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08 January 2005

Clerk to the Committee
Public Accounts Committee
Legislative Council Secretariat
The Legislative Council
8 Jackson Road
Hong Kong

(Attn: Ms Dora Wai)

Dear Ms Wai

**Public Accounts Committee
The Director of Audit's Report No. 43**

Please refer to the response of the English Schools Foundation ("ESF") dated 4 January 2005, relating to participation of Government officers in the business of the ESF. We intend to submit the enclosed information note for reference of the Public Accounts Committee. The Chinese version would be forwarded to you at a later stage.

Yours sincerely,



(LAI Yiu-kei, Samson)
for Secretary for Education and Manpower

Information Note for the Public Accounts Committee

Participation of Government Officers in the Business of the English Schools Foundation

INTRODUCTION

Upon instruction of the Public Accounts Committee, the Clerk to the Committee invited the English Schools Foundation (“ESF”), vide her letter of 22 December 2004, to provide information relating to the participation of Government officers in the business of the ESF. Such information includes the name of the Government representatives on the ESF Foundation and Executive Committee (“ExCom”), their attendance and their views or suggestions on the corporate governance and Headquarters administration of the ESF, etc.

2. To enable that the matter could be considered in a more informed manner, this information note seeks to set out other information not covered in the ESF’s response of 4 January 2005.

GOVERNMENT REPRESENTATIVES ON THE ESF

The ESF Foundation

3. Under the English Schools Foundation Regulations, which are subsidiary legislation made by the ESF without the need of negative vetting or gazettal, the Chief Secretary for the Administration (“CS”) and the Permanent Secretary for Education and Manpower (“PSEM”) are members of the ESF Foundation. PSEM might also nominate up to two representatives as advisers to the ESF Foundation.

4. The CS had not attended any of the ESF Foundation meetings in the past. Government’s role on ESF Foundation has all along been carried out by the Director of Education (now the Permanent Secretary for Education and Manpower) or her representative.

5. As stated in the Audit Report and in SEM’s opening address at the PAC hearing on Chapter Four of the Audit Report, we would review our long term role on the ESF Foundation and the ESF ExCom, giving regard to our usual practice of not involving in the management of individual schools or their school sponsors. This would include the

position which is held by the CS in the ESF Foundation.

6. It is relevant to note that except for the two recent Foundation meetings, the remaining ones in the past five years were convened to consider reports of individual ESF principals, report of the ESF Secretary, annual accounts of the ESF and appointment of auditors. Indeed, from the angle of its day-to-day operation, our representation would make a bigger contribution to the ESF by offering advice to the ExCom than by receiving routine reports at the Foundation. The ExCom meets once a month while the Foundation, once a year only. When important issues were considered, we would step up our representation. For instance, when the Foundation elected its Chairman upon the resignation of the former Chairman, PSEM and her two designated advisers (also EMB officers) all attended the meeting. When the governance reform was raised for discussion at the most recent Foundation meeting held in December 2004, which has not been included in the ESF's response, both the subject Deputy Secretary and Principal Assistant Secretary attended.

The ESF ExCom

7. As regards the ESF ExCom, the membership includes PSEM, and she might appoint a representative to represent her at the meetings. It has been the long held practice that the representative is the Principal Assistance Secretary for Education and Manpower (or Assistant Director of Education before the merger) responsible for the ESF policy. Unless the circumstances require otherwise, this representative would attend meetings of the ESF ExCom on behalf of PSEM.

8. The information provided by the ESF shows that our representative has participated in most ESF ExCom meetings during the past five school years. Our involvement in the discussion of ESF matters should be consistent with Government's overall position vis-à-vis the ESF, i.e. to strike a sensible balance between oversight and avoidance of micro-management.

ACTIONS TAKEN BY THE ADMINISTRATION

9. For historical reasons, EMB has one representative on the ESF Executive Committee. This is a unique arrangement. The Administration does not sit on the management committee of any other aided schools or the executive committee of their sponsors. This suggests that our ExCom membership was intended to serve a liaison /

advisory function, ensuring that the interests of (British) civil servants whose children attended the ESF schools were well served and policy decisions were adequately communicated. From the way the English Schools Foundation Ordinance was couched, it was never intended that Government should micro-manage or monitor the ESF.

10. That said, we have expressed interest in some matters being study at Chapter 3 of the Audit Report. An example is the pay review process. Separately, we have kept informal exchanges with the ESF management on a wide spectrum of issues through channels outside the Foundation or ExCom context. Most of these meetings were informal and frank and were attended by the former ESF Chairman, but not the ESF Executives. For example, at a meeting with the then ESF Chairman on 11 July 2003, we asked about the details behind the sudden resignation of Staff C.

11. Other than meetings, we also maintain an exchange channel through electronic mail or formal letters of correspondence. The Government representative on the ESF ExCom has from time to time raised questions on issues to be discussed at future ExCom meetings, complaints or other areas of doubt in the operation of the ESF. For example, we have expressed interest in the background of the ESF Educational Services Ltd, which is a subsidiary of the ESF.

12. Separately, we have initiated the fact-finding exercise in early 2003, which is to examine the cost structure of the ESF operation. The Director of Audit, in his access to EMB records, has also drawn reference from the findings of this exercise. Indeed, as far as EMB is concerned, the conduct of this fact-finding exercise has provided valuable information on the probable reasons for the inertia within the ESF against changes. The problems we have encountered in the review process have been briefly set out in paragraph 3.16 of Chapter 3 of the Audit Report.

**Education and Manpower Bureau
January 2005**