

**Kindergarten Education Scheme (The Scheme)
Financial Matters — Questions & Answers (Q&As)**

[The following Q&As aim to provide answers to frequently asked questions raised by Kindergartens / Kindergarten-cum-Child Care Centres and Schools with Kindergarten Classes Joining the Scheme (KGs) and will be updated regularly for reference.

“KG Scheme Funds” and “School Funds” mentioned in the Q&As refer to “Government Subsidy” and “Non-government Funds” respectively, as mentioned in the Education Bureau (EDB) Circular No. 7/2016 and other circulars relevant to the Scheme.]

[I] Separate bank accounts

1. **Q: It is mentioned in the EDB circulars that KGs are required to keep separate bank accounts for “KG Scheme Funds” and “School Funds”. Does it mean that KGs need to have two new bank accounts for handling their income and expenditure?**

A: EDB specifies in EDB Circular No. 7/2016 that KGs are required to keep separate bank accounts and ledger accounts for “KG Scheme Funds” and “School Funds”.

In response to the difficulties that KG faced in opening accounts and the additional administrative and manpower costs for keeping of separate bank accounts, EDB has decided to relax the requirement on bank accounts but KGs are still required to keep separate ledger accounts for handling the income and expenditure relating to “KG Scheme Funds” and “School Funds”.

A KG may open a bank account under the name of KG to handle the income and expenditure relating to both “KG Scheme Funds” and “School Funds”. However, EDB reiterates that all the transactions recorded in the bank account should be related to the operations of the KG. The income and expenditure of the KG should not be handled through any bank accounts other than the one bearing its own name.

All subsidies from EDB would only be paid to the bank account under the name of the KG. The name of the bank account should be tallied with the name of the KG.

2. **Q: If a KG operating both half-day and whole-day sessions plans to set up new bank account for “KG Scheme Funds”, does it need to set up two separate accounts for its half-day (HD) and whole-day (WD) sessions? Is a third account necessary for long whole-day (LWD) session?**

A: No. KG may set up bank accounts according to their needs. EDB does not require KGs to handle income and expenditure of HD and WD/LWD sessions with separate bank accounts. In other words, it is the KGs’ options to handle income and expenditure of different sessions with one or multiple bank accounts. However, all income (including all types of KG Scheme-related subsidies, school fees (if applicable), interests received, etc.) and operating expenditure must be clearly recorded in their books of accounts, while each KG Scheme-related subsidy received and the related expenditure incurred must be reflected clearly in the annual audited accounts submitted by the KG.

3. **Q: Is the separate bank account only for receiving the unit subsidy? Can it be used for receiving other subsidies / grants such as those for rental, rates, cooks and support to non-Chinese speaking (NCS) students?**

A: KG may choose one or multiple bank accounts to receive all KG Scheme-related subsidies according to their needs. For details, please refer to the answer for Question 2.

4. **Q: How should the signatory instructions for bank account be arranged?**

A: Joint signatures of two or more persons authorised by School Management Committee are required for making any payments from the bank account (irrespective of paper or digital mode). In general, one of the authorised persons is the school supervisor.

The KG should determine the composition of authorised persons to operate the KG's bank account according to its operational needs. KG with more than two authorised persons may assign several signatory groups according to their ranks, with various approval limits. Signatory groups of higher ranking staff may be authorised to sign cheques or bank transfer of larger amount.

[III] Ledger accounts

5. **Q: It is mentioned in the EDB circulars that KGs are required to keep separate ledger accounts for “KG Scheme Funds” and “School Funds”. How should income and expenditure be apportioned and reported in their accounts for different sections (KG and child care centre (CCC) classes), streams (local and non-local curriculum) and sessions (HD, WD and LWD)?**

A: KG should record all subsidies disbursed by EDB for KG local curriculum under the Scheme and related expenditure recognised by EDB under “KG Scheme Funds”. Other income and expenditure items such as (a) accounts of KG non-local curriculum, (b) accounts of CCC section, (c) other income and expenditure items for the stream of KG local curriculum, e.g. school fees, expenditure items which are not recognised by EDB, and the expenditure apportioned to the students not eligible for subsidy under the Scheme should be recorded under “School Funds”.

