



10 October 2018

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON EXPOSURE DRAFT PRACTICE NOTE

ED Practice Note 850 (Revised) *Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department*

Comments to be received by 10 November 2018

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee is seeking comments on the ED which has been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/exposure-drafts/>

The Social Welfare Department has revised the Application Form For Flag Days and the Public Subscription Permit Application Form for charitable fund-raising activities in April and August 2018 respectively. The Permit Conditions set out in both application forms are revised.

The key changes to the Permit Conditions for both flag days and charitable fund-raising activities are:

- a) The Permittee is required to prepare and submit an income and expenditure account ("I/E account") (including related notes) together with the auditor's report thereon within 90 days after the flag day/ of the last event day to the Director of Social Welfare for checking and uploading to GovHK website for public inspection for 12 months.
- b) The Permittee is required to prepare an I/E account on accrual basis. In addition, the Permittee should credit the amount of all the flag day proceeds collected/ the balance of donations into the bank account concerned before being used for payment of expenditures for flag days/ spending on the purpose specified in the permit within 60 days after the flag day/ of the last event day or before the commencement of work by an accountant, whichever is earlier. The Permittee is also required to state the amount of all the flag day proceeds collected/ the balance of donation, and the relevant bank-in dates in the notes to the I/E account.

PN 850 is revised to incorporate the changes arising from the revised Permit Conditions.

To align with the effective dates of the revised Permit Conditions, the PN will be effective for flag days to be held on or after 1 April 2019 and for applications for general charitable fund-raising activities made on or after 1 August 2018.

In order for readers to easily identify all the proposed changes, a marked-up version accompanies a clean version of the ED.



Comments on the proposed changes should be supported by specific reasoning and should be submitted in written form. To allow your comments on the ED to be considered, comments are requested by the due date shown above.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37/F., Wu Chung House
213 Queen's Road East
Hong Kong

Fax number (+852) 2865 6776

E-mail: commentletters@hki CPA.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

10 October 2018
Exposure Draft

Response Due Date
10 November 2018

ED of PN 850 (Revised)

Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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ED of PN 850 (Revised) *Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department*

This Exposure Draft may be filed in the "Exposure Drafts, Invitations to Comment" section of Volume III of the Institute Members' Handbook.

The Exposure Draft can also be found on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/exposure-drafts/>.



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Effective for flag days to be held on or after 1 April 2019 and
for applications for general charitable fund-raising activities made
on or after 1 August 2018

Practice Note 850 (Revised)

Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

**PRACTICE NOTE
850 (REVISED)**

**REPORTING ON FLAG DAYS AND GENERAL CHARITABLE FUND-RAISING
ACTIVITIES COVERED BY PUBLIC SUBSCRIPTION PERMITS ISSUED BY THE
SOCIAL WELFARE DEPARTMENT**

(Issued [] 2018

*Effective for flag days to be held on or after 1 April 2019 and for applications for general charitable
fund-raising activities made on or after 1 August 2018)*

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Practice Note (PN) 850 (Revised) "Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department" should be read in the context of the "Amended Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements" which sets out the application and authority of PNs.

**PRACTICE NOTE
850 (REVISED)**

**REPORTING ON FLAG DAYS AND GENERAL CHARITABLE FUND-RAISING
ACTIVITIES COVERED BY PUBLIC SUBSCRIPTION PERMITS ISSUED BY THE
SOCIAL WELFARE DEPARTMENT**

The purpose of Practice Notes issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) is to assist the practitioner in applying Hong Kong Engagement Standards of general application to particular circumstances and industries.

Practice Notes are persuasive rather than prescriptive. However they are indicative of good practice and have similar status to the explanatory material in Hong Kong Engagement Standards. This Practice Note provides guidance to assist the practitioner to fulfill the objectives of the engagement. The practitioner should be prepared to explain departures when called upon to do so.

Introduction

1. In Hong Kong, the most common fund-raising activities include flag days, collection boxes placed in stationed counters, charity sales of commodities, charity walks, balls, concerts, variety shows and film premieres, etc.
2. The Social Welfare Department ("SWD") of the Government of the Hong Kong Special Administrative Region issues a Public Subscription Permit ("the Permit") under Section 4(17)(i) of the Summary Offences Ordinances for (a) holding flag days and (b) general charitable fund-raising activities in public places.
3. In accordance with the conditions of the Permit issued by the SWD, an organisation that is allowed to organise a collection of donations on a flag day or general charitable fund-raising activities in public places ("the permittee") is required to prepare an income and expenditure account on an accrual basis. The organization is also required to state the following in the notes to the income and expenditure account:
 - a. For flag days, the amount of all the flag day proceeds collected that have been credited to the designated bank account of the permittee before being used for payment of expenditures for flag days and/ or the purpose(s) specified in the Permit, and the date of which the proceeds are credited;
 - b. For general charitable fund-raising activities, the balance of donations (after deducting payment made for expenses, if any, incurred for the activities) that has been credited to the bank account concerned before spending on the purpose(s) specified in the Permit, and the relevant bank-in date.

The bank-in dates of the amounts in items a. and b. above should be (i) within 60 days after the flag day/ of the last event day or (ii) before the commencement of work by a practitioner, whichever is earlier.

4. Under the Permit conditions, the permittee is required to engage a practitioner to prepare an independent assurance report on such income and expenditure account in accordance with this Practice Note. The guidance contained in this Practice Note contemplates the issuance of a limited assurance report on donations and expenses that have been recorded in the permittee's books and records in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("HKSAE 3000 (Revised)"). The SWD has agreed that such an approach is acceptable to the SWD for the purpose of satisfying the Permit conditions.

The objective of carrying out such a limited assurance engagement is to enable a practitioner to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to the practitioner's attention that causes the practitioner to believe that the income and expenditure account does not reflect, in all material respects, the gross subscriptions raised and the expenses incurred by the permittee that have been recorded in the permittee's books and records.

5. Under the Permit conditions, the permittee is required to submit an income and expenditure account (including related notes) together with the practitioner's report within 90 days after the flag day/ of the last event day to the Director of Social Welfare for checking and uploading to the GovHK website for public inspection for 12 months. Full details of the conditions of the Permit can be obtained from the website of the SWD: http://www.swd.gov.hk/en/index/site_pubsvc/page_controlofc/sub_publicsubs/.

Scope and approach

6. The purpose of this Practice Note is to provide guidance on the reporting requirements in connection with flag days and general charitable fund-raising activities so as to achieve a greater degree of uniformity and to assist practitioners when undertaking such engagements. This Practice Note has been prepared after consultation with the SWD.
7. This Practice Note sets out the special considerations relating to the reporting on flag days and general charitable fund-raising activities as required by the SWD. It is not intended to provide step-by-step guidance.

Special features of flag days and general charitable fund-raising activities

8. General charitable fund-raising activities covered by a Permit cover activities conducted in public places such as
 - Charity sale or exchange of badges, tokens or similar articles;
 - Door to door collection of donations, for example in public housing estates;
 - Stationing donation boxes at fixed locations;
 - Charity rides; and
 - Passing of offering bags/boxes.
9. A common feature of flag days and general charitable fund-raising activities is the receipt of voluntary income by way of cash donations. Unlike the income of commercial entities, such voluntary income will not be supported by invoices or equivalent documentation. Other alternative evidence relating to completeness and accuracy of income and also related expenses may not be available or practicable to obtain. Accordingly, obtaining evidence as to the completeness and accuracy of recorded donations and related expenses may therefore be difficult or not feasible.
10. The level of income from donations received on a flag day or a general charitable fund-raising activity cannot be predicted with any great accuracy as people's patterns of giving may change. It is also difficult to establish a relationship between donations and other figures in an income and expenditure account as expenditure levels may not have any direct relationship to such income.
11. Another feature is the use of volunteers in collecting cash donations. A volunteer is normally less accountable than an employee of an organisation.

Management's responsibilities

12. The management of a permittee¹ needs to make arrangements to implement appropriate controls to help ensure as far as reasonably practicable that all income from a flag day/ general charitable fund-raising activity to which the permittee is entitled and all related expenses are properly accounted for. It is also important for permittees to have controls not only over collecting monies, but also over the recruitment of collectors as well as controls over the deposit of monies collected, control over expenditure and the preparation of accounts relating to such flag days/ general charitable fund-raising activities.
13. The management is responsible for the preparation of the income and expenditure account for each flag day/ general charitable fund-raising activity as required by the conditions in the Permit. They are also responsible for the maintenance of proper books and records to ensure that all income and expenses are properly accounted for and recorded in the books and records of the permittee.
14. Under the Permit conditions, the income and expenditure account of the flag day/ general charitable fund-raising activity is required to be prepared on an accruals basis. The income and expenditure account should comprise statements on:
 - a. the purpose(s) of the flag day/ general charitable fund-raising activities;
 - b. all the proceeds from the flag day/ general charitable fund-raising activities; and
 - c. a detailed breakdown of each disbursement item related to the flag day/ general charitable fund-raising activities (e.g. auditing fee, transportation expenses, printing and stationery, etc).²
15. In accordance with the conditions of the Permit, the management is required to disclose in the notes to the income and expenditure account:
 - a. For flag days, the amount of all the flag day proceeds collected that have been credited to the designated bank account of the permittee before being used for payment of expenditures for flag days and/ or the purpose(s) specified in the Permit, and the date of which the proceeds are credited;
 - b. For general charitable fund-raising activities, the balance of donations (after deducting payment made for expenses, if any, incurred for the activities) that has been credited to the bank account concerned before spending on the purpose(s) specified in the Permit, and the relevant bank-in date.

