Sharing of Audit Experience
(DSS Schools)



School Audit Section
Education Bureau
November 2026

Sharing of Audit Experience



Common Audit Findings

Common Audit Findings

Common Audit Findings by functional areas:

A. Procurement

B. Trading Operations

C. Payments and Collections

D. Operation of Bank Accounts

E. Safe Keeping of Assets

F. Use of Subsidies

Common Audit Findings

A. Procurement – main points

- Procurement is a risk area.
- Formulate policy – Public accountability, value for money, transparency, open and fair competition.
- Schools should follow EDB's guidelines on procurement procedures for aided schools (EDBC No. 4/2013) as far as possible. Variations from EDB's guidelines should be approved by the SMC / IMC and documented for information of stakeholders. (Paragraph 7 of EDBC No. 17/2012)
- Quotation / tender exercises should be conducted in accordance with the schools' policies and procedures.

Common Audit Findings

A. Procurement

- Not conducting quotation / tender exercises for procurement of goods and services e.g. security guard services, broadband internet services, coaching services for school's extra-curricular activities, subscription of newspapers / magazines, lease of photocopying machines, maintenance of lifts, provision of vending machines.
- Not arranging quotation / tender exercises for renewal of contracts / The contracts contain terms for automatic renewal upon expiry.

(EDBC No. 4/2013 – Guidelines on Procurement Procedures in Aided Schools (the Procurement Guidelines), paragraph 13)

Common Audit Findings

A. Procurement

- Splitting orders to evade financial limits
- No prevention of bribery clause is included in the quotation / tender invitations or contracts.
- Not requiring staff to declare any conflict of interest and / or notifying staff of this requirement annually.
- Not complying with the requirements on security of information.

(Procurement Guidelines, paragraphs 3, 7, 11, 12 and 14)

Common Audit Findings

A. Procurement

- Specifying brand / model in quotations / tenders.
- Inviting suppliers without sufficient and equal knowledge of the quotation / tender requirements (e.g. pre-determined assessment criteria).
- Inviting insufficient number of quotations / tenders without recording valid explanation and / or obtaining prior approval.

(Procurement Guidelines, paragraphs 9, 18, 24, 26, 55 and 56)

Common Audit Findings

A. Procurement

- Not providing explanations for rejecting the lowest / lower offers.
- Not properly retaining quotation / tender documents e.g. invitation letters to suppliers, original tenders / written quotations, delivery receipts issued by the post office, Tender Summary and Approval Record, Price Comparison Table and Purchase-by-Oral Quotation Form.

(Procurement Guidelines, paragraphs 19, 28, 50 and 54)

Common Audit Findings

A. Procurement

- No segregation of duties, e.g. members of the Tender Opening & Vetting Committee (TOVC) also acted as members of Tender Approving Committee (TAC).
- Not opening tenders / written quotations at the specified time on the closing date.
- Placing orders after the expiry of the written quotation / tender validity period.

(Procurement Guidelines, paragraphs 8, 33 and 53)

Common Audit Findings

A. Procurement

- Not initialling, date-stamping and checking all written quotations / tenders (including “no offer” forms).
- Not circling and initialling against the revised amount / rate in red on both original and duplicate copies of the written quotations / tenders and for alterations / amendments found on written quotation / tender documents.

(Procurement Guidelines, paragraph 43)

Common Audit Findings

A. Procurement

- Not returning late written quotations / tenders to the suppliers which the approving authority would not consider.
- Not restraining suppliers from sub-contracting services to a third party without SMC's / IMC's consent
- Contract period exceeds 3 years.
- Signing contracts after the commencement of services

(Procurement Guidelines, paragraphs 42 and 66)

Common Audit Findings

A. Procurement

- No supervisory checks for oral quotations.
- Not installing tender box as a fixture in a permanent and convenient location in the General Office and / or not under double lock.
- No spare set of tender box keys was kept by the principal.

(*Procurement Guidelines, paragraphs 21, 31 and 35)*

Common Audit Findings

A. Procurement : Case Study (1)

Background information

Name of school: Brilliance Primary School

Item purchased: Coaching services for extra-curricular activities in 2026/27 school year

Estimated cost: $180,000 ~ $320,000

Procurement policy of the school

For estimated purchase of $200,000 and above,

school should invite tenders from at least 5 suppliers.

Tender Summary and Approval Record of Tender No. T003 for coaching services for 2026/27 s.y.

