

PAC'S Conclusions and Recommendations

Primary education - The administration of primary schools

80. **Conclusions and recommendations** The Committee:
- expresses serious concern that:
 - (a) although the Education Department (ED) had issued a total of 190 circulars and guidelines as at 31 December 2002, neither the school inspections nor the external audits and the School Management Committees (SMCs) have effectively ensured full compliance of the numerous detailed requirements stated therein; and
 - (b) cases of non-compliance appear to be commonplace among the 18 primary schools selected by Audit for examination;
 - acknowledges:
 - (a) the Permanent Secretary for Education and Manpower's statement that:
 - (i) circulars and guidelines will only be issued to schools where absolutely necessary; and
 - (ii) the School Administration Guide makes reference to relevant circulars and guidelines in force for easy reference by schools and is regularly updated to reflect the latest situation; and
 - (b) the Secretary for Education and Manpower's statement that in giving schools more autonomy in managing their own operations and resources, the Administration will, on the one hand, formulate clear and adequate regulatory requirements in respect of the administration of schools and, on the other hand, request schools to put in place a mechanism for self-monitoring;

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Strategic planning and financial management

- expresses concern that:
 - (a) many schools failed to produce longer-term plans and evaluate school programmes;
 - (b) schools with a small number of classes had been given the fixed rate of the Capacity Enhancement Grant (CEG) at \$450,000 per annum, which exceeded the actual needs of the schools;
 - (c) many schools did not have specific plans on how to use the unspent surplus funds and some schools retained very high proportions of surplus funds;
 - (d) the ED had provided schools with information technology (IT) equipment regardless of their actual needs;
 - (e) most of the schools had appointed their existing external auditors for many years without going through a competitive selection process;
 - (f) most of the schools had not agreed with their appointed external auditors on the terms of engagement; and
 - (g) a number of external auditors had not fully complied with all the ED's requirements on external audit arrangements;
- acknowledges that the Education and Manpower Bureau (EMB):
 - (a) has issued a revised Guideline on Annual School Plan and Annual Report early in the 2002-03 school year to assist schools in formulating longer-term plans;
 - (b) will continue to render appropriate assistance to schools, e.g. through Quality Assurance Inspection, regular visits of School Development Officers, seminars and workshops, and issue of resource materials, to help them draw up good school plans and conduct self-evaluation;
 - (c) has obtained the approval of the Finance Committee of the Legislative Council to revise the schedule of rates and introduce more funding levels for the CEG with effect from the 2003-04 school year;

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- (d) will step up measures to help schools make longer-term plans so that students can benefit from the Operating Expenses Block Grant (OEBG) or Subject and Curriculum Block Grant (SCBG), and will also review the need for allowing schools to keep a reserve of 12 months' provision;
 - (e) has agreed that the quantity of IT equipment issued to schools in future should be based on each school's actual need, and will follow up with schools to see how the IT equipment could be put to better use;
 - (f) will ask all schools to report in the summer of 2003 the usage of the IT facilities purchased, and will claw back from them any unexpended balance of the IT grant;
 - (g) will require aided schools to invite audit firms to submit tenders or quotations for appointment of external auditors, and to select them according to the pre-determined criteria, including those mentioned in paragraph 2.46 of the Audit Report; and
 - (h) will enhance the awareness of aided schools of the importance of obtaining an audit engagement letter from external auditors and of the matters to be included in the audit engagement letter, and will conduct independent test checks of the certified accounts of schools to ensure that the external auditors have complied with all the ED's requirements;
- acknowledges the Permanent Secretary for Education and Manpower's statement that the Administration hopes to allocate funds to schools through more lump sum grants and allow them to transfer funds between grants;
 - urges the EMB to consult the Legislative Council and other relevant parties in the course of the review of the need for schools to keep a reserve of 12 months of the OEBG or the SCBG;

Human resource management

- expresses dismay that:
 - (a) some schools had not set up a proper system for recruiting teaching staff and some schools had not conducted the recruitment procedures properly. As a result, there was no assurance that the most suitable candidates had been selected to fill the posts;

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- (b) there is no provision in the Education Regulations explicitly stating how and when the vote of the SMC in respect of the appointment and dismissal of a teacher is to be taken, as a result of which it became essential that such procedures should be provided in the constitutions of individual schools;
 - (c) the Director of Education had not exercised his power under Regulation 75(1) of the Education Regulations to require a written constitution from schools for his approval;
 - (d) the supervisors of the ten schools mentioned in paragraph 3.9 of the Audit Report had signed on the prescribed appointment forms confirming that prior approval of their SMCs had been sought regarding the appointment of teaching staff without there being any documentary proof relating to the SMC's prior approval; and
 - (e) the ED had routinely accepted appointment forms without the date of the SMC's approval;
- considers that if the Director of Education had exercised his power to require all schools to submit their constitutions for his approval, any doubt on the form or timing of the SMC's approval could have been removed;
 - acknowledges that:
 - (a) the EMB has scheduled to issue a revised appointment form in June 2003 to clarify the requirements in respect of the appointment of a teacher;
 - (b) in future, the EMB will return to schools appointment forms which had not been completed in compliance with all its requirements; and
 - (c) the Education (Amendment) Bill 2002 is being considered by a Bills Committee of the Legislative Council;
 - urges the EMB, after the Education (Amendment) Bill 2002 has passed into law, to carry out an exercise to review the various circulars and guidelines, with a view to further reducing their number within a reasonable time frame and providing schools with easy reference;

