

**Latest position of the progress made by the Education Bureau on matters outstanding
in the Government Minute laid before the Legislative Council in May 2011**

Chapter 1: Administration of the Direct Subsidy Scheme

Recommendations	Latest known position
Admission process	
<p>2.15 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) take further action to facilitate the five schools to complete their procedures to acquire the non-profit-making status as soon as practicable; and</p> <p>(b) take proactive action to facilitate Direct Subsidy Scheme (DSS) schools to secure self-owned school premises within the specified period.</p>	<p>(a) The Inland Revenue Department and Companies Registry had accepted and approved the amendments of the Memorandum and Articles of Associations (MAA) of the new school sponsoring bodies, i.e. companies with non-profit-making status set up to take over the operation right from the existing school operators. The schools sent the MAAs to the Education Bureau (EDB) on 14 July 2011. The EDB would process the transfer of sponsorship in accordance with the existing rulings and guidelines. Meanwhile, having regard to the EDB's advice on the legal documents including the Assignment and Deed of Novations, the schools prepared additional information and supporting documents. The EDB was seeking legal advice on those documents; and</p> <p>(b) the two schools concerned had indicated that they would apply for vacant school premises through the School Allocation Exercise to be conducted by the EDB. The EDB would keep in view the availability of suitable vacant school premises and alert the schools as appropriate. In the meantime, the EDB would closely liaise with the two schools with a view to ensuring that they had a security of tenure for the school premises to avoid disruption to education services.</p>
Service agreement with school sponsoring body	
<p>3.13 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) take effective measures to expedite the entering into a school sponsoring body (SSB) Service Agreement with each of the SSBs of the five DSS schools that were required to enter into such an agreement.</p>	<p>(a) As at the end of August 2011, all but one DSS school had signed an SSB Service Agreement. The only remaining school had concern about a clause in the School Management Committee (SMC) Service Agreement. The EDB had met with the school in August 2011 to clarify details of the terms and conditions in the SMC Service</p>

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	Agreement. Once the school accepted the revised clause of the SMC Service Agreement, it would sign the SSB Service Agreement.
<p>3.29 Audit had <i>recommended</i> that the Secretary for Education should ensure that all the requirements stipulated in the SSB Service Agreement were complied with by the DSS schools. Such requirements included:</p> <p>(e) the SSB should enter into a service agreement with the SMC/Incorporated Management Committee (IMC) within a reasonable time after school operation had commenced; and</p> <p>(h) the SSB should obtain prior approval from the EDB for any additions, alterations or improvement works to be carried out at the school premises.</p>	<p>(e) A letter was issued to all DSS schools on 22 February 2011 with outstanding Service Agreements (i.e. the agreements between the SSBs and the SMCs/IMCs) requesting them to take expeditious actions to sign the agreements. It was expected that all outstanding cases would be concluded by the end of 2011/early 2012. The EDB would closely monitor the progress. The EDB would also make it clear in its approval letters for all schools that joined the DSS that the SSBs were required to enter into a service agreement with the SMCs/IMCs within a reasonable time after the schools had commenced operation under the DSS. Follow-up actions as set out above would be taken on an on-going basis; and</p> <p>(h) the Working Group on Direct Subsidy Scheme ("the Working Group") was considering the introduction of an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration (e.g. observing the procedural propriety of additions, alterations or improvement works to be carried out at the school premises), personnel management and financial management. The recommendations of the Working Group would be followed up at the Legislative Council Panel on Education ("Education Panel").</p>
Service agreement with incorporated school governing body	
<p>4.7 Audit had <i>recommended</i> that the Secretary for Education should take effective action to:</p> <p>(a) expedite the entering into an SMC/IMC Service Agreement with each of the school governing bodies of the ten DSS schools that were required to enter into such an agreement.</p>	<p>(a) Eight schools had signed the SMC/IMC Service Agreements. Meetings were held with the remaining two schools in August 2011 to clarify details of terms and conditions in the Service Agreement. Further negotiation with the schools would be conducted to refine the terms and</p>

