

**Extract from the minutes of meeting of
the Panel on Education held on 22 March 2007**

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V. Member's Bill on the governance structure of The English Schools Foundation

[LC Paper Nos. CB(2)1333/06-07(02), CB(2)1358/06-07(01) and (02)]

22. Members noted the papers provided by the English Schools Foundation (the Foundation) and the letter from Mr Abraham SHEK to the Chairman appealing to members to support the English Schools Foundation (Amendment) Bill 2007 (the Bill).

Briefing by Mr Abraham SHEK

23. Mr Abraham SHEK introduced the Bill which provided for the amendment to The English Schools Foundation Ordinance (the Ordinance) to update the governance structure of the Foundation and the administration of schools of the Foundation in the light of the results of the value-for-money audits in the Director of Audit's Report No. 43 (Audit Report) published in October 2004 and the recommendations of the Public Accounts Committee Report No. 43 (PAC Report) published in February 2005. Mr SHEK said that the Bill was approved by the Foundation at its meeting on 8 June 2006, and would be introduced into the Legislative Council (LegCo) shortly.

Briefing by the Foundation

24. Professor Felice LIEH MAK, Chairman of the Foundation, said that the Foundation was established in September 1967 under the Ordinance and initially operated two schools with students mainly from British families in Hong Kong. At present, the Foundation operated 10 primary schools, five secondary schools and one special school. In addition, the ESF Educational Services Limited (ESL), the Foundation's associated company, operated three kindergartens and one private independent school. Around 80% of the students in these schools were permanent residents of Hong Kong. Given the substantial increase in the number of schools over the years, the Foundation considered it appropriate to review and reform its governance structure.

25. Professor Felice LIEH MAK further said she was elected Chairman of the Foundation on 1 March 2004. On 24 March 2004, the re-constituted Executive Committee of the Foundation (the Executive Committee) invited the Director of

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Audit to perform value-for-money audits of the Foundation. The findings of the audits were subsequently scrutinized by PAC. The findings of the two reports and the response of the Foundation were detailed in paragraphs 13 to 17 of the Brief on the Bill [LC Paper No. CB(2)1333/06-07(02)]. Professor Felice LIEH MAK added that the Bill was prepared with reference to the findings and recommendations in the Audit Report and the PAC Report. She thanked EMB for support in preparing the Bill, and hoped that the Bill could be enacted in the near future.

26. Mrs Heather Du Quesnay, Chief Executive of the Foundation, briefed members on the consultation conducted in formulating the framework for the future governance of the Foundation and drafting the Bill, as detailed in paragraph 22 of the Brief. She added that the reform framework was approved by the Foundation with a significant majority at the meeting on 8 June 2006.

27. Dr Alex CHIU, a parent representative of the Foundation, said that the parents of students of the schools welcomed the reform proposals and the establishment of the Governance Task Force comprising mainly of parents and independent members. He expressed appreciation of the Foundation for respecting the views of parents from the very beginning, and consulting the parents in working out the reform framework and the proposals in the Bill. As a parent, he supported most of the proposals in the Bill. Dr CHIU highlighted that should the Bill be enacted, the Board of Governors of the Foundation would comprise 27 members and of which, seven would be parent representatives.

Staff recruitment and school administration

28. Mr CHEUNG Man-kwong said that according to newspaper reports in December 2006, the Foundation had accepted about 66% of the recommendations made by the Independent Commission Against Corruption (ICAC) concerning staff recruitment and school administration. He enquired about the reasons for not putting in place the other recommendations.

29. Professor Felice LIEH MAK clarified that the Foundation had accepted all the recommendations of ICAC, and had implemented about 60% of the recommendations in December 2006. The Foundation would continue to develop the necessary systems and measures to implement the remaining recommendations on a progressive basis.

30. Mr CHEUNG Man-kwong considered it necessary to work out a timetable for implementing the remaining recommendations proposed by ICAC. He suggested that if necessary, the Foundation might discuss with ICAC on how the remaining recommendations could be implemented.

