



Annexes 1 and 2 and templates for the annual accounts can be downloaded from the following addresses –

[http://www.edb.gov.hk/circular/adhocforme/dss\\_newimc\\_annex1.xls](http://www.edb.gov.hk/circular/adhocforme/dss_newimc_annex1.xls)

[http://www.edb.gov.hk/circular/adhocforme/dss\\_newimc\\_annex2.xls](http://www.edb.gov.hk/circular/adhocforme/dss_newimc_annex2.xls)

[http://www.edb.gov.hk/circular/adhocforme/dss\\_template.xls](http://www.edb.gov.hk/circular/adhocforme/dss_template.xls)

4. As the date of incorporation of the IMC varies from school to school, the ending date of the last accounts of schools for the pre-IMC period (the period before the incorporation of the IMC) would also vary. Please note that schools should insert the day before the incorporation date of the IMC as the ending date of the last accounts of schools for the pre-IMC period.

5. Reference notes for Auditors of schools are at **Annex 3**. Schools should convey the certification requirements as stated in paragraphs 2 to 5 of Annex 3 to their Auditors prior to the commencement of audit. Please note that the certification requirements should be strictly complied with, i.e. Auditors should submit an Auditor's Report on the school accounts, and each page of the statements (specified at Annex 1) should be stamped with the identification chop of the Auditors.

6. The prescribed formats of the accounts may be amplified, as and when necessary, for the purpose of adapting them to the specific circumstances of their schools. Schools should fill in details of required disclosure specifically in the relevant notes to the accounts or mark "Nil" or "Not applicable" in the note to confirm there were no such transactions. Auditors of schools should also observe EDB's reporting requirements in the Auditor's Reports and the detailed financial statements.

7. Schools should submit to EDB annual audited accounts in name of the schools [and/or the IMC] together with the Auditor's Reports. EDB will not accept the annual audited accounts submitted by the sponsoring bodies or other bodies and/or Auditor's Reports of any other accounts.

8. All the transactions related to schools' operation, including but not limited to the income and assets, should be reflected in the audited accounts of the schools. On the other hand, those transactions related to the sponsoring bodies only should be excluded.

### **Special Reporting Requirements**

#### *Reserve Ceiling*

9. As stipulated in paragraphs 25 to 29 of the EDB Circular No. [16/2012](#) on *Delineation of Reserves and Reserve Ceiling for the Operating Reserve of Direct Subsidy Scheme (DSS) Schools*, a ceiling on the operating reserve has been implemented from the 2013/14 school year and DSS schools with operating reserve exceeding the reserve ceiling will be asked to indicate their option to handle such surplus. In this connection, an **option form** has been uploaded to the following address for relevant schools to complete and make a return to EDB for consideration concurrently when submitting their 2019/20 audited accounts. The completed option form must be signed by the School Supervisors.

[http://www.edb.gov.hk/circular/adhocforme/dss\\_form.xls](http://www.edb.gov.hk/circular/adhocforme/dss_form.xls)

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10. The subject Senior School Development Officers would approach individual schools concerned in the course of assessing the information provided by schools, including their option chosen to handle any surplus of operating reserve in excess of reserve ceiling.

#### *Capital Grants*

11. DSS schools receiving capital grants should record both the capital grants and the related assets/expenditure in their annual accounts. For grants related to assets, the school may present either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. For grants related to expenditure, the school should present the expenditure and its corresponding income from capital grants in the Income and Expenditure accounts.

12. Starting from the review of the 2016/17 audited accounts, EDB sends out in October a 'Statement of capital grants paid in the year' for confirmation and disclosure by schools in their audited accounts. Detailed reporting requirements are shown in Note 2e under 'Notes to the Accounts'. For any enquiries on the statement, please contact the Capital and Kindergarten Subventions Section of EDB at 2892 5941.

#### *Remuneration Packages for Key Personnel*

13. As stipulated in paragraph 6 of the EDB Circular No. [17/2012](#) on *Use of Government and Non-government Funds in DSS Schools*, schools are required to put in place a proper and transparent mechanism to determine remuneration packages for individual staff to ensure that the packages are fair and justifiable. Starting from the review of the 2016/17 audited accounts, a **proforma** on remuneration packages of key personnel has been uploaded to the following address for schools' completion and return to EDB for consideration concurrently when submitting their 2019/20 audited accounts. A sample of completed proforma is also attached for reference. The completed proforma must be signed by the School Supervisors.

[http://www.edb.gov.hk/circular/adhocforme/dss\\_proforma.doc](http://www.edb.gov.hk/circular/adhocforme/dss_proforma.doc)

[http://www.edb.gov.hk/circular/adhocforme/dss\\_proforma\\_sample.pdf](http://www.edb.gov.hk/circular/adhocforme/dss_proforma_sample.pdf)

#### *Feed-in Tariff (FiT) Scheme*

14. As stipulated in paragraph 3(xi) of the EDB Circular Memorandum No. 168/2019 on *Participation of Schools in FiT Scheme*, starting from the review of the 2018/19 audited accounts, DSS schools participating in the FiT Scheme should report the relevant income and expenditure in the audited accounts. Detailed reporting requirements are shown in Note 27 under 'Notes to the Accounts'.