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	<p>conditions before the signing of the SAs. Follow-up actions as set out above would become part of the routine.</p>
<p>4.22 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(b) take effective measures to expedite the signing of the outstanding tenancy agreements; and</p> <p>(c) ensure that the schools complied with the terms of the tenancy agreements and obtained prior approval from the EDB before carrying out, or permitting anyone to carry out, activity other than school operation in the school premises.</p>	<p>(b) The EDB had continued to maintain close liaison with the schools through regular dialogue and letter of exchanges to conclude the outstanding tenancy agreement cases. As at September 2011, five out of eight schools which did not execute any tenancy agreements had already signed the tenancy agreements with the Government, and amongst the seven schools which had signed the SSB tenancy agreements but not yet the SMC/IMC tenancy agreements, six schools had already signed the tenancy agreements with the Government. For the remaining four cases, the EDB would continue to actively discuss with the schools and resolve the difficulties to expedite the execution of all tenancy agreements. Follow-up actions as set out above would become part of the routine; and</p> <p>(c) the Working Group was considering the introduction of an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>Monitoring school performance</p>	
<p>5.23 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) request DSS schools to establish a mechanism to:</p> <p>(i) monitor their compliance on uploading school documents to the schools' websites in a timely manner; and</p>	<p>(a) The Working Group was considering the introduction of an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>

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<p>(ii) ensure that school documents uploaded to their websites were easily accessible and contained all the information that was required under the School Development and Accountability framework.</p>	
<p>International schools in Direct Subsidy Scheme</p>	
<p>7.16 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(c) critically review the justifications for continuing to allow School I to remain in the DSS and take action to address the matter, if necessary.</p>	<p>(c) The Working Group was reviewing the justifications for continuing to allow School I to remain in the DSS. The recommendation of the Working Group would be followed up at the Education Panel.</p>

Chapter 2: Governance and Administration of Direct Subsidy Scheme Schools

Recommendations	Latest known position
Governance of Direct Subsidy Scheme schools	
<p>2.8 Audit had <i>recommended</i> that the Secretary for Education should urge all DSS schools to:</p> <p>(a) include representatives of key stakeholders in their school governing bodies; and</p> <p>(b) disclose to the public information of their governing bodies, including the name, tenure of office and category of each school manager.</p>	<p>(a) & (b)</p> <p>The Working Group was considering improvement measures and the introduction of an internal control checklist to further enhance the transparency of the operation of the school governing bodies. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>2.15 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) ensure that parent school managers of the IMC were elected through a secret-ballot election conducted by the parent-teacher association of the school, in which all parents could participate, and keep proper records of the election;</p> <p>(b) ensure that all school managers were registered; and</p> <p>(c) inform the EDB within a month after a person ceased to be a school manager.</p>	<p>(a) to (c)</p> <p>The Working Group was considering the introduction of an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration (including general administration of IMCs/SMCs), personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>2.23 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) monitor the attendance of school managers at school governing body meetings and take action, where necessary, to improve the attendance rate;</p> <p>(b) rectify the decisions made at their school governing body meetings where a quorum was not present;</p> <p>(c) take necessary measures to ensure that, in future, a quorum was present at every school governing body meeting; and</p>	<p>(a) to (d)</p> <p>The Working Group was considering the introduction of an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration (including general administration of IMCs/SMCs), personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>