When preparing the financial reports, KGs should apportion all income and expenditure incurred for the whole school in accordance with student enrolment ratio or other defined apportionment basis among the stream of KG local curriculum, CCC and/or the stream of KG non-local curriculum as appropriate. If there is a lack of objective and specific principles to apportion the amounts of income or expenditure, the KG should apportion the amounts based on the number of students. Among them, the total teacher salary and related expenses (including the principal and teaching staff) should be apportioned to stream of KG local curriculum, CCC and/or stream of KG non-local curriculum according to their actual duties.

After apportionment, KGs must further apportion the expenditure of the stream of KG local curriculum between HD and WD/LWD sessions based on their student enrolment and the ratio of student unit cost (the ratio of HD to WD/LWD unit cost per student ranges from 1:1.6 to 1:2) to calculate the surplus / deficit of each session and curriculum. There is no requirement to apportion the expenditure to

HD and WD/LWD sessions for CCC and the stream of KG non-local curriculum under “School Funds” account.

For school-based income and all expenditure items which have to be apportioned based on the student enrolment ratio or other defined apportionment basis, such as salary of non-teaching staff / supporting staff and utility charges, taking into account the difficulty involved in apportioning these items for each transaction, KGs may record them in full amount first and make the apportionment when preparing financial reports (e.g. annual accounts).

For details and samples of ledger accounts, apportionment of expenditures, and recording transactions, please refer to the PowerPoint slides of “Briefing Session on Kindergarten Education Scheme (Financial Management) (14 November 2024) (Chinese Version only) – Financial Matters and Submission of Annual Audited Accounts”.

6. Q: Should items (i.e. individual reserve, assets and liabilities) in the balance sheet be apportioned among different sections, streams and sessions?

A: KG is required to prepare only one set of balance sheet for the whole school. Separate recording for their assets, liabilities and reserves of different sections, streams and sessions is not required. However, specific assets (if applicable) and accumulated surplus under “KG Scheme Funds” should be recorded separately.

Based on the above principle, the balance sheet accounts to be created by KG are summarised as follows:

- (i) Reserves
 - (a) Accumulated surplus of each subsidy / grant under the Scheme (including unit subsidy, premises-related subsidy and other school-specific grants / subsidies); and
 - (b) Accumulated surplus / deficit of School Funds.
- (ii) Assets
 - (a) Fixed assets and their accumulated depreciation;
 - (b) Bank account balances of “KG Scheme Funds” and “School Funds” (if applicable); and
 - (c) Other current assets (e.g. inventory, deposits, account receivables, etc.) should be reported on a school basis. No separate classification is required for “KG Scheme Funds” and “School Funds”.
- (iii) Liabilities
 - Current liabilities (e.g. school fees received in advance and account payables) and non-current liabilities (e.g. long-term loan) should be reported on a school basis. No separate classification is required for “KG Scheme Fund” and “School Funds”.

7. Q: Is a KG required to keep specific accounts to record expenses related to the unit subsidy, premises maintenance grant and other school-specific grants / subsidies under the “KG Scheme Funds”?

A: Yes. KG should keep separate ledger accounts for respective income and expenditure under “KG Scheme Funds” and “School Funds”. Kindergartens may refer to paragraphs 4 to 7 of Section 4.2.2 “Books of accounts” of the Kindergarten

Administration Guide (December 2023 Updated Version) to record each income and expenditure item under “KG Scheme Funds” and “School Funds”.

8. Q: **If a KG only keeps one bank account, how should the interest income be split between the accounts of “KG Scheme Funds” and “School Funds”?**

A: KG should apportion the interest income to “KG Scheme Funds” and “School Funds” accounts in a fair manner as far as practicable.

