

Response regarding the accounts of the HKEAA

The Hong Kong Examinations and Assessment Authority (HKEAA) is a self-financed statutory body. Its major function is to administer public examinations to cater to the needs of the local education system and curriculum. Its income is mainly derived from examination fees and other assessment services.

Following the implementation of the New Academic Structure, the HKEAA administered the last Hong Kong Certificate of Education Examination (HKCEE) and the last Hong Kong Advanced Level Examination (HKALE) for private candidates in 2011 and 2013 respectively. A huge deficit was anticipated due to the significant drop in candidature. In order not to burden these candidates with exorbitant examination fees, the HKEAA applied for a government grant to cover the anticipated deficits the actual expenses. The grant, capped at HK\$90 million was approved by the Legislative Council. The grant is disbursed on a reimbursement basis. (In fact, with prudent control of expenditure, supplemented by the surplus from the 2012 HKALE, the final reimbursement required for these two examinations amounted to about HK\$60 million.)

The grants to cover the deficit for administering the last HKCEE and HKALE were booked in 2010/11 and 2012/13 respectively. The grant to cover the deficit for administering the 2011 HKCEE was booked in HKEAA's financial statement of 2010/11. Therefore, the grants did not have any impact on the surplus of 2011/12. The accounts of these examinations need to be audited before submitting to the government for reimbursement purpose, hence the funding could not be spent for other purposes like the performance incentive scheme.

2012 was a double-cohort year in which the HKEAA administered the first Hong Kong Diploma of Secondary Education (HKDSE) Examination and the final HKALE. Under these special circumstances and faced with the challenge of staff turnover, the HKEAA Council endorsed in principle the establishment of a special one-off performance-based incentive to ensure that an adequate number of experienced staff would be available to implement the two large-scale public examinations and to retain talents and boost staff morale. Upon the completion of the first HKDSE Examination, the HKEAA Council reviewed the overall operation of the public examinations in August 2012. Taking into consideration the increase in other incomes and our financial status, the Council approved the award of a special one-off incentive to staff with satisfactory performance, which amounted to about HK\$7 million in total. The incentive was paid in two installments, in November 2012 and April 2013. Around 400

staff, roughly 90% of HKEAA employees, received an incentive of about half a month's salary on average.

The pay structure of the HKEAA has been delinked from the civil service Master Pay Scale (MPS). Housing and education allowances and automatic annual salary increment have been abolished. In order to maintain a competitive pay structure, we have implemented a "performance-based incentive scheme" since 2009 based on best market practice. Employees are awarded according to their performance in order to attract and retain experienced talents.

The HKEAA adopts a prudent approach to financial management and does not receive any recurrent funding from the government. All public examinations are charged on a cost recovery basis. Only under special circumstances will the HKEAA apply for one-off funding from the government for expenses related to certain projects. Normally the funding will be for initial development only while the HKEAA will bear the costs for long-term maintenance and updates. Therefore, to ensure the financial stability of the organisation, it is necessary to maintain a certain level of reserve for the future development of public examinations and service enhancement.

Nevertheless, as a statutory body, the HKEAA will take into consideration the impact on candidates and parents in our financial management. The examination fees in 2014 have been frozen, and decisions on future examination fees will be made cautiously depending on actual circumstances and needs.

– End –

Date: 2 October 2013