Management and Financial Audit (MFA)
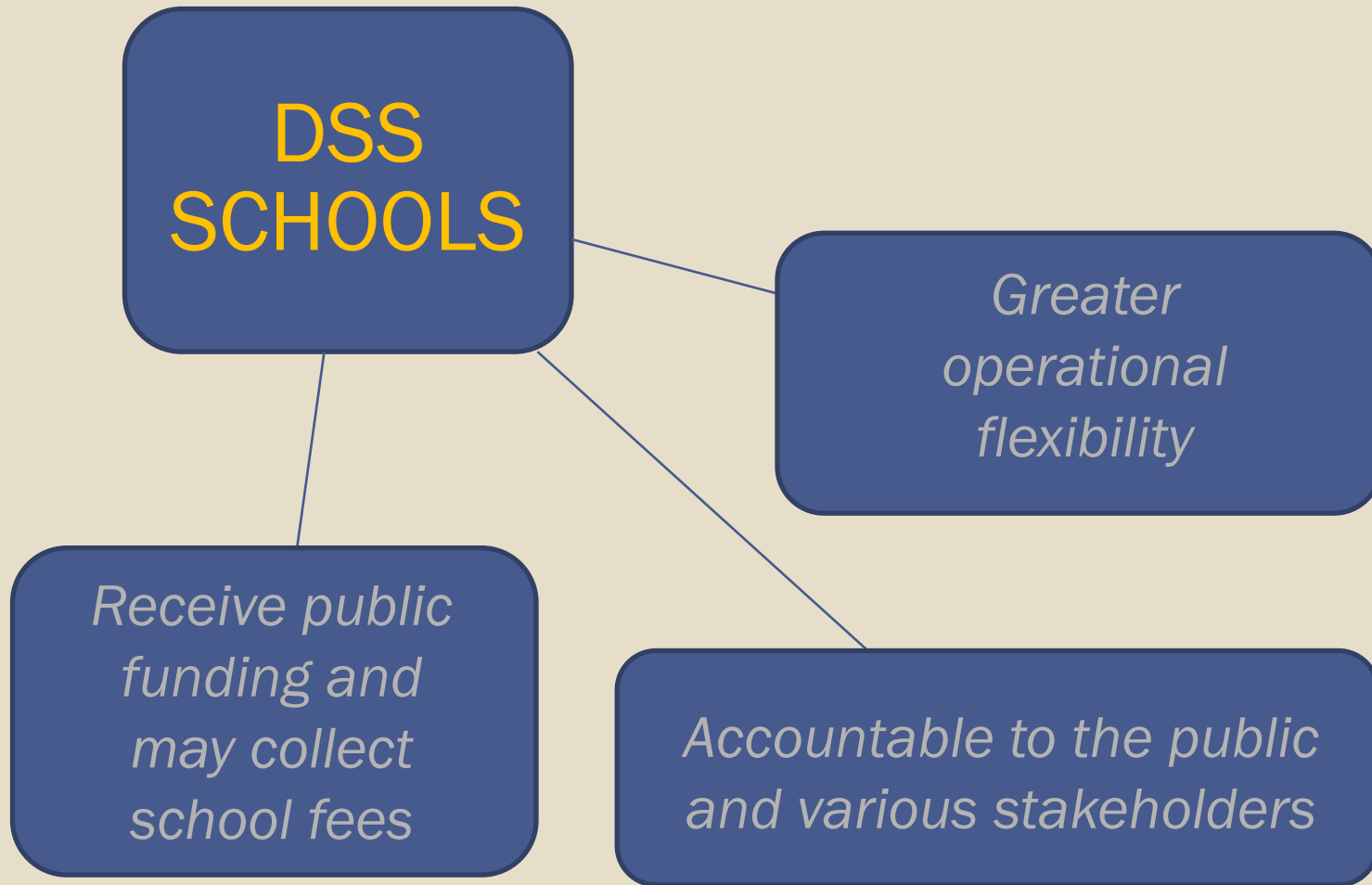
School Administration 3 Section

20 September 2016

Policy Background

Policy objectives of DSS:

