selected participants shall be provided to HYAB for retention. After the completion of the programme, Cyberport and HKSTP are required to submit an audited financial report and an evaluation report to HYAB.*

Other related issues

- 5.18 HYAB informed Audit in July 2024 that:
- (a) in preparation for the establishment of the Alliance (see para. 1.12) prior to its launch in December 2023, HYAB reviewed existing projects and contemplated new initiatives and considered that YSIP, with its high relevance to supporting start-ups and grooming potential young entrepreneurs, should be categorised as programmes/projects under the Alliance; and
 - (b) with Cyberport and HKSTP having been invited to join the Alliance as member organisations, along with incorporating and strengthening the element of exposure to GBA under YSIP 2024, the funding source of YSIP had therefore rationalised as the work of the Alliance and supported by YDF.

5.19 Audit noted that, as of September 2024, HYAB had not reported the implementation details or progress of YSIP 2024 to the Action Group on Youth Development Fund and Programmes. According to HYAB, following the past practice, it reported the progress of YSIP to the Action Group on Youth Exploration under YDC. Given that YSIP has become a youth development initiative under YDF, Audit considers that HYAB needs to consult the Action Group on Youth Development Fund and Programmes about the implementation details and report the progress of the programme.

Need to report YDF financial position to YDC

5.20 Since the establishment of YDF in 2016, YDC and its relevant Action Groups have been overseeing the implementation of YDF's funding schemes and programmes. It is also responsible for endorsing NGO operators of some of the schemes under YDF (e.g. the Entrepreneurship Scheme and the Experiential Scheme — see paras. 2.5 and 3.4), and that the approved amounts of the schemes were reported to YDC.

5.21 Audit examination of YDC and the relevant Action Groups' meeting minutes since its establishment in April 2018 and up to July 2024 noted that HYAB had only reported the overall utilisation of YDF to YDC once and had not reported

the projected utilisation (Note 43). In May 2024, upon enquiry, HYAB had provided Audit with the overall utilisation of YDF as of May 2024 and the projected utilisation of YDF until 2026-27. In Audit's view, the relevant information can facilitate YDC in making decisions concerning the implementation of YDF. As such, there is merit for HYAB, as the secretariat of YDC, to report the current and projected financial positions of YDF to YDC regularly for reference.

Audit recommendations

5.22 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) promulgate detailed guidelines on administering YDF funded schemes and take measures to ensure their compliance;**

- (b) consult the Action Group on Youth Development Fund and Programmes about the implementation details and report the progress of YSIP; and**

- (c) report the current and projected financial positions of YDF to YDC regularly for reference.**

Response from the Government

5.23 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB has planned to report the implementation progress of YSIP and the detailed financial positions of YDF at the meeting of the Action Group on Youth Development Fund and Programmes in late October 2024.

Note 43: *In the Action Group on Youth Development Fund and Programmes meeting on 31 May 2023 and the YDC meeting on 30 June 2023, it was reported that the approved or earmarked amount for existing schemes under YDF was approximately \$440 million.*

Way forward

Need to leverage YDF to further support youth development

5.24 The Youth Development Summit was held on 10 August 2024. In his opening remarks, the Chief Executive had said that the Government attached great importance to youth development and released the first Youth Development Blueprint for Hong Kong. This holistic document highlighted vision, and concrete steps, for youth development of Hong Kong. Along with the development of GBA, and the Belt and Road Initiative, Hong Kong was well-placed in connecting the Mainland with both traditional and emerging markets around the globe. The development potential of Hong Kong and young people who joined the city was unlimited. At the Summit, the Secretary for Home and Youth Affairs had also pointed out that:

- (a) the Alliance supported our next generation in seizing new innovation and entrepreneurship opportunities and offering comprehensive support to young entrepreneurs;
- (b) the Entrepreneurship Scheme supported establishment of youth entrepreneurial teams in key Mainland cities, and these initiatives provided our young innovators with the resources, mentorship and networks needed to turn creative ideas into successful businesses; and
- (c) as for FSYATA and FSYPTA, the schemes helped enhance resilience, discipline and team spirit.

