

Accounting Arrangements and Spending Abuses of Direct Subsidy Scheme (DSS) Primary Schools

Schools joining the DSS will be required to keep separate accounts in respect of -

- (a) transactions relating to the government subsidy, i.e. DSS subsidy; and
- (b) transactions relating to non-government funds such as school fees.

Government Subsidy

2. Schools will be required to account for all the government subsidy in their books of account. Only expenditure of an educational nature (P/S Section 5 Annex) may be charged against the subsidy account. In the event that a school underspends the government subsidy, the balance should be retained by the school for educational use in subsequent years.

Non-government Funds

3. Income other than the government subsidy, e.g. school fee income, trading operation etc., should be recorded separately.

Audited Accounts

4. Annually, schools will be required to submit a set of Audited Accounts for examination purposes including -

- (a) Director's Report/Supervisor's Report
- (b) Auditors' Report
- (c) Income and Expenditure Account in respect of the Government Subsidy
- (d) Income and Expenditure Account for non-government funds such as fee income, trading operation etc.
- (e) Balance Sheet
- (f) Notes to the Accounts

Abuses

5. Actions will be taken by the Education Bureau if -

- (a) non-profit-making schools are found to have distributed surplus;
- (b) schools are found to have charged disallowable expenditure against the

government subsidy;

- (c) the school's standards are found to fall short of those shown in [P/S Section 6](#); and
- (d) the Permanent Secretary for Education (PS(E)) has reasons to believe that schools are intentionally engaged in non-educational operations.

6. If malpractices continue even after warning has been given by the PS(E), the PS(E) may withdraw the subsidy payable to the school with a resultant loss of DSS status.

**List of Approved Items of Expenditure for the
Direct Subsidy Scheme (DSS) Government Subsidy ¹**

Advertising

Audit fee

Bank charges

Bank interest and overdraft interest

Celebrations and entertainment

Cleaning materials

Consumable stores

Curriculum development

Depreciation

Expenditure on staff training

Expenditure on supplementary teaching staff

Extra-curricular activities

First-aid facilities

Fuel, light and power

Government rates and rent

Insurance for fire, theft, public liability and employee compensation

Library books for students

Long service payment/severance pay (in accordance with the Employment Ordinance)

Newspaper and magazines

Non-teaching staff salaries

Postage and stamp duty

¹ Not for the depreciation, maintenance and running cost of above-standard facilities such as swimming pool, school bus, etc.

Printing and stationery

Prizes

Professional fees for essential professional advice of a legal, architectural, or similar nature

Provident fund for teaching and non-teaching staff

Repairs and maintenance

Retirement or death benefits for staff not eligible for any other scheme, provided that such benefits do not exceed those available to similar staff eligible for another scheme, such as provident fund

Sports

Teachers' textbooks, maps, etc.

Teaching staff salaries

Telephones

Transport and travelling expenses wholly incurred on school business, excluding travel between home and school

Travelling allowances, meals or light refreshments for occasional guest speakers

Water charges

Wreaths, flower-baskets and similar tributes on behalf of the school

Miscellaneous items for educational purposes

[Note: Repayment of loan and interest thereon with previous special approval from the EDB can also be charged to government funds.]