

**Hong Kong Examinations and Assessment Authority (HKEAA)**

**An anonymous letter**

1. The management of the HKEAA is very concerned about the complaint letter. Although the letter is anonymous, it nevertheless reflects the dissatisfaction of some members of staff arising from misunderstanding. Soul-searching is required in order for management to boost the low morale of staff.

**Clarification**

2. The inaccurate information in the anonymous letter has damaged the reputation of the Authority. Clarification is warranted to set the record straight.
  - The letter mentions the 2001 AL History paper incident and the issue of staff exhaustion to which management was allegedly indifferent. Both allegations are without basis. Sending a Chinese language senior subject officer to attend an English language testing conference in Japan was a considered decision of management. The appointment of a temporary senior subject officer in the Web-based Services Division complied with the Authority's procedures for recruiting temporary staff.
  - The letter quoted the following in criticizing the Authority for squandering its resources thus leading to serious deficits:
    - Visits to overseas assessment bodies
    - Release of examination results on the Internet
    - Holding a cocktail reception to celebrate the 25<sup>th</sup> anniversary of the Authority
    - Hosting the annual conference of the International Association for Educational Assessment (IAEA) single-handedly
    - Establishing the Communication Division, the Research Division and the Web-based Services Division
    - Conducting a strategic review of the Authority

The Council considered all these projects beneficial to the development of the Authority. There is therefore no question of squandering the Authority's resources.

- Misunderstanding is the root of the allegations. The clarifications are given in the **Annex**.

**Issues facing the Authority**

3. The Authority is facing two issues: staff morale and budget deficit.

***Morale***

4. There is a measure of dissatisfaction within the Secretariat of the Authority, which could be attributable to:

- Inadequate internal communication
  - Insufficient involvement of staff in formulating policy
  - Heavy workload
  - Perennial external pressure
  - Diminishing benefit
  - Uncertain future salary structure
5. Heavy workload and perennial public pressure, coupled with the trimming of salary and benefits and the uncertainty over the future salary structure have placed HKEAA staff in an understandably delicate psychological state. However, to combat the budget deficit against the backdrop of a bleak economy, the Authority has no choice but to take tough measures. Management will enhance communication with staff in order to get their understanding and support with a view to weathering the storm together.

### ***Budget deficit***

6. The Authority has a set of established financial procedures. It has handled its finance prudently. In the first three years (1998/1999, 1999/2000, 2000/2001) when the HKCEE and HKALE fees were frozen, the Authority was still able to generate a surplus and boost the reserve. (The Authority's reserve serves to support special expenditure items and to make up for the lower-than-estimated income in case of adversity.) The Authority's reserve dropped from 64 million in August 2001 to 35 million in August 2002 (the Authority's financial year is the same as the school academic year), principally because of the 29 million deficit incurred in 2001/2002. This was the first time that the Authority suffered a deficit, which had to be met by the reserve.
7. The 2001/2002 deficit was because of :
- A drop in recurrent income principally due to the plummeting bank interest rate;
  - An increase in recurrent costs: an increase in staff, salary adjustment with effect from 1.4.2001 following the civil service pay rise, an adjustment of remuneration for examination personnel, additional resources for proofreading and checking question papers;
  - Special expenditure items, including the expansion/renovation of the San Po Kong sub-office, computer facilities, the replacement of duplicating machines, printing machines and an optical mark reader as well as research.
8. When the 2003 HKCEE and HKALE fees were considered, it was estimated that the reserve would drop to 35 million by the end of the 2001/2002 financial year. From the financial perspective, it was necessary to adjust the 2003 fees in order to keep the Authority's finance in a healthy state. However, in view of the socioeconomic condition of Hong Kong at large, after careful consideration, the Authority decided to continue to freeze the fees for the 2003 examinations. The estimated 17.8 million deficit in the 2002/2003 estimates (recurrent: 10.8 million, special expenditure: 7 million) would be met by the reserve. It was hoped that the economy would improve in due course before the fees for 2004 were considered. In the meantime, the Authority took pains to reduce costs with a view to reducing the deficit.

### **Measures taken**

9. The Authority has taken the following measures :

- Reduction of salary of staff in line with civil servants
- Reduction of overtime allowance
- Trimming of dental benefits
- Reduction of payment to temporary staff
- Freezing vacancies, employing new staff on contract terms and at market value salaries
- Adjustment of the charges for publications and other examinations
- Exploring the possibility for conducting new examinations and assessment services
- Requesting the Administration to amend the HKEAA Ordinance to empower the Authority to conduct examinations outside Hong Kong
- Explaining to staff the Authority's financial situation, the need to increase revenue and economize costs and encouragement to improve efficiency

10. The 2002/2003 estimates submitted to the Administration indicate a recurrent 10.8 million deficit and a special expenditure of 7 million. The recurrent estimates have reflected some of the cost-saving measures. When all these measures are fully implemented, it is expected that there will be a further saving of 2.3 million. If the estimates are realised, it is expected that the cumulative reserve will be no less than 17 million at the end of the 2002/2003 financial year. This is considered unhealthy for an organization with a 200 + million budget.

