
Improvement Measures of the Working Group on Direct Subsidy Scheme

**Education Bureau
School Administration 3 Section
25.9.2013**

Background

- ◆ In response to the recommendations in the Director of Audit's Report No.55 by the Audit Commission and the Public Accounts Committee (PAC) Report No.55 by the PAC of the Legislative Council about DSS schools, the EDB set up the Working Group on DSS in February 2011 to review the administration of the DSS as well as the governance and administration systems of DSS schools.
- ◆ The Working Group put forward altogether **22 improvement measures**, the summary of which is at [Annex 1](#).
- ◆ With a view to providing DSS schools **ample time to prepare, plan and effectively put forward** the improvement measures, the improvement measures have been implemented in phases starting from the 2012/13 school year.

Progress Summary of the Improvement Measures

1. Enhancing the Transparency of Fee Remission/ Scholarship Schemes

[EDBC No.10/2012]

Improvement measures implemented

- ◆ the EDB introduced in the 2011/12 school year various new measures that would further increase the **transparency** and access of information of the fee remission/ scholarship schemes in order to facilitate parents to make an informed choice of schools.

2. Strengthening the Governance and Internal Control of DSS Schools

[EDBC No. 7/2012]

Improvement measures implemented

- ◆ **Enhancing transparency of school governing bodies** - the EDB will, after seeking the consent of SMC managers, upload their information including the name, tenure of office/ date of registration and category of manager onto the EDB's website for public reference ;
- ◆ **Completion of the Self-evaluation Checklist** - The Checklist was put to trial use by DSS schools in the 2012/13 school year. It is expected that the Checklist will be put to formal use by DSS schools as from the 2013/14 school year. For the Checklist, please see [Annex 2](#) ;
- ◆ **Essential items to be discussed at SMC/IMC meetings** – DSS schools are required to put up the essential matters to their SMC/IMC for discussion and approval.

Improvement measures to be implemented

- ◆ **Establishment of the Governance Review Sub-committee** – DSS schools are required to form their respective sub-committees before or by the end of the 2013/14 school year. The first review should be completed by the end of the 2016/17 school year at the latest.
- ◆ **Management and Financial Audit** – In order to have a more comprehensive review of the performance of DSS schools in resources management, the existing audit inspection of DSS schools will be replaced by a more comprehensive management and financial audit starting from the 2014/15 school year.

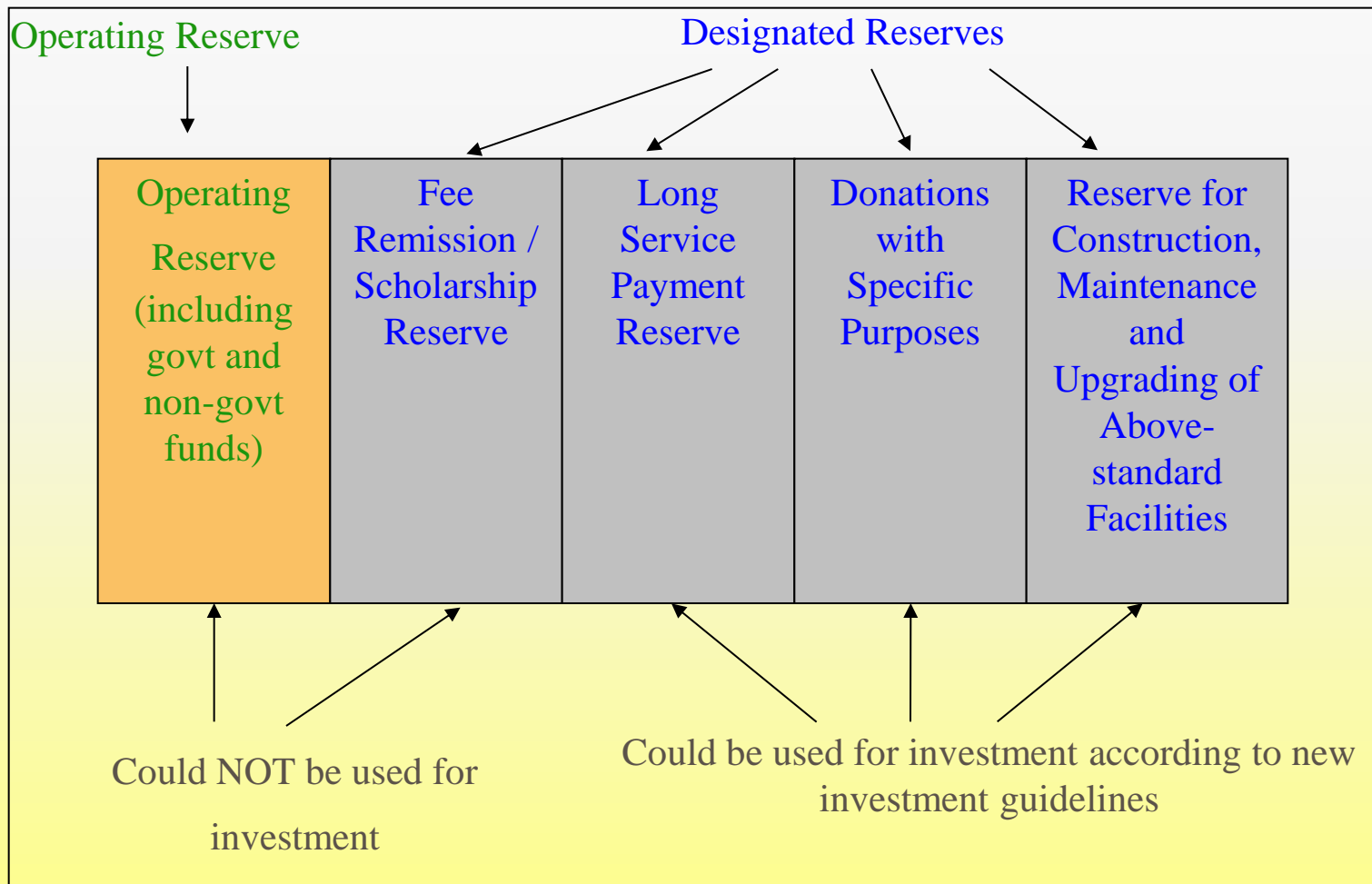
3. Strengthening the Financial Management of DSS Schools