- enhancing parental choice
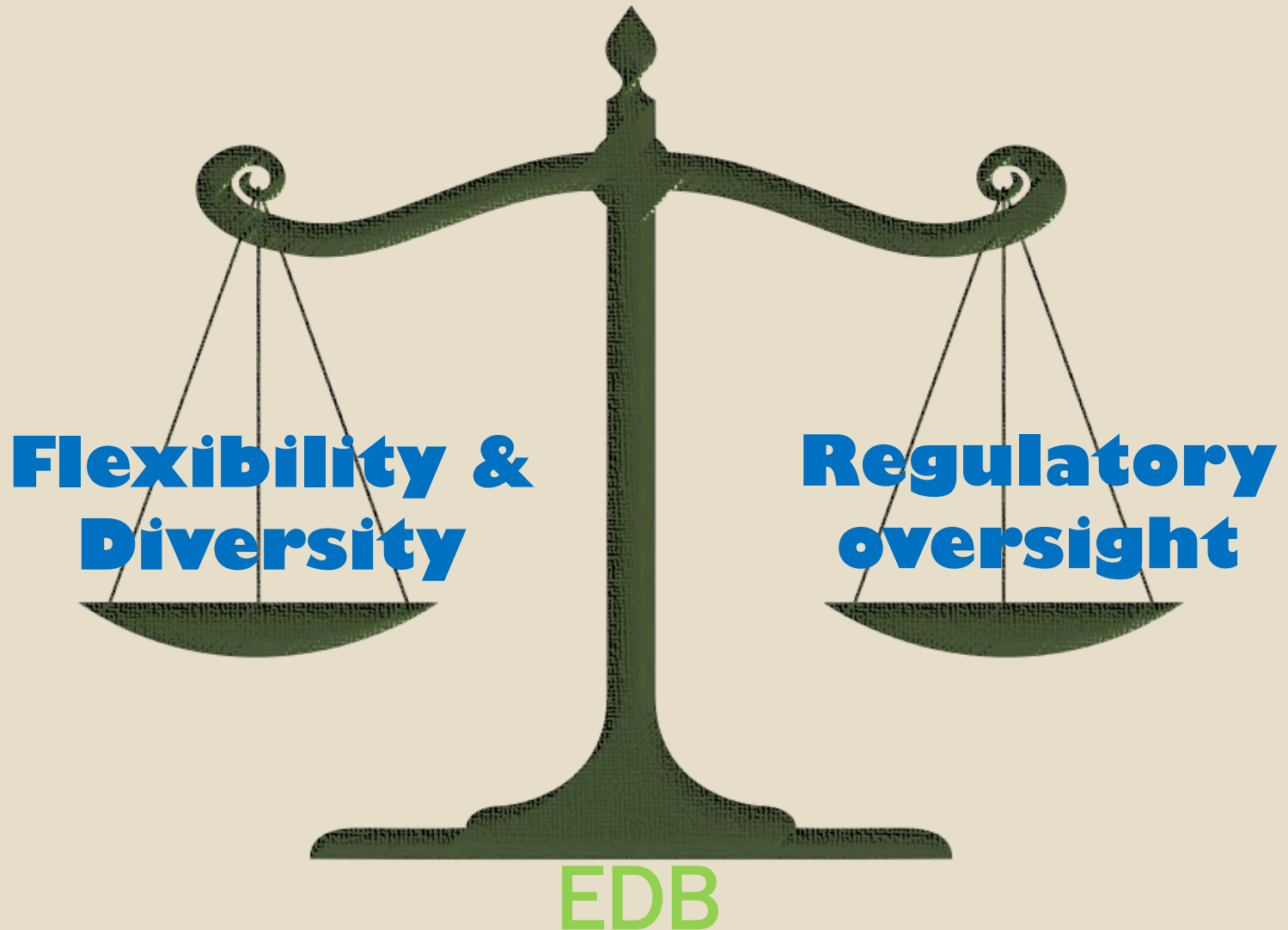- enriching our education system through increasing diversity in the school system

Policy Background (2)

DSS SCHOOLS

Greater operational flexibility

Receive public funding and may collect school fees

Accountable to the public and various stakeholders

Policy Background (3)

AUTONOMY

ACCOUTABILITY

DSS Schools

Policy Background (4)

Flexibility & Diversity

Regulatory oversight

EDB

Background of MFA

- One of the improvement measures to **strengthen the governance and internal control** of DSS schools

Background of MFA (2)

- Put forward by the Working Group on DSS pursuant to the recommendations in the Director of Audit's Report No. 55 and the Public Accounts Committee Report No. 55

- EDB Circular No. 7/2012, "Improvement Measures to Strengthen the Governance and Internal Control of DSS Schools" dated 30 July 2012
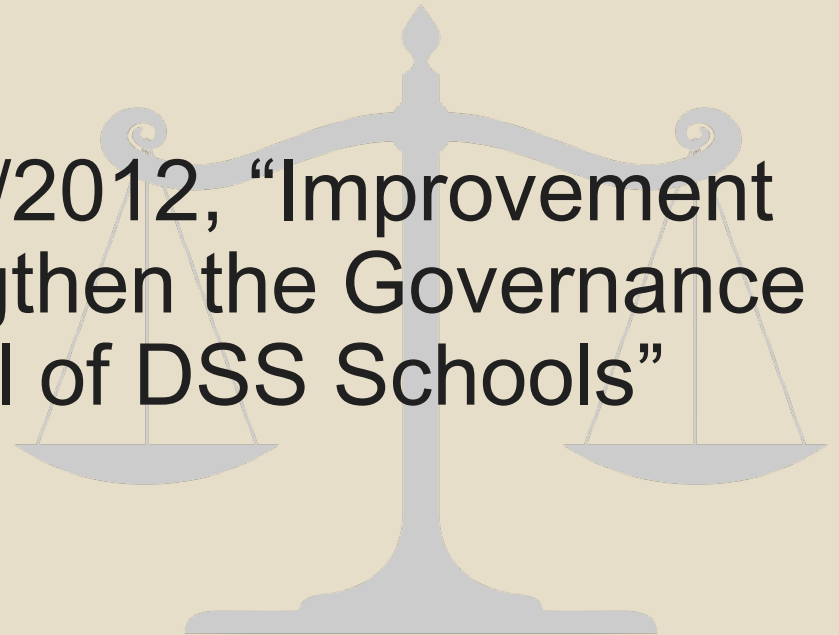
# Other Complementary Measures

