



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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30 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. 2840 0716)*

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)**

With reference to your letter dated 20 December 2010, please find enclosed information pertaining to items (a) to (g) set out in your letter at **Annex A** to **Annex G**.

Yours sincerely,

(Mrs. Michelle WONG)
for Secretary for Education

***Note by Clerk, PAC: Annex G not attached.**

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 20 December 2010 from Public Accounts Committee regarding paragraph 1(a)

(a) regarding the purchase of properties by a school in August 2006 mentioned in paragraph 5.41(a) of Chapter 2, the reason why the EDB was not able to detect the purchase from the school's financial statements submitted to the EDB until the school audit carried out in March 2009, including whether and how the purchase had been reported in the school's audited accounts, and whether the EDB had taken any action on the relevant audited accounts

EDB scrutinizes the audited account of schools every year and writes to request schools to rectify the malpractice and irregularities identified. The said purchase of properties in August 2006 was recorded by the school concerned as "Additions" under "School Premises" in the 2005/06 audited accounts. No other details were provided in the audited accounts, including any indication that these additions were for purchase of properties. As it is not uncommon for schools to have additions to school premises such as minor construction work and renovation work, EDB did not categorically follow up with the school.

The purchase of properties and trust arrangement were first identified by EDB in the school audit inspection in March 2009 and which the EDB then followed up with the school. Despite repeated letters from EDB, there was no response from the school. A warning letter was issued to the school on 12.11.2010.

EDB would request DSS schools to provide detailed disclosure on purchase of properties in their accounts from 2009/10 onwards.

Response to the letter of 20 December 2010 from Public Accounts Committee regarding paragraph 1(b)

(b) *please provide a copy of the letter issued by the school supervisor informing the EDB that the ownership of the three properties in question would be transferred back to the school and the latest position of the matter*

A copy of the letter is in the file attached.


Adobe
Acrobat 7.0 Dc (Letter of 14.12.2010)

We received the above letter of 14.12.2010 from the supervisor of the school concerned informing EDB that the School Management Committee (SMC) had accepted legal advice to apply to court for a vesting order to transfer the three properties to SMC. On 17.12.2010, we replied to the SMC in writing requiring the SMC to complete the transfer of properties by 7.1.2011. We reiterated this requirement at our meeting with the SMC held on 21.12.2010.

***Note by Clerk, PAC: Letter of 14.12.2010 not attached.**

Response to the letter of 20 December 2010 from Public Accounts Committee regarding paragraph 1(c)

- (c) *regarding Good Hope School's investments in local equities and investment funds mentioned in paragraph 5.47 of Chapter 2 –*
- (i) *whether the school is the registered owner of the local equities and investment funds; if not, who the registered owner is; and*
 - (ii) *whether and how the interest generated from the local equities and additional unit of funds generated from the investment funds since their purchase had been disclosed in the school's accounts*

According to information provided by the school, Good Hope School is the registered owner of all the investments reported in the audited accounts and all dividend income / additional units of funds generated from investments are reported as interest income / profit on disposal of investment in its audited accounts.

Response to the letter of 20 December 2010 from Public Accounts Committee regarding paragraph 1(d)

(d) *regarding the fund raising activity undertaken by the school mentioned in paragraph 5.56 of Chapter 2, the reason why the EDB was not able to detect the irregularities until they were identified by the Audit Commission (“Audit”), including how the funds raised had been disclosed in the school’s audited accounts since the launching of the activity by the school in June 2008, and details of the follow-up action taken by the EDB after the irregularities have been identified;*

According to the 2007/08 audited accounts of the school concerned, a receipt and an expenditure entry of the same amount of \$508,408 with the description of “膠椅捐贈四川地震災區” were recorded in the notes to the accounts under Other Operating Expenses. As regards Audit Commission’s findings in paragraph 5.56(c) of Chapter 2 that there was a sum of about \$160,000 from the fund raising activity recorded as retained surplus in the school’s accounts, EDB has checked the 2007/08 and 2008/09 audited accounts again and found that the said sum of surplus had not been separately disclosed in the accounts.