Overall, YDF, being part of the Blueprint, is an important gear in supporting the Government in its youth development work to help young people grasp the opportunities brought about by the development potential in GBA.

5.25 Set up in 2016 and having a total approved commitment of \$900 million, YDF aims at supporting youth entrepreneurship and youth development activities through collaboration with NGOs (see para. 1.4). Over the years, YDF has been providing financial resources to support youth development initiatives and through various funding schemes. As at 30 June 2024, about \$245 million funding had been approved under YDF (see para. 1.9). According to HYAB, it has planned to launch new rounds of the various youth development schemes in this year and the next few

years, covering areas including youth entrepreneurship, youth adventure training and youth positive thinking, etc.

5.26 As can be seen in the number of applications for the funding schemes, the demand for funding under YDF is keen, in particular for the entrepreneurial funding schemes providing start-up capital support for young people (see paras. 2.6 and 2.7). With the enormous development potential in GBA, the Government's commitment in supporting youth development and youth entrepreneurship and HYAB's plan to launch new rounds of the youth development schemes, HYAB needs to continue to, in consultation with YDC, upon reviewing the financial position of YDF (see para. 5.21), explore measures to ensure the optimal utilisation of YDF.

Need to take into account audit observations and recommendations in implementing funding schemes

5.27 This audit review has found room for improvement in the administration of YDF, for example:

- (a) ***Inadequacies in implementation of funding schemes by NGO operators.*** Audit found that the rationale for selecting YEAs was not documented under the Entrepreneurship Scheme (see para. 2.14), and ineligible participants were admitted to the Experiential Scheme (see para. 3.25); and
- (b) ***Inadequacies in monitoring of NGO operators by HYAB.*** Audit found that there was room for improving the monitoring of NGO operators in delivering programmes/activities. For example, there is a need to expand the coverage of monitoring visits to all NGO operators (see paras. 2.38 and 3.47) and to strengthen monitoring of NGO operators' checking of participants' eligibility (see para. 3.39).

According to HYAB, as of August 2024, it was in the process of vetting the NGOs applications for the second round of the Entrepreneurship Scheme and the Experiential Scheme (see paras. 2.3 and 3.3). In Audit's view, HYAB needs to take into account the audit observations and recommendations in this Audit Report in implementing funding schemes under YDF in future (including the second round of the Entrepreneurship Scheme and the Experiential Scheme).