[EDBC Nos. 16/2012 and 17/2012]

Improvement measures implemented

- ◆ **Delineation between the operating reserve and the designated reserves** – DSS schools are required to allocate the balance of the accumulated surplus of schools as at the end of the 2011/12 school year into the operating reserve and the four designated reserves, and to return the completed 2011/12 audited accounts to the EDB by end-March 2013.

Clear delineation between the operating reserve and the designated reserves



Refining the prevailing guidelines on investment and purchase of properties

- (1) Refining guidelines on investment
 - ✓ May invest in (a) HK dollar bonds; (b) HK dollar certificates of deposits
 - ✓ Risk level of the above products should be met

- (2) Refining guidelines on purchase of properties
 - ✓ Purchase of properties is discouraged
 - ✓ Only permissible if there are compelling reasons AND the plan is endorsed by the SMC/IMC after consultation of stakeholders
 - ✓ Have to keep at least an amount equivalent to six months' operating expenditure in cash after the purchase of properties
 - ✓ Not allow to purchase properties through mortgages or any other borrowing arrangements

Improvement measures to be implemented

- ◆ **Enhancing the transparency of schools' financial management** – as from the 2012/13 school year, DSS schools will have to report the financial information in a new template in the School Report. DSS schools are required to upload the School Report onto the schools' websites three months after the end of a school year, i.e. by end-November 2013. For the template, please see [Annex 3](#).
- ◆ **Ceiling of the Operating Reserve** – as from the 2013/14 school year, the ceiling on the operating reserve will be set at an amount equal to 100% of the annual total expenditure of the school. DSS schools with operating reserve (excluding grandfathered amount) exceeding the reserve ceiling will be asked to indicate their option to handle the surplus in excess of the reserve ceiling.

4. Training for School Personnel of DSS Schools

Improvement measures implemented

- ◆ **Training arrangements for DSS schools personnel** – The EDB invited the Institute for Entrepreneurship, The Hong Kong Polytechnic University to run 3 modules of the Structured Training Programme for DSS Schools, namely, (a) the Governance and Internal Control of DSS Schools; (b) the Financial Management of DSS Schools and (c) Human Resources Management and Management and Financial Audit.
- ◆ Nine workshops were completed during the period in mid-2013. Relevant sharing sessions will be held at the year end of 2013.

Improvement measures to be implemented

- ◆ Briefings/ sharing events for DSS schools to be organised by EDB in the 2013/14 school year

	Tentative Theme	Tentative schedule
1	Completion of the Self-evaluation Checklist and Operation of the Governance Review Subcommittee	31 October 2013
2	(a) Development/ refinement of school-based policies/ procedures related to financial management and (b) Administration work related to Learning Support Grant	November 2013
3	Preparation for fee revision applications	March 2014
4	Preparation for applications for major repairs exceeding \$2 million	April 2014
5	Preparation for Management and Financial Audit	May or June 2014

5. Measures to Ensure Compliance of DSS Requirements

Improvement measures implemented

- ◆ To enhance the existing mechanism to ensure compliance of requirements and rectification of malpractice of school management – escalation of the advisory/ warning letters issued by the EDB to supervisors and managers at the earliest opportunity so that they can intervene and rectify the situation as soon as possible.

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