

**Public Accounts Committee of the Legislative Council**  
**Meeting on 29 November 2010**  
**Speaking notes of Mr Benjamin Tang, Director of Audit**

Chairman and Honourable Members,

The Audit Commission (Audit) has recently conducted a value for money audit on the Direct Subsidy Scheme (DSS) covering the administration of the Scheme and the governance and administrative matters of the DSS schools. In response to public concerns over Chapter 1 “Administration of the Direct Subsidy Scheme” and Chapter 2 “Governance and administration of Direct Subsidy Scheme schools” of Report No. 55 of the Director of Audit, I would like to take this opportunity to provide the following supplementary information.

**Auditee**

The auditee in this audit is the Education Bureau (EDB) instead of individual DSS schools. The objectives of the audit are: (a) to identify room for improvement in the EDB’s administration of the DSS; and (b) to explore how the EDB can enhance its monitoring role on the governance and administration of DSS schools and facilitate DSS schools to strengthen their governance and accountability.

**Audit visits to four DSS schools**

To obtain a better understanding of the operation of the DSS schools with a view to making sound recommendations to the EDB for improvement, Audit selected four DSS schools for field audits. The schools were selected on a judgemental basis to ascertain whether follow-up action had been taken on the EDB’s findings during its school audits. Audit staff carried out fieldwork for one to two weeks at each of the four schools. The four schools had been informed of the audit observations and invited to provide their response. Whether the observations made in the four schools are common to the other DSS schools needs to be ascertained by the EDB.

**Other DSS schools**

Apart from visiting four DSS schools, Audit reviewed all the EDB’s records on DSS schools. These records included the register of school managers, school annual plans, development plans, audited financial statements, service agreements, tenancy agreements, etc. The review carried out by Audit at the EDB covered all DSS schools. Since the audit

observations were derived from our examination of the EDB's records and the objective was to inform the EDB of the areas for improvement, the EDB, instead of the individual schools, was invited to comment on such observations. The EDB's comments were included in Chapters 1 and 2 of Report No. 55.

### **The way forward**

This audit revealed that there is room for improvement in the EDB's administration of the DSS and its monitoring role on the governance and administration of DSS schools. Audit is pleased to note that the EDB agrees with the audit recommendations and has commenced action to enhance its administration of the DSS and facilitate DSS schools to strengthen transparency and accountability of their operation.

29 November 2010  
Audit Commission