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7 January 2005

Clerk, Public Accounts Committee
(Attn: Ms Dora WAI)
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong

[Fax No. 2537 1204]

Dear Ms Wai,

**The Director of Audit's Report on the
results of value for money audits (Report No. 43)**

**Chapter 4: Corporate governance and
Headquarters administration of the English Schools Foundation**

Thank you for your letter of 6 January 2005. I append below the information and my comments requested in your letter.

***Audit Commission's examination of minutes of
Foundation meetings and Executive Committee meetings***

The Audit Commission (Audit)'s review of the minutes of meetings of the English Schools Foundation (ESF) covered the period September 2000 to April 2004. During this period, the Foundation and its Executive Committee held five and 27 meetings respectively. As part of the audit review, Audit staff have examined all the minutes of these 32 meetings. Accordingly, Audit staff have seen the minutes of the five Foundations meetings and 27 (covering the period September 2000 to April 2004) of the 42 Executive Committee meetings respectively referred to in Appendices 2 and 3 to the Acting Chief Executive of the ESF's letter of 4 January 2005.

***Attendance of the government representatives
at the five Foundation meetings***

As stated in paragraph 2.19 of Chapter 4 of the Director of Audit's Report No. 43, the failure of members to attend Foundation meetings reduces their opportunities to contribute to the ESF. According to the Regulations of the English Schools Foundation, there are four government representatives on the Foundation (see Appendix B to Chapter 4 of the Director of Audit's Report No. 43). According to the Foundation's meeting minutes:

- (a) at the two Foundation meetings in December 2000 and December 2001, all the four government representatives did not attend;
- (b) at each of the two Foundation meetings in December 2002 and December 2003, only one of the four government representatives attended; and
- (c) at the Foundation meeting in March 2004, three of the four government representatives attended.

Audit considers that the attendance rate of 25% (Note) of government representatives at the above-mentioned five Foundation meetings was unsatisfactory.

***Attendance of the government representative
at the 42 Executive Committee meetings***

As stated in Appendix 3 to the Acting Chief Executive of the ESF's letter of 4 January 2005, of the 42 Executive Committee meetings held between March 1999 and October 2004, the government representative attended 35 of them, representing an attendance rate of 83%. Audit considers this attendance rate acceptable.

Note: *Government representatives' attendance rate is calculated by:*

$$\frac{\text{Total number of government representatives' attendances at the 5 meetings}}{4 \text{ government representatives on the Foundation} \times 5 \text{ meetings}} \times 100\%$$

Government representatives' views on the corporate governance and Headquarters administration of the ESF at Foundation meetings and Executive Committee meetings

Regarding the statement in paragraph (d) in Appendix 3 to the Acting Chief Executive of the ESF's letter of 4 January 2005 that "there has been no mention on the corporate governance and Headquarters administration of the ESF by the government representatives at any of the Foundation meetings and the Executive Committee meetings held in the past five years", Audit examination of the minutes of the Foundation meetings and the Executive Committee meetings covering the period September 2000 to April 2004 revealed that:

- (a) there were no recorded views of the government representatives on the corporate governance of the ESF at either the Foundation meetings or the Executive Committee meetings;
- (b) there were no recorded views of the government representatives on the Headquarters administration of the ESF at the Foundation meetings; and
- (c) on some occasions, the government representative expressed views on the Headquarters administration of the ESF at some Executive Committee meetings. In the event that the Committee wishes to obtain information about these views, it may wish to request the ESF to provide it with the pertinent minutes of meetings.

Yours sincerely,



(Patrick LEUNG)
for Director of Audit

c.c. Secretary for Education and Manpower
Permanent Secretary for Education and Manpower
Chairman, English Schools Foundation
Acting Secretary and Chief Executive, English Schools Foundation
Secretary for Financial Services and the Treasury
(Attn: Mr Manfred WONG)