

**Reply of 7 January 2005 from
Mr Jal Shroff, former Chairman of the English Schools Foundation**

I refer to your letter CB(3)/PAC/R43 dated 6th January 2005 requesting me as the former Chairman of the English Schools Foundation (ESF) to comment on the Audit Commission's observations and recommendations on various aspects raised in the Audit Report in particular the part on "corporate governance" and also if during my tenure as Chairman of the ESF whether the Government representative on the Foundation had put forward any views or suggestions on various aspects covered in the Audit Report in particular issues relating to corporate governance.

My schooling was at KGV (today an ESF School) and I have been involved with the ESF since 1983 as a member of Parent Teacher Associations, School Councils, Management Committee, and for about nine years as the Chairman of the ESF.

I have just this morning (7th January 2005) received a copy of the report and would have appreciated if I had been given more time to digest and respond in detail to it, nevertheless I shall try my best to reply. I will restrict my response to the issue of Corporate Governance (Chapter 2) and your question concerning involvement of the Government representative on the Foundation who incidentally is a representative of the Director of Education (now representative of the EMB) and is one of the nine members of the Executive Committee of the Foundation.

Regulation 5 of the Regulations of the English Schools Foundation (1985 Revision) defines the Executive Committee of the Foundation as follows:

- 5.1 The Executive Committee shall administer all the affairs of the Foundation other than those vested by the Ordinance in some other authority of the Foundation or retained as a power of the Foundation itself.
- 5.2 The Executive Committee shall ensure that the provisions of the Education Ordinance & Regulations and of the Ordinance and these regulations are complied with.

Let me now comment on Part 2 CORPORATE GOVERNANCE.

- 2.8 I agree that the large membership size of the Foundation is not conducive to efficient decision making - having said that over the last many years the Foundation has seldom made any decisions of importance; the important decision making has been left in the hands of the nine members of the Executive Committee.

- 2.9 I agree that ESF needs to totally review its Regulations to ensure that they reflect the changes NOT so much in the development of the community (as stated in the Audit Report) but with regard to the multi cultural intake of its students and the latest Educational Developments, to ensure that ESF is in line with the best practices.
- 2.10 I do NOT believe it is necessary to establish an advisory body similar to those established by the UGC-funded institutions. The ESF presently has FOUR Standing Committees to advise the Executive Committee on (a) Management of Schools (b) Academic & Administrative matters (c) Professional & Educational matters (d) Views of Parents & Pupils within the schools.

I suggest that there is an acute need to establish an active Audit Committee (with representative from the EMB/Financial Services and the Treasury Bureau) whose job is to monitor and to advise the Executive Committee on all financial matters. The ESF has enough educationalist but is lacking in having someone in the head office with local commercial know-how. In my humble opinion the ESF is in the business of EDUCATION (turnover over a Billion HK\$)

- 2.13(b) Interesting idea but needs to be carefully thought through and at this point of time I am NOT prepared to comment.
- 2.15 The reality of the situation is that at most times external members once
2.16 & appointed do not have the time or frankly are NOT interested in
2.17 attending the meetings - with the best intentions I doubt if this situation can change unless we have a ratio of at least three outsiders to one insider.

In my humble opinion the EMB should play a much more active role to exercise their influence on decisions made at the Executive Committee meetings dealing with all financial matters. To the best of my knowledge the minutes of both the Executive Committee and the Foundation meetings will reflect that NO Government representative has over the last ten or more years brought up the question of Corporate Governance.

As Chairman I have had private discussions with Mrs Fanny Law on a number of occasions on the composition of the Foundation and the need at an appropriate time to make changes.

Incidentally every single draft budget prepared by the ESF over the last forty odd years has had to be approved by the Education Department (now EMB) before it is implemented. The budget reflects salaries, school fees and projected surpluses and or deficits.

Finally I do not entirely agree with 3.3 - any business leverages its Fixed Assets and I am surprised that the Audit does not reflect the value of ESF owned property - which I believe is substantial. If the ESF's finances are in such a bad state (as reflected in the Audit Report) surely it was irresponsible for the EMB to allocate ESF two additional sites to build two large private independent schools part of which will be financed by our parents?

In conclusion please keep in mind that since 1967 the fee paying parents of the ESF have paid their share in expanding from two schools to fifteen Schools; not to mention the numerous new buildings added to Schools - actually the Government has benefited considerably over the years both financially and from the quality of students that the ESF has turned out and it is a shame that they are now suggesting cutting the subsidy paid to the ESF.

Jal Shroff
7 January 2005