The management should ensure that the bank-in date of the flag day proceeds/ donations is within 60 days after the flag day/ of the last event day or before the commencement of work by a practitioner, whichever is earlier.

¹ In the interest of simplicity, the terms "management" and "permittee" are used throughout this Practice Note. However, depending on the entity's structure, reference to "management" may be construed as reference to a charity's trustees, board of directors, council members, committee members or equivalent who take charge of the charity's management. Furthermore, the entity organising the general charitable fund-raising activity may not necessarily be a charity, therefore the term "permittee" is used.

² Samples of the income and expenditure account for a flag day and a general charitable fund-raising activity can be found on the SWD's website for reference.

For a flag day: https://www.swd.gov.hk/en/index/site_pubsvc/page_controlofc/sub_flagdays/ .

For a general charitable fund-raising activity:

https://www.swd.gov.hk/en/index/site_pubsvc/page_controlofc/sub_generalcha/

16. The management is responsible for ensuring that the practitioner has access, at all reasonable times, to all records, documents, books, and accounts and to such information and explanations that, in the practitioner's opinion, are necessary to conduct the engagement.

Practitioner's responsibilities

17. The practitioner is responsible for reporting on the income and expenditure account prepared by the management of the permittee for each flag day/ general charitable fund-raising activity when he is engaged to do so.
18. The practitioner should obtain an understanding of the internal controls of the permittee in organising a flag day/ general charitable fund-raising activity in order to plan the engagement. A list of recommended procedures for reporting on flag days/ general charitable fund-raising activities is set out in Appendix I.
19. The practitioner may be unable to obtain sufficient appropriate evidence that all donations received and expenses incurred in respect of a flag day/ general charitable fund-raising activity were indeed recorded by the permittee due to the special features of such activities that have been noted above.
20. The practitioner's report would include a paragraph explaining these difficulties, the restricted scope of the practitioner's work, and that the practitioner would not be able to determine whether the income and expenditure account and the books and records of the permittee include all transactions relating to the flag day/ general charitable fund-raising activity. Instead, the practitioner's work covers those items of income and expenditure that have been recorded in the permittee's books and records.
21. Notwithstanding the inherent limitations typically encountered by practitioners in respect of obtaining evidence as to the completeness of donations received from a flag day/ general charitable fund-raising activity, a practitioner should nevertheless be alert for specific circumstances arousing suspicion that there has been deliberate omission of items from the income and expenditure account or circumstances suggesting misappropriation of donations. Where such circumstances arise, the practitioner should consider the impact on his report and the need to raise those matters with the permittee's management and/or those charged with governance.
22. The practitioner should comply with the requirements of the Institute's Code of Ethics for Professional Accountants.
23. When conducting an engagement following the guidance in this Practice Note, the practitioner conducts a limited assurance engagement in accordance with HKSAE 3000 (Revised).
24. The practitioner should plan and perform the engagement with an attitude of professional skepticism recognizing that circumstances may exist which cause the income and expenditure account to be materially misstated (for example due to fraud or error).
25. For the purpose of expressing a limited assurance conclusion in the assurance report, the practitioner should obtain sufficient appropriate evidence to be able to draw a conclusion.

Engagement letters

26. The practitioner should agree the terms of the engagement with the permittee. To avoid misunderstandings, the agreed terms should be recorded in an engagement letter or other suitable form of contract. General guidance on engagement letters is set out in HKSA 210 "Agreeing the Terms of Audit Engagements".

Addressee of engagement letter

27. It may not always be obvious to whom the engagement letter should be addressed. The practitioner will need to review the governing document of the permittee to ascertain who the appointing authority is, as the engagement letter should be addressed to that authority. If the appointing authority is not engaged in the day-to-day running of the permittee or the management of the flag day/ general charitable fund-raising activity, the practitioner may wish to send an additional copy of the engagement letter to the chief executive or the persons responsible for its day-to-day management or the management of the flag day/ general charitable fund-raising activity, if applicable.

Example of engagement letter

28. Appendix II gives a specimen engagement letter for the reporting of a flag day/ general charitable fund-raising activity.

Control procedures on the completeness of donations receipts and expenses

29. Notwithstanding that limitations may exist in respect of evidence as to the completeness of the donations received and related expenses incurred in respect of a flag day/ general charitable fund-raising activity, the following sets out some common control procedures on the completeness of income and expenses which may be applicable to flag days/ general charitable fund-raising activities. Certain particular difficulties for management of the permittee in establishing control procedures can stem from the use of volunteers (often on a part-time basis) who are not formally accountable to them, unlike employees, and the use of collecting boxes and tins. Nevertheless, it is important for permittees raising income through collections undertaken by volunteers to ensure that collectors are adequately supervised and controlled and the donations collected are complete and recorded. The procedures below are not intended to be comprehensive: there may be other control procedures which are of general application (such as segregation of duties) which are not included in the examples given below. The nature and extent of the procedures will clearly depend on the size of the permittee and the nature of the general charitable fund-raising activity.

- a. Recruitment and use of volunteers / collectors
 - i. Separate records of personal details (e.g. name and identity card number) should be kept for each collector.
 - ii. The conditions set out in the Permit (e.g. no children under 14 years of age are to be permitted to sell flags) should be adhered to.
 - iii. Collectors should be briefed on the policies and procedures for collections.
 - iv. Collectors should be properly supervised.
 - v. In addition, for those permittees that use cash collectors from outside their own organisations, additional controls would need to be considered to ensure that
 - the recruitment is properly approved by management, and
 - the recruited individual is a fit and proper person to conduct such collection.
- b. Collecting boxes and tins
 - i. Name of the permittee should be printed prominently on collecting boxes and tins.

- ii. Sufficient publicity coverage should be arranged for the flag day/ general charitable fund-raising activity so that the general public is aware of the activity and who the organiser is.
- iii. The permittee should implement a numerical control over boxes and tins.
- iv. There should be satisfactory sealing of boxes and tins so that any opening prior to recording cash is apparent.
- v. Collectors (each has his or her own box or tin) should work in teams of more than one person. The identity of collectors should be checked and recorded before assigning boxes and tins to them (e.g. by checking their identity cards).
- vi. Collectors should be required to sign to acknowledge both the initial receipt of the collecting box or tin and the return of the box or tin after the activity.
- vii. Boxes and tins should be opened in the presence of at least two persons approved by the management to be fit and proper. The counting and recording of receipts should be carried out by one staff of the permittee and checked by a senior officer. The certificate of cash counts should be signed by the counter upon completion of counting and counter-signed by the other senior officer as evidence of checking. Where the opening of boxes and tins, and/or counting and recording of receipts are delegated to a third party, the management should ensure that the third party will have adequate controls in place to ensure that the functions will be carried out satisfactorily.

General control procedures

30. It is important that the management of a permittee establishes appropriate internal controls in relation to preparation of the income and expenditure account for each flag day/ general charitable fund-raising activity as required by the conditions in the Permit. Some examples of appropriate internal controls include the following:
 - a. A separate income and expenditure account is maintained for each flag day/ general charitable fund-raising activity;
 - b. All donations and expenses should be recorded in the books and records as and when they are received and incurred;
 - c. All donation receipts and related expense payments should be supported by documentation (e.g. records of collection summary, original invoices, debit notes etc.) and properly filed:
 - Records of cash and cheques received agree with bank pay-in slips and bank statements;
 - All expenses are appropriately authorised before payments are made; and
 - d. Regular bank reconciliations should be carried out.

The types of controls will vary from situation to situation and the foregoing is solely for illustrative purposes.

Management representations

31. General guidance on management representations is set out in HKSA 580 "Written Representations".

32. The practitioner should obtain written representations (for example, by way of a representation letter) from the permittee's management in respect of management representations that the practitioner considers are of significance in forming his conclusion. For example, the practitioner should consider obtaining written confirmation that adequate controls to ensure completeness of cash donations were implemented on the day of (or period of) the flag day/ general charitable fund-raising activity as it would generally be impracticable for the practitioner to observe the operations of all controls given that the collections frequently take place at various different locations and involve a large number of teams of collectors.
33. The management of a permittee as a whole is responsible for the contents and presentation of the income and expenditure account. Consequently, approval of the content of any written representation by the management is necessary. Where the appointing authority is not involved in the day-to-day running of the permittee or the management of the flag day/ general charitable fund-raising activity, representations would be given by the persons responsible for the running of the permittee or the management of the flag day/ general charitable fund-raising activity, if applicable. In such circumstances, the practitioner may wish to obtain evidence that such representations have been considered and approved by the appointing authority.

Reporting

Addressee of limited assurance report

34. The limited assurance report by the practitioner on the income and expenditure account would be addressed to the same appointing authority as the engagement letter.

Example of limited assurance report

35. Examples of the limited assurance report on the income and expenditure account in English and Chinese are set out in Appendix III and Appendix IV respectively.

Qualified conclusions, adverse conclusions and disclaimers of conclusion

36. The example reports set out in Appendix III and Appendix IV to this Practice Note are unmodified. However circumstances may arise where the practitioner believes that an unmodified conclusion is not appropriate. Accordingly, this Practice Note does not preclude the practitioner from modifying the report including issuing a qualified, adverse, or disclaimer of conclusion or to include an emphasis of matter paragraph to draw attention to a specific matter disclosed in the income and expenditure account. When issues arise during the course of an engagement, the practitioner should consider their impact on the report. The practitioner should refer to HKSAE 3000 (Revised) for further guidance.