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(d) issue draft minutes of school governing body meetings in a timely manner and to properly record the deliberations and decisions made at these meetings.	
<p>2.28 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to ensure that:</p> <p>(a) a proper system was put in place for managing potential conflict of interest of school managers; and</p> <p>(b) the procedures for managing conflict of interest of school managers were complied with.</p>	<p>(a) & (b)</p> <p>The Working Group was considering the introduction of an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
School fee remission/scholarship schemes	
<p>3.9 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) take action to ensure that DSS schools set aside the required amounts of school fee income according to the levels of their school fees for the fee remission/scholarship schemes.</p>	<p>(a) DSS schools had been required to follow some new requirements in their submission of the audited accounts of the 2009/10 school year to the EDB. The new requirements, which would apply in future years, included reporting comprehensive information on the fee remission/scholarship provision in the audited accounts. They would enable the EDB to detect possible irregularities early and take timely follow-up action.</p> <p>The Working Group had discussed how to improve the implementation of the fee remission/scholarship schemes. The Working Group considered that enhancing the transparency of the school fee remission/scholarship schemes could help parents understand the schemes, facilitate an informed assessment of their children's eligibility for remission/scholarship, and help them make an informed choice of schools for their children. These measures should be put in place at the earliest opportunity. To this effect, the EDB issued a circular to all DSS schools on 5 July 2011 setting out the new measures to enhance the transparency of the school fee remission/scholarship schemes.</p>

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<p>3.17 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) monitor the DSS schools' implementation and publicity of their fee remission/scholarship schemes; and</p> <p>(b) remind DSS schools to:</p> <p>(i) establish a mechanism for monitoring the proper implementation of their fee remission/scholarship schemes;</p> <p>(ii) provide full details (e.g. the eligibility criteria and the maximum percentage of fee remission) of their fee remission/scholarship schemes in their school prospectuses;</p> <p>(iii) upload details of their fee remission/scholarship schemes to their websites; and</p> <p>(iv) ensure that the eligibility criteria of their fee remission/scholarship schemes were not less favourable than the government financial assistance schemes to students.</p>	<p>(a) & (b)</p> <p>The Working Group had discussed how to improve the implementation of the fee remission/scholarship schemes. Regarding the improvement measures for the fee remission/scholarship schemes in DSS schools, the EDB issued a circular to schools on 5 July 2011.</p>
Financial management	
<p>5.8 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) in consultation with the Financial Services and the Treasury Bureau, consider the need for setting a reserve ceiling for the accumulated operating reserves of DSS schools, and requiring the schools to return any surplus in excess of the ceiling to the Government according to Financial Circular No. 9/2004; and</p> <p>(c) take necessary action to ensure that sufficient information was provided in the development plans submitted by the schools to facilitate the EDB's monitoring of the implementation of the development plans.</p>	<p>(a) The Working Group was considering setting an appropriate ceiling for the accumulated operating reserves of DSS schools. It would also introduce related measures necessary for introducing the reserve ceiling. The recommendations of the Working Group would be followed up at the Education Panel; and</p> <p>(c) a template had been issued to schools for reporting detailed information including the time frame and resources required for the services/projects/activities in the development plans for proper monitoring by the EDB.</p>

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<p>5.17 Audit had <i>recommended</i> that Secretary for Education should:</p> <p>(a) remind DSS schools of the requirements relating to self-financing activities stipulated in Financial Circular No. 9/2004.</p>	<p>(a) The Working Group was considering the introduction of an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>5.22 Audit had <i>recommended</i> that the Secretary for Education should consider requiring DSS schools to ensure that their non-local students were not cross-subsidised by the government subsidy for local students. For example, the EDB might require those schools which admitted non-local students to collect from the non-local students an amount of school fees not less than the DSS unit subsidy plus the approved school fees for local students.</p>	<p>The EDB planned to require DSS schools that admitted a few non-local students to collect from them an amount of school fees not less than the DSS unit subsidy plus the approved school fees for local students. The EDB was considering the implementation details.</p>
<p>5.44 Audit had <i>recommended</i> that the Secretary for Education should:</p> <p>(a) require DSS schools to formulate guidelines on the use of non-government funds.</p>	<p>(a) The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>5.52 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) correctly record the fixed assets under their control in a fixed asset register; and</p> <p>(b) conduct physical stocktake at least once a year and investigate any discrepancies found, and report the results of stocktake to the school governing bodies.</p>	<p>(a) & (b) The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>

