



中華人民共和國香港特別行政區政府總部教育局
Education Bureau
Government Secretariat, Government of the Hong Kong Special Administrative Region
The People's Republic of China

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17 December 2010

Ms Miranda HON
Clerk to Public Accounts Committee
Legislative Council
8 Jackson Road
Central
Hong Kong

*Urgent by post and fax
(Fax No. 2537 1204)*

Dear Ms Hon,

**The Director of Audit's Report on the
Results of Value for Money Audits (Report No. 55)**

**Administration of the Direct Subsidy Scheme (Chapter 1)
And Governance and administration of Direct Subsidy Scheme schools
(Chapter 2)**

I refer to your letters dated 13 and 14 December 2010.

The information requested in your letter of 13 December 2010 pertaining to items (a) to (k) will be at Annex A to Annex K, and that requested in your letter of 14 December at Annex L.

We are now enclosing Annexes B, C, E, F, G, J and K. The remaining Annexes will be available later today.

Yours sincerely,

(Mrs. Michelle WONG)
for Secretary for Education

c.c. Secretary for Financial Services and the Treasury (Fax no.: 2147 5239)
Director of Audit (Fax no.: 2583 9063)

Response to the letter of 13 December 2010 from Public Accounts Committee regarding paragraph 1(b)

(b) the specific measures that the EDB will take/has taken to ensure that DSS schools will improve their fee remission/scholarship schemes, including the publicity and eligibility criteria of the schemes

In order to set out more clearly the requirement for DSS schools as regards the provision of fee remission / scholarship schemes, we have recapitulated and elaborated on the prevailing rules and guidelines in the EDB Circular No. 12/2010 on “*Use of Non-government Funds in Direct Subsidy Scheme (DSS) Schools*” issued on 5 November 2010. Details are as follows:

- (i) DSS schools should draw up clear and transparent criteria for awarding the needy students fee remission and sufficient financial assistance (e.g. the eligibility criteria and the maximum percentage of fee remission);
- (ii) DSS schools are required to offer to students a fee remission/scholarship scheme with a set of eligibility benchmarks no less favourable than the government financial assistance schemes;
- (iii) In assessing the students’ eligibility for fee remission, no factors except the parents’ financial situation should be taken into consideration;
- (iv) Details of the fee remission/scholarship scheme should be shown in the school’s prospectus and uploaded onto the school’s website; and
- (v) When the reserve for scholarship / financial assistance has reached a cumulative amount which exceeds the school’s half-year total fee income due to low utilization of fee remission/scholarship scheme, the DSS school should forward to the EDB a plan on how this specific reserve could be effectively deployed. Acceptable options or usages of these excessive reserve include but not limited to:
 - (a) extending the scholarship / fee remission scheme(s) by relaxing the awarding criteria;

- (b) reducing the school fees;
- (c) subsidizing eligible students in their purchase of textbooks / reference books / stationery; and
- (d) funding students' extra-curricular activities, including the expenses for their joining overseas educational visits and exchange study programme, etc.

In the proposed Working Group to be set up to address the issues raised by PAC and the Audit Commission, we shall further study possible measures to enhance the transparency (including ensuring that parents can have sufficient information on the fee remission/scholarship schemes and how schools may make effective use of any accumulated surplus of the scheme) and the efficacy of the fee remission/scholarship schemes in DSS schools in order to help ensure that students from low-income families will not be deprived of access to DSS schools due to inadequate means.

Response to the letter of 13 December 2010 from Public Accounts Committee regarding paragraph 1(c)

- (c) *whether the EDB had issued any guidelines on how a DSS school with excessive reserve for the fee remission/scholarship scheme should deploy the reserve and on the proper use of the reserve (paragraph 3.7 of the Chapter 2 refers); if it had, what the guidelines are, if it had not, whether it will issue such guidelines;*

In the EDB Circular No. 12/2010 on “*Use of Non-government Funds in Direct Subsidy Scheme (DSS) Schools*” issued on 5 November 2010, we set out the guidelines on arrangements for DSS schools to handle reserve for the fee remission/scholarship schemes. Details are as follows:

- (i) When the reserve for scholarship/financial assistance has reached a cumulative amount which exceeds the school’s half-year total fee income, the DSS school should forward to the EDB a plan on how this specific reserve could be effectively deployed;
- (ii) For deployment of the excessive reserve for the fee remission/scholarship schemes, the acceptable usages of the reserve that can be adopted by DSS schools include the following:
 - (a) extending the scholarships/fee assistance schemes by relaxing the awarding criteria;
 - (b) reducing the school fees;
 - (c) subsidizing eligible students in their purchase of textbooks / reference books / stationery; and
 - (d) funding students’ extra-curricular activities, including the expenses for their joining overseas educational visits and exchange study programmes, etc.

