



# Briefing on Subvention Inspection

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Subvention Finance Section  
Social Welfare Department

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4 July 2011



# Content

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- Role of Subvention Inspection
- Scope of Subvention Inspection
- Requirements on Internal Control in Appendix 7 of the LSG Manual
- Common Findings on Internal Control



# Role of Subvention Inspection

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# Role of Subvention Inspection

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- Subvention Inspection in respect of LSG will focus on **Systems Auditing** which includes reviewing and advising on internal control procedures.



# Role of Subvention Inspection

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- It was also mentioned in the LSG Steering Committee Meeting held on 21.10.2003 that:
  - It was the Department's responsibility to monitor NGOs' proper use of public resources.
  - Subvention Inspection Team would continue to examine into cases of irregular spending in line with the spirit of LSG.



# Scope of Subvention Inspection

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- Checking internal control procedures
  - Evaluate NGOs' internal control and make recommendations for improvement.
  - Areas cover:
    - Revenue Collection and Receipt
    - Safe Custody of Cash, Cheque and Valuables
    - Bank Account and Cheque
    - Petty Cash
    - Payment
    - Programme Income and Expenses
    - Fixed Assets
    - Accounting Records and Financial Reports
    - Procurement



# Scope of Subvention Inspection

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- Checking proper use of SWD subventions and ensuring correct financial reporting
  - Ensure subventions are used on FSA activities.
  - Ensure proper financial reporting of income and expenditure.
  - Ensure provident fund is properly administered and payments are correctly made.
  - Ensure surpluses of subventions are deposited in interest-bearing bank accounts.



# Scope of Subvention Inspection

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- Checking procurement procedures
  - Ensure procedures for procuring assets, minor works and services funded by SWD subventions and Lotteries Fund (LF) comply with LSG and LF Manuals and LSG Circular No. 9/2003.
  
- Checking proper use of Block Grant of LF and proper financial reporting



# Scope of Subvention Inspection

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- Checking proper use of LF grant on experimental projects and proper financial reporting
- Checking proper use of funds for designated purposes  
e.g. strengthening cleansing service of welfare service units



# Requirements on Internal Control in Appendix 7 of the LSG Manual

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Highlight of key control areas in each of the following sections:

1. Revenue Collection and Receipt
2. Safe Custody of Cash, Cheque and Valuables
3. Bank Account and Cheque
4. Petty Cash
5. Payment
6. Programme Income and Expenses
7. Fixed Assets
8. Accounting Records and Financial Reports
9. Procurement

# 1. Revenue Collection and Receipt

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## Para 1.1 Segregation of Duties

- 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.

# 1. Revenue Collection and Receipt

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## Para 1.2 Official Receipts

- Spoiled/obsolete official receipts should be immediately and individually endorsed '**CANCELLED**'.
- An official receipt register should be maintained to control the stock and issue of the different types of official receipt books.

## Para 1.3 Money Collected

- Money received should be banked promptly.

# Official Receipt Register

Register of Official Receipt Books

New Receipt books								Completed/obsolete receipt books	
Received				Issued					
Date	Serial Number		Signature of custodian	Date	Serial Number		Signature of issuing officer	Date of Return	Signature of custodian
	From	To			From	To			

# 1. Revenue Collection and Receipt

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## Para 1.4 Daily Collection Summary

- It should include details such as
  - the date of receipt
  - serial numbers of official receipts issued
  - nature of income
  - amount collected
  - the date of banking
- End of day checking
  - Supervisor should ensure that the cash/cheque received, official receipts issued and records in daily collection summary are matched.



## 2. Safe Custody of Cash, Cheque and Valuables

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### Para 2.1 Banking of Cash/Cheques

- Cash/cheque received should be banked as soon as possible (at least once a week or whenever a pre-approved limit has been reached).

# 3. Bank Account and Cheque

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## Para 3.2 Cheque and Cheque Book

- Spoiled or obsolete cheques should be effectively cancelled by stamping '**CANCELLED**' and signed by supervisor/authorising officer.
- Cheque books received should be recorded and signed for receipt in a Register.

# Cheque Book Register

Cheque Book Register

Received				Issued			Returned Cheque Stubs		
Date	Cheque Number		Signature of custodian	Date	Cheque Number		Signature of issuing officer	Date of Return	Signature of custodian
	From	To			From	To			

# 3. Bank Account and Cheque

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## Para 3.5 Bank Reconciliation Statement

- It should be prepared monthly for each bank current account.
- The preparing and reviewing officers should sign and date on the bank reconciliation statement.
- The outstanding items on the statement should be followed up promptly.

