

Questions and Answers
Workshop for Small NGOs –
Financial Reporting, Subvention Inspection and
Reporting of Social Welfare Development Fund
(4 July 2011)

Q1: In Note 8 of the Annual Financial Report (AFR), i.e. Analysis of Reserve Fund, should NGOs deduct the amount of clawback from the amount of income?

A1: No. The amount of income received should tally with the relevant allocation letters from SWD whereas the amount of clawback by SWD should be recorded in a separate item, i.e. Refund to Government.

Q2: For a depreciation item, how should its expenditure be shown in AFR?

A2: As a general rule, depreciation item should not be charged against LSG. However, in the exceptional case that the board had approved the use of LSG to acquire the fixed asset, the cost of the fixed asset should be shown in the AFR at the time of payment for the item because the AFR is to be prepared on cash basis.

Q3: For the expenditure arising from work injury and income arising from the compensation claimed from the insurance company, how should they be shown in AFR?

A3: The compensation paid by the NGO to the injured employee arising from work injury should be charged under Personal Emoluments while medical expenses should be charged under Other Charges.

When the reimbursement of compensation is received from the insurance company, the amount related to earnings should be offset against Personal Emoluments while the amount related to medical expenses should be recorded under Other Income in the year of receipt.

Q4: For the refund from telephone companies, how should it be shown in AFR?

A4: It should be put under Other Income.

Q5: What is the minimum number of officers to be involved in preparing, checking and authorising payment vouchers?

A5: According to the best practice, the preparing officer, checking officer and

authorising officer of payment vouchers should be different persons. In case of limited manpower, at least two officers have to be involved, one for preparing the payment vouchers and the other one for checking/authorising the payment vouchers, on condition that random checking is conducted by the supervisor.

Q6: Owing to limited manpower, the accounting staff of a NGO has to serve in the reception counter by roster. While the accounting staff is responsible for preparing vouchers, he is not required to perform accounting duties including preparation of vouchers on the day on which she serves in the counter. Is such arrangement acceptable?

A6: For proper internal control, NGOs should have segregation of duties, i.e. the duties of income collection (including preparation of official receipts) and accounts recording of income received (including preparation of receipt vouchers and posting of entries to general ledger) should be carried out by different officers.

In the above case where manpower is limited, the arrangement is considered acceptable because the accounting staff is not required to perform any accounting duties on the day on which he performs duties at the reception counter on condition that he will not be involved in accounts recording of the income received by him.

Q7: For a fixed asset which is considered no longer useful but has not yet been broken, can a NGO dispose of it?

A7: The NGO has the autonomy to decide whether the fixed asset has to be disposed of or not, provided with justifiable grounds. If a fixed asset is considered no longer useful, the NGO should dispose of it according to its established disposal procedures. After disposal, a proper record of disposal of fixed assets, including date, reasons and authorization for disposal, should be kept.

Q8: In Part A3 of the Annual Progress Report (APR) for Social Welfare Development Fund (SWDF), how can an NGO enter the interest received if the SWDF allocation is deposited in the NGO's bank account together with other funds received by the NGO?

A8: The interest received under the SWDF allocation can be calculated on pro-rata basis if its bank account includes different sources of funding.

Q9: In Part B1 of the APR for SWDF, NGOs have to provide the no. of subvented staff participation in Training and Development Programmes. What is the definition of junior social worker (JSW) and non-social work staff (NSW)?

A9: JSW refers to social workers who joined the welfare sector after 2000. NSW refers to the staff who is not a registered social worker.