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<p>5.60 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) prepare a financial statement for each fund raising activity and display the statement for a reasonable period of time on the schools' notice boards for the information of teachers, parents and students;</p> <p>(b) retain the financial statements for fund raising activities for audit purposes;</p> <p>(c) seek written permission from the EDB for the fund raising activities held for other organisations which were not approved charitable institutions, or not specifically approved by the EDB; and</p> <p>(d) formulate guidelines on fund raising activities and require their staff to comply with the guidelines.</p>	<p>(a) to (d)</p> <p>The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
Human resource management	
<p>6.12 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) formulate a proper staff recruitment policy and keep all the recruitment records which were consistent with the best practices promulgated by the EDB;</p> <p>(b) carry out recruitment of staff in an open and fair manner;</p> <p>(c) ensure that applicants were interviewed by selection panels appointed by the school governing bodies;</p> <p>(d) report to their school governing bodies the results of staff recruitment;</p> <p>(e) ensure that approval from school governing bodies was obtained before a teacher was appointed for a term of not less than six months; and</p>	<p>(a) to (f)</p> <p>The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>

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(f) provide accurate information to the school governing bodies in seeking their approval for appointing new teachers.	
<p>6.17 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) put in place a proper mechanism for determining the remuneration packages for their staff to ensure that the packages were fair and justifiable;</p> <p>(b) clearly set out the criteria (e.g. qualifications, experience, performance and expertise) and approval authority for determining the remuneration package of an appointee and any subsequent salary adjustment; and</p> <p>(c) ensure that all policies and measures on staff remuneration and administration were properly endorsed, documented and implemented.</p>	<p>(a) to (c) The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>6.21 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) establish and implement an effective performance management system for their staff; and</p> <p>(b) review the operation of the performance management system periodically by making reference to the guidelines issued by the EDB.</p>	<p>(a) & (b) The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>6.25 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to:</p> <p>(a) submit the staff performance appraisal results for the school governing bodies' consideration when seeking their decisions on matters of staff contract renewal; and</p> <p>(b) properly document the justifications for contract renewal decisions to prevent allegations of favouritism or unfairness.</p>	<p>(a) & (b) The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>

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General administration	
<p>7.12 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools to follow the EDB's guidelines on procurement as far as possible to ensure that all procurements were carried out in a fair, open and transparent manner. In particular, the EDB should remind schools to:</p> <p>(a) obtain sufficient number of quotations or tenders and document the justification and approval for any departure from the procurement procedures;</p> <p>(b) include evaluation criteria in tender documents for information of the tenderers;</p> <p>(c) set up two separate committees for tender opening and vetting, and tender approval for all tender exercises;</p> <p>(d) maintain the history of the appointments of the tender opening and vetting committee; and</p> <p>(e) require staff involved in purchasing and supplies duties to sign an undertaking that they would declare to the school governing body any current or future connections they or their immediate families had/would have with the suppliers, and bring the requirement to the notice of the relevant staff annually.</p>	<p>(a) to (e) The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>
<p>7.23 Audit had <i>recommended</i> that the Secretary for Education should remind DSS schools that:</p> <p>(a) prior approval from the EDB or the IMC was needed for trading operations and that profits from trading operations should only be applied for the purposes of directly benefiting the students;</p> <p>(b) profit from sale of trading items (other than textbooks) should be limited to 15% of the cost of purchase;</p>	<p>(a) to (e) The Working Group was considering introducing an internal control checklist for completion by DSS schools with a view to enhancing their internal control mechanism for better administration, personnel management and financial management. The recommendations of the Working Group would be followed up at the Education Panel.</p>

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<p>(c) trading operators/suppliers should be selected through competitive tender/quotation exercises at regular intervals, preferably not exceeding three years;</p> <p>(d) acceptance of donations or advantages from trading operators/suppliers should be considered only in very exceptional circumstances with justification of compelling reasons; and</p> <p>(e) details of donations received from trading operators/suppliers should be disclosed in the school reports.</p>	