

Management and Financial Audit

Frequently Asked Questions on Financial Matters

A. Procurement Procedures

1. *Are schools allowed to divide procurement of the same category of stores or services into separate transactions?*

In deciding the quantity of an item to be procured, schools should take into consideration both the guaranteed durability and best performance conditions of the item. For procurement of services, schools should consider the pros and cons of different contract lengths. However, schools should not evade the financial limits by dividing procurement requirements into instalments or by reducing the usual duration of contracts to circumvent approval requirement or quotation/tendering procedures. Items of stores and services of the same category are to be grouped in the same quotation/tender schedule before inviting suppliers to bid.

2. *Are schools allowed to invite fewer bidding suppliers than as required by the procurement procedures?*

Under normal circumstances, schools should not invite fewer bidding suppliers than as required by the procurement procedures. If it has not been possible to invite sufficient number of bidding suppliers, the circumstances should be explained and recorded on file. Prior approval should also be obtained from appropriate approving authority.

3. *Are schools allowed to reject the goods/service supplier offering the lowest price?*

Under normal circumstances, the lowest offer to specifications should be selected. If this is not the case, reasons for rejecting the lower offers should be provided. If a marking scheme is adopted, normally the written quotation/tender attained with the highest overall score should be recommended for acceptance.

4. *Are schools allowed to entrust the whole procurement process to the same person?*

To strengthen checks and balances, a clear segregation of staff duties is essential. Schools ought to assign different personnel for different stages of the procurement process. For instance, invitation of suppliers for quotations/tenders, stores inspection and certification of services and certification of payment should be handled by different staff.

B. Trading Operations

5. *Are schools allowed to directly engage in trading operations?*

Schools should only operate or permit to operate on the school premises, or enter into with any person, any trading operations with the prior permission in writing of the Permanent

Secretary for Education. For Direct Subsidy Scheme (DSS) schools with Incorporated Management Committees (IMCs), trading operations should be approved by their IMCs. Prior permission from respective approving authorities is also required for subsequent changes to the approved trading operations (e.g. change of supplier/contractor, changes to the terms of the agreement with the supplier/contractor).

6. *What is the profit limit that schools should observe in the sale of exercise books, school uniforms, stationery, equipment and other items (with the exception of textbooks)?*

The profit from sale of exercise books, school uniforms, stationery, equipment and other items (other than textbooks) should be limited to 15% of the cost price at which they are purchased from the suppliers. The profit limit of 15% should also cover paid services provided to students. The profits should be applied for the purposes directly benefiting the students of the schools. For sale of textbooks, schools should not generate any profit from it.

7. *Are schools supposed to pay the rates, government rent, and electricity and water charges for its tuck shop?*

The rates, government rent, and electricity and water charges for the tuck shop should be paid by the tuck shop operator.

8. *Are schools allowed to procure from suppliers/contractors without undergoing any quotation/tendering procedures?*

Schools are required to follow the procurement procedures to select suppliers/contractors for trading operations and invite quotations/tenders for procurement of goods or award of service contracts.

C. Expenditure and Income

Expenditure

9. *Are schools allowed to make payment without the production of payment voucher and original invoice?*

All payments made by schools should be supported by payment vouchers and original invoices. To prevent duplicate payment, all paid vouchers and invoices should be stamped with the word "PAID" and dated by the paying staff.

10. *Are schools allowed to entrust the whole payment process to the same person?*

Schools should ensure a proper segregation of duties. For example, there should be different personnel to prepare payment vouchers and authorise payments.

Income

11. Are schools allowed to credit income from school activities and charge the related expenditure to different accounts?

No. Income from school activities and the related expenditure should be processed using the same account. For instance, if income from school activities is credited to the school's non-government fund account, the related expenditure must not be charged to government funds.

12. How should spoiled/obsolete official receipts be handled?

Spoiled/obsolete official receipts should be immediately marked "Cancelled".