Subsequently, we noted from the 2008/09 audited account that the above-mentioned fund raising activity had been completed but EDB had not yet received the school’s application for approval of this activity. We therefore wrote to the school on 31.8.2010 requesting it to seek covering approval from us. In the reply letter of 14.9.2010, the school informed us that the activity was organised solely by the Parents Association (PA) with parents as the target donors; therefore, the school did not consider EDB’s approval necessary. EDB requested the school to provide relevant documentary evidence on the role of the PA. On 7.12.2010, the school provided EDB with copies of several letters to parents on the activity. As the letters could not prove who initiated and organized the fund raising activity, at its meeting with the School Management Committee (SMC) of the school on 21.12.2010, the EDB asked the SMC for an explanation. The SMC agreed to follow up and clarify the matter.

On 23.12.2010, the SMC wrote to EDB confirming that the fund raising activity was organized by the PA and assisted by the school. As EDB's prior approval is still required for any fund raising activity organized by other organizations in schools, the SMC has also committed to seeking covering approval from EDB.

In order to avoid the misunderstanding that the school could use the surplus for other purposes, the school has further committed to transferring the surplus back to the PA. The PA has already made known to the parents the concerned financial statement of the fund raising activity on 22.11.2010.

Response to the letter of 20 December 2010 from Public Accounts Committee regarding paragraph 1(e)

- (e) *according to paragraph 7.17(d) of Chapter 1, the EDB has no objection to Audit's recommendation that it should critically review the justifications for continuing to allow School I to remain in the DSS. Please inform the Committee of the details of the review, including when it will be conducted, the factors that will be taken into account in the review, and the outcome of the review when it is available*

With a view to addressing the issues raised by the Public Accounts Committee and the Audit Commission, we shall set up in early January 2011 a Working Group to be chaired by the Permanent Secretary for Education. Among other areas of concern, the Working Group will critically review the justifications for continuing to allow School I to remain in the DSS. We will revisit the justifications based on which a decision was made for continuing to allow School I to remain in the DSS and take into account the then and currently prevailing circumstances including the operating mode and quality of education provided by School I, legal advice, etc.

Response to the letter of 20 December 2010 from Public Accounts Committee regarding paragraph 1(f)

(f) the specific duties and monthly salaries of the three consultants hired by the HKCCC Union Logos Academy (paragraph 6.8 of Chapter 2 refers)

Based on the information provided by the school, the three consultants were Professional Photography Consultant, School Development Consultant and Quality Assurance Consultant respectively. Details are as follows:

1. The monthly salary of the Professional Photography Consultant is HK\$24,000 and the job duties are as follows:
 - i) To propose and design the multimedia curriculum;
 - ii) To organise students' Photography Club (Secondary Section) and related talks;
 - iii) To organise staff Photography Club and related talks;
 - iv) To organise photography outings for staff and students;
 - v) To organise photography competition;
 - vi) To publish photography album;
 - vii) To organise photography exhibition; and
 - viii) To assist in taking photos of the various school functions.

2. The monthly salary of the School Development Consultant is HK\$34,000 and the job duties are as follows:
 - i) To provide advice/ comments on the school budget, conduct analysis of monthly and annual financial statements, as well as to produce financial analysis and tender advice to the school principal accordingly;
 - ii) To advise school accounting staff on handling financial matters;
 - iii) To oversee major campus development projects, such as major construction works and new annex development;
 - iv) To assist the school principal in establishing school networks and developing partnerships in the community;
 - v) To advise the principal on school management;
 - vi) To oversee the school's publicity plan, organize publicity events and design all related materials; and

- vii) To advise the school on publicity and media development, such as school newsletter, web-site, school magazine, etc.
3. The monthly salary of the Quality Assurance Consultant is HK\$87,000 and the job duties are as follows:
- i) To improve the quality of teaching through:
 - (a) conducting regular lesson inspection visits;
 - (b) discussing and giving advice on teachers' teaching;
 - (c) assisting in organizing staff development activities with a view to enhancing teaching effectiveness.
 - ii) To organize open class sessions for parents in order to:
 - (a) further enhance teachers' teaching skills;
 - (b) facilitate parents' understanding of the school's policies and strategies on learning and teaching;
 - (c) facilitate parents' understandings of teaching methods through lesson demonstration and Questions/ Answers session;
 - iii) To arrange lesson observation sessions for school visitors, to enhance their understanding of the learning and teaching of the school; and
 - iv) To evaluate the effectiveness of learning and teaching, disseminate good experience and practices and make pertinent recommendations.