Response to the letter of 13 December 2010 from Public Accounts Committee regarding paragraph 1(e)

- (e) *apart from Good Hope School (i.e. School 2 mentioned in Annex A of your letter dated 11 December 2010), whether there are any other DSS schools which run a fee remission/scholarship scheme for which students from family in receipt of Comprehensive Social Security Assistance (“CSSA students”) are not eligible; and what the 71 (i.e. all DSS schools except Good Hope School) schools’ policies towards the admission of CSSA students are*

From what we gathered from all the 71 DSS schools (information of Good Hope School is provided at Annex G), no students from families in receipt of Comprehensive Social Security Assistance ("CSSA students") are not eligible for the schools' "fee remission/scholarship scheme". Besides, all the schools adopt the same admission policy in respect of CSSA students and non-CSSA students.

Response to the letter of 13 December 2010 from Public Accounts Committee regarding paragraph 1(f)

- (f) *the policy of and the criteria adopted by the Social Welfare Department (“SWD”) in considering application for school fee remission from CSSA students of DSS schools.*

The information below is provided by the SWD

The Comprehensive Social Security Assistance (CSSA) Scheme is a safety net of last resort for those who cannot support themselves financially to meet their basic needs.

Under the existing CSSA policy, a student under the age of 22 and receiving education up to secondary level in a grammar school, vocational or technical training school can be assisted with a special grant to cover the school fees and other educational expenses. As free education is provided by the Government for students receiving primary and secondary education in Government or aided schools, normally, no special grant for school fees would be given under the CSSA Scheme to students who choose to attend Direct Subsidy Scheme (DSS) schools.

However, where the students have been attending DSS schools before resorting to CSSA, the SWD will give them sufficient time to make suitable arrangements. Normally, they will be given a special grant for school fees up to the current school year, and in the interim, they can apply for fee remission from school or apply to change to a Government or aided school. A special grant for school fees can be given to students attending Primary 5 & 6 to complete the Primary course; and also to those attending Secondary 5 & 6 to complete the Secondary course.

Response to the letter of 13 December 2010 from Public Accounts Committee regarding paragraph (g)

(g) regarding the fee remission scheme of Good Hope School:

- (i) please explain the reason why the school specifies that “Dependents in receipt of CSSA (excluding Old Age Allowance and Disability Allowance) are not eligible for any point score” under its fee remission scheme;*
- (ii) whether there are any CSSA students in the school;*
- (iii) whether the school has ever turned down the application for fee remission from CSSA students; and*
- (iv) whether the school has ever assisted CSSA students in applying for school fee remission from the SWD;*

1. The school has explained in a press statement issued on 13 December 2010 that under the current system, students receiving CSSA payments that have already included school fees would not be eligible for receiving school fee remission. However, if the CSSA payments do not cover school fees, the students can always apply for fee remission administered by the school and fee remission will be granted to them. The school also clarified in the statement that the reference to CSSA recipients in the Guidelines for applying for school fee remission is included to avoid a situation where students will receive double subsidies from the CSSA and the school fee remission scheme. The School indicated that it would revise the Guidelines as soon as possible to make the eligibility criteria clearer.
2. Two CSSA students from S2 and S4 respectively have been granted full fee remission in 2010/11 school year.
3. The School advised that it had never turned down the application for fee remission from CSSA students.
4. The School advised that they have not provided assistance to students in applying for school fee remission from the SWD as the School is always ready to grant full fee remission to CSSA students if schools fees are not covered under their CSSA payments.

Response to the letter of 13 December 2010 from Public Accounts Committee regarding paragraph 1(j)

(j) please provide a sample appointment letter of external auditor and a sample external auditor's report (paragraph 5.27 of Chapter 2 refers).

It is individual DSS schools that appoint their own auditors. EDB has provided the schools with an outline of the audit engagement letter in the EDB Circular No. 17/2008 for their reference. A copy of the said outline in the Appendix of the circular is enclosed in **Appendix 1**.

As regards external auditors' report, we have set out our requirements in the "Reference Notes for Auditors of Schools which received subsidies under the Direct Subsidy Scheme" sent to all DSS schools. A sample is enclosed in **Appendix 2** for reference.

***Note by Clerk, PAC: Appendices 1 and 2 not attached.**

Response to the letter of 13 December 2010 from Public Accounts Committee regarding paragraph 1(k)

(k) regarding the school which had understated its interest income for three years by about \$448,000 (paragraph 5.31 of Chapter 2 refers), whether the EDB has taken follow-up action on the school and what the results are.

In response to the Education Bureau' follow-up enquiry, the school replied in writing on 14 December 2010, confirming that the \$447,726.35 which being the interest income from government funds for 2006/07 to 2008/09 school years would be transferred from the non-government accounts back to the government fund accounts within December 2010.