Other reporting responsibilities

37. The practitioner should consider other reporting responsibilities, including the appropriateness of communicating relevant matters of governance interest arising from the engagement with those charged with governance and to consider their impact on the engagement. Although the practitioner is not required, when carrying out an engagement pursuant to this Practice Note, to design procedures for the specific purpose of identifying matters of governance interest, during the course of the engagement the practitioner may note weaknesses/breakdown in internal controls which he considers to be material including, for example, fraud or material errors. These instances should generally be brought to the attention of the management and/or those charged with governance of the permittee. The practitioner should also consider their impact on the engagement. Where appropriate, the practitioner may provide recommendations for improvement, where applicable.

Appendix I

Recommended procedures for reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department

The nature and extent of procedures to be carried out for the purposes of reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department ("SWD") are determined by the practitioner's professional judgement in each individual case. The list given in this appendix is not exhaustive, nor is it intended that all the procedures suggested apply to every reporting engagement.

When conducting these suggested or other procedures pursuant to reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the SWD, it is recommended that the practitioner is guided by HKSAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In accordance with HKSAE 3000 (Revised), the practitioner determines the nature, timing and extent of procedures to be carried out and carries out those procedures so as to ensure sufficient appropriate evidence is obtained on which to base the conclusions, and documents matters which are important to providing evidence to support that conclusion.

1. Cash donations

Objective	Recommended procedure
i) To establish the completeness of cash donations.	a) Review the policies and control procedures set up by the permittee over the recruitment and use of volunteers/ collectors and, where appropriate, over the collecting boxes and tins to assess whether these policies and procedures would be adequate to ensure the completeness of cash donations, if they were adhered to in practice.
	b) Perform tests on controls implemented by the permittee, in particular, the practitioner considers whether those suggested control procedures over the recruitment and use of volunteers/ collectors and over the collecting boxes and tins as stated in this Practice Note have been properly implemented by the permittee.
	c) Observe the cash counting procedures and controls, in particular, perform tests of controls: <ul style="list-style-type: none"> - to establish whether all collecting boxes and tins have been returned, and - to establish whether all cash received was properly recorded.

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ii) To establish the existence of cash donations.	a) Check evidence of cash counts and double checking (e.g. that the certificate of cash counts is duly signed by the counters and counter signed by another senior officer of the permittee).
	b) Check that cash receipts are deposited in the permittee's own bank accounts within the time frame set out in the conditions of the Permit and included in the bank statements (if available).
	c) Test check receipts from the bank statements to the cash book and to the copies of the bank pay-in slips.

2. Disbursements

Objective	Recommended procedure
i) To establish the completeness of disbursements and the existence of disbursements.	a) Test check payments from the bank statements to the cash book.
	b) Test check payments to supporting documentation.
	c) Perform a search for unrecorded liabilities by reviewing the payments made subsequent to the flag day or a general charitable fund-raising activity and the unpaid purchase invoices that should be accrued in the Income and Expenditure Account.
	d) Test check the analysis of payments in the cash book.

3. Disclosure

Objective	Recommended procedure
i) To establish whether the disclosure in the flag day or a general charitable fund-raising activity accounts agree with the underlying records.	a) Agree balances as stated in the flag day or general charitable fund-raising activity accounts to the underlying records.
	b) Check the classification and disclosure of items in the flag day or general charitable fund-raising activity accounts.

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	<p>c) For the disclosure note as mentioned in paragraph 15:</p> <p><i>For flag day:</i></p> <ul style="list-style-type: none">- agree the amount of flag day proceeds collected and the bank-in date(s) to the bank-in slip(s)/ bank statement(s). <p><i>For general charitable fund-raising activity:</i></p> <ul style="list-style-type: none">- agree the balance of donations after deducting expenses, if any, to the income and expenditure account;- check the amount of accrued expenditure to payments made subsequent to the bank-in date and the unpaid purchase invoices; and- agree the bank-in amount and date(s) for the net balance of donations to bank-in slip(s)/ bank statement(s).
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Appendix II

Example engagement letter for reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department

The following engagement letter is to be used as a guide and will need to be adapted according to individual requirements and circumstances.

To the [Management][Trustees][Directors][Council][Committee Members]³ of [Name of permittee] ("the Permittee")

Objective of services

- 1.1 You have requested that we report on the income and expenditure account of the Permittee's [flag day fund-raising][general charitable fund-raising] activity held [on [date of event]][during the period from [date] to [date]] ("the Event"). We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our work will be conducted with the objective of our expressing a conclusion on the income and expenditure account.

Responsibilities of the [Management][Trustees][Directors][Council][Committee Members]³

- 2.1 In applying for the Public Subscription Permit ("Permit") issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD") for collecting donations in a public place, you are responsible, as the permit holder, for closely monitoring the Event and accounting for the monies collected which the public have contributed and complying with conditions stated in the Permit. You are obliged to prepare the income and expenditure account which comprises statements on:
- a. the purpose(s) of the Event;
 - b. [(i) the amount raised by street collections and by other forms of appeals in connection with the Event separately;
(ii) the gross receipts from the Event; and]⁴

[all the proceeds from the Event; and]⁵
 - c. a detailed breakdown of each disbursement item related to the Event.
- 2.2 You are also required to disclose in the notes to the income and expenditure account the [amount of all the proceeds collected that have been credited to the designated bank account of the permittee before being used for payment of expenditures and/ or the purpose(s) specified in the Permit, and the date of which the proceeds are credited]⁴ [the balance of donations (after deducting payment made for expenses incurred for the activities) that has been credited to the bank account concerned before spending on the purpose(s) specified in the Permit, and the relevant bank-in date]⁵.

³ The addressee of the engagement letter should be consistent with that of the report in Appendix III.

⁴ Applicable for flag day fund-raising activities.

⁵ Applicable for general charitable fund-raising activities.

- 2.3 You are required to ensure that the bank-in date of the [flag day proceeds]⁴ [donations]⁵ is within 60 days [after the Event]⁴[of the last Event day]⁵, or before the commencement of work by us, whichever is earlier.
- 2.4 As [management][trustees][directors][council][committee members]³ of the Permittee, you are responsible to implement appropriate controls to ensure as far as reasonably practicable that all income from the Event to which the Permittee is entitled and all related expenses are properly accounted for. It is also important for the Permittee to have controls not only over collecting monies, but also over the recruitment of collectors as well as controls over the deposit of monies collected, control over expenditure and the preparation of accounts relating to the Event.
- 2.5 You are responsible for ensuring that the Permittee maintains proper books and records such that all income and expenses are properly accounted for and recorded.
- 2.6 You are also responsible for making available to us, all records, documents, books, and accounts and to such information and explanations that, in our opinion, are necessary to conduct the engagement.

Responsibilities of the practitioner

- 3.1 Our responsibility is to report to you for your onward submission to the Director of Social Welfare stating whether or not, anything has come to our attention that causes us to believe that the income and expenditure account does not reflect, in all material respects, the gross subscriptions raised and the expenses incurred by the Permittee in respect of the Event that have been recorded in its books and records made available to us in accordance with the basis of preparation.

Scope and limitations of our work

- 4.1 Our work will be carried out in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 850 (Revised), *Reporting on Flag days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department* issued by the Hong Kong Institute of Certified Public Accountants. Our work will consist of limited procedures for obtaining sufficient appropriate evidence to be able to draw a conclusion, such as inquiries primarily of persons responsible for financial and accounting matters[, analytical procedures applied to financial data] and other procedures we considered necessary [*further describe as necessary*].
- 4.2 Our work undertaken is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
- 4.3 Furthermore, due to the nature of cash receipts and expenses relating to the Event, it will not be practicable for us to determine whether the income and expenditure account and the books and records of the Permittee include all transactions relating to the Event. It will be impracticable for us to quantify the potential impact of this on the income and expenditure account. Accordingly, our report relates solely to the income and expenditure account prepared from transactions that have been recorded in the Permittee's books and records.
- 4.4 As part of our procedures, we will request you to provide written confirmation concerning representations which we have received from you during the course of the engagement on matters having a material effect.

Reporting and distribution

- 5.1 Our report is intended solely for the purpose of assisting the Permittee to satisfy the conditions stated in the Public Subscription Permit issued by SWD in connection with the Event and is not intended to be, and should not be, used for any other purpose.
- 5.2 We will agree that a copy of the report once issued may be provided to the Director of Social Welfare without further comment from us.

Fees

- 6. [In view of the charitable nature of the organisation, the work is carried out on an honorary basis.] OR [Our fees are computed on the basis of the time spent on your affairs by the partners and our staff and on the levels of skill and responsibility involved plus out-of-pocket expenses. Fees will be due and payable on presentation.]

Agreement of terms

- 7. Once it has been agreed, this letter will remain effective, from one appointment to another, until it is replaced. Please sign and return the enclosed copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our report on the income and expenditure account including our respective responsibilities.

Yours faithfully

ABC & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

Date

We agree to the terms of this letter.

[Manager][Trustee][Director][Council member][Committee Member], for and on behalf of the
[Management][Trustees][Directors][Council][Committee Members]³ of [Name of permittee]

Date

Appendix III

Example unmodified assurance report on the income and expenditure account of flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

To the [Management][Trustees][Directors][Council][Committee Members] of [Name of Permittee]
("the Permittee")

Public Subscription Permit No: [FD/XXX/201X][201X/XXX/X]

Pursuant to the conditions stated in the Public Subscription Permit issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD"), we have been requested to report on the attached income and expenditure account of the Permittee's [territory-wide flag day fund-raising activity][regional flag day fund-raising activity in [Hong Kong Island][Kowloon][New Territories] region][general charitable fund-raising activity] held [on [date of event]][during the period from [date] to [date]] ("the Event").