Name of School : Brilliance Primary School

School Tender Reference : T003

Date of Issue : 16 October 2026 Date of Closing : 23 October 2026

Date of Approval : **?**

Validity of Tender up to : 20 January 2027

Supplier's Name	Offer	No Offer	Late Reply	No Reply	Total cost for 2026/27	Recommendation	Reasons for not accepting lower offers
Middle Ltd.	✓				$310,000		
Left Ltd.	✓				$300,000	✓	
Right Ltd.				✓	--		
Top Company	✓				$270,000		**?**
Bottom Ltd.	✓				$205,000		**?**

What are the problems?

Common Audit Findings

A. Procurement : Case Study (1) (cont'd)

- **Problem (1):** The period between the tender issue and closing date was only a week.

Proper Practice: At least three weeks should be set between the issue and closing of a tender. For urgent requirement, the tender closing period may be shortened to two working weeks after obtaining approval from the principal with the justifications recorded.

(*Procurement Guidelines, paragraph 10)*

Common Audit Findings

A. Procurement : Case Study (1) (cont'd)

- **Problem (2):** The information on the Tender Summary and Approval Record was incomplete.

- **Proper Practice:** Relevant tender information should be recorded in the Tender Summary and Approval Record.

(*Procurement Guidelines, paragraphs 44 and 46)*

Common Audit Findings

A. Procurement : Case Study (1) (cont'd)

- **Problem (3):** Reasons were not provided for not accepting the lowest / lower offers.

- **Proper Practice:** Reasons for rejecting the lower offers should be provided if the lowest offer to specification is not selected.

(*Procurement Guidelines, paragraph 50)*

Common Audit Findings

A. Procurement : Case Study (2)

Name of school:	Pearl Primary School
Item purchased:	Lift maintenance service
Contract period:	1 September 2026 – 31 August 2028
Contract term (extracted):	Contract will continue thereafter unless terminated
Contract sign date:	29 September 2026

What are the problems?

Common Audit Findings

A. Procurement : Case Study (2) (cont'd)

- **Problem (1):** Service contract was signed after the contract start date.

- **Proper Practice:** Service contract should be signed on or before the contract start date.

Common Audit Findings

A. Procurement : Case Study (2) (cont'd)

- **Problem (2):** Service contract contained a contract renewal term.

- **Proper Practice:** School should specify the service period clearly in the agreement. Moreover, fresh tender / quotation exercises should be conducted instead of automatic renewal of service contract. *(Procurement Procedures in Aided Schools - FAQs (Oct 2025) Q59)*

Common Audit Findings

A. Procurement : Case Study (3)

Name of school:	Creativity College
Service description (in tender specification):	Security services 1 September 2026 to 31 August 2027
Estimated amount:	$240,000
TOVC :	Mr. Aaron CHAN, Ms. Kelly KWOK
Tender recommendation:	Ms. Kelly KWOK
TAC :	Principal (Chairperson), Mr. Aaron CHAN & other members
Contract period signed:	1 September 2026 to 31 March 2028

What are the problems?

Common Audit Findings

A. Procurement : Case Study (3) (cont'd)

- **Problem (1):** No segregation of duties –

  Ms. Kelly KWOK opened and recommended the tender.

  Mr. Aaron CHAN was a member of both the TOVC and the TAC.

- **Proper Practice:** The staff who opened, recommended and approved the tender should be different persons.

(*Procurement Guidelines, paragraphs 8 and 48)*

Common Audit Findings

A. Procurement : Case Study (3) (cont'd)

- **Problem (2):** Contract period stated in tender specification was different from that stated in the contract signed with the supplier. Accepting a longer contract period might affect fairness.
- **Proper Practice:** Contract period stated in tender specification and contract signed with supplier should be consistent.

(*Procurement Guidelines, paragraph 9)*

Common Audit Findings

B. Trading Operations

- Not obtaining prior approval for conducting trading operations (e.g. sale of textbooks / exercise books, tuckshop operation, supply of lunch boxes / school uniforms / school bus service, participation in Feed-in Tariff Scheme) from REO / SMC / IMC.
- Not obtaining prior approval for subsequent changes to the approved trading operations (e.g. change of supplier / contractor, changes to the terms of the agreement) from REO / SMC / IMC.