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31. Mrs Heather Du Quesnay explained that the Foundation had had recent meetings with ICAC on the matter and, so far, ICAC was satisfied with the work done and planned by the Foundation in response to its recommendations. After the enactment of the Bill, the Foundation would be empowered to implement some of the recommendations from September 2007 onwards. She added that the implementation of some recommendations would take time. For instance, the development of a web-based budgeting financial control system for the 20 schools would involve tremendous system design and development works as well as staff training before the system could be implemented. Subject to the early enactment of the Bill, the Foundation envisaged to implement all the ICAC recommendations by the end of 2007.

Government subsidies

32. Mr CHEUNG Man-kwong said that parents were concerned about the provision of Government subsidies after the Bill had been enacted. At present, the level of subsidies to the Foundation's schools was lower than that to aided schools which was calculated on the average unit costs. Many parents were of the view that the level of Government subsidies to schools operated by the Foundation should be on a par with aided schools and based on the average unit costs.

33. Professor Felice LIEH MAK responded that the Foundation was well aware of the parents' concern about the provision of Government subsidies to its schools, and would continue to liaise with the Administration on the matter. She pointed out that the Administration had indicated that it would discuss with the Foundation on subvention matters after it had implemented the necessary reforms in governance and school administration.

Board of Governors and School Councils

34. Mr Tommy CHEUNG declared interest as one of the two LegCo members elected among themselves as members of the Foundation. While expressing support for the Bill, Mr CHEUNG suggested that the Foundation should take the opportunity to amend the Ordinance to remove representation from LegCo on the Board of Governors. He considered it more appropriate to allocate the proposed two seats for LegCo Members in the Board of Governors to the key stakeholders.

35. Professor Felice LIEH MAK responded that the Foundation had no strong view on LegCo representation on the proposed Board of Governors. She, however, pointed out that parents of students of the schools preferred to have representatives from LegCo sitting on the Board of Governors.

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36. Dr Alex CHIU confirmed the preference of parents of students of the schools for LegCo representation on the Board of Governors to supervise the work of the Foundation. Since the Foundation operated some 20 schools providing education to some 17 000 children, he considered it necessary to have LegCo representation on the Board of Governors.

37. Mr Tommy CHEUNG expressed appreciation of the parents' confidence in LegCo Members in supervising the operation of the schools under the Foundation. He, however, pointed out that LegCo did not have representation on the governing bodies of other major school sponsors, and such practice should apply to the Foundation alike. Mr CHEUNG was of the view that LegCo Members might participate in school management in the capacity of parents.

38. Ms Audrey EU noted that at the meeting of the Foundation on 8 June 2006, the proposed amendments to the Ordinance and the proposed provisions of the draft Regulation were approved by 69 votes to 27 votes with five abstentions. She sought information on the persons voted against the proposed amendments to the Ordinance.

39. Professor Felice LIEH MAK replied that the persons voted against the proposed amendments to the Ordinance were mainly teachers of the schools of the Foundation. This was understandable as they considered that the proposed amendments would reduce their rights. Under the Bill, principals, teachers and support staff of the schools would have respectively only one, two and one representatives elected among themselves in the future Board of Governors

40 Ms Audrey EU asked how the new governance structure of the Foundation and its schools compared with the school-based governance structure for aided schools under the Education Ordinance in accordance with which an incorporated management committee would be established.

41. Professor Felice LIEH MAK responded that the Foundation had maintained close dialogue with EMB in the course of formulating the framework for the future governance of the Foundation and its schools. EMB considered that the proposals in the Bill were not in conflict with the provisions on school-based management in the Education Ordinance.

42. Mrs Heather Du Quesnay supplemented that the Foundation was aware of the spirit of school-based management and had followed the same principles in proposing the governance structure at the school level. She pointed out that there were significant differences between the schools operated by the Foundation and the local schools which were subject to the Education Ordinance. The Foundation was responsible for the management of its schools including their properties and financial position. She highlighted the proposed establishment of a Nominating Committee, election of representatives from

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teachers, parents and support staff as well as the appointment of community leaders in the Board of Governors and the School Councils. She added that the operation of the School Councils of the Foundation had been commended in the PAC Report and the proposals in the Bill were built on the existing structure.