Responsibilities of the [Management][Trustees][Directors][Council][Committee Members]

The [Management][Trustees][Directors][Council][Committee Members] [is][are] responsible for preparing the attached income and expenditure account in accordance with the basis of preparation set out in note [], setting out the gross subscriptions raised from the Event and the expenses incurred in connection with the Event, in order to comply with the conditions stated in the Public Subscription Permit issued by the SWD. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the income and expenditure account so that it reflects the subscriptions raised and expenses incurred in connection with the Event and is free from material misstatement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1⁶ and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to form a conclusion on the attached income and expenditure account, based on our engagement, and to report our conclusion to you.⁷

⁶ HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

⁷ Practitioners may consider it appropriate to clarify to whom they are responsible here or elsewhere in the report in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report."

REPORTING ON FLAG DAYS AND GENERAL CHARITABLE FUND-RAISING ACTIVITIES COVERED BY PUBLIC
SUBSCRIPTION PERMITS ISSUED BY THE SOCIAL WELFARE DEPARTMENT

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 850 (Revised), *Reporting on Flag days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department* issued by the HKICPA. We have planned and performed our work to obtain limited assurance for giving our conclusion below.

The work undertaken in connection with this engagement is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement included carrying out limited procedures for obtaining sufficient appropriate evidence to be able to draw a conclusion, such as inquiries primarily of persons responsible for financial and accounting matters[, analytical procedures applied to financial data] and other procedures we considered necessary [*further describe as necessary*]. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent Limitations

Due to the nature of cash receipts and expenses relating to the Event, it was not practicable for us to determine whether the income and expenditure account and the books and records of the Permittee include all transactions relating to the Event. It was impracticable for us to quantify the potential impact of this on the income and expenditure account. Accordingly, our report relates solely to the income and expenditure account prepared from transactions that have been recorded in the Permittee's books and records.

Conclusion

Based on the foregoing, we report that nothing has come to our attention that causes us to believe that the attached income and expenditure account does not reflect, in all material respects, the gross subscriptions raised and the expenses incurred by the Permittee in respect of the Event that have been recorded in its books and records made available to us in accordance with the basis of preparation set out in note [].

Intended Users and Purpose

This report is intended solely for the purpose of assisting the Permittee to satisfy the conditions stated in the Public Subscription Permit issued by the SWD in connection with the Event and is not intended to be, and should not be, used for any other purpose. We agree that a copy of this report may be provided to the Director of Social Welfare without further comment from us.

[Name of firm]

[* Certified Public Accountants (Practising)/Certified Public Accountants]

[Practitioner's Address]

Hong Kong

[Date]

* Delete as appropriate

Example paragraph for notes to the income and expenditure account

1. General

The purpose of the [flag day fund-raising][general charitable fund-raising events] is for [...]⁸

2. Basis of preparation

The significant accounting policies are set out below:

The income collected and expenditure incurred for this event held [on [date of event]][during the period from [date] to [date]] are recognised on an accrual basis.

[etc./]

3. Donations credited to the bank

[All the flag day proceeds collected [i.e. \$XX] have been credited to the designated bank account of the Permittee before being used for payment of expenditures for the flag day and/ or the purpose(s) specified in the permit on [date]⁹.]¹⁰

[HK\$
Excess of income over expenditure	XXX
Add: accrued expenditure not yet paid as at [date] ¹¹	XXX
Net balance of donations deposited into Permittee's bank account on [date] ⁹	XXX] ¹²

⁸ The purpose of the fund-raising must agree with the purpose specified in the Public Subscription Permit.
⁹ If there are multiple deposit days, the Permittee may choose to state all the deposit days or the last deposit day. If choose to state the last deposit day, the word "on" should be changed to "by".
¹⁰ Applicable for flag day fund-raising activities.
¹¹ This date should be the same as the deposit day; for multiple deposit days, this should be the last deposit day.
¹² Applicable for general charitable fund-raising activities.

Appendix IV

獲發社會福利署公開籌款許可證的賣旗日/一般慈善籌款活動收支結算表的

無保留意見鑒證報告樣本

獨立執業會計師鑒證報告

致[獲發許可證的機構名稱]（「獲發許可證的機構」）[管理層][受託人][董事][理事會][委員會成員]

公開籌款許可證編號：[FD/XXX/201X][201X/XXX/X]

根據香港特別行政區政府社會福利署（「社會福利署」）發出的公開籌款許可證所列條件，我們應要求對隨附本報告書關於獲發許可證的機構於[[日期]][[日期]至[日期]]舉行的[全港賣旗日籌款活動][[港島][九龍][新界]分區賣旗日籌款活動][一般慈善籌款活動]（「有關活動」）的收支結算表作出報告。

[管理層][受託人][董事][理事會][委員會成員]的責任

根據社會福利署發出的公開籌款許可證所列條件，[管理層][受託人][董事][理事會][委員會成員]須負責按照附註●所載的編製基準編製隨附的收支結算表，列出有關活動所籌集的總捐款及實際開支。這責任包括設計、實施及維護與編製及列報收支結算表的內部監控，使收支結算表反映有關活動所籌集的捐款及實際開支不存在任何重大錯誤陳述。

執業會計師的獨立性和質量控制

我們遵守香港會計師公會（「公會」）頒布的《職業會計師道德守則》中對獨立性及其他職業道德的要求，有關要求是基於誠信、客觀、專業勝任能力和應有的關注、保密及專業行為的基本原則而制定的。

本所應用香港質量控制準則第 1 號¹³，因此保持一個完整的質量控制制度，包括制定有關遵守職業道德要求、專業準則，以及適用的法律及監管要求的政策和程序守則。

執業會計師的責任

我們的責任是根據我們鑒證工作的結果對隨附的收支結算表作出結論，並向[管理層][受託人][董事][理事會][委員會成員]報告¹⁴。

我們已根據公會頒佈的香港鑒證業務準則第 3000 號（經修訂）「非審核或審閱過往財務資料之鑒證工作」及參考公會所頒佈實務說明第 850 號（經修訂）「有關獲發社會福利署公開籌款許可證的賣旗日和一般慈善籌款活動之報告」（"Reporting on Flag days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department"）進行工作。我們已計劃及執行有關的工作，以對以下的結論獲取有限保證。

由於我們按照應聘條款進行工作的範圍較按照香港審計準則進行審核的範圍為小，所以不能保證我們會注意到在審核中可能會被發現的所有重大事項。因此，我們不會發表任何審核意見。

¹³ 香港質量控制準則第 1 號「會計師事務所對執行財務報表審計和審閱、其他鑒證和相關服務業務實施的質量控制」

¹⁴ 執業會員可酌情根據其風險管理政策及基於[專業風險管理公告第二期(Professional Risk Management Bulletin No.2)]之「核數師對第三方及於審核報告的審慎查核責任」(Auditors' Duty of Care to Third Parties and the Audit Report)於報告此部份或其他部份澄清其工作責任相對人。

我們的工作包括採取有限程序獲取充份和適當的憑證以作出結論，例如主要向負責財務會計事項的人員詢問[，對財務數據實施分析程序]及其他我們認為必要的程序[如必要則加以說明]。在有限鑒證工作中進行的程序，其性質及時間與合理鑒證工作不同，而範圍亦較小。因此，在有限鑒證工作中獲得的保證水平大幅低於在合理鑒證工作中所獲得的。

固有的局限

基於有關活動以現金收支，我們難以確定獲發許可證的機構的收支結算表及帳冊與帳目紀錄是否已包括所有有關活動的交易，亦難以量化其對收支結算表的潛在影響。因此，我們僅與按照獲發許可證的機構帳冊及帳目紀錄所載交易編製的收支結算表作出報告。

結論

根據以上所述，我們並沒有注意到任何事項，使我們相信隨附的收支結算表在所有重大方面沒有反映我們所獲取按照附註●所載的編製基準而編製的帳冊及帳目紀錄所載有關活動籌集的總捐款及實際開支。

擬作用途及使用者

本報告僅為協助獲發許可證的機構遵守社會福利署就有關活動所發出公開籌款許可證所列的條件而編撰，不擬亦不得用作其他用途。我們同意獲發許可證的機構可向社會福利署署長提供本報告，而毋須再徵詢我們意見。

[會計師事務所名稱]

[*執業會計師／會計師]

[執業會計師地址]

香港

[日期]

*請刪去不適用者

收支結算表附註樣本

1. 一般資料

[賣旗日][一般慈善籌款活動]籌款用作 [...] ¹⁵

2. 編製基準

重大會計政策如下：

於[[日期]][[日期]至[日期]]舉行的有關活動所籌集的收入及實際開支是按照應計制方式確認。

[例如]

¹⁵ 活動收支結算表內的籌款目的須與公開籌款許可證上所載的一致。

REPORTING ON FLAG DAYS AND GENERAL CHARITABLE FUND-RAISING ACTIVITIES COVERED BY PUBLIC
SUBSCRIPTION PERMITS ISSUED BY THE SOCIAL WELFARE DEPARTMENT

3. 存入銀行的捐款

[賣旗日籌得的所有款項[即 XX 港元]在支付賣旗日開支及 / 或用於許可證上註明的籌款目的之前，已在[日期]¹⁶存入獲發許可證機構指定的銀行帳戶。]¹⁷

[港元
淨收入	XXX
加：於[日期] ¹⁸ 未付的應計開支	XXX
於[日期] ¹⁶ 存入獲發許可證機構的銀行帳戶的捐款餘額	<u>XXX]¹⁹</u>

¹⁶ 若款項於不同日子存入銀行，獲發許可證機構可選擇列明所有存款日期或最後的存款日期。若選擇只列最後的存款日期，則應在該日期後加上「及之前」的字眼。

¹⁷ 賣旗日適用

¹⁸ 此日期應與存款日期一致；若款項於不同日子存入銀行，此日期應為最後的存款日期

¹⁹ 一般慈善籌款活動適用

PN 850 (Revised)
Revised March 2014; December 2015 Issued [] 2018

Effective for flag days to be held on or after 1 April 2019 and
for applications for general charitable fund-raising activities made
on or after 1 August 2018 upon issue

Practice Note 850 (Revised)

Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

**PRACTICE NOTE
850 (REVISED)**

**REPORTING ON FLAG DAYS AND GENERAL CHARITABLE FUND-RAISING
ACTIVITIES COVERED BY PUBLIC SUBSCRIPTION PERMITS ISSUED BY THE
SOCIAL WELFARE DEPARTMENT**

(Issued August 1999; revised January 2000, September 2004 (name change), March 2014, December 2015; [] 2018

Effective upon issue for flag days to be held on or after 1 April 2019 and for applications for general charitable fund-raising activities made on or after 1 August 2018)

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Practice Note (PN) 850 (Revised) "Reporting on Flag Days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department" should be read in the context of the "Amended Preface to the Hong Kong Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements" which sets out the application and authority of PNs.