[III] Surplus / Deficit under the Scheme

9. Q: **Is there a ceiling set for the accumulated surplus of “KG Scheme Funds”? If yes, is it necessary for KG to return the surplus?**

A: KGs shall observe the reserve ceilings and claw-back arrangements of each subsidy as specified by EDB. Surplus / deficit for various subsidies shall be calculated separately. Upon accumulation to the above prescribed level, EDB reserves the right to make any adjustment in the subsidies payable to the KG. For claw-back of any surplus exceeding the reserve ceiling based on the annual audited accounts, EDB will deduct the exceeded amount of accumulated subsidy surplus from the next payment of subsidies payable to the KG or demand KG’s repayment directly.

The reserve ceilings for respective subsidies / grants under the Scheme are as below –

Unit Subsidy : Under the 2017/18 to 2020/21 annual audited accounts, KGs were allowed to accumulate a respective surplus up to one-year provision of the 60% portion of unit subsidy and 40% portion of unit subsidy. Starting from processing the 2021/22 annual audited accounts, the 60% portion and the 40% portion of unit subsidy will be combined for calculating the reserve ceiling for the accumulated surplus. In other words, the ceiling for the accumulated surplus is calculated based on the whole unit subsidy.

KGs are allowed to keep their accumulated surplus of the whole unit subsidy up to 18 months of their current year provision for each corresponding accounting year from 2021/22 to 2025/26. The surplus for such accounting year will only be clawed back if the total accumulated surplus of unit subsidy has exceeded 18 months of the current year provision.

Premises Maintenance Grant : KGs are allowed to accumulate a surplus up to 500% of the current year provision of the grant. If, in a particular year, the accumulated surplus of the grant reaches 500% of the current year provision, EDB will suspend the disbursement of grant and claw back the excessive surplus of that year according to the annual audited accounts for the same year. Any grant further disbursed subsequent to that year will also be clawed back.

Grant for a Cook, Grant for support to NCS students, Promotion of Reading Grant for Kindergartens and Kindergarten Activity Grant : KGs are allowed to accumulate a surplus up to the current year provision of each respective grant.

Relief Grant for Appointment of Kindergarten Supply Teachers : KGs are allowed to accumulate a surplus of the grant up to three times the annual provision of the grant in the accounting year in which the grant is provided.

In principle, there should be no surplus for rental subsidy. Hence, the arrangement for accumulating surplus is not applicable to Rental Subsidy Scheme. In addition, the arrangement for accumulating surplus does not apply to subsidies / grants which are disbursed on reimbursement basis, such as reimbursement of rates and government rent.

10. Q: Is cross-subsidisation of surplus / deficit allowed for various subsidies / grants under “KG Scheme Funds” and for different sections (KG and CCC classes), streams (local and non-local curriculum) and sessions (HD, WD and LWD) ?

A: No. Surplus / deficit for various subsidies / grants under “KG Scheme Funds” and for different sections, streams and sessions of KGs shall be calculated separately.

KGs should apportion the teaching staff salary portion (i.e. 60%) of unit subsidy, the other operating cost portion (i.e. 40%) of unit subsidy and Premises Maintenance Grant by HD and WD/LWD sessions for calculation of the reserve ceilings to ensure no cross subsidisation of HD and WD/LWD sessions.

Cross-subsidisation of other expenses is not allowed for some items under “KG Scheme Funds”, such as rental subsidy, Premises Maintenance Grant and other school-specific grants (including Grant for a Cook, Grant for support to NCS students, Promotion of Reading Grant for Kindergartens, Kindergarten Activity Grant and Relief Grant for Appointment of Kindergarten Supply Teachers).

KG may deploy the surplus (if any) of the other operating cost portion of the unit subsidy (i.e. 40%) as a supplement to teaching staff salary, rental subsidy, Premises Maintenance Grant and other school-specific grants (except Grant for a Cook). The amount of supplement is limited to the deficit of teaching staff salary and other subsidies / grants of the current year. If there is a deficit in the other operating cost portion of the unit subsidy or its surplus cannot fully cover the deficit of other designated subsidy accounts under “KG Scheme Funds”, the difference shall be borne by school funds.

[IV] Annual Audited Accounts

11. Q: When will the format of the annual audited accounts be available? Does KG only need to submit one copy of annual audited accounts covering “KG Scheme Funds” and “School Funds”?