13. Are schools required to prepare a Daily Collection Summary?

Schools are required to prepare a Daily Collection Summary. A Daily Collection Summary records the date of receipt, serial numbers of official receipts issued, the nature of the income, the amount collected and the date of banking.

14. Are schools allowed to deposit incomes into bank accounts that are not maintained in their own name?

No. All school incomes, including fees, government grants or income received from other sources (such as hire charges and donations), should be deposited into the appropriate bank accounts maintained in the name of school. Money received should be banked promptly.

15. Under what circumstances are schools allowed to accept donations?

Schools are required to formulate their own policy on acceptance of donations and to comply with the principles governing acceptance of donations promulgated in the prevailing Education Bureau circular on *Acceptance of Advantages and Donations by Schools and their Staff*. Schools' particular attention should be drawn to the following:

- (a) all donations to the school should be expended on the school and for educational purposes only;
- (b) the acceptance of donations by schools should be approved by the School Management Committee (SMC)/IMC;
- (c) a register of all donations received should be maintained; and
- (d) in no circumstances may a school suggest to the suppliers and contractors that the school will offer them an advantage in return for their donations. Donations from suppliers and contractors could be accepted only in exceptional circumstances and with compelling reasons, and with proper documentation as well as approval by the SMC/IMC in advance.

D. Management of Bank Accounts

16. Are schools supposed to maintain bank accounts that are not opened in their own name?

No. Separate bank accounts for government and non-government funds should be maintained in the name of the schools.

17. Are schools allowed to process government and non-government funds using the same bank account?

No. Government and non-government funds should be processed using different bank accounts.

18. Are schools allowed to authorise payment from their bank accounts (including those operated by internet banking) with the signature of just one school manager?

Bank accounts (including Fixed/Time Deposits and cheques) should be operated by jointly authorised signatories. Cheques should be jointly signed by any two of the registered managers designated for this purpose. If internet banking is used for managing and operating bank accounts, the procedures for approving payments through internet banking as well as personnel authorizing modification of access control and transaction limits should remain the same as the arrangements for cheque payments, i.e. should be jointly approved by any two of the registered managers. In addition, the issue whether the supervisor would be one of the authorised signatories should be discussed and decided by the SMC/IMC.

19. Are the school head required to review the cash books and bank reconciliation statements prepared by the school clerk?

The school head should review the cash book and bank reconciliation statement prepared monthly by the school clerk and investigate any unusual items and cheques which have been outstanding for over one month. The school head should initial and date the cash book and bank reconciliation statements after checking.

E. Custody of Assets

20. Are schools required to prepare a Fixed Assets Register?

Schools should keep a Fixed Assets Register to record the existing items of fixed assets under schools' control, showing separately where the fixed assets are purchased through government or non-government funds. The register should clearly state the description of items, date of purchase, quantity, location, date and reasons of write-off, the approval signature of write off, etc. Schools should conduct physical stocktaking of assets on a regular basis (at least once every three years). For valuable items such as notebook computers, schools should conduct physical stocktaking on a yearly basis. Any

discrepancies found should be investigated and reported to the SMC/IMC.

21. Are schools required to conduct surprise check on cash position at irregular intervals?

Surprise cash counts should be conducted by the school head to detect and deter loss/misappropriation of cash. The surprise check should be carried out by a staff member at irregular intervals in a year, say at least three times a year. The staff member should sign, date and record the result of the checking in a log book. Any discrepancies found should be reported to the SMC/IMC.

22. Under what circumstances are schools allowed to write off items?

Any write-off or adjustment to the register of capital assets and other valuables may only be done with the approval of the school head. A report on the write-off or adjustment should be passed to the SMC/IMC for information.

F. Use of Grant

23. Are schools allowed to exercise discretion over the use of the DSS subsidy?

The use of the DSS subsidy is restricted to items on the List of Approved Items of Expenditure for the DSS Government Subsidy (please refer to Annex 2 of the Education Bureau Circular No. 17/2012 for details).