

The background of the slide features a series of parallel diagonal stripes in various colors, including red, orange, yellow, green, blue, and purple, running from the top-left towards the bottom-right. The stripes are set against a light, textured background.

# **Financial Management and Learning Support Grant (LSG) Seminar for Direct Subsidy Scheme (DSS) Schools**

26 November 2013

# Fundamental Principles of Financial Management

- ✚ Proper use of funding
- ✚ For educational and school needs in the best interest of students
- ✚ To ensure the use of funds is justified and publicly defensible
- ✚ To ensure the government and non-government funds are used in a prudent, cost-effective, timely and value-for-money manner
- ✚ To draw up guidelines on declaration of conflict of interest so as to avoid any actual or perceived conflict of interest
- ✚ To keep proper administration and financial records

# **Financial Management (1)**

**(i) Procurement Procedures**

**(ii) Collection of Fees**

**(iii) Audit Inspection Cases**

# Procurement Procedures

# Formulate School-based Policy on Procurement (1)

- ✚ DSS schools should follow as far as possible the EDDBC No.4/2013 *"Procurement Procedures in Aided Schools"*.
- ✚ The above circular makes reference to:
  - HK Government "Stores and Procurement Regulations"
  - ICAC's views

# Formulate School-based Policy on Procurement (2)

- ✚ The revised financial limits of procurement and their corresponding procurement arrangements as stipulated in the EDBC No. 4/2013 are below:

Financial Limits	Procurement Arrangements
\$5,000 or below	Competitive bidding not required
Above \$5,000 to \$50,000	By oral quotations (at least two)
Above \$50,000 to \$200,000	By written quotations (at least five)
Above \$200,000	By tenders (at least five)

- ✚ Any variation from the Guidelines has to be approved by the School Management Committee (SMC)/Incorporated Management Committee (IMC) and documented for stakeholders' information.

# Single Quotation/Tendering (1)

✦ Should be **fully justified** and used only in circumstances when competitive bidding would not be an effective means of obtaining the requisite stores and services, for instance:

- 1) there is **evidently only one** potential supplier;
- 2) the protection of **copyrights** or technical reasons;
- 3) services to be provided by **utility companies**;
- 4) maintenance is to be executed on patent or specialized equipment and warranty of the equipment gives the supplier the exclusive right to carry out the maintenance service

# Single Quotation/Tendering (2)

- + Initiated with the **prior approval** from relevant authority
- + Decisions together with **justifications** have to be properly **documented**
- + **Should follow the same procurement procedures** applicable to competitive bidding for quotation/tender



# Case 1

Procurement Item : Internet Service Value: \$120,000

School Financial Limit : >\$100,000 (by tenders, at least 3)

School conducted Quotation : Single supplier  
(ABC Tele Company)

Reasons : Approval for exemption of tender is obtained from TAC , it is because service record is good and installation fee is not required

***Any problems? Solution / Proper procedure?***

Point to note: The reasons do not justify for single quotation/tendering and competitive bidding is required

## Case 2

Procurement Item : 150 units of iPad Value : \$450,000

School Financial Limit : >\$100,000 (by tenders, at least 5)

School conducted Quotation : Single supplier  
(DEF Technology Company)

Reasons : Approval for exemption of tender is obtained from TAC, because it is the extension of previous tender and the extension period is not more than one year, high standard of service and reasonable price.

***Any problems? Solution / Proper procedure?***

Point to note: The reasons do not justify for single quotation/tendering and competitive bidding is required

# Exception Report on Procurement Activities

- ✚ Schools are advised to report to the SMCs/IMCs, on an annual basis, any irregularities in the procurement procedures and complete the **“Exception Report on Procurement Activities”**

# Involvement of SSBs in Schools' Procurement Activities (1)

## (I) Acquiring stores and services through SSBs

- + **Prior approval** obtained from the SMCs/IMCs
- + To **follow the same procurement procedures**
- + **All procurement records** should be available for audit purpose
- + To ensure **SSBs' compliance** with the procurement requirements

# Involvement of SSBs in Schools' Procurement Activities (2)

## (II) Acquiring stores and services from SSBs

- ✦ SSBs should be treated as **one of the bidders** and subject to competitive bidding and the same selection procedures applicable to other bidders
- ✦ The SMC/IMC should ensure the SSBs concerned are treated **equally and fairly** as other bidders
- ✦ Special attention is drawn to **declaration of conflict of interest**

# Involvement of SSBs in Schools' Procurement Activities(3)

## (III) Acquiring stores and services from SSBs by single quotation/tendering

- ✦ To observe the requirements of Single Quotation/ Tendering
- ✦ **Prior approval** obtained from the SMCs/IMCs
- ✦ To enable SMC/IMCs to determine whether to accept the offer of SSBs or not, SSBs should **submit price quotation with cost breakdown** for the stores and services
- ✦ The **decision** together with the grounds leading to decision should be properly documented
- ✦ Make reference to the EDBC No. 4/2013 **“Checklist for Issue and Vetting of Single Quotation/Tender for Supplies of Stores and Services by School Sponsoring Body”**

## Case 3

Procurement Item : Services including consultation on IT, Staff Training, Accounting and Legal advice

Value: \$520,000

School Financial Limit : >\$200,000 (by tenders, at least 4)

Supplier: SSB

### *Any problems? Solution / Proper procedure?*

Consideration: Apart from SSB, 3 other separate quotations/tenders should be obtained for different types of services and SSB should be treated as one of the competitive bidders

## Case 4

Procurement Item : Education service expense

Value: \$120,000

Supplier: SSB

***Any problems? Solution / Proper procedure?***

Consideration: The reasons do not justify for single quotation/tendering and competitive bidding is required



