

Task B - Review on Financial Management Policies

You are a member of the Governance Review Sub-committee (GRSC) of ABC College. One of the selected review items for the 2014/15 school year is the arrangements of trading operations. A meeting is now held to review a sample of the school's trading operations (Summary at FM R1). You can make reference to extracts from Appendices 2 and 3 to the EDB Circular No. 24/2008 on *Guidelines on Conducting Trading Operations* (FM R2) and *Specific Principles/ Arrangements of Different Trading Operations* (FM R3) respectively while conducting the review. Please note down your observations and recommendations in the table below. Ignore the parts shaded in grey.


Areas to be reviewed: Procedures on Trading Operations

	Review Items	Yes	No	Findings/Evidence	Recommendations	Actions Required
1.	Is the school-based procurement policy followed in selecting trading operators?			<p>Not sure what the school-based procurement policy is.</p> <p>There are different arrangements for the trading items in the summary at FMR1.</p>	<p>To follow the EDB's procedures set out for aided schools, EDBC No. 4/2013 on Procurement Procedures in Aided Schools; or</p> <p>To formulate school-based procurement policy on a needs basis and seek endorsement from the SMC/IMC.</p>	<p>To refer to EDB's circular and guidelines on Trading Operations in Schools.</p> <p>To review the school's procedures.</p>
2.	Are contractors/ suppliers selected through competitive tender/ quotation exercises at regular intervals, preferably not exceeding three years?		✓	<p>All the 4 trading items in the summary were not arranged through competitive bidding.</p> <p>Item (a) - Direct bulk purchase of textbooks from publisher, without any quotation or tendering.</p>	<p>To establish and control system to ensure that checks and balances are in place.</p> <p>A Monitoring Committee on Trading Operations should be set up to conduct review regularly,</p>	- Ditto -

				<p>Item (b) - Parents' direct purchase of uniform from a specified list of shops: no procurement exercise was conducted.</p> <p>Items (c) & (d) - School's delegation to Parent-Teacher Association and School Sponsoring Body's subsidiary caterer: no procurement exercise conducted and no justification found.</p>	if not available.	
3.	Is prior approval obtained from the EDB (for SMC schools) or the IMC (for IMC schools) for trading operations?		✓	<p>No record of approval from EDB.</p> <p>No prior approval from SMC (For item (b), SMC approved the arrangement on 30.9.2013 after commencement of school year.)</p>	To ensure that prior approval on trading operations from SMC and EDB is sought.	- Ditto -
4.	Is the purchase or acceptance of paid services voluntary?		✓	<p>Not sure if it is indicated in the school's notice to parents on 30 June 2013.</p> <p>Not mentioned in the summary.</p>	Options should be provided to parents to accept the paid services voluntarily.	To review relevant notice to parents.
5.	Are donations or advantages from trading operators/ suppliers only accepted in very exceptional circumstances with justification approved by SMC/ IMC?		✓	Item (a) free teachers' books and item (d) free lunch boxes for taste testing for teachers and parents were accepted, but no justifications and endorsement from SMC	Acceptance of donations or advantages from trading operators/ suppliers should be considered only in very exceptional circumstances with	To review policy on acceptance of donation/ advantages of school.

				were found in the summary.	justification of compelling reasons. The Monitoring Committee on Trading Operations should ensure that any acceptance of donation/ advantages is well justified and endorsed by SMC.	To formulate/ review procedural guidelines on trading operations.
6.	Are the profits or net income arising from trading operations applied only for the purpose directly benefiting the students of the school?	✓		Items (a) and (c) – Discounts/surplus transferred to PTA student scholarship.	No transfer of profits/ money associating with trading operations to SSB/ PTA should be allowed. The profits/ net income should be credited directly to school accounts.	- Ditto -
7.	Is the requirement that profits or net income arising from trading operations should not be transferred to PTA/ SSB strictly followed?		✓	Cash discount from purchase of textbooks and surplus from tuckshop transferred to PTA student scholarship funds.	The profits/ net income should be credited directly to school accounts.	- Ditto -
8.	Is the profit from sale of trading items limited to 15% of the cost of purchase?					
9.	Is the requirement that no profit should be generated from sale of textbooks strictly followed?		✓	Item (a) - Factor of cash discount and closing stock not considered when determining selling price for the 2013/14 school year.	Textbook Selection Committee should set the selling price with consideration of all factors to ensure there is no profit be generated.	To review mechanism of setting selling price of textbooks.
10.	Is there a mechanism for declaration of interest or avoidance of conflict of interest?					
11.	Is there a committee or a mechanism to regularly review the types of		✓	Not sure if there is a mechanism to review	A Monitoring Committee on Trading Operations	

	goods/ services provided by trading operators/ suppliers?			trading items in the school.	should be set up to conduct review regularly, if not available.	
12.	Are relevant records on trading operations properly kept?					
13.	Are staff members informed of the policy?					
14.	Are any deviations from the laid down procedures made by the SMC/ IMC and the relevant justifications recorded?					
15.	Is there a mechanism to consider suggestions and handle complaints from stakeholders?					

 Items shaded in grey are included for the completeness of the checklist on the key domain on Financial and Resources Management. The information in the case study might not be sufficient to assess these items.