- Completing Self-evaluation Checklist

- Setting up Governance Review Sub-committee

- Putting up essential items to School Management Committee (SMC)/ Incorporated Management Committee (IMC) for discussion and approval
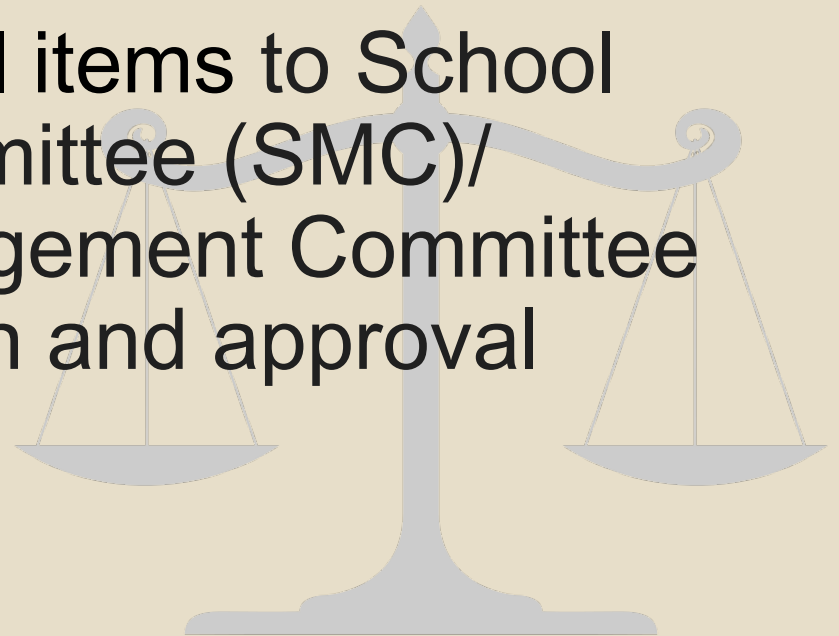
MFA - Four Specific Aspects
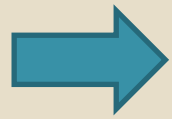
o   General Administration of the SMC/IMC

o   Human Resources and Personnel Matters

o   Financial Management

o   School Fee Remission and Scholarship Schemes

Self-evaluation Checklist
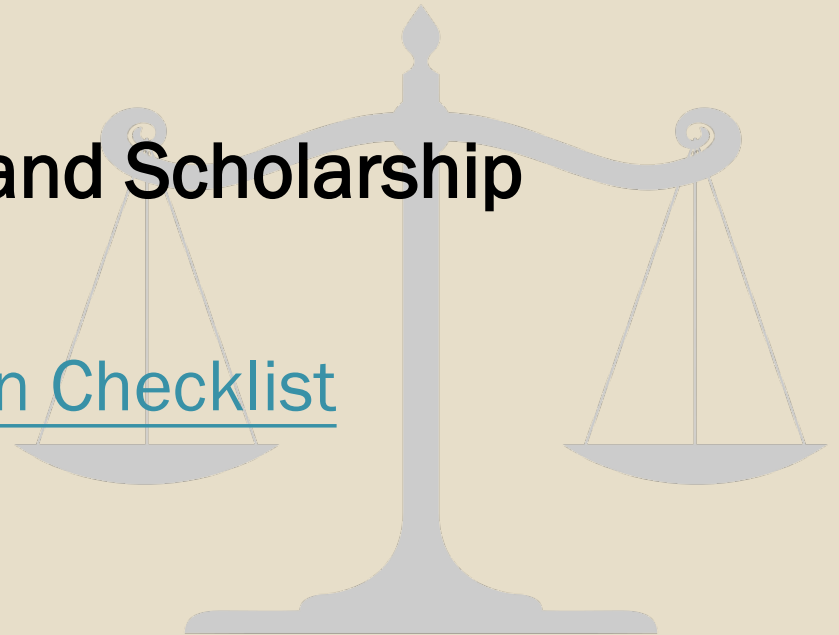
MFA - Four Specific Aspects (2)

