



**Common observations on  
reviewing of DSS schools' audited accounts  
and vetting school budgets/fee revision  
applications**

**7 July 2017**

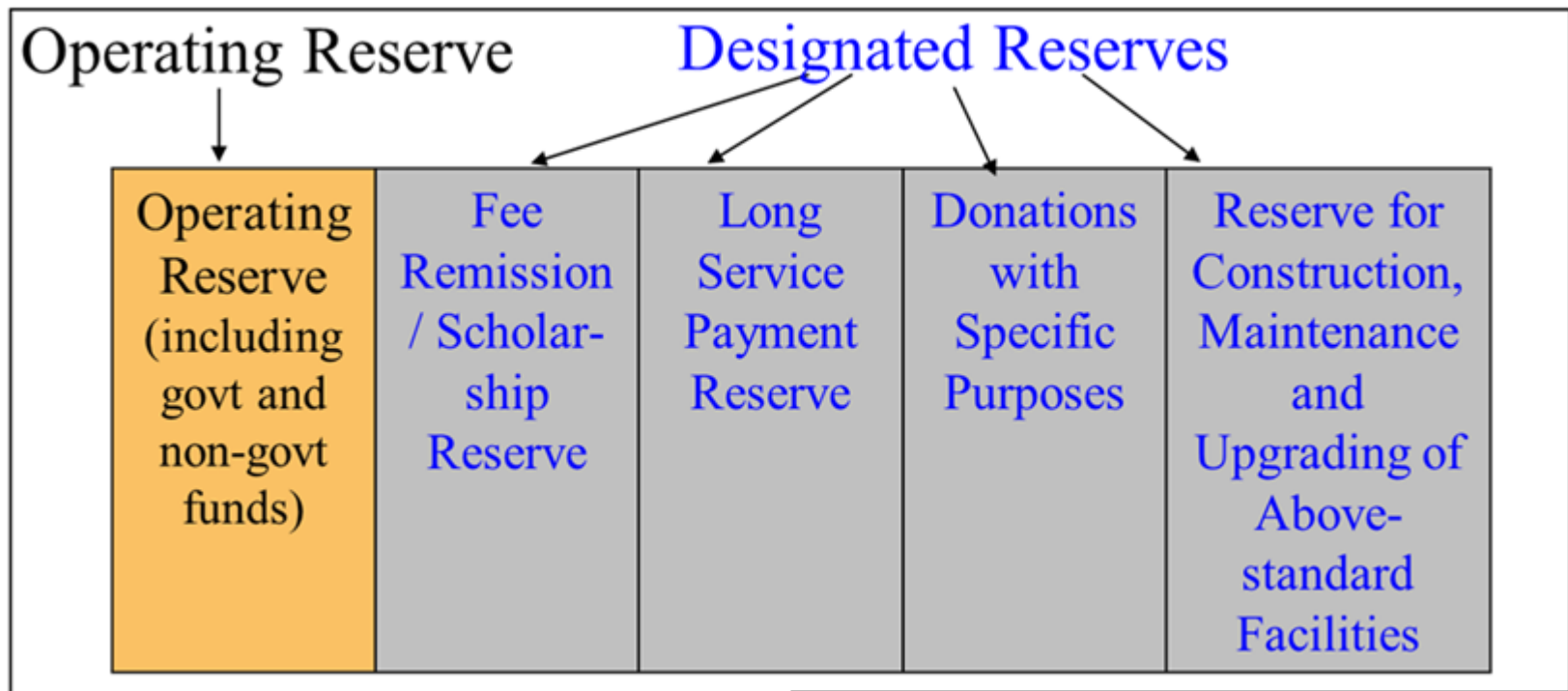
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# **Review of audited accounts**

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# The Operating Reserve and the Designated Reserves (EDBC No. 16/2012)

→ To allocate the balance of the accumulated surplus of schools as at the end of the 2011/12 school year





Submission by  
end-March

## 1. Preparation of audited accounts

follow EDB's reporting requirements in preparing the auditor's report ([annual EDB Circular Memorandum](#)), which may not conform to some accounting practices for commercial entities

## 2. Transfers between designated reserves

only transfer funds between designated reserves according to the ambit of each reserve

income and expenditure of designated reserves should not be reflected in the operating reserve in duplicate

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### 3. Loans from other parties, including SSB

not allowed as per EDBC No.17/2012, except under very exceptional circumstances and with EDB's prior approval

### 4. Investment

only invest in (i) Hong Kong (HK) dollar bonds or (ii) HK dollar certificates of deposits according to the prescribed criteria/ conditions as per EDBC No.17/2012 (No other types of investment)

## **5. Cross-subsidization**

no cross-subsidization between boarding section & DSS school section

→ Proper apportionment of common expenses should be made

## **6. Collections from students**

EDB's prior approval required for collections from students which are not covered by the blanket approval (EDBC No. 1/2011)

Proper disclosure in audited accounts (starting 2015/16)

## 7. Trading activities

### Requiring

- prior permission in writing from EDB for schools without IMCs
- approval from IMC for IMC schools

are required for all trading activities (EDBC No. 10/2016)

Income and expenses of trading activities → properly disclosed under the relevant note of the audited accounts instead of grouping under “other income” or “other expenses”

## **8. Related party transactions**

disclose all related party transactions under the relevant note of the audited accounts

## **9. Interest income**

record interest income according to its source of funds



# **Vetting of school budgets/fee revision applications**

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**Submission  
by around  
end-April**

## 1. Presentation of individual grants

Other grants received and their related expenses should be separately reported in the appendices of the audited accounts

- not to be included in the “Income and Expenditure Statement under Operating Reserve”
- only the deficit, if any, after the budgeted expenditure of the grants is calculated, should be recorded under “Deficit of Grant Accounts” below the “Total Expenditure”

## **2. School fee of non-local students**


fee set for non-local students (not eligible for subsidy) → not less than the DSS unit subsidy rate plus the school fee for local students

## **3. Enrolment ceiling**

students exceeding the enrolment ceiling → not eligible for DSS subsidy

## **4. Correctness of data**

figures disclosed → tally with corresponding information in the audited accounts.



# **Common observations for both exercises**

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## 1. Capital expenditure

e.g. IT equipment, leasehold improvement, etc. → capitalized as fixed assets instead of expenses in the income and expenditure statement

## 2. Provision of breakdowns

### Audited accounts:

- ✓ disclose the NBV of additional school buildings and depreciation of all plant, property and equipment by reserves
- ✓ cash at bank and in hand by operating reserves and other reserves

### Fee revision application:

- ✓ provide breakdowns of other income, other operating expenses, and expenditure on repair and maintenance



**Thank You**

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