A: EDB issues a circular each year requesting KGs to submit annual audited accounts. KGs shall submit to EDB a copy of annual audited accounts covering the whole school year, and the period up to the date of its closure, voluntary withdrawal, rejection of continued participation or revocation of eligibility (whichever is applicable), in the format and at a date as specified by EDB.

KGs are required to spend each grant according to its ambit as well as to keep separate ledger accounts for “KG Scheme Funds” and “School Funds”. Expenditure on teaching staff salary (including employer’s contribution to the mandatory provident fund, provision for long service payment or severance payment, if any) out of the unit subsidy (including basic HD unit subsidy and additional subsidy for WD and LWD services) should be separately reflected in the annual audited accounts. The income, expenditure and operating surplus / deficit should also be reported separately for different sections (KG and CCC classes),

streams (local and non-local curriculum) and sessions (HD, WD and LWD) in their annual audited accounts.

12. Q: It is stated in the EDB circular that annual audited accounts in respect of the whole school year should be submitted. Can KG submit its' annual audited accounts with non-school year as financial year (e.g., as at 31st of March), to match with the reporting arrangement of their school sponsoring bodies / operators?

A: The accounting year for annual audited accounts of KGs mainly ends at the end of March, July, or August. However, if a KG needs to submit its annual accounts with accounting year ending in a month other than March, July, or August, the KG must notify EDB in writing.

[V] Surplus / Deficit before joining the Scheme

13. Q: How should the surplus or deficit of KGs accumulated before joining the Scheme be handled? Should they be carried forward to the new accounts?

A: Upon joining the Scheme, KGs should carry forward their surplus or deficit before joining the Scheme to the "School Funds" accounts in the new school year. Such amount carried forward shall not be included in the "KG Scheme Funds". If there are any deficits, the school sponsoring bodies / operators should ensure the continued effective operation of KGs. No ceilings shall be set for the accumulated surplus carried forward by KGs in its first school year joining the Scheme. However, EDB encourages KGs to utilise the subsidies / grants fully and substantial surplus is not expected. Therefore, when handling fee applications, EDB shall take into consideration whether the accumulated surplus of KG is kept at a reasonable level. In case of excessive surplus, EDB shall adjust the proposed fees in their fee revision applications, or freeze the school fee levels of KG.

[VI] Monitoring

14. Q: Will EDB examine and monitor the accounts of "School Funds"?

A: Both "KG Scheme Funds" and "School Funds" are parts of the accounts of KG. Their income and expenditure statements should be separately reflected in the annual audited accounts. KG is required to observe the requirements as stipulated in the relevant circulars and letters calling for submission of annual audited accounts for EDB's review. Auditors are required to send to EDB a copy of the management letter, if any, they issued to school supervisors on the weaknesses they observed in the internal control of KG for EDB's reference. EDB may require KG and their auditors to provide supplementary information, if necessary.

EDB will also select certain number of KG for audit inspection every year. The aims of audit inspection are to review whether KG has put in place sufficient internal control and appropriate financial management and procurement arrangements, and whether their financial and accounting operations comply with relevant letters, circulars and guidelines issued by EDB.

15. Q: Will KG be allowed to use their non-operating cash to invest in stocks or funds?

A : Under no circumstances will KG be allowed to use the funds under subsidies drawn from the “KG Scheme Funds” or “School Funds” for speculative investment, and they should comply with EDB’s requirements in handling surplus funds. Any surplus funds which are not immediately required for use by KG may be placed in time deposits or saving accounts with banks licensed under the Banking Ordinance.

[VII] Other Matters

16. Q: If a KG is located in a property belonging to its school sponsoring body and this property is undergoing a major overhaul, can the KG share the maintenance expenses on a pro-rata basis? Is it feasible to include such expenses under “School Funds”?

A: If the KG is receiving Premises Maintenance Grant, the portion of maintenance expenses that should be shared by the KG could be included in “KG Scheme Funds”. Any shortfall could be covered by the other operating cost portion of unit subsidy (i.e. 40%). Further shortfall should be borne by “School Funds”.

For KG that is eligible for rental subsidy, it should not share the expenses of any major overhauls which are under the property owner’s responsibility.

**Finance Division
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