The audit on the management aspect is anchored on the *self-evaluation checklist to*

➡ enhance school governance and internal control

MFA – Approach

- Continue to be compliance checking on a test-check basis

    - ✓ *plus an examination and evaluation of the appropriateness, adequacy and implementation of a school's major policy and internal control system*
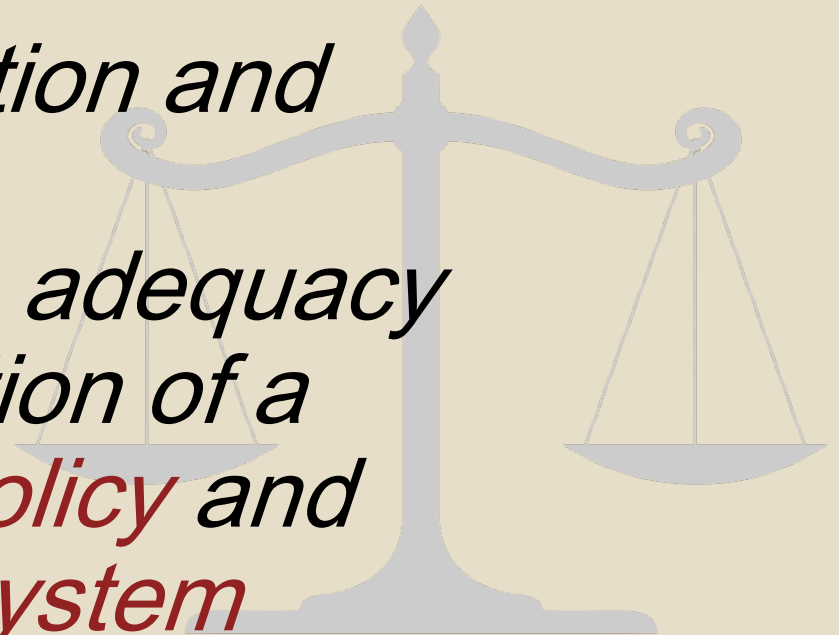
Management Aspects

⦿**Finding out** whether the school has put in place relevant school-based policies in the management aspects with proper deliberation and approval of the SMC/ IMC

Management Aspects (2)

Examples of school-based policies:

⦿ Declaration of conflict of interest

⦿ HR and personnel matters, such as staffing structure, staff recruitment, remuneration, promotion, staff appraisal, discipline, etc.

⦿ Resources allocation, such as use of grandfathered reserve, operating reserve

⦿ Fee remission and scholarship schemes: eligibility benchmarks
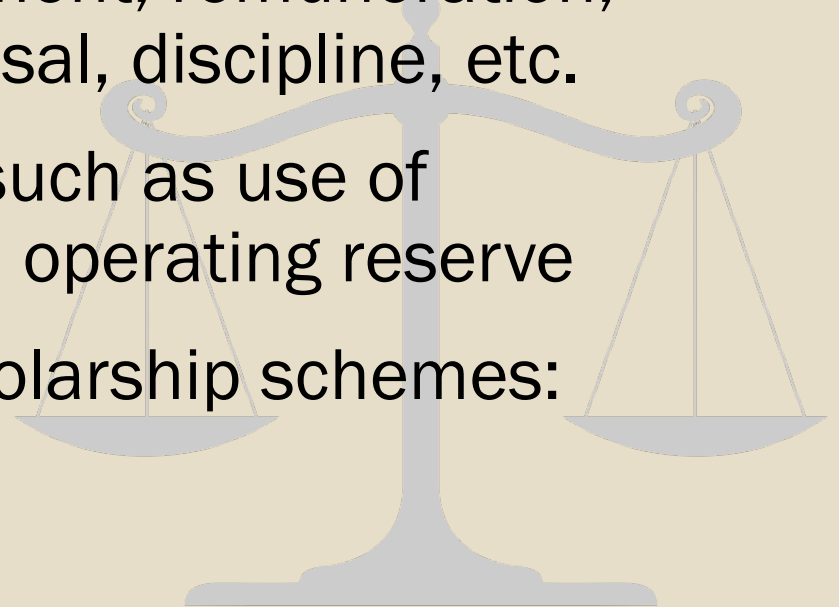
Management Aspects (3)

Examining whether the school-based policies are:

- ⦿ **in compliance** with the statutory and administrative requirements

- ⦿ **reasonable and acceptable** with reference to relevant regulations, legislations and prevailing Government policies