## **Submission**

15. The pre-IMC accounts must be signed by the pre-IMC Supervisors and the Auditors, whereas the accounts of IMC must be signed by the School Supervisors, one other manager authorized by the IMC to act for that purpose, together with the Auditors. The signed audited accounts together with the completed proforma and option form (where applicable) should reach the EDB at the following address **on or before 31 March 2021** –

Management Accounts Section,  
Finance Division,  
Education Bureau,  
Room 1511, 15/F, Wu Chung House,  
213 Queen's Road East, Wanchai,  
Hong Kong.

16. Accounts prepared not complying with EDB's requirements as stated in the relevant circulars will be returned to the schools concerned for amendment. Schools are strongly reminded that non-compliance or late submission of audited accounts, proforma and the option form (where applicable) may lead to delay in processing schools' fee revision applications.

## **Enquiries**

17. For enquiries on this circular memorandum, please contact the Management Accounts Section of Finance Division at 2892 6263.

(Ms Clarice LI)  
for Permanent Secretary for Education

Encl.

**Reference Notes**  
**for Auditors of Schools which received subsidies under the**  
**Direct Subsidy Scheme and managed by IMCs in 2019/20 School Year**  
(IMC schools established during 2019/20 school year)

Section 40BB of the Education Ordinance and Paragraph 4 of Section 5 in the Explanatory Notes for the Direct Subsidy Scheme (DSS) on EDB's website require the IMC of DSS schools to submit their audited accounts. All the transactions related to the school's operation, including but not limited to the income and assets, should be reflected in the audited accounts of the school. On the other hand, those transactions related to the sponsoring bodies only should be excluded. The annual accounts must be audited by Certified Public Accountants (practising) registered under the Professional Accountants Ordinance (Cap. 50). This requirement is laid down in order to enable the Permanent Secretary for Education to satisfy that the subsidies have been properly applied to the purposes for which they were paid.

2. Auditors should submit an Auditor's Report on the IMC accounts, and each page of the statements (specified at Annex 1) should be stamped with the identification chop of the Auditors. The Auditor's Report should state whether, in the Auditor's opinion:

- ◆ the accounts present fairly the state of the affairs of the IMC as at [year/period end date of the accounts] and of its results for the accounting year/period then ended. By the term "present fairly", it means that the IMC has complied with the stipulations in section 40BB(1) and (2) of the Education Ordinance;

3. For pre-IMC accounts of school, the Auditor's Report should state whether, in the Auditor's opinion:

- ◆ the accounts give a true and fair view of the state of the School's affairs as at [year/period end date of the accounts] and of its results for the accounting year/period then ended. By the term "true and fair", it means that the accounts are prepared, in all material respects, in accordance with the accounting requirements of the relevant letters, circulars and guidelines issued by the EDB and such instructions as may be given by the Permanent Secretary for Education and reflect the financial transactions of the School during the year/period ended [year/period end date of the accounts] and the financial position of the School as at [year/period end date of the accounts]; and

4. The Auditors are also required to state whether during the year/period ended [year/period end date of the accounts], the School has complied with the requirements of the Education Ordinance, has used the government subsidies in accordance with the rules and ambits of the government grants as promulgated in EDB's website (<http://www.edb.gov.hk> -> **Education System and Policy -> Primary and Secondary School Education -> Applicable to Primary and Secondary School -> Direct Subsidy Scheme -> 1. Information for schools**), relevant letters, circulars and guidelines issued by the EDB.

5. In respect of the grants which are separately provided to the School as listed in the Appendices to **Annex 1** and **Annex 2**, the Auditors are also required to state whether the balances of individual grant accounts as at [year end date of the accounts] are, in all material respects, correct. The treatment of the surplus of each grant is specified in the footnote of the Appendices concerned. In general, the deficit of individual grant account should be met by the school's own fund. Please note the certification requirements stated in paragraphs 2 to 5 should be fully followed.

**6. The Auditors should draw the attention of the School Supervisors/IMC to weaknesses in internal controls discovered during the course of their audit and that they should report items which are considered material in a management letter with recommendations for improvement. The Auditors should also send a copy of the management letter to this bureau for information.**

7. If the Auditors are of the opinion that proper books of accounts have not been kept by the IMC school, or if the balance sheet and income and expenditure account are not in agreement with the books of accounts, or if the Auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit, they should make appropriate qualifications in their reports. In particular, Auditors should note that only expenditure of an educational nature may be charged to the government subsidies and distribution of surplus out of the non-profit making DSS school is disallowed.