

**GUIDELINES ON
SUBVENTIONS AND SUBSIDIES FOR
AIDED STANDALONE CHILD CARE CENTRES**

**SOCIAL WELFARE DEPARTMENT
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

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Guidelines on Subventions and Subsidies for Aided Standalone Child Care Centres

Aided standalone child care centres (CCCs) receive government subvention for rent and rates and subsidies from the Social Welfare Department (SWD) for their operation. As governed by the Child Care Services Ordinance (CCSO) (Chapter 243) and Child Care Services Regulations (CCSR) (Chapter 243A), fees for CCCs have to be approved by the Director of Social Welfare (the Director). The Government provides fee assistance to parents with financial need. It is in the interest of CCC service operators to exercise economy and financial control so as to avoid deficits. However, service operators may utilise their own funds to improve the standard of service and for purposes not covered by the fee assistance scheme. CCC service operators are required to identify separately the income and expenditure (and therefore the surpluses or deficit) which are recognised for the purposes of subvention and the operation of the aided standalone CCCs.

Income

2. Recognised income includes the following -
 - (a) fee income;
 - (b) fee assistance/subsidies received on behalf of the parents/guardians, e.g. fee remission and Child Care Centre Parent Subsidy¹;
 - (c) subsidies provided by SWD (Details are set out at **Annex 1**);
 - (d) net income from sundry sales (e.g. uniforms, bags, books, etc.) and other services arising from the operation of the CCC;
 - (e) subvention for rent and rates;
 - (f) other grant(s) specified by SWD; and
 - (g) interest from recognised income.

Personal Emoluments

3. Recognised staff costs² are based on the following -
 - (a) For a CCC with children aged 0 to 2, the recognised staff include -
 - Child Care Supervisor (CCS)
 - Child Care Worker (CCW)
 - Child Care Aide
 - Workman II

¹ SWD introduced the Child Care Centre Parent Subsidy in February 2020 to partially subsidise the service fee of CCCs afforded by parents with children receiving full-day service in aided standalone CCCs and aided CCCs attached to kindergartens, in order to alleviate their financial burden. The maximum amount to be disbursed is \$600 per month or the actual amount of monthly fee to be paid by the applicant, whichever is less. As promulgated in the Chief Executive's 2023 Policy Address, the maximum level of the subsidy will be increased to \$1,000 per month starting from April 2024.

² In preparing the income and expenditure estimates for the aided standalone CCC for fee application, CCC service operator should refer to Annex III – “Guidelines on Preparing Income and Expenditure Estimates for Aided Standalone Child Care Centres for Children aged 0 to 3” of the “Application Form for Approval of Inclusive Monthly Fee for Aided Stand-alone Child Care Centres”. The application form for the current school year can be downloaded from SWD Homepage.

For a CCC with children aged 0 to 3, the recognised staff include -

- Child Care Supervisor (CCS)
- Child Care Worker (CCW)
- Child Care Aