

立法會
Legislative Council

LC Paper No. CB(4)475/20-21(01)

Ref : CB4/PL/ED

Panel on Education

Meeting on 5 February 2021

**Background brief on issues related to the financial structure of
the Hong Kong Examinations and Assessment Authority**

Purpose

This paper summarizes the deliberations of members of the Panel on Education ("the Panel") on issues related to the financial structure of the Hong Kong Examinations and Assessment Authority ("HKEAA").

Background

2. HKEAA is a statutory body established in 1977 under the Hong Kong Examinations and Assessment Authority Ordinance (Cap. 261). Its main statutory responsibility is to conduct the "specified examinations", which currently refers to the Hong Kong Diploma of Secondary Education ("HKDSE") Examination. HKEAA also runs a number of fee-charging examination and assessment services, including those for the Territory-wide System Assessment, Language Proficiency Assessment for Teachers, and a range of international and professional examinations.

3. HKEAA operates on a self-financing basis, with income mainly derived from HKDSE examination fees and service fees paid by organisations that engage its services, followed by the sale of publications and provision of assessment services for organisations and individuals. Since 2014-2015, HKEAA recorded a continuing deficit. To allow time for the Administration and HKEAA to study in detail how to alleviate the serious deficit problem and to work out a long-term solution, a non-recurrent funding of \$360.8 million was granted to HKEAA for four cohorts from 1 September 2018 to 31 August 2022¹ to support its effective operation.

¹ The financial year of HKEAA runs from 1 September of a year to 31 August of the following year.

Major views and concerns

4. At the meeting on 7 December 2018, the Administration consulted members on the provision of the non-recurrent commitment of \$360.8 million to HKEAA mentioned in paragraph 3 above. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Measures to improve the financial position of HKEAA

5. While members were in general supportive of the funding proposal as a short-term measure to maintain the operation of HKEAA, they considered that the Administration should formulate medium- and long-term measures to ensure HKEAA's long-term financial sustainability. There were suggestions that the Administration should consider setting up a fund in the long run to generate investment income for assisting towards the cost of conducting HKDSE, bearing the operating cost for administering HKDSE, providing royalties to HKEAA for offering candidates free use of HKDSE past papers, providing recurrent subvention for HKEAA to cover the cost of special examination arrangements, reducing the operating cost of HKDSE by streamlining the examination format, defraying the maintenance costs of HKEAA premises, setting the examination fees for non-local HKDSE candidates at a level which fully covered the cost, etc.

6. According to the Administration, the operation mode and cost structure of HKEAA would be reviewed comprehensively, such as exploring whether HKDSE fees could be set at a level which fully covered the cost and if so, whether HKDSE fees should be paid by the Administration or the candidates and whether there would be a significant increase in the examination fees given the declining candidature, with a view to ensuring its long-term financial sustainability. The Administration would consider all practicable proposals that could help sustain the operation of HKEAA in determining its way forward.

7. On the suggestion of setting the examination fees for non-local HKDSE candidates at a level which fully covered the cost, Secretary General of HKEAA advised that HKDSE was internationally recognized, candidates had not been classified as "locals" and "non-locals". Moreover, HKDSE was curriculum-based and a vast majority of candidates were local students taking HKDSE. Therefore, HKEAA had not implemented a different level of examination fee specifically for non-local HKDSE candidates. For the 2018 HKDSE, there were about 60 000 candidates and only less than 200 were candidates not using Hong Kong Identity Card for enrolment. Given such a small number of non-local candidates, their examination fees would not make much financial contribution to HKEAA.

Monitoring of HKEAA

8. Some members were concerned that HKEAA was unable to sustain its operation even with various sources of income, including the sale of the past examination papers and provision of assessment services for organizations. They considered it necessary for HKEAA to save costs and open up new sources of income. The Administration should also put in place appropriate mechanism to monitor and control HKEAA's expenditures to ensure proper use of public money.

9. The Administration explained that HKEAA was an independent statutory body with autonomy in its day-to-day operation. To effectively monitor the daily operation of HKEAA, representative(s) of the Education Bureau served as ex-officio member(s) of HKEAA. Also, HKEAA was required to submit its annual estimates of income and expenditure of its proposed activities to the Administration for approval.

Latest position

10. The Administration will brief the Panel on the current financial structure of HKEAA and initial thoughts on the long-term funding options at the meeting to be held on 5 February 2021.

Relevant papers

11. A list of the relevant papers on the website of the Legislative Council is in the **Appendix**.

List of relevant papers

Committee	Date of meeting	Paper
Panel on Education	7.12.2018	Agenda Minutes

Council Business Division 4
Legislative Council Secretariat
3 February 2021