(Paragraph 3 of EDBC No. 18/2025)

Common Audit Findings

B. Trading Operations

- The profit from the sale of exercise books, school uniforms, stationery, equipment and other items (other than textbooks) / provision of paid services exceeded the profit limit of 15% of the cost price.
- Transferring the profits / net income arising from trading operations to any third parties, including the parent-teacher associations or school sponsoring bodies.

(Paragraph 4(e) and Appendix 3 of EDBC No. 18/2025)

Common Audit Findings

B. Trading Operations

- Not conducting quotation / tender *(selecting suppliers / contractors through competitive quotation / tender exercises at regular intervals, say at least once every three years, or before renewal of a contract as appropriate.)*
- No prevention of bribery clause in the quotation / tender invitations or in the contracts with suppliers / contractors.

(Paragraph 4(f) and Appendix 2 of EDBC No. 18/2025)

Common Audit Findings

B. Trading Operations

- Accepting gifts from suppliers / contractors
- Paying rates, government rent and other relevant expenses for the tuckshop area without charging the tuckshop operator.
- Providing subsidies to suppliers / contractors from school funds, e.g. subsidies were provided to school bus operator to establish a new route.
- User-pay principle was not observed.

(Paragraphs 4(b) and 4(c) and Appendix 3 of EDBC No. 18/2025)

Common Audit Findings

C. Payments and Collections

Payments

- Payments without the support of payment vouchers and original invoices.

  (Item (7) of Accounting Arrangements at Annex 4 of EDBC No. 17/2012)

- Paid vouchers and invoices are not stamped "PAID" and dated by the paying staff to avoid duplicate payment.

  (Reference Documents on Management and Administration of Direct Subsidy Scheme Schools (RDMA), item (h) of Appendix 12)

Common Audit Findings

C. Payments and Collections

Payments

- No segregation of duties e.g. preparation of payment vouchers and authorisation of payments conducted by the same person.
- Issuing cash cheques to suppliers / teachers for procurement of goods and services.
- Using personal credit cards / octopus cards / other electronic payment accounts for procurement of goods and services.

(RDMA, item (b) of Appendix 8 and item (e) of Appendix 9, Procurement Procedures in Aided Schools – FAQs (Oct 2025) Q2)

Common Audit Findings

C. Payments and Collections

Collections

- Fees collected from school activities credited to school's own funds but relevant expenses charged to government subvention account.

  (Appendix 2 of EDBC 18/2025)

- Spoiled / obsolete official receipts not marked "Cancelled" immediately.

  (RDMA, item (h) of Appendix 12)

Common Audit Findings

C. Payments and Collections

Collections

- Not preparing Daily Collection Summary (DCS)
- Not depositing money received promptly.
- Not depositing fees / school income received into the bank accounts maintained in the name of the school and / or not included in school audited accounts.

(RDMA, items (i) and (j) of Appendix 8 and item (j) of Appendix 9)

Common Audit Findings

C. Payments and Collections

Collections

- Not obtaining approval from EDB for collection of fines, fees and charges exceeding the approved ceilings / not covered in the Annex of EDBC No. 15/2026.

- Not formulating policy on acceptance of donations as required in EDBC No. 3/2022.

Common Audit Findings

C. Payments and Collections

Collections

- Not obtaining SMC / IMC's prior approvals for accepting donations.
- Not preparing Register of Donations Received by Schools.
- Incomplete Register of Donations Received by Schools (excluding gifts / donations in kind).

(EDBC No. 3/2022)

Common Audit Findings

C. Payment and Collections : Case Study

Name of school: Silicon Secondary School

Case: Income from sales of school ties and exercise books was credited to non-government funds, while the relevant expenditure was charged to government funds.

What is the problem?

Common Audit Findings

C. Payment and Collections : Case Study (cont'd)

- **Problem:** Expenditure should not be charged to government funds.

- **Proper Practice:** The expenditure should be charged to non-government funds.

(Appendix 2 of EDBC 18/2025)

Common Audit Findings

D. Operation of Bank Accounts

- Not maintaining bank accounts in the name of school.
- Including persons other than registered managers as bank authorised signatories.
- Depositing the money received from students for school activities in private bank accounts.

(Items (a), (b) and (c) of Appendix 9 of RDMA)

Common Audit Findings

D. Operation of Bank Accounts

- Approving payments processed through internet banking (including MPF payments) by a registered manager / school staff alone.
- Managing / modifying users' access control / transaction limits in internet banking by a registered manager / school staff alone.
- Using user accounts in the name of any registered managers by school staff.