43. Ms Audrey EU requested the Foundation to provide a paper to explain the differences between the governance structure of the Foundation and its schools and the school-based management structure of aided schools under the Education Ordinance and the reasons for such differences when the Bill was ready for introduction in LegCo.

Financial management and system reviews

44. Miss TAM Heung-man expressed appreciation that the Foundation had demonstrated a high level of cooperation with PAC in scrutinising the findings in the Audit Report. She asked whether and how the reform in the governance structure of the Foundation and their schools would improve the monitoring of the daily operation of the schools, including the administration and financial management matters.

45. Mrs Heather Du Quesnay responded that the Foundation had put in place various systems and measures to monitor the daily operation of the schools with emphasis on the administrative and financial aspects. Under the new governance structure, schools would be responsible for their own financial management and required to submit regular reports to the Board of Governors and the Chief Executive on their financial position. Currently, the Foundation was developing a web-based financial management system to facilitate on-line monitoring of the financial operation and transactions in each school. Any significant or unreasonable spending by individual schools would be readily detected by the system. In addition, the Foundation had strengthened the internal audit functions as recommended by PAC, including the establishment of an audit committee to oversee the strategic issues as well as to examine the internal audit reports prepared by individual schools.

46. Mr TAM Heung-man asked how often internal reviews on the financial and audit systems would be conducted. She pointed out that early detection and rectification of any system irregularities was important to ensure system reliability and integrity in the long term.

47. Mrs Heather Du Quesnay responded that the internal auditors would be expected to conduct internal audits for each school in every two years. Apart from the Board of Governors, the Chief Executive and the Finance Director, the schools and the principals would be provided with a copy of the audit findings for follow-up. The internal auditors would revisit each school after half a year to check whether the schools had followed up the irregularities identified in the internal audits. At the same time, the internal auditors would consolidate their

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findings and prepare a general report incorporating the major issues for schools to observe in financial management. In addition, the Audit Committee would oversee the system reliability matters and recommend the appropriate timing for conducting reviews on system operation and applications. Overall, there were sufficient checks and balances in school operation and management, as well as sufficient external pressure and internal commitment to put things in the right track.

Special and integrated education

48. Dr Fernando CHEUNG declared interest as a parent of two students currently studying in the Foundation's schools. He expressed support for the provision of integrated and special education in the Foundation's schools. He considered it important that the Foundation should establish channels for parents of students with special educational needs (SEN) to express their views and suggestions. He suggested that the Board of Governors and the School Councils should include parents of students with SEN. He asked how the Foundation would implement the recommendations of its review on the provision of special and integrated education for students with SEN which was completed two years ago.

49. Mrs Heather Du Quesnay responded that she was concerned about the provision of quality education for students with SEN and had recently discussed with parents on the matter at a number of meetings. The Foundation had consulted parents on the inclusion of a representative of parents of students with SEN in the Board of Governors and individual School Councils, and finally agreed with parents' view that parent representatives in these bodies should better be elected through open competition. In addition, the Board of Governors and School Councils were encouraged to admit people with an enthusiasm as well as substantial expertise in supporting students with SEN in learning.

50. Mrs Heather Du Quesnay further said that the Foundation had taken steps to implement the recommendations of the review on SEN of students. The Foundation had formulated a policy on integrated education and developed a system to assess the degree of inclusion of individual schools on the basis of feedback from teachers and parents. In addition, the Foundation had taken a number of measures to enhance the quality of integrated education for students with SEN, including arranging for teachers with substantial experience in special education to train teachers in ordinary schools to teach students with SEN; arranging for students with SEN to switch studies from the special schools to ordinary schools and vice versa in the light of their learning needs and abilities; developing a Vocational Diploma as an alternative to the International Baccalaureate for students with SEN; providing learning support classes in mainstream schools for students with SEN.

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51. Mr Abraham SHEK said that as a manager of a school operated by the Foundation, he appreciated the efforts of the Foundation in providing special and integrated education for students with SEN. He shared the view of Dr Fernando CHEUNG that the Foundation should provide channels for parents of students with SEN to express their views and suggestions to the management.

52. Summing up, the Chairman requested the Foundation to consider members' views and suggestions expressed at the meeting. He added that members could scrutinise the Bill in detail after the Bill had been introduced in LegCo.

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