

Progress Report

Motion on “Public Accounts Committee’s Report on ‘Administration of the Direct Subsidy Scheme and Governance and Administration of Direct Subsidy Scheme Schools’”

At the Legislative Council meeting commencing on 2 March 2011, the following motion on “Public Accounts Committee’s Report on ‘Administration of Direct Subsidy Scheme and Governance and Administration of Direct Subsidy Scheme Schools’” moved by Dr Hon Philip WONG Yu-hong was carried:

“That this Council notes Chapter 1 of the Public Accounts Committee Report No. 55 on “Administration of the Direct Subsidy Scheme and Governance and Administration of Direct Subsidy Scheme Schools”

2. This report briefs Members on the follow-up actions taken by the Administration.
3. The Education Bureau (EDB) has set up a Working Group on Direct Subsidy Scheme (the Working Group) chaired by the Permanent Secretary for Education. The Working Group is responsible for reviewing the administration of the Direct Subsidy Scheme (DSS) as well as the governance and administration systems of DSS schools, and putting forward recommendations on measures for continuous improvement. The review will cover, *inter alia*, how DSS schools should strengthen their governance structure and internal control mechanism, including increasing the transparency in school management, improving the implementation of their fee remission schemes and enhancing their financial management. The Working Group has been in operation since March 2011. It is now discussing the proposed improvement measures and will seek views from DSS schools and other stakeholders. The report prepared by the Working Group will be submitted to the Secretary for Education for consideration by the end of 2011. The EDB will report progress to the Panel on Education of the Legislative Council.

4. The PAC has recommended that a dedicated high-level body be set up in the EDB to oversee the administration of the DSS as well as its control and monitoring of DSS schools. As a matter of fact, there is already a standing task force called the Task Force on Direct Subsidy Scheme (the Task Force) within the EDB. It is chaired by a Deputy Secretary for Education. To enhance the effectiveness of its role in monitoring DSS schools, the Secretary for Education has instructed the Task Force to discuss an annual report summarising the findings of the annual audited accounts submitted by DSS schools and the audit inspections conducted by EDB officers, so that the EDB can have a holistic review of the financial management of DSS schools and ensure effective follow-up by schools of various improvement measures including their timely and full compliance with relevant requirements. Moreover, to strengthen the collaboration among relevant sections / divisions in the EDB for better monitoring, a working group comprising officers from various sections / divisions has been set up under the Task Force. The EDB will also enhance the mechanism for reporting key issues of DSS schools to the Secretary for Education and the Permanent Secretary for Education.

Service agreement with school sponsoring body

5. After 2007, all schools intending to join the DSS are required to have met the admission requirements in full, including the signing of the school sponsoring body (SSB) service agreements, before they are approved for joining the scheme. Of the three schools that had not signed the SSB service agreements as mentioned in the PAC Report No. 55, one school signed the agreement in February 2011. As for the remaining two schools, the EDB is negotiating with them regarding a clause in the School Management Committee (SMC) service agreements on the handling of the assets upon termination of the agreements. Much progress has been achieved in the related negotiations recently. We will sign the SSB service agreements with the schools once this issue is resolved. As to other non-compliance cases relating to the SSB service agreements, most of them have been settled. The EDB will continue to follow up the remaining cases.

Service agreement with incorporated school governing body

6. Among the 13 schools that had not signed the SMC / Incorporated Management Committee (IMC) service agreements as mentioned in the PAC

Report No. 55, seven schools signed the agreements before end-April 2011. One school is in the process of incorporation as an IMC and will, upon acquisition of that status, sign the IMC service agreement. As for the remaining five schools, the EDB is negotiating closely with them about the clauses of the service agreements for early conclusion of the agreements.

7. To ensure that newly joined DSS schools will conclude the SMC / IMC service agreements within the first year of operation in the DSS mode, the EDB will accord priority to implementing a reminder system as an improvement measure.

School Fee Remission / Scholarship Schemes

8. The Comprehensive Social Security Assistance (CSSA) Scheme is a safety net of last resort to meet the basic needs of those who cannot support themselves financially. As free education is provided by the Government for students attending Government or aided schools, normally no special grant for school fees would be provided under the CSSA Scheme to students who choose to attend DSS schools. Notwithstanding the above, where the students have been attending DSS schools before receiving CSSA, the Social Welfare Department will give them sufficient time to make suitable arrangements. Normally, they will be given a special grant for school fees up to the end of the current school year; in the interim, the students can apply for fee remission from their DSS schools like other needy students, or apply for transition to a Government or an aided school in the next school year. A special grant for school fees may be given to students attending Primary 5 and 6 to complete the primary education; and also those attending Secondary 5 and 6 to complete the secondary education.