**PRACTICE NOTE
850 (REVISED)**

**REPORTING ON FLAG DAYS AND GENERAL CHARITABLE FUND-RAISING
ACTIVITIES COVERED BY PUBLIC SUBSCRIPTION PERMITS ISSUED BY THE
SOCIAL WELFARE DEPARTMENT**

The purpose of Practice Notes issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) is to assist the practitioner in applying Hong Kong Engagement Standards of general application to particular circumstances and industries.

Practice Notes are persuasive rather than prescriptive. However they are indicative of good practice and have similar status to the explanatory material in Hong Kong Engagement Standards. This Practice Note provides guidance to assist the practitioner to fulfill the objectives of the engagement. The practitioner should be prepared to explain departures when called upon to do so.

Introduction

1. In Hong Kong, the most common fund-raising activities include flag days, collection boxes placed in stationed counters, charity sales of commodities, charity walks, balls, concerts, variety shows and film premieres, etc.
2. The Social Welfare Department ("SWD") of the Government of the Hong Kong Special Administrative Region issues a Public Subscription Permit ("the Permit") under Section 4(17)(i) of the Summary Offences Ordinances for (a) holding flag days and (b) general charitable fund-raising activities in public places.
3. In accordance with the conditions of the Permit issued by the SWD, an organisation that is allowed to organise a collection of donations on a flag day or general charitable fund-raising activities in public places ("the permittee") is required to prepare an statement of all monies received from the public subscription and every disbursement made from the monies so collected or received ("income and expenditure account") on an accrual basis. The organization is also required to state the following in the notes to the income and expenditure account:
 - a. For flag days, the amount of all the flag day proceeds collected that have been credited to the designated bank account of the permittee before being used for payment of expenditures for flag days and/ or the purpose(s) specified in the Permit, and the date of which the proceeds are credited;
 - b. For general charitable fund-raising activities, the balance of donations (after deducting payment made for expenses, if any, incurred for the activities) that has been credited to the bank account concerned before spending on the purpose(s) specified in the Permit, and the relevant bank-in date.

The bank-in dates of the amounts in items a. and b. above should be (i) within 60 days after the flag day/ of the last event day or (ii) before the commencement of work by a practitioner, whichever is earlier.

4. Under the Permit conditions, the permittee is required to engage a practitioner to prepare an independent assurance report on such income and expenditure account in accordance with this Practice Note of each flag day/general charitable fund-raising activity is required to be reported on by a practitioner. Although the Permit conditions refer to a review or an audit of the income and expenditure account, the guidance contained in this Practice Note contemplates the issuance of a limited assurance report on donations and expenses that

have been recorded in the permittee's books and records in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("HKSAE 3000 (Revised)"). The SWD has agreed that such an approach is acceptable to the SWD for the purpose of satisfying the Permit conditions. The objective of carrying out such a limited assurance engagement is to enable a practitioner to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to the practitioner's attention that causes the practitioner to believe that the income and expenditure account does not reflect, in all material respects, the gross subscriptions raised and the expenses incurred by the permittee that have been recorded in the permittee's books and records.

5. Under the Permit conditions, the permittee is required to submit an income and expenditure account (including related notes) together with the practitioner's report that is reported on by a practitioner is to be forwarded by the permittee to the Director of Social Welfare within 90 days after the flag day/ or of the last event day to the Director of Social Welfare for checking and uploading to the GovHK website for public inspection for 12 months as specified in the Permit. The permittee is also required to publish the income and expenditure account together with the limited assurance report issued by the practitioner as specified in the Permit within 90 days after the flag day or the last day of the activities. Full details of the conditions of the Permit can be obtained from the website of the SWD: http://www.swd.gov.hk/en/index/site_pubsvc/page_controlofc/sub_publicsubs/.

Scope and approach

6. The purpose of this Practice Note is to provide guidance on the reporting requirements in connection with flag days and general charitable fund-raising activities so as to achieve a greater degree of uniformity and to assist practitioners when undertaking such engagements. This Practice Note has been prepared after consultation with the SWD.
7. This Practice Note sets out the special considerations relating to the reporting on flag days and general charitable fund-raising activities as required by the SWD. It is not intended to provide step-by-step guidance.

Special features of flag days and general charitable fund-raising activities

8. General charitable fund-raising activities covered by a Permit cover activities conducted in public places such as
 - Charity sale or exchange of badges, tokens or similar articles;
 - Door to door collection of donations, for example in public housing estates;
 - Stationing donation boxes at fixed locations;
 - Charity rides; and
 - Passing of offering bags/boxes.
9. A common feature of flag days and general charitable fund-raising activities is the receipt of voluntary income by way of cash donations. Unlike the income of commercial entities, such voluntary income will not be supported by invoices or equivalent documentation. Other alternative evidence relating to completeness and accuracy of income and also related expenses may not be available or practicable to obtain. Accordingly, obtaining evidence as to the completeness and accuracy of recorded donations and related expenses may therefore be difficult or not feasible.
10. The level of income from donations received on a flag day or a general charitable fund-raising activity cannot be predicted with any great accuracy as people's patterns of giving may change. It is also difficult to establish a relationship between donations and other figures in an income and expenditure account as expenditure levels may not have any direct relationship to such income.

11. Another feature is the use of volunteers in collecting cash donations. A volunteer is normally less accountable than an employee of an organisation.

Management's responsibilities

12. The management of a permittee¹ needs to make arrangements to implement appropriate controls to help ensure as far as reasonably practicable that all income from a flag day/ general charitable fund-raising activity to which the permittee is entitled and all related expenses are properly accounted for. It is also important for permittees to have controls not only over collecting monies, but also over the recruitment of collectors as well as controls over the deposit of monies collected, control over expenditure and the preparation of accounts relating to such flag days/ general charitable fund-raising activities.
13. The management is responsible for the preparation of the income and expenditure account for each flag day/ general charitable fund-raising activity as required by the conditions in the Permit. They are also responsible for the maintenance of proper books and records to ensure that all income and expenses are properly accounted for and recorded in the books and records of the permittee.
14. ~~Under the Permit conditions in general, the income and expenditure account of the flag day/ general charitable fund-raising activity would be prepared on an accruals basis, in order to reflect the income and expenses of the flag day/ general charitable fund-raising activity meaningfully. However, in some situations the management may choose to adopt a cash basis to prepare the income and expenditure account. In either case, the basis of preparation should be clearly explained in the notes to the income and expenditure account and the management is responsible for ensuring that the basis of preparation is appropriate. The income and expenditure account should comprise statements on:~~
- a. the purpose(s) of the flag day/ general charitable fund-raising activities;
 - b. all the proceeds from the flag day/ general charitable fund-raising activities; and
 - c. a detailed breakdown of each disbursement item related to the flag day/ general charitable fund-raising activities (e.g. auditing fee, transportation expenses, printing and stationery, etc).²
15. In accordance with the conditions of the Permit, the management is required to disclose in the notes to the income and expenditure account:
- a. For flag days, the amount of all the flag day proceeds collected that have been credited to the designated bank account of the permittee before being used for payment of expenditures for flag days and/ or the purpose(s) specified in the Permit, and the date of which the proceeds are credited;
 - b. For general charitable fund-raising activities, the balance of donations (after deducting payment made for expenses, if any, incurred for the activities) that has been credited to the bank account concerned before spending on the purpose(s) specified in the Permit, and the relevant bank-in date.

¹ In the interest of simplicity, the terms "management" and "permittee" are used throughout this Practice Note. However, depending on the entity's structure, reference to "management" may be construed as reference to a charity's trustees, board of directors, council members, committee members or equivalent who take charge of the charity's management. Furthermore, the entity organising the general charitable fund-raising activity may not necessarily be a charity, therefore the term "permittee" is used.

² Samples of the income and expenditure account for a flag day and a general charitable fund-raising activity can be found on the SWD's website for reference.

For a flag day: https://www.swd.gov.hk/en/index/site_pubsvc/page_controlofc/sub_flagdays/.

For a general charitable fund-raising activity:

https://www.swd.gov.hk/en/index/site_pubsvc/page_controlofc/sub_generalcha/

The management should ensure that the bank-in date of the flag day proceeds/ donations is within 60 days after the flag day/ of the last event day or before the commencement of work by a practitioner, whichever is earlier.

16. The management is responsible for ensuring that the practitioner has access, at all reasonable times, to all records, documents, books, and accounts and to such information and explanations that, in the practitioner's opinion, are necessary to conduct the engagement.

Practitioner's responsibilities

176. The practitioner is responsible for reporting on the income and expenditure account prepared by the management of the permittee for each flag day/ general charitable fund-raising activity when he is engaged to do so.