- ⦿ implemented with **sufficient control systems** in place

- ⦿ **properly implemented** and in consultation with relevant stakeholders
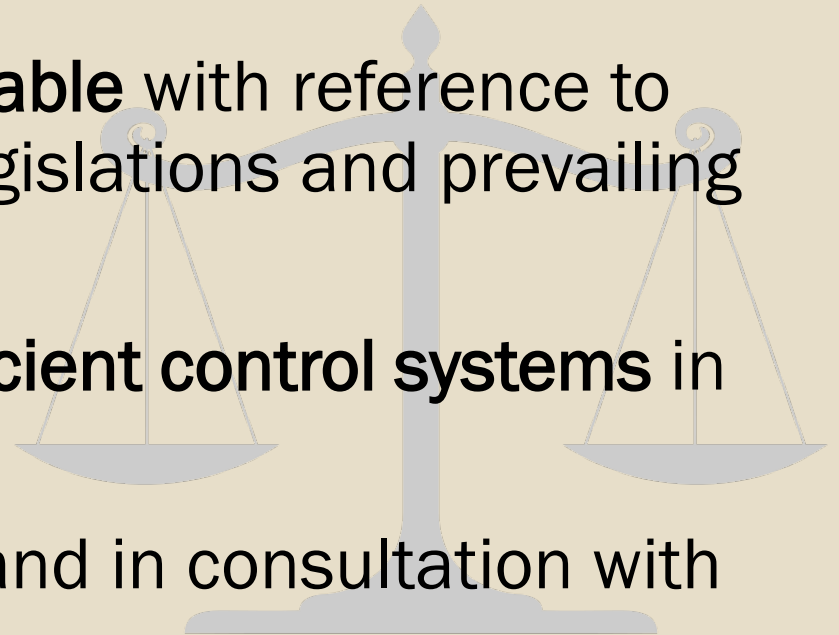
Management Aspects (4)

Examples:

◉ Statutory and administrative requirements:

manager registration, IMC manager election, full composition of SMC/IMC, etc.

◉ Requirements under the DSS:

2-month surplus in the Operating Reserve, eligibility benchmark of fee remission schemes, etc.

◉ Internal control systems: Self-evaluation Checklist, operation of GRSC, SDA, etc.
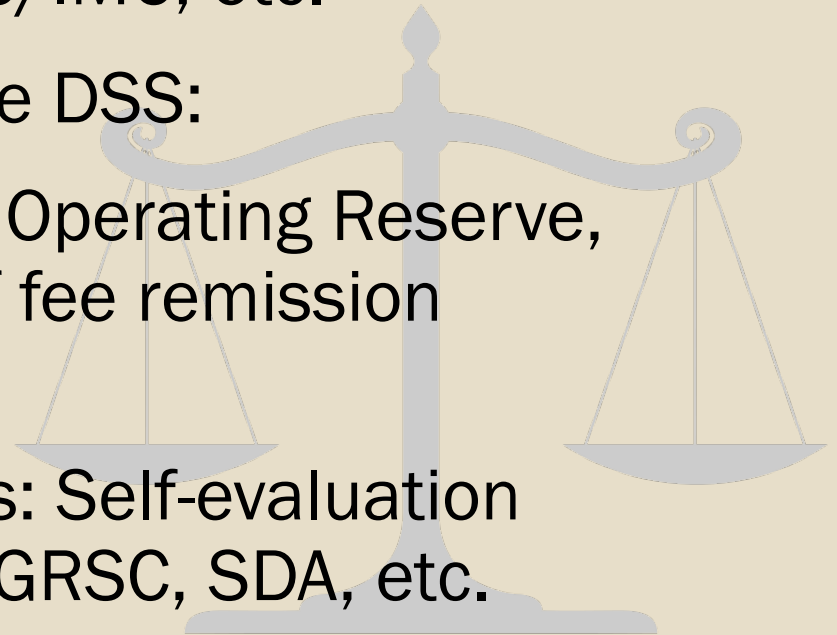
MFA Implementation

2014/15: Piloting in 3 schools

2015/16: Piloting in 7 schools

2016/17: Piloting in 12 schools

2017/18: Full-scale (planned)

SHARING OF AUDIT FINDINGS: MANAGEMENT ASPECTS 2015/16 PILOT

Major Observations: Management Aspects

- General Administration of SMC/IMC
  - * Declaration of Conflict of Interests
  - * HR Management
  - * Quality Assessment and Compliance
- HR and Personnel Management
  - * Staff Recruitment
- Fee Remission/Scholarship Scheme
  - * Criteria for Awarding Fee Remission & Publicity

General Administration of SMC/IMC

Governance of SMC/IMC

SMC/IMC & its GRSC performing its role & functions?

Proper deliberation & approval of school-based policies & procedures

Internal control

Transparency

Accountability

Engaging stakeholders
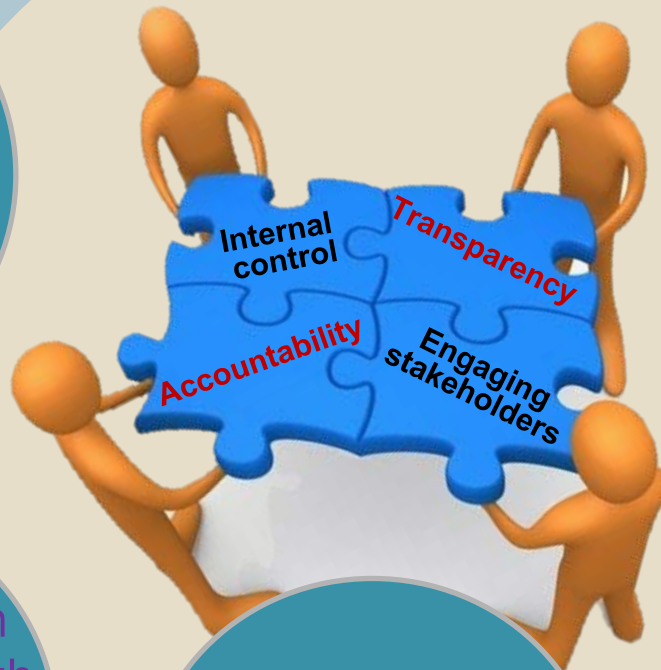
Management of Conflict of Interest

Policies are in compliance with statutory & administrative requirements

School-based policies are reasonable & properly implemented

e.g. policies on declaration of conflict of interest, HR management & quality assessment & compliance

Major Observations – General Administration of SMC/IMC

Declaration of Conflict of Interest

Major observations:

* School-based policy/procedures on declaration of conflict of interest for managers and/or staff not in place and/or endorsed by SMC/IMC

* No proper records of declared conflicts & necessary actions taken to avoid conflict of interest

Recommendations:

* Draw up school-based policies/procedures to require school personnel to declare conflict of interest, which should be deliberated and endorsed by SMC/IMC

* Properly record all declarations made and the necessary actions taken together with considerations

Major Observations – General Administration of SMC/IMC (2)

HR Management

Major observations:

* HR policies (such as staff recruitment and performance management) not endorsed by SMC/IMC
* SMC/IMC has not clearly set out criteria and guidelines on approving staff establishment and remuneration

Recommendations:

* School-based HR policies should be:
  - ✓ endorsed by SMC/IMC
  - ✓ properly documented
  - ✓ made known to all staff for transparency
* Refer to EDB Circular No. 17/2012 and ICAC's "Best Practice Checklist: Governance and Internal Control in Schools"

Major Observations –
General Administration of SMC/IMC (3)

Quality Assessment and Compliance

Major observations:

* School manager had not been registered under the Education Ordinance, Cap 279

School's attention drawn to:

→ section 27- "No person shall act as a manager of a school unless he is registered as a manager of the school under section 29(1)."

→ section 40AU(2) - "The incorporated management committee shall, within three months from the date on which the failure to maintain full composition arises

(a) ensure that a person qualified to fill the vacancy is nominated for registration as a manager; and

(b) forward to the Permanent Secretary an application by the person for registration as a manager."

Major Observations: Management Aspects

- General Administration of SMC/IMC
  - ∗ Declaration of Conflict of Interest
  - ∗ HR Management
  - ∗ Quality Assessment and Compliance
- HR & Personnel Management
  - ∗ Staff Recruitment
- Fee Remission/Scholarship Scheme
  - ∗ Criteria for Awarding Fee Remission & Publicity

HR & Personnel Management
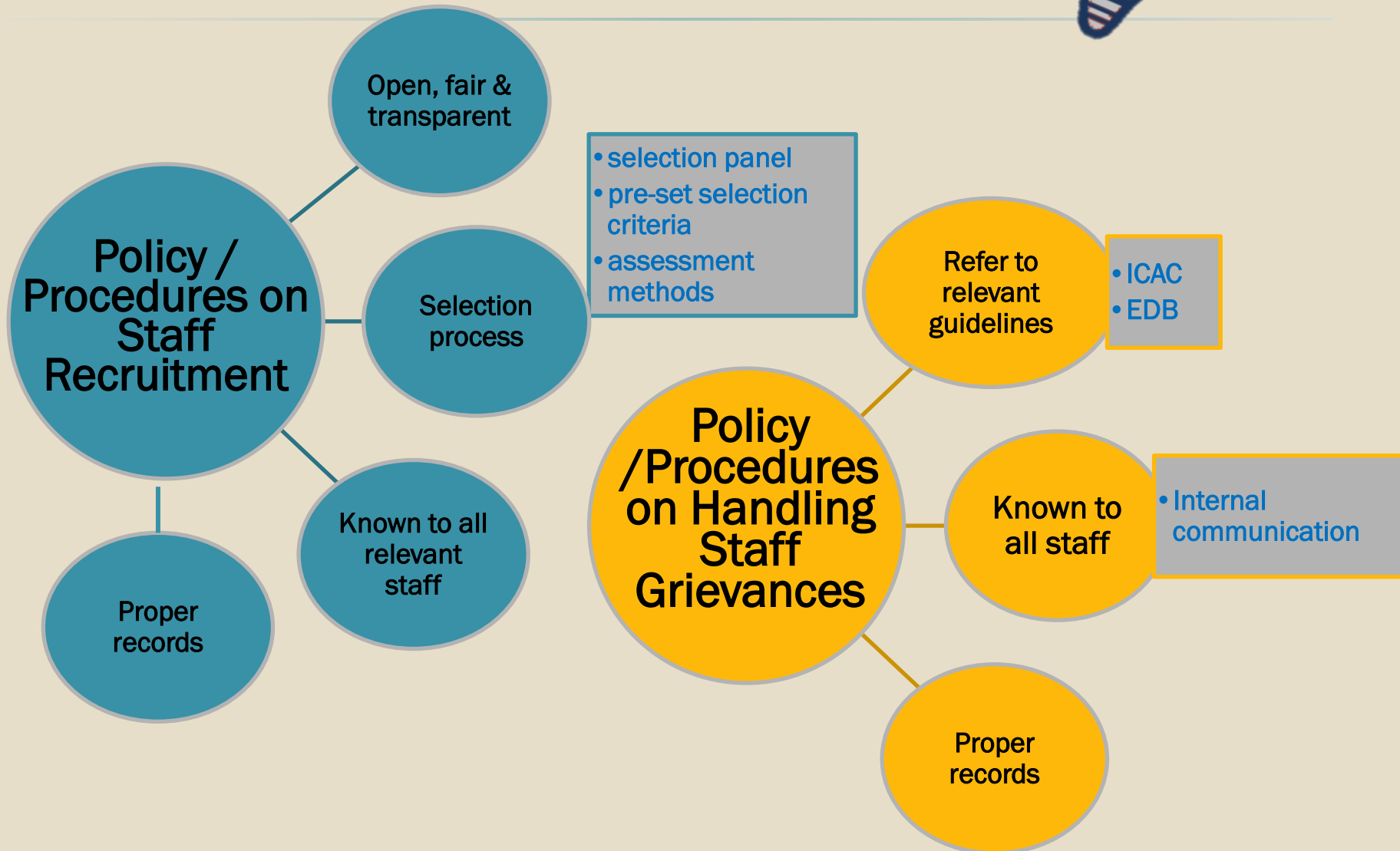
Policy / Procedures on Staff Recruitment

- Open, fair & transparent
- Selection process
  - selection panel
  - pre-set selection criteria
  - assessment methods
- Known to all relevant staff
- Proper records

Policy /Procedures on Handling Staff Grievances

- Refer to relevant guidelines
  - ICAC
  - EDB
- Known to all staff
  - Internal communication
- Proper records

Major Observations – HR & Personnel Management

Staff Recruitment - Assessment Methods

Major observations:

* No school-based policy/guidelines on the use of different assessment methods for selecting staff

Recommendations:

* Refer to:

  - ✓ "Recommendations on Administration of Teaching Staff in Schools under DSS" from ICAC
  - ✓ ICAC's "Best Practice Checklist: Governance and Internal Control in Schools"

Major Observations – HR & Personnel Management (2)

Staff Recruitment - Assessment Methods

Major observations:

* No proper records of the pre-defined criteria for shortlisting candidates

* Inconsistency in completing assessment records across different selection panels in a school

Recommendations:

* Keep proper records <u>throughout the selection process</u>
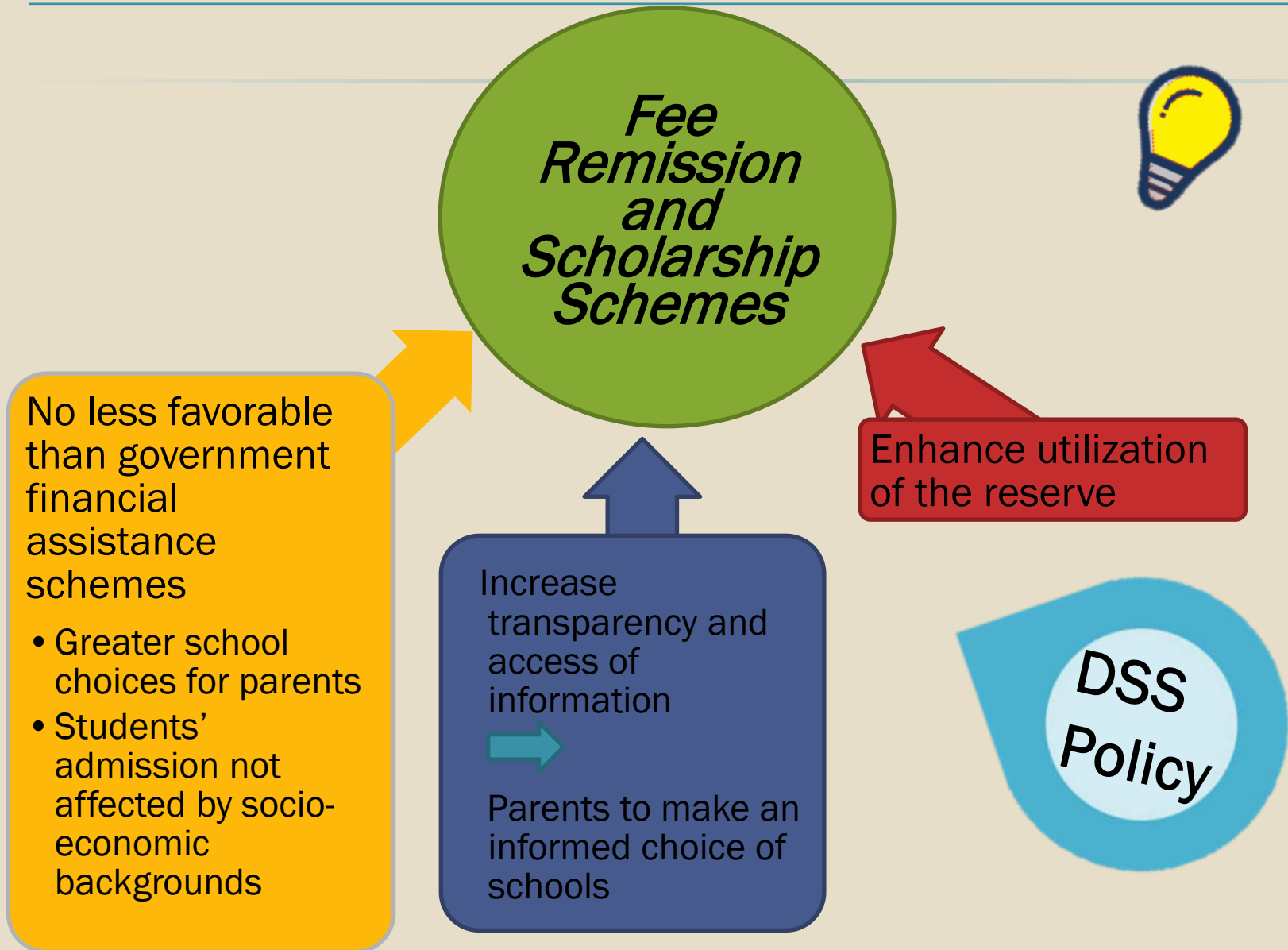
* Establish a checks and balances system

Major Observations on the Management Aspects

- General Administration of SMC/IMC

  * Declaration of Conflict of Interest

  * HR Management

  * Quality Assessment and Compliance

- HR and Personnel Management

  * Staff Recruitment

- Fee Remission/Scholarship Scheme

  * Criteria for Awarding Fee Remission & Publicity

Fee Remission/ Scholarship Schemes

Fee Remission and Scholarship Schemes

No less favorable than government financial assistance schemes

- Greater school choices for parents
- Students' admission not affected by socio-economic backgrounds

Increase transparency and access of information

Parents to make an informed choice of schools

Enhance utilization of the reserve

DSS Policy

Major Observations – Fee Remission/Scholarship Schemes

Criteria for Awarding Fee Remission

Major observations:

* Eligibility benchmarks less favorable than the government financial assistance schemes
* Adjusted eligibility thresholds for full remission (e.g. 3 & 4-member families) were not taken into account

Recommendations:

* The set of eligibility criteria should be **no less favorable** than the government financial assistance schemes across all levels of remission
* Apply to EDB for exemption, if required, after seeking SMC/IMC's approval

Major Observations – Fee Remission/Scholarship Schemes (2)

Publicity

Major observations:

* Not sufficient transparency as required under para. 5 of EDBC No. 10/2012

Recommendations:

* Application form for admission, letter offering admission, school website, school profile and prospectus should include:

  - ✓ **Details** - school fee, eligibility criteria and levels of remission
  - ✓ Clear statement - **needy students including** those receiving assistance under CSSA and Student Finance Office could apply & be eligible for fee remission
  - ✓ **Contact information** - telephone number for enquiry

Financial Management

EDB's policy requirements on management aspect:

* Maintain 2-month operating expenses in the operating reserve

* Deploy Grandfathered Reserve according to approved plan

➢ To ensure schools could put in place longer-term development strategies for sustainability and financial viability

No major observation noted so far

Way Forward

Consolidate piloting experience and collect feedback from the sector before full implementation

Contact Us

School Administration 3 Section

Ms Amy CHENG   3509 7490

Ms Isabel WONG   3509 7459

Mr Brian YU   3509 7491

THANK YOU