# Bank Reconciliation Statement

## Bank Reconciliation Statement

	\$																								
<b>Balance per Bank Statement as at DD/MM/YY (month end)</b>	<b>X</b>																								
<u>Less : Unpresented cheques</u>																									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Cheque Date</u></th> <th style="text-align: left;"><u>Cheque No.</u></th> <th style="text-align: left;"><u>Amount</u></th> <th></th> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">\$</td> <td></td> </tr> </thead> <tbody> <tr> <td>DDMMYY</td> <td>A1</td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td>DDMMYY</td> <td>A2</td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td>DDMMYY</td> <td>A3</td> <td style="text-align: center;">X</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">_____</td> <td style="text-align: right;">(X)</td> </tr> </tbody> </table>	<u>Cheque Date</u>	<u>Cheque No.</u>	<u>Amount</u>				\$		DDMMYY	A1	X		DDMMYY	A2	X		DDMMYY	A3	X				_____	(X)	
<u>Cheque Date</u>	<u>Cheque No.</u>	<u>Amount</u>																							
		\$																							
DDMMYY	A1	X																							
DDMMYY	A2	X																							
DDMMYY	A3	X																							
		_____	(X)																						
Income credited not yet taken up in Cash Book	(X)																								
<u>Add :</u> Payments made by autopay not yet recorded in Cash Book	X																								
Income received not yet banked	X																								
<b>Balance per Cash Book as at DD/MM/YY (month end)</b>	<b><u>X</u></b>																								

*Follow-up action required*

**Preparing officer:**  
**Date:**

**Reviewing officer:**  
**Date:**

# 4. Petty Cash

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## Para 4.2 Authorization of Petty Cash Payment

- The officer who authorises petty cash payment to individual claimants should not be the petty cash holder.

## Para 4.3 Evidence on Receipt of Petty Cash

- The claimants should sign on the invoices/vouchers to give evidence of their receipt of the claims.
- All invoices/claim forms should be immediately stamped with a '**PAID**' chop upon settlement of the claims to prevent duplicate payments.

# 5. Payment

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## Para 5.2 Details and Supporting Documents of Payment Vouchers

- Preparing officer, checking officer and approving officer should sign and date on each payment voucher.
- All paid vouchers and invoices must be stamped with the word '**PAID**' by the paying officer to prevent duplicate payment.

# 6. Programme Income and Expenses

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## Para 6.2 Programme Expenses

- Programme advances should be properly authorised and made to appointed programme organizer only.
- Time lag between programme date and date of advances should be kept to minimum.
- Balances of unspent advances should be promptly returned usually not later than one month from the completion of the programme.



# 7. Fixed Assets

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## Para 7.2 Fixed Asset Register

- It should contain the following information:
  - (a) description of the assets
  - (b) assigned asset numbers
  - (c) physical location
  - (d) date of acquisition
  - (e) cost of acquisition and source of fund to acquire the assets
  - (f) dates, reasons and authority for disposals (if any).

## Para 7.3 Physical Checking of Assets

- It should be conducted at least once a year.

## 8. Accounting Records and Financial Reports

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- Ledgers should contain adequate cross-reference to supporting documents, e.g. voucher no.
- For proper accounting record and control, accounting records, including the following, should be properly prepared, checked and authorised:
  - receipt vouchers
  - payment vouchers
  - petty cash vouchers
  - daily collection summary
  - bank reconciliation statements

# 9. Procurement

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- Agency should have laid-down procurement procedures in line with the LF Manual.

## 6.2 Quotation and Tender Ceilings

6.2.1 Except as provided in paragraphs 6.3.2 and 6.6.9 below, the quotation / tender ceilings are as follows –

<b>Value of a single procurement / contract</b>	<b>Quotation / tender requirement</b>
(a) Not exceeding \$5,000	Quotations or tenders may be dispensed with.
(b) Exceeding \$5,000 and not exceeding \$20,000	NGOs should obtain quotations from at least two contractors or suppliers. All verbal quotations should be properly documented or confirmed in writing. Written quotations are however required for the appointment of APs or Consultants.

**Value of a single procurement / contract**

**Quotation / tender requirement**

- (e) (i) For works projects exceeding \$1,000,000
- (ii) For services exceeding \$500,000
- (iii) For stores exceeding \$200,000

NGOs must conduct tendering with tender documents containing all requirements and specifications. Where a marking scheme is adopted for assessment of tenders, this should be drawn up before inviting tenders.



# Common Findings on Internal Control

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# Common Findings on Internal control

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- There was no segregation of duties in revenue collection.
- Details of receipts were not recorded in the collection summary. ▶
- Official Receipt Register and Cheque Book Register were not properly maintained. ▶
- Long-outstanding cheques were not followed up promptly.

# Common Findings on Internal Control

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- Claimants did not acknowledge receipt of petty cash reimbursement.
- Invoices were not stamped 'PAID' upon payment/settlement.
- Balances of unspent programme advances were not returned within one month after the completion of the programmes.
- Details of assets were not recorded in the Fixed Assets Register. ▶

# Common Findings on Internal Control

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- Annual physical check of fixed assets was not conducted.
- Preparing and/or checking/authorising officers did not sign and/or date on accounting records. ▶
- Procurement requirements were not in line with the LF Manual.





~ Q&A ~




~ ***END*** ~

***Thank You!***

# 1. Revenue Collection and Receipt

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## Para 1.4 Daily Collection Summary

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