# Calculation of Total Value of Procurement Items

- ✚ Procurement items of the **same category** are to be grouped in the same quotation/tender schedule
- ✚ Schools **should not** evade the financial limits by dividing procurement requirements into instalments
- ✚ Only make repeated procurement of the same items **within 12 months** (i.e. from 1 Sept to 31 Aug of the following year) by oral quotations and written quotations if the cumulative value of the procurement does not exceed the financial limits for oral and written quotation respectively

# Case 5

Procurement Item : Desktop Computers  
(Purchase 18 in early June; 15 in end of July; 10 in August, Each computer costs \$4100)

Value: \$176,300

School Financial Limit : < \$75,000 (by written quotation, at least 2)  
> \$150 000 (by tender, at least 4)

School's Procurement Method: 2 written quotation each time

***Any problems? Solution / Proper procedure?***

Consideration: The cumulative value of the procurement exceeds the financial limits for tendering, tender exercise is required

# **Collection of Fees in DSS Schools**

# Collection of Fees (1)

- Unless with the EDB's prior approval, schools **shall not charge or accept fees** other than the inclusive fees as printed on the Fees Certificate
- The Permanent Secretary for Education gives blanket approval, in accordance with regulation 61 of the Education Regulations, for DSS schools to collect fines, charges and fees from students in ways as detailed in and subject to the requirements in the requirements in the Approved List of EDBC No. 1/2011 "Collection of Fines, Charges and Fees in Schools under the Direct Subsidy Scheme (DSS)"

## Collection of Fees (2)

- Collection of fines, charges and fees for specific purposes **exceeding the approved ceilings** requires the approval of the Permanent Secretary for Education
- For schools with IMC, they have to seek their **IMC's approval** upon the express consent of the majority of parents for collections of fines, charges and fees for specific purposes exceeding the approved ceilings above

## Collection of Fees (3)

- It is not allowed for collection of fees which are not on the Approved List, unless **prior approval** of the Permanent Secretary for Education has been sought
- DSS schools should waive the charges to cater for the needs of the students in financial difficulties

# Case 1

Fees Item: Printing Cost

Cost: \$275

Endorsed by IMC

*Any problems? Solution / Proper procedure?*

Point to note: Seek EDB's prior approval

## Case 2

School: an IMC school

Fees Item: Replacement of student card

Cost: \$12

*Any problems? Solution / Proper procedure?*

Point to note: Seek IMC's prior approval



# Sharing Audit Inspection Cases

# Criteria of Using Government and Non-government Funds

## + DSS Government Subsidy :

Only approved expenditure items of educational nature as stipulated at [List of Approved Items of Expenditure](#) can be charged against the government fund account

## + Non-government funds included:

- School fees and other collections
- Trading operations
- Hire of accommodation
- Fund-raising activities
- Donations and sponsorships, etc

To ensure that all expenditures from non-government funds are necessary for educational or school purposes

# Audit Inspection

## Case 1

Item detected:

The school settled an invoice of \$500 for and on behalf of SSB out of government funds

Point to note: Expenses not incurred for the school should not be charged to any of the government or non-government funds of the school

# Audit Inspection

## Case 2

Item detected:

The school made a donation of \$1,000 out of government fund to an exempted charitable organization

Points to note:

- (1) Only approved expenditure items as stipulated in the approved list can be charged against government fund
- (2) Non-government funds are for educational or school purposes and schools are reminded not to make donations to any party. Please refers to para.29 of EDBC 17/2012

# Audit Inspection

## Case 3

Item detected:

A donation of \$16,000 to the SSB out of the non-government funds

Points to note: According to para. 19 of EDBC No. 17/2012, under no circumstances should DSS schools distribute surplus to the SSB or third parties in any forms, including donations or loans to the SSB or any third parties

# Audit Inspection

## Case 4

Item detected:

Expenses of \$8,000 were charged to the government funds for buying gifts for lucky draws

Points to note:

- (1) Only approved expenditure items can be charged against the government funds
- (2) To adopt a conservative and modest approach to such matters if using non-government funds. Please refers to para.30 of EDBC 17/2012

# Audit Inspection

## Case 5

Item detected:

Due to the cancellation of a student event, the school was required to pay half of the course fee of \$200 to the course provider. The expense was charged to the government fund

Points to note: Only approved expenditure items can be charged against the government funds. The penalty charge should be settled by non-government funds

# Audit Inspection

## Case 6

Item detected:

An amount of \$31,000 incurred for long service award prizes for 25 teaching staff was charged to the non-government funds

Points to note: To adopt a conservative and modest approach to such matters if using non-government funds. Please refer to para.30 of EDBC 17/2012



# Audit Inspection

## Case 7

Item detected:

Annual Dinner expenses for 100 staff with an amount of \$14,500 was charged to the non-government funds

Points to note: To adopt a conservative and modest approach to such matters if using non-government funds. Please refers to para.30 of EDBC 17/2012

# Useful References

- # EDBC No.17/2012 “Use of Government and Non-government Funds in Direct Subsidy Scheme (DSS) Schools”
- # EDBC No.4/2013 “Procurement Procedures in Aided Schools”
- # EDBC No. 1/2011 “Collection of Fines, Charges and Fees in Schools under the Direct Subsidy Scheme (DSS)”
  
- # ICAC “Corruption Prevention Best Practices – Procurement”  
[http://www.icac.org.hk/filemanager/en/Content\\_1031/procurepractices.pdf](http://www.icac.org.hk/filemanager/en/Content_1031/procurepractices.pdf)
- # ICAC “Corruption Prevention Best Practices – Governance and Internal Control in Schools”  
[http://www.icac.org.hk/filemanager/en/Content\\_1031/school.pdf](http://www.icac.org.hk/filemanager/en/Content_1031/school.pdf)

# Contact

Respective Senior School Development Officers