9. In response to the Audit's and PAC's concerns, the EDB has taken measures to enhance the reporting requirements in audited accounts regarding the resources set aside for the school fee remission / scholarship schemes. In submitting their 2009/10 audited accounts to the EDB this year, DSS schools are required to report the information on the fee remission / scholarship schemes according to the new requirements. The Working Group has also started discussion on how to improve the implementation of the fee remission / scholarship schemes of DSS Schools, including ways to ensure that no students (including the CSSA recipients) will be deprived of the opportunity to attend

DSS schools because of lack of means. DSS schools and other stakeholders will be consulted. The EDB has also required all DSS schools to disclose the details and application procedures of their fee remission/scholarship schemes through various channels such as the internet. We understand that all DSS schools have disclosed the relevant information as required.

Revision of school fees

10. As from this year, the EDB has introduced two measures to improve the school fee revision mechanism of DSS schools. Firstly, the EDB has explicitly required DSS schools to provide parents, in the consultation process, with appropriate and sufficient financial information of the schools, including the accumulated surplus, justifications for fee increase and additional resources required, etc. If planning or undertaking a large-scale capital works project is one of the major reasons for fee increase, schools will be required to explain in detail the purpose, scale, construction period and cash flow of the project in order to avoid causing unnecessary pressure on the level of school fee. Secondly, the EDB has required schools to elaborate on their channels to collect parents' views and provide records of the consultation process.

Financial management

11. To ensure that DSS schools will use their resources in an open and transparent manner, the Working Group will explore measures to improve their management framework, training for school personnel and internal control mechanism. The ceiling on the accumulated reserves that DSS schools can keep will also be reviewed.

Admission process

12. After 2007, all schools intending to join the DSS are required to have met the admission requirements in full before they are approved for joining the scheme. Regarding the five schools which have yet to acquire non-profit-making status, the revised Deed of Novation and a draft Assignment were forwarded to the Department of Justice and the Legal Advisory and Conveyancing Office for legal advice in February 2011. The EDB will continue to closely liaise with the schools for early completion of all the necessary procedures.

13. The EDB has revised the procedures for vetting the applications for joining the DSS. An applicant school will be subject to a new school inspection for assessment purpose if the school has no previous External School Review (ESR) report or the latest ESR was conducted more than six years ago (An ESR cycle covers a period of six years).

Monitoring school performance

14. To better monitor financial management in DSS schools, the EDB has taken measures to enhance the reporting requirements in the 2009/10 DSS school audited accounts. Moreover, we have put in place a systematic risk analysis mechanism for selecting schools for audit inspections with a view to strengthening the monitoring of the use of funds by DSS schools. In addition, the Working Group is studying measures to strengthen the internal control mechanism in DSS schools to ensure their proper use of funds.

Direct subsidy scheme subsidy

15. The EDB has been and will be doing its utmost to ensure that accurate information is provided to the Legislative Council.

International schools in the direct subsidy scheme

16. The Working Group will review the validity of the justifications for allowing School I to remain in the DSS.

Human resources management

17. In order to familiarise DSS schools with the various EDB requirements in respect of human resources management for the purpose of strengthening their internal control mechanism, the Working Group will explore appropriate training for their staff.

General administration

18. The cases identified in the Audit Report have been settled by the schools concerned. The EDB has reminded DSS schools from time to time of their

need to comply with the requirements on trading operations. In November 2010, the EDB issued a circular to remind DSS schools, among other things, of the requirements on trading operation in schools. The Working Group will explore measures to help schools meet the requirements by strengthening their internal control mechanism.

Other governance issues

19. In April 2010, the EDB issued a circular to remind DSS schools, among other things, of the need to include all key stakeholders as SMC members in order to meet public expectation. The Working Group will explore measures to help schools comply with the requirements in respect of the composition and operation of their SMCs / IMCs through strengthening their internal control mechanism.

Reponses to the recommendations put forward by Members of the Legislative Council

20. Regarding the major recommendations made by Members of the Legislative Council at the motion debate, the EDB will provide written responses to them when it reports to the Panel on Education the progress of work of the Working Group before the end of this year's session.

Education Bureau
May 2011

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