Audit recommendations

5.28 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

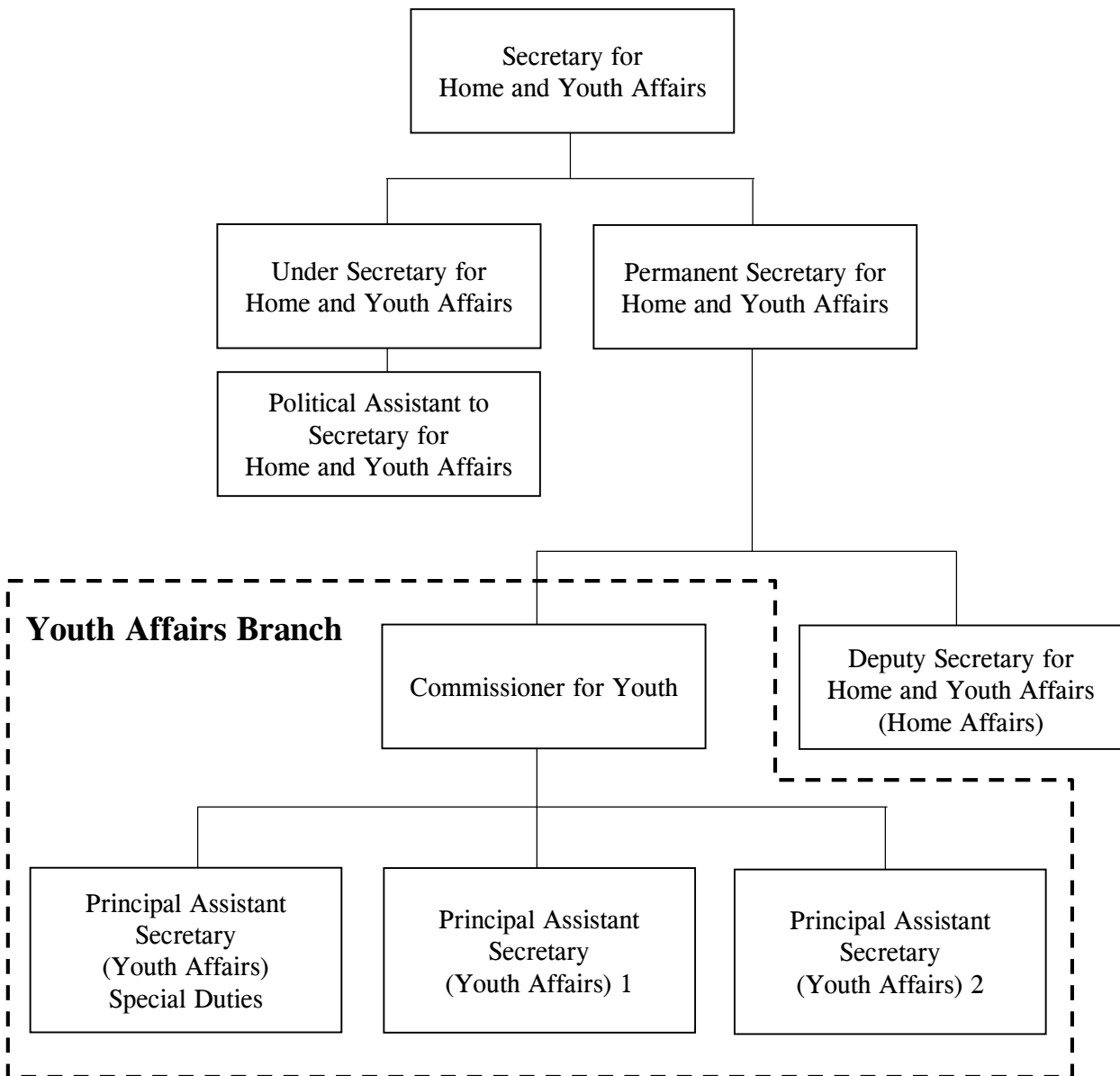
- (a) continue to, in consultation with YDC, upon reviewing the financial position of YDF, explore measures to ensure the optimal utilisation of YDF; and**

- (b) take into account the audit observations and recommendations in this Audit Report in implementing funding schemes under YDF in future (including the second round of the Entrepreneurship Scheme and the Experiential Scheme).**

Response from the Government

5.29 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB will continue to work closely with YDC to make the best use of YDF which signifies the Government's commitment to supporting youth development. HYAB will also take appropriate follow-up actions and improvement measures according to the audit recommendations.

**Home and Youth Affairs Bureau:
Organisation chart (extract)
(30 June 2024)**



Source: *HYAB records*

Acronyms and abbreviations

Audit	Audit Commission
Cyberport	Hong Kong Cyberport Management Company Limited
EMF	Entrepreneurship Matching Fund
FSYATA	Funding Scheme for Youth Adventure Training Activities
FSYPTA	Funding Scheme for Youth Positive Thinking Activities
GBA	Guangdong-Hong Kong-Macao Greater Bay Area
HKSTP	Hong Kong Science and Technology Parks Corporation
HYAB	Home and Youth Affairs Bureau
I&E	Innovation and entrepreneurial
IYDP	Innovative Youth Development Projects
NGO	Non-governmental organisation
Pilot Scheme on YOATA	Pilot Scheme on Youth Outdoor Adventure Training Activities
YDC	Youth Development Commission
YDF	Youth Development Fund
YEA	Young entrepreneurship applicant
YSIP	Youth Start-up Internship Programme