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- expresses concern that:
 - (a) senior teachers, after stepping down to the junior post of a class teacher, were still given the salary increments of the senior teacher salary scale; and
 - (b) although there would be substantial savings from outsourcing the janitor services in schools, only one out of the 18 schools visited by Audit had outsourced such services;
- acknowledges that:
 - (a) the EMB will review the distribution of school holidays throughout the school year and seek the views of the school sector in due course;
 - (b) the EMB will withhold the annual increment of stepped-down senior teachers starting from the 2003-04 school year;
 - (c) government schools will only outsource their janitor services upon natural wastage of their janitors, and the EMB will encourage other schools to draw upon the experience of government schools and assess the costs and benefits of outsourcing their janitor services; and
 - (d) the EMB will suggest to schools that they review the duties of janitors to identify areas where the janitors can be of further assistance so as to achieve better utilisation of resources;

Procurement procedures and asset management

- expresses serious concern that:
 - (a) some schools often procured goods and services without obtaining quotations or documenting the details of the quotations. As a result, there was no assurance of securing the best available price for the procurement of goods and services with public funds;
 - (b) most schools, when providing procurement services for students and parents, did not adopt the competitive tendering process to safeguard the interests of students and parents; and

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- (c) some schools had not let out their school premises as a community service to foster better cooperation between schools and the community, and a school had allowed a private organisation to use its school premises free of charge;
- acknowledges that:
 - (a) the EMB will conduct briefing sessions for schools on the procurement of goods and services;
 - (b) the EMB has issued a revised circular to remind schools of the importance of obtaining competitive tenders or quotations in providing procurement services for students and parents; and
 - (c) the government schools take the lead in letting out school accommodation as a service to the community, and the EMB will request aided schools to take similar action in its next revision of the relevant school circular;
- urges the Secretary for Education and Manpower to remind schools that profit-making organisations are not entitled to use the school premises free of charge;

Management of student matters

- expresses concern that:
 - (a) a school's associated body had made considerable profits from the sale of school items to students;
 - (b) some schools had accepted donations from their suppliers of goods or services, which could place themselves in an obligatory position to the suppliers;
 - (c) a school had charged its tuckshop operator a high tuckshop rental, and students had to pay more for the items sold by the tuckshop operator. The school had not re-tendered the tuckshop operations for over 10 years; and
 - (d) one third of the students carried school bags exceeding 15% of their body weights, which was not beneficial to their health;

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- acknowledges that:
 - (a) the EMB has issued a revised circular to draw the attention of schools in receipt of public funds to the fundamental principles for conducting trading operations in schools, which include tuckshop operations, and business or trading undertakings operated by schools' sponsoring or associated bodies on school premises;
 - (b) the EMB has accepted Audit's observations on allowing schools to accept donations from suppliers and will continue to remind schools to observe relevant guidelines, and further strengthen the message that schools should not receive any donations from suppliers of goods or services unless there are compelling reasons for doing so and with the approval of the SMC; and
 - (c) the EMB will include a benchmark on the weight of school bags in future school circulars and/or publicity materials, and alert schools and parents to the need to take more action in reducing the weight of school bags;
- urges the Secretary for Education and Manpower to take action, e.g. through school inspections, to ensure that no excessive profits are made from the sale of school items by schools' sponsoring and associated bodies;

Support from the ED to schools

- acknowledges that the EMB:
 - (a) has taken and will take a series of measures to enhance its support to schools, and is conducting a fundamental review of grants with a view to consolidating various grants into lump sum grants; and
 - (b) will focus inspections on the financial management and procurement of goods and services by schools, and to organise seminar and briefing sessions for school managers, principals and other school personnel to promote awareness of financial management of the school sector; and

Follow-up actions

- wishes to be kept informed of:
 - (a) the actions taken to improve the strategic planning and self-evaluation of schools;

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- (b) the results of the review of the level of surplus funds of the OEBG or the SCBG allowed to be retained by schools, and the measures taken to help schools plan the optimum use of the surplus funds;
- (c) the actions taken to improve the use of IT equipment in schools;
- (d) the actions taken to improve the external audit arrangements of aided schools;
- (e) the actions taken to ensure that schools set up a proper recruitment system for teaching staff in schools, and to ensure that the recruitment procedures of schools are conducted properly;
- (f) the results of the review of the distribution of school holidays throughout the school year;
- (g) the actions taken to improve the arrangements for the stepping down of senior teachers;
- (h) the progress made by schools in outsourcing their janitor services;
- (i) the actions taken to improve the following:
 - (i) the cost-effectiveness of janitor services in schools;
 - (ii) schools' procedures in procuring goods and services, and in providing procurement services for students and parents;
 - (iii) the schools' arrangements for letting out their school premises; and
 - (iv) the control over the sale of school items by schools' sponsoring and associated bodies;
- (j) the progress of the various actions that the Director of Education has undertaken to take as mentioned in paragraph 5.19 of the Audit Report;
- (k) the actions taken to improve tuckshop operations in schools and reduce the weight of school bags; and
- (l) the results of the fundamental review of grants and all other actions taken by the EMB to enhance its support to schools.