187. The practitioner should obtain an understanding of the internal controls of the permittee in organising a flag day/ general charitable fund-raising activity in order to plan the engagement. ~~The practitioner should plan and perform the engagement with an attitude of professional skepticism.~~—A list of recommended procedures for reporting on flag days/ general charitable fund-raising activities is set out in Appendix I.

198. The practitioner may be unable to obtain sufficient appropriate evidence that all donations received and expenses incurred in respect of a flag day/ general charitable fund-raising activity were indeed recorded by the permittee due to the special features of such activities that have been noted above.

4920. The practitioner's report would include a paragraph explaining these difficulties, the restricted scope of the practitioner's work, and that the practitioner would not be able to determine whether the income and expenditure account and the books and records of the permittee include all transactions relating to the flag day/ general charitable fund-raising activity. Instead, the practitioner's work covers those items of income and expenditure that have been recorded in the permittee's books and records.

210. Notwithstanding the inherent limitations typically encountered by practitioners in respect of obtaining evidence as to the completeness of donations received from a flag day/ general charitable fund-raising activity, a practitioner should nevertheless be alert for specific circumstances arousing suspicion that there has been deliberate omission of items from the income and expenditure account or circumstances suggesting misappropriation of donations. Where such circumstances arise, the practitioner should consider the impact on his report and the need to raise those matters with the permittee's management and/or those charged with governance.

224. The practitioner should comply with the requirements of the Institute's Code of Ethics for Professional Accountants. ~~A professional accountant is required to comply with the following fundamental principles:~~

- a. ~~Integrity;~~
- b. ~~Objectivity;~~
- c. ~~Professional competence and due care;~~
- d. ~~Confidentiality; and~~
- e. ~~Professional behaviour.~~

232. When conducting an engagement following the guidance in this Practice Note, the practitioner conducts a limited assurance engagement in accordance with HKSAE 3000 (Revised).
243. The practitioner should plan and perform the engagement with an attitude of professional skepticism recognizing that circumstances may exist which cause the income and expenditure account to be materially misstated (for example due to fraud or error).
254. For the purpose of expressing a limited assurance conclusion in the assurance report, the practitioner should obtain sufficient appropriate evidence to be able to draw a conclusion.

Engagement letters

265. The practitioner should agree the terms of the engagement with the permittee. To avoid misunderstandings, the agreed terms should be recorded in an engagement letter or other suitable form of contract. General guidance on engagement letters is set out in HKSA 210 "Agreeing the Terms of Audit Engagements".

Addressee of engagement letter

276. It may not always be obvious to whom the engagement letter should be addressed. The practitioner will need to review the governing document of the permittee to ascertain who is the appointing authority is, as the engagement letter should be addressed to that authority. If the appointing authority is not engaged in the day-to-day running of the permittee or the management of the flag day/ general charitable fund-raising activity, the practitioner may wish to send an additional copy of the engagement letter to the chief executive or the persons responsible for its day-to-day management or the management of the flag day/ general charitable fund-raising activity, if applicable.

Example of engagement letter

287. Appendix II gives a specimen engagement letter for the reporting of a flag day/ general charitable fund-raising activity.

Control procedures on the completeness of donations receipts and expenses

298. Notwithstanding that limitations may exist in respect of evidence as to the completeness of the donations received and related expenses incurred in respect of a flag day/ general charitable fund-raising activity, the following sets out some common control procedures on the completeness of income and expenses which may be applicable to flag days/ general charitable fund-raising activities. Certain particular difficulties for management of the permittee in establishing control procedures can stem from the use of volunteers (often on a part-time basis) who are not formally accountable to them, unlike employees, and the use of the collecting boxes and tins. Nevertheless, it is important for permittees raising income through collections undertaken by volunteers to ensure that collectors are adequately supervised and controlled and the donations collected are complete and recorded. The procedures below are not intended to be comprehensive: there may be other control procedures which are of general application (such as segregation of duties) which are not included in the examples given below. The nature and extent of the procedures will clearly depend on the size of the permittee and the nature of the general charitable fund-raising activity.
- a. Recruitment and use of volunteers / collectors
- i. Separate records of personal details (e.g. name and identity card number) should be kept for each collector.

- ii. The conditions set out in the Permit (e.g. no children under 14 years of age are to be permitted to sell flags) should be adhered to.
 - iii. Collectors should be briefed on the policies and procedures for collections.
 - iv. Collectors should be properly supervised.
 - v. In addition, for those permittees that use cash collectors from outside their own organisations, additional controls would need to be considered to ensure that
 - the recruitment is properly approved by management, and
 - the recruited individual is a fit and proper person to conduct such collection.
- b. Collecting boxes and tins
- i. Name of the permittee should be printed prominently on collecting boxes and tins.
 - ii. Sufficient publicity coverage should be arranged for the flag day/ general charitable fund-raising activity so that the general public is aware of the activity and who the organiser is.
 - iii. The permittee should implement a numerical control over boxes and tins.
 - iv. There should be satisfactory sealing of boxes and tins so that any opening prior to recording cash is apparent.
 - v. Collectors (each has his or her own box or tin) should work in teams of more than one person. The identity of collectors should be checked and recorded before assigning boxes and tins to them (e.g. by checking their identity cards).
 - vi. Collectors should be required to sign to acknowledge both the initial receipt of the collecting box or tin and the return of the box or tin after the activity.
 - vii. Boxes and tins should be opened in the presence of at least two persons approved by the management to be fit and proper. The counting and recording of receipts should be carried out by one staff of the permittee and checked by a senior officer. The certificate of cash counts should be signed by the counter upon completion of counting and counter-signed by the other senior officer as evidence of checking. Where the opening of boxes and tins, and/or counting and recording of receipts are delegated to a third party, the management should ensure that the third party will have adequate controls in place to ensure that the functions will be carried out satisfactorily.

General control procedures

2930. It is important that the management of a permittee establishes appropriate internal controls in relation to preparation of the income and expenditure account for each flag day/ general charitable fund-raising activity as required by the conditions in the Permit. Some examples of appropriate internal controls include the following:

- a. A separate income and expenditure account is maintained for each flag day/ general charitable fund-raising activity;

- b. All donations and expenses should be recorded in the books and records ~~as soon as practicable~~ as and when they are received and incurred;
- c. All donation receipts and related expense payments should be supported by documentation (e.g. records of collection summary, original invoices, debit notes etc.) and properly filed:
 - Records of cash and cheques received agree with bank pay-in slips and bank statements;
 - All expenses are appropriately authorised before payments are made; and
- d. Regular bank reconciliations should be carried out.

The types of controls will vary from situation to situation and the foregoing is solely for illustrative purposes.

Management representations

- 310. General guidance on management representations is set out in HKSA 580 "Written Representations".
- 324. The practitioner should obtain written representations (for example, by way of a representation letter) from the permittee's management in respect of management representations that the practitioner considers are of significance in forming his conclusion. For example, the practitioner should consider obtaining written confirmation that adequate controls to ensure completeness of cash donations were implemented on the day of (or period of) the flag day/ general charitable fund-raising activity as it would generally be impracticable for the practitioner to observe the operations of all controls given that the collections frequently take place at various different locations and involve a large number of teams of collectors.
- 332. The management of a permittee as a whole is responsible for the contents and presentation of the income and expenditure account. Consequently, approval of the content of any written representation by the management is necessary. Where the appointing authority is not involved in the day-to-day running of the permittee or the management of the flag day/ general charitable fund-raising activity, representations would be given by the persons responsible for the running of the permittee or the management of the flag day/ general charitable fund-raising activity, if applicable. In such circumstances, the practitioner may wish to obtain evidence that such representations have been considered and approved by the appointing authority.

Reporting

Addressee of limited assurance report

- 343. The limited assurance report by the practitioner on the income and expenditure account would be addressed to the same appointing authority as the engagement letter.

Example of limited assurance report

- 354. Examples of the limited assurance report on the income and expenditure account in English and Chinese are set out in Appendix III and Appendix IV respectively.

Qualified conclusions, adverse conclusions and disclaimers of conclusion

365. The example reports set out in Appendix III and Appendix IV to this Practice Note are unmodified. However circumstances may arise where the practitioner believes that an unmodified conclusion is not appropriate. Accordingly, this Practice Note does not preclude the practitioner from modifying the report including issuing a qualified, adverse, or disclaimer of conclusion or to include an emphasis of matter paragraph to draw attention to a specific matter disclosed in the income and expenditure account. When issues arise during the course of an engagement, the practitioner should consider their impact on the report. The practitioner should refer to HKSAE 3000 (Revised) for further guidance.

Other reporting responsibilities

376. The practitioner should consider other reporting responsibilities, including the appropriateness of communicating relevant matters of governance interest arising from the engagement with those charged with governance and to consider their impact on the engagement. Although the practitioner is not required, when carrying out an engagement pursuant to this Practice Note, to design procedures for the specific purpose of identifying matters of governance interest, during the course of the engagement the practitioner may note weaknesses/breakdown in internal controls which he considers to be material including, for example, fraud or material errors. These instances should generally be brought to the attention of the management and/or those charged with governance of the permittee. The practitioner should also consider their impact on the engagement. Where appropriate, the practitioner may provide recommendations for improvement, where applicable.

~~37. As mentioned in paragraph 5 above, the permittee is required to publish the income and expenditure account together with the limited assurance report issued by the practitioner as specified in the Permit. The practitioner should make appropriate arrangements with the permittee to review the draft publication to ensure there are no inconsistencies with the original documents. These arrangements should be documented in the engagement letter.~~

Appendix I

Recommended procedures for reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department

The nature and extent of procedures to be carried out for the purposes of reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department ("SWD") are determined by the practitioner's professional judgement in each individual case. The list given in this appendix is not exhaustive, nor is it intended that all the procedures suggested apply to every reporting engagement.