### **Summary**

11. The examination fees for HKCEE and HKALE constitute 65% of the Authority's income. A prolonged period of freezing fees and dwindling bank interests have dealt a serious blow to the Authority's finance. 82 % of the Authority's recurrent expenses are manpower costs, with 47 % on permanent staff and 35 % on temporary staff. 18 % of the expenses are spent on administration and operations, which is already quite tight. If further manpower costs were to be cut, it would impinge upon the salaries and benefits of staff and the remuneration to examination personnel.
12. Management takes the issue of staff morale very seriously. It will strive to enhance internal communication and involve staff more in formulating policies. It is hoped that joint efforts will be made to weather the storm and to deliver quality service of the Authority.

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the Education Panel of  
the Legislative Council  
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## **Clarification of information in the anonymous letter**

### **1. Making the wrong decision and shirking responsibility**

- The Secretary General has never given any guarantee regarding the production of error-free question papers. However, HKEAA staff will strive to produce quality papers.
- The Secretary General was informed of the problem in the AL History paper in 2001 about 15 minutes after the start of the examination. Informing centres after the start of the examination would have brought chaos at the centres. The Chief Examiner recommended that the problem could be dealt with by adjusting the marking scheme as the question tested candidates' analytical ability. The Secretary General accepted the advice of the Chief Examiner.

### **2. Staff exhaustion**

- The workload and pressures on HKEAA staff are considerable.
- A part-time subject officer post was converted to a full-time post in 2001 to ease the workload of some subject officers.
- The Authority Council has approved the establishment of three posts in 2002/2003 to assist the subject officers.
- In view of the increasing pressure on HKEAA staff, the Secretariat has organized workshops on handling stress for staff in recent years. Recently, Dr Tsang Fan-kwong was invited to speak to HKEAA staff.

### **3. Overseas visits**

- The total expenditure for the three trips (Sweden and the Netherlands, Australia and New Zealand, Beijing and Shanghai) in the last two years was \$480,000 rather than 1 million. Participants flew with group economy tickets.
- The trip to Sweden and the Netherlands was made in accordance with the recommendation of the overseas consultant commissioned by the Education Department for the BCA project. The trip was also funded by the project.
- The other two visits were conducted with a view to reforming the examination system and enhancing communication with counterparts on the Mainland. Reports of the visits submitted to the Council were also distributed to officers, who were aware that following the visits, the Authority was reviewing its grading system.

### **4. Releasing results on the Internet**

- This initiative was an attempt of the Authority's to improve its service to candidates. Use of the Internet to improve services (e.g. virtual bookshop, registration on the Internet) is also in line with Government policy. There was in particular, a genuine need for CE private candidates and evening school candidates to find out their results in good time in order not to miss the Stage 1 Sixth Form Admission Procedure.

### **Holding cocktail reception to celebrate the 25<sup>th</sup> anniversary**

- The Council's intention was to show appreciation to people who had rendered their service to the Authority over the years, particularly examination personnel. 2,600 invitation cards were issued. The estimated number of attendees was 1,400, which turned out to be an overestimate. It was the first and the only time that this kind of activity had been organized in the last 25 years.

### **5. Hosting the International Association for Educational Assessment (IAEA) conference**

- All the costs for running the conference were met by conference registration fees.
- IAEA requested the HKEAA to host the conference. HKIEd did not request the Authority to co-host the conference.

### **6. Creation of posts at a cost of over 10 million**

- The establishment of the Communication Division and the Research Division was approved by the Authority Council to improve its services and to enhance external and internal communication.
- The Web-based Services Division was set up to develop and implement the Basic Competency Assessment (BCA) project commissioned by the Education Department. This division is financed by the BCA project and not by candidates' fees.

### **Recruitment of a Senior Subject Officer in the Web-based Services Division**

- In February this year, it was felt that the BCA progress had not been satisfactory. It was necessary to add further expertise to the team by appointing a temporary senior subject officer conversant with Item Response Theory, who had to be able to report for duty as soon as possible. The recruitment was in compliance with the Authority procedures for appointing temporary staff.
- The post was not part of the HKEAA permanent establishment and the officer was appointed on contract up to June 2003. This temporary post is not a promotion post for subject officers.

### **7. Sending a Senior Subject Officer (Chinese) to attend an English language testing conference in Japan**

- The conference has been held annually since 1998 on a rotational basis on the Mainland, Korea, Hong Kong, Taiwan and Japan.
- The senior subject officer concerned was the Chief Delegate of the Authority. As experience in English language testing could shed light on Chinese language testing, management decided to send a veteran Chinese language subject officer to attend the English language testing conference.

### **8. Trimming benefits and planning to delink staff salary from civil service before the strategic review**

- The Authority's decision to trim dental benefits and later to review the salary and benefits of staff is unrelated to the strategic review currently conducted by the Authority. The objective of the strategic review is to identify new directions for the Authority and the changes required to enable it to meet new challenges. The review is not concerned with the salary structure and benefits of staff. There is no question

of such decision pre-empting the strategic review. A few months ago, the Secretary General explained the objectives of the strategic review to his colleagues.

9. **This paragraph indicates views expressed by the letter writers.**

10. **Misleading the public that the deficits are attributable to staff benefits**

- The Authority did not release any information regarding staff benefits and the deficits. The press report of a two-year deficit of 80 million was wrong. It should be 47 million.
- Management did communicate with staff before putting a recommendation on the trimming of overtime allowance to the Finance and General Purposes Committee of the Authority for approval. As regards the trimming of dental benefits, the decision was taken at the Committee meeting in September. Management also followed the instruction of the Committee to communicate with staff as soon as possible after the meeting.

11. **This paragraph also indicates views expressed by the letter writers.**

End