(Paragraph 5 of Annex 4 attached to EDBC No. 17/2012 and item (b) at Appendix 9 of RDMA)

Common Audit Findings

D. Operation of Bank Accounts

- Not marking "Cancelled" on spoiled cheques to prevent from re-use.
- Not preparing / updating cheque book register.
- Not keeping unused cheque books under lock by the school supervisor or the principal.

(Items (f) and (g) of Appendix 9 and item (h) of Appendix 12 of RDMA)

Common Audit Findings

D. Operation of Bank Accounts

- Not handling inward mails from banks by the school supervisor / school head personally.
- Not reviewing / initialling cash books and bank reconciliation statements (monthly by school clerk) by the school head.
- No actions taken regarding unpresented cheques issued over six months.

(Items (h) and (i) of Appendix 9 of RDMA)

Common Audit Findings

D. Operation of Bank Accounts : Case Study (1)

Name of school: Steel Primary School

Case: Mr. Stephen POON was a registered manager and an authorised signatory for school's bank accounts. He resigned on 1 September 2026 but he remained as a bank account authorised signatory after resignation.

What is the problem?

Common Audit Findings

D. Operation of Bank Accounts : Case Study (1) (cont'd)

- **Problem:** Bank authorised signatories included persons other than registered managers.

- **Proper Practice:** Bank mandate should be reviewed and updated promptly whenever there is a change of registered manager.

(item (b) at Appendix 9 of RDMA)

Common Audit Findings

D. Operation of Bank Accounts : Case Study (2)

Name of school: Quartz Secondary School

Case: The school used internet banking for processing salary payments. The monthly salary payments were approved in the system by Mr. Tony LEUNG (a registered manager) alone. The access control and transaction limits of the users could also be modified directly in the system by Mr. Tony LEUNG alone.

What is the problem?

Common Audit Findings

D. Operation of Bank Accounts : Case Study (2) (cont'd)

- **Problem:** Bank account was not operated by jointly authorised signatories.
- **Proper Practice:** The procedures for approving payments through internet banking as well as personnel authorising 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.

(item (b) at Appendix 9 of RDMA)

Common Audit Findings

D. Operation of Bank Accounts : Case Study (3)

Name of school: Titanium Primary School

Case: A teacher collected entrance fees totalling $5,900 from students for a museum visit, deposited the sum into his / her personal bank account and then paid it to the museum.

What is the problem?

Common Audit Findings

D. Operation of Bank Accounts : Case Study (3) (cont'd)

- **Problem:** Income should not be deposited into personal bank account.

- **Proper Practice:** Income should be promptly deposited into school's bank account.

(item (j) at Appendix 8 of RDMA)

Common Audit Findings

E. Safe Keeping of Assets

- Not preparing and / or updating Fixed Assets Register properly.
- Not preparing and / or updating Loan Register for school equipment
- Not conducting a physical check of valuable assets at least once a year.
- Not conducting surprise cash count / keeping record of surprise cash count.

(Paragraph 9 of Annex 4 of EDBC No. 17/2012; and Appendix 11 of RDMA)

Common Audit Findings

E. Safe Keeping of Assets

- Not keeping register for other valuables (e.g. stamps and book coupons).
- Performing write-off of assets (e.g. fixed assets and library books) without the approval of the school head.
- No submission of the report on the write-off to the SMC / IMC for information.

(Appendix 11 of RDMA)

Common Audit Findings

F. Use of Subsidies

- Expenditure items not included in the List of Approved Items of Expenditure for the DSS Government Subsidy were charged to the government funds account.
  - Charging maintenance expenses of above-standard facilities (e.g. swimming pool) to government funds instead of non-government funds
  - Paying fines and penalty charges using the DSS government subsidy.

(Annex 2 of EDBC 17/2012)

Other Audit Findings

Other Audit Findings

1) Investing surplus funds in speculative securities instead of HK$ bonds or certificates of deposit#.

   # (rating not lower than Moody's A3 or S&P A-)

2) Not formulating policies on hire of school accommodation and fund-raising activities.
3) Not maintaining financial statements for fund-raising activities conducted.
4) No submission of register of hire of school premises to IMC / SMC regularly for information.
5) No discussion and approval related to large-scale capital works at IMC / SMC.

   (Paragraphs 14 to 16 and 23 of EDBC 17/2012 and paragraph 15 of EDBC 7/2012)

THANK YOU