When conducting these suggested or other procedures pursuant to reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the SWD, it is recommended that the practitioner is guided by HKSAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In accordance with HKSAE 3000 (Revised), the practitioner determines the nature, timing and extent of procedures to be carried out and carries out those procedures so as to ensure sufficient appropriate evidence is obtained on which to base the conclusions, and documents matters which are important to providing evidence to support that conclusion.

1. Cash donations

Objective	Recommended procedure
i) To establish the completeness of cash donations.	a) Review the policies and control procedures set up by the permittee over the recruitment and use of volunteers/ collectors and, where appropriate, over the collecting boxes and tins to assess whether these policies and procedures would be adequate to ensure the completeness of cash donations, if they were adhered to in practice.
	b) Perform tests on controls implemented by the permittee, in particular, the practitioner considers whether those suggested control procedures over the recruitment and use of volunteers/ collectors and over the collecting boxes and tins as stated in this Practice Note have been properly implemented by the permittee.
	c) Observe the cash counting procedures and controls, in particular, perform tests of controls: <ul style="list-style-type: none"> - to establish whether all collecting boxes and tins have been returned, and - to establish whether all cash received was properly recorded.

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ii) To establish the existence of cash donations.	a) Check evidence of cash counts and double checking (e.g. <u>that the certificate of cash counts is duly signed by the counters and counter signed by another senior officer of the permittee</u>).
	b) Check that cash receipts are deposited in the permittee's own bank accounts within a reasonable <u>the time frame set out in the conditions of the Permit</u> and included in the bank statements <u>(if available)</u> .
	c) Test check receipts from the bank statements to the cash book and to the copies of the bank paying <u>in</u> slips.

2. Disbursements

Objective	Recommended procedure
i) To establish the completeness of disbursements and the existence of disbursements.	a) Test check payments from the bank statements to the cash book.
	b) Test check payments to supporting documentation.
	c) Perform a search for unrecorded liabilities by reviewing the payments made subsequent to the flag day or a general charitable fund-raising activity and the unpaid purchase invoices <u>that should be accrued in the Income and Expenditure Account</u> .
	d) Test check the analysis of payments in the cash book.

3. Disclosure

Objective	Recommended procedure
i) To establish whether the disclosure in the flag day or a general charitable fund-raising activity accounts agree with the underlying records.	a) Agree balances as stated in <u>the flag day</u> or a general charitable fund-raising activity accounts to the underlying records.
	b) Check the classification and disclosure of items in <u>the flag day</u> or a general charitable fund-raising activity accounts.

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	<p>c) <u>For the disclosure note as mentioned in paragraph 15:</u></p> <p><i>For flag day:</i></p> <ul style="list-style-type: none">- <u>agree the amount of flag day proceeds collected and the bank-in date(s) to the bank-in slip(s)/ bank statement(s).</u> <p><i>For general charitable fund-raising activity:</i></p> <ul style="list-style-type: none">- <u>agree the balance of donations after deducting expenses, if any, to the income and expenditure account;</u>- <u>check the amount of accrued expenditure to payments made subsequent to the bank-in date and the unpaid purchase invoices; and</u>- <u>agree the bank-in amount and date(s) for the net balance of donations to bank-in slip(s)/ bank statement(s).</u>
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Appendix II

Example engagement letter for reporting on flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department

The following engagement letter is to be used as a guide and will need to be adapted according to individual requirements and circumstances.

To the [Management][Trustees][Directors][Council][Committee Members]³ of [Name of permittee] ("the Permittee")

Objective of services

- 1.1 You have requested that we report on the income and expenditure account of the Permittee's [flag day fund-raising][general charitable fund-raising] activity held [on [date of event]][during the period from [date] to [date]] ("the Event"). We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our work will be conducted with the objective of our expressing a conclusion on the income and expenditure account.

Responsibilities of the [Management][Trustees][Directors][Council][Committee Members]²³

- 2.1 In applying for the Public Subscription Permit ("Permit") issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD") for collecting donations in a public place, you are responsible, as the permit holder, for closely monitoring the Event and accounting for the monies collected which the public have contributed and complying with conditions stated in the Permit. You are obliged to prepare the income and expenditure account ~~showing all monies received from the public subscription and the disbursements made from the monies so collected or received.~~ which comprises statements on:

- a. the purpose(s) of the Event;
- b. [(i) the amount raised by street collections and by other forms of appeals in connection with the Event separately;
(ii) the gross receipts from the Event; and]⁴
[all the proceeds from the Event; and]⁵
- c. a detailed breakdown of each disbursement item related to the Event.

- 2.2 You are also required to disclose in the notes to the income and expenditure account the [amount of all the proceeds collected that have been credited to the designated bank account of the permittee before being used for payment of expenditures and/ or the purpose(s) specified in the Permit, and the date of which the proceeds are credited]⁴ [the balance of donations (after deducting payment made for expenses incurred for the activities) that has been credited to the bank account concerned before spending on the purpose(s) specified in the Permit, and the relevant bank-in date]⁵.

- 2.3 You are required to ensure that the bank-in date of the [flag day proceeds]⁴ [donations]⁵ is

³ The addressee of the engagement letter should be consistent with that of the report in Appendix III.

⁴ Applicable for flag day fund-raising activities.

⁵ Applicable for general charitable fund-raising activities.

within 60 days [after the Event]⁴[of the last Event day]⁵, or before the commencement of work by us, whichever is earlier.

- 2.42 As [management][trustees][directors][council][committee members]³ of the Permittee, you are responsible to implement appropriate controls to ensure as far as reasonably practicable that all income from the Event to which the Permittee is entitled and all related expenses are properly accounted for. It is also important for the Permittee to have controls not only over collecting monies, but also over the recruitment of collectors as well as controls over the deposit of monies collected, control over expenditure and the preparation of accounts relating to the Event.
- 2.53 You are responsible for ensuring that the Permittee maintains proper books and records such that all income and expenses are properly accounted for and recorded.
- 2.64 You are also responsible for making available to us, all records, documents, books, and accounts and to such information and explanations that, in our opinion, are necessary to conduct the engagement.

Responsibilities of the practitioner

- 3.1 Our responsibility is to report to you for your onward submission to the Director of Social Welfare stating whether or not, anything has come to our attention that causes us to believe that the income and expenditure account does not reflect, in all material respects, the gross subscriptions raised and the expenses incurred by the Permittee in respect of the Event that have been recorded in its books and records made available to us in accordance with the basis of preparation.

Scope and limitations of our work

- 4.1 Our work will be carried out in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 850 (Revised), *Reporting on Flag days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department* issued by the Hong Kong Institute of Certified Public Accountants. Our work will consist of limited procedures for obtaining sufficient appropriate evidence to be able to draw a conclusion, such as inquiries primarily of persons responsible for financial and accounting matters[, analytical procedures applied to financial data] and other procedures we considered necessary [*further describe as necessary*].
- 4.2 Our work undertaken is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
- 4.3 Furthermore, due to the nature of cash receipts and expenses relating to the Event, it was will not be practicable for us to determine whether the income and expenditure account and the books and records of the Permittee include all transactions relating to the Event. It was will be impracticable for us to quantify the potential impact of this on the income and expenditure account. Accordingly, our report relates solely to the income and expenditure account prepared from transactions that have been recorded in the Permittee's books and records.
- 4.4 As part of our procedures, we will request you to provide written confirmation concerning representations which we have received from you during the course of the engagement on matters having a material effect.

Reporting and distribution

- 5.1 ~~This~~ Our report is intended solely for the purpose of assisting the Permittee to satisfy the conditions stated in the Public Subscription Permit issued by SWD in connection with the Event and is not intended to be, and should not be, used for any other purpose.
- 5.2 We will agree that a copy of the report once issued may be provided to the Director of Social Welfare without further comment from us.
- 5.3 ~~[Insert arrangements for the review of draft publication as mentioned in paragraph 37 of the Practice Note.]~~

Fees

6. [In view of the charitable nature of the organisation, the work is carried out on an honorary basis.] OR [Our fees are computed on the basis of the time spent on your affairs by the partners and our staff and on the levels of skill and responsibility involved plus out-of-pocket expenses. Fees will be due and payable on presentation.]

Agreement of terms

7. Once it has been agreed, this letter will remain effective, from one appointment to another, until it is replaced. Please sign and return the enclosed copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our report on the income and expenditure account including our respective responsibilities.

Yours faithfully

ABC & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

Date

We agree to the terms of this letter.

[Manager][Trustee][Director][Council member][Committee Member], for and on behalf of the
[Management][Trustees][Directors][Council][Committee Members]³ of [Name of permittee]

Date

Appendix III

Example unmodified assurance report on the income and expenditure account of flag days/ general charitable fund-raising activities covered by public subscription permits issued by the Social Welfare Department

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

To the [Management][Trustees][Directors][Council][Committee Members] of [Name of Permittee]
("the Permittee")

Public Subscription Permit No: [FD/XXX/201X][201X/XXX/X]

Pursuant to the conditions stated in the Public Subscription Permit issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD"), we have been requested to report on the attached income and expenditure account of the Permittee's [territory-wide flag day fund-raising activity][regional flag day fund-raising activity in [Hong Kong Island][Kowloon][New Territories] region][general charitable fund-raising activity] held [on [date of event]][during the period from [date] to [date]] ("the Event").

