

**Public Accounts Committee of the Legislative Council  
(29 November 2010)  
Report No. 55 of the Director of Audit  
Chapter 1: Administration of the Direct Subsidy Scheme  
Chapter 2: Governance and administration of  
Direct Subsidy Scheme schools**

**Speaking Points of the Secretary for Education**

Thank you, Chairman.

2. The auditee in this audit is the Education Bureau (EDB). This audit aims to improve the governance and administration of schools under the Direct Subsidy Scheme (DSS). In responding to the audit recommendations, the EDB adopts a positive attitude and will observe the principles of acting in accordance with the law and focusing on areas that warrant EDB's regulation. Before answering questions from the Honourable Members, I would like to address some crucial points.

3. In its audit review of the DSS, the Audit Commission (Audit) obtained information mainly through scrutinizing the relevant files and records kept by the EDB, including the financial reports submitted to us by all DSS schools and the findings of our school audit inspections on 27 DSS schools. The Audit then integrated it with the school information it gathered from other sources, such as the Internet and annual school plans. It also visited four DSS schools to obtain information for compiling the report. We are neither aware of nor in a position to comment on its criteria and reasons for selecting the four schools. As far as I know, the Audit did not visit any other schools to collect information.

4. Following the publication of the Audit Report, there have been views that information of the four schools should be disclosed to the public immediately. The Public Accounts Committee (PAC) of the Legislative Council also wrote to me on 19 November to request the relevant information. In my reply of 23 November to the PAC, I highlighted the long-standing agreement between the PAC and the Administration that "during the period between the tabling of the report in the Legislative Council and the public

hearings, any public debate on the issues to be further investigated should be avoided by both sides as far as possible so as to ensure that the PAC can carry out public hearings smoothly and in a fair manner, and that we should refrain from initiating any publicity to counter the Audit findings.” Since the Audit Report involved not only the four schools visited by the Audit but all DSS schools, I provided the PAC in the letter of 23 November with the names of all DSS schools reported to have irregularities for PAC’s internal reference with a view to ensuring smooth and fair public hearings by the PAC. However, as the PAC still considered that the information should be disclosed to the public after taking into account the above, the EDB released the information to the public accordingly in the evening of 24 November.

5. Since the release of the information, public attention and comments have been focused on individual schools concerned, making the schools the auditee of this audit review. Yet they are deprived of the opportunity to address and explain the issues involved before the publication of the Audit Report, which is extremely unfair to them. This is indeed why at first we adhered to the agreement and did not disclose the relevant information before the hearings by the PAC. It had nothing to do with any information being withheld. Since the school heads concerned are not the auditee of this audit review, to demand that they come forward to explain the incidents and admit their mistakes before today’s hearing is, as we can see now, not conducive to resolving any problem. The disclosure of information in similar incidents is worthy of further consideration and discussion in future.

6. Basically, DSS schools are similar to private schools in nature. They provide parents with a viable alternative to government and aided schools. When the DSS was first introduced, a more lenient and flexible approach was adopted to encourage schools to join the DSS by allowing some schools which had initially met the admission criteria to join the Scheme first and then fulfill the relevant requirements gradually. As a matter of fact, from 2007 onwards, schools intending to join the DSS must have met all the criteria before they are formally admitted to the DSS.

7. To meet their operational and developmental needs, DSS schools are allowed greater flexibility in various areas, including school management, resources deployment, staff appointment, curriculum design, student admission and fees collection, etc. so that they can cater for the diverse needs of their students in a more speedy and responsive manner. In this connection, the EDB and DSS schools have their respective roles to play in the governance and administration of the schools. We must be careful in maintaining a balance between control and flexibility for DSS schools.

8. We are of the view that the current DSS school system and its monitoring mechanism are working well. The majority of the issues raised in the Audit Report are operational and technical in nature. The EDB will continue to maintain communication with all DSS schools to assist them in strengthening their governance structure and internal control mechanism as well as increasing their transparency. We will also ensure effective implementation of our monitoring measures on the basis of the existing premises and take timely and proper follow up measures with individual schools found to have irregularities.

9. My colleagues and I will be happy to take questions from the Honourable Members. Thank you, Chairman.