Responsibilities of the [Management][Trustees][Directors][Council][Committee Members]

The [Management][Trustees][Directors][Council][Committee Members] [is][are] responsible for preparing the attached income and expenditure account in accordance with the basis of preparation set out in note [], setting out the gross subscriptions raised from the Event and the expenses incurred in connection with the Event, in order to comply with the conditions stated in the Public Subscription Permit issued by the SWD. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the income and expenditure account so that it reflects the subscriptions raised and expenses incurred in connection with the Event and is free from material misstatement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1⁶ and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to form a conclusion on the attached income and expenditure account, based on our engagement, and to report our conclusion to you.⁷

⁶ HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

⁷ Practitioners may consider it appropriate to clarify to whom they are responsible here or elsewhere in the report in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report."

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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 850 (Revised), *Reporting on Flag days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department* issued by the HKICPA. We have planned and performed our work to obtain limited assurance for giving our conclusion below.

The work undertaken in connection with this engagement is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement included carrying out limited procedures for obtaining sufficient appropriate evidence to be able to draw a conclusion, such as inquiries primarily of persons responsible for financial and accounting matters[, analytical procedures applied to financial data] and other procedures we considered necessary [*further describe as necessary*]. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent Limitations

Due to the nature of cash receipts and expenses relating to the Event, it was not practicable for us to determine whether the income and expenditure account and the books and records of the Permittee include all transactions relating to the Event. It was impracticable for us to quantify the potential impact of this on the income and expenditure account. Accordingly, our report relates solely to the income and expenditure account prepared from transactions that have been recorded in the Permittee's books and records.

Conclusion

Based on the foregoing, we report that nothing has come to our attention that causes us to believe that the attached income and expenditure account does not reflect, in all material respects, the gross subscriptions raised and the expenses incurred by the Permittee in respect of the Event that have been recorded in its books and records made available to us in accordance with the basis of preparation set out in note [].

Intended Users and Purpose

This report is intended solely for the purpose of assisting the Permittee to satisfy the conditions stated in the Public Subscription Permit issued by the SWD in connection with the Event and is not intended to be, and should not be, used for any other purpose. We agree that a copy of this report may be provided to the Director of Social Welfare without further comment from us.

[Name of firm]

[* Certified Public Accountants (Practising)/Certified Public Accountants]

[Practitioner's Address]

Hong Kong

[Date]

* Delete as appropriate

Example paragraph for notes to the income and expenditure account

1. General Basis of preparation

4.—The purpose of the [flag day fund-raising][general charitable fund-raising events] is for [...]⁸

2. **Basis of preparation** ~~This income and expenditure account has been prepared in accordance with [explanation of the accounting basis for example accruals basis/cash basis of accounting].~~

3.—The significant accounting policies are set out below:

The income collected and expenditure incurred for this event held [on [date of event]][during the period from [date] to [date]] are recognised on an accrual basis.

[etc./]

3. Donations credited to the bank

[All the flag day proceeds collected [i.e. \$XX] have been credited to the designated bank account of the Permittee before being used for payment of expenditures for the flag day and/ or the purpose(s) specified in the permit on [date]^{9,10}

[HK\$
Excess of income over expenditure	<u>XXX</u>
Add: accrued expenditure not yet paid as at [date] ¹¹	<u>XXX</u>
<u>Net balance of donations deposited into Permittee's bank account on [date]⁹</u>	<u><u>XXX</u></u> ¹²

⁸ The purpose of the fund-raising must agree with the purpose specified in the Public Subscription Permit.

⁹ If there are multiple deposit days, the Permittee may choose to state all the deposit days or the last deposit day. If choose to state the last deposit day, the word "on" should be changed to "by".

¹⁰ Applicable for flag day fund-raising activities.

¹¹ This date should be the same as the deposit day; for multiple deposit days, this should be the last deposit day.

¹² Applicable for general charitable fund-raising activities.

Appendix IV

獲發社會福利署公開籌款許可證的賣旗日/一般慈善籌款活動收支結算表的

無保留意見鑒證報告樣本

獨立執業會計師鑒證報告

致[獲發許可證的機構名稱]（「獲發許可證的機構」）[管理層][受託人][董事][理事會][委員會成員]

公開籌款許可證編號：[FD/XXX/201X][201X/XXX/X]

根據香港特別行政區政府社會福利署（「社會福利署」）發出的公開籌款許可證所列條件，我們應要求對隨附本報告書關於獲發許可證的機構於[[日期]][[日期]至[日期]]舉行的[全港賣旗日籌款活動][[港島][九龍][新界]分區賣旗日籌款活動][一般慈善籌款活動]（「有關活動」）的收支結算表作出報告。

[管理層][受託人][董事][理事會][委員會成員]的責任

根據社會福利署發出的公開籌款許可證所列條件，[管理層][受託人][董事][理事會][委員會成員]須負責按照附註●所載的編製基準編製隨附的收支結算表，列出有關活動所籌集的總捐款及實際開支。這責任包括設計、實施及維護與編製及列報收支結算表的內部監控，使收支結算表反映有關活動所籌集的捐款及實際開支不存在任何重大錯誤陳述。

執業會計師的獨立性和質量控制

我們遵守香港會計師公會（「公會」）頒布的《職業會計師道德守則》中對獨立性及其他職業道德的要求，有關要求是基於誠信、客觀、專業勝任能力和應有的關注、保密及專業行為的基本原則而制定的。

本所應用香港質量控制準則第 1 號¹³，因此保持一個完整的質量控制制度，包括制定有關遵守職業道德要求、專業準則，以及適用的法律及監管要求的政策和程序守則。

執業會計師的責任

我們的責任是根據我們鑒證工作的結果對隨附的收支結算表作出結論，並向[管理層][受託人][董事][理事會][委員會成員]報告¹⁴。

我們已根據公會頒佈的香港鑒證業務準則第 3000 號（經修訂）「非審核或審閱過往財務資料之鑒證工作」及參考公會所頒佈實務說明第 850 號（經修訂）「有關獲發社會福利署公開籌款許可證的賣旗日和一般慈善籌款活動之報告」（"Reporting on Flag days and General Charitable Fund-raising Activities Covered by Public Subscription Permits issued by the Social Welfare Department"）進行工作。我們已計劃及執行有關的工作，以對以下的結論獲取有限保證。

由於我們按照應聘條款進行工作的範圍較按照香港審計準則進行審核的範圍為小，所以不能保證我們會注意到在審核中可能會被發現的所有重大事項。因此，我們不會發表任何審核意見。

¹³ 香港質量控制準則第 1 號「會計師事務所對執行財務報表審計和審閱、其他鑒證和相關服務業務實施的質量控制」

¹⁴ 執業會員可酌情根據其風險管理政策及基於[專業風險管理公告第二期(Professional Risk Management Bulletin No.2)]之「核數師對第三方及於審核報告的審慎查核責任」(Auditors' Duty of Care to Third Parties and the Audit Report)於報告此部份或其他部份澄清其工作責任相對人。

我們的工作包括採有限程序獲取充份和適當的憑證以作出結論，例如主要向負責財務會計事項的人員詢問[，對財務數據實施分析程序]及其他我們認為必要的程序[如必要則加以說明]。在有限鑒證工作中進行的程序，其性質及時間與合理鑒證工作不同，而範圍亦較小。因此，在有限鑒證工作中獲得的保證水平大幅低於在合理鑒證工作中所獲得的。

固有的局限

基於有關活動以現金收支，我們難以確定獲發許可證的機構的收支結算表及帳冊與帳目紀錄是否已包括所有有關活動的交易，亦難以量化其對收支結算表的潛在影響。因此，我們僅與按照獲發許可證的機構帳冊及帳目紀錄所載交易編製的收支結算表作出報告。

結論

根據以上所述，我們並沒有注意到任何事項，使我們相信隨附的收支結算表在所有重大方面沒有反映我們所獲取按照附註●所載的編製基準而編製的帳冊及帳目紀錄所載有關活動籌集的總捐款及實際開支。

擬作用途及使用者

本報告僅為協助獲發許可證的機構遵守社會福利署就有關活動所發出公開籌款許可證所列的條件而編撰，不擬亦不得用作其他用途。我們同意獲發許可證的機構可向社會福利署署長提供本報告，而毋須再徵詢我們意見。

[會計師事務所名稱]

[*執業會計師／會計師]

[執業會計師地址]

香港

[日期]

*請刪去不適用者

收支結算表附註樣本

編製基準

1. 一般資料

4. [賣旗日][一般慈善籌款活動]籌款用作 [...] ¹⁵

2. 編製基準

重大會計政策如下：

於[[日期]][[日期]]至[[日期]]舉行的有關活動所籌集的收入及實際開支是按照應計制方式確認。收支結算表乃按照[會計基準的說明，例如應計制／現金收付制]編製。

¹⁵ 活動收支結算表內的籌款目的須與公開籌款許可證上所載的一致。

[例如]

3. 存入銀行的捐款

[賣旗日籌得的所有款項[即 XX 港元]在支付賣旗日開支及 / 或用於許可證上註明的籌款目的之前，已在[日期]¹⁶存入獲發許可證機構指定的銀行帳戶。]¹⁷

↓	港元
淨收入	XXX
加：於[日期] ¹⁸ 未付的應計開支	XXX
於[日期] ¹⁶ 存入獲發許可證機構的銀行帳戶的捐款餘額	<u>XXX</u> ¹⁹

重大會計政策如下：

[例如]

¹⁶ 若款項於不同日子存入銀行，獲發許可證機構可選擇列明所有存款日期或最後的存款日期。若選擇只列最後的存款日期，則應在該日期後加上「及之前」的字眼。

¹⁷ 賣旗日適用

¹⁸ 此日期應與存款日期一致；若款項於不同日子存入銀行，此日期應為最後的存款日期

¹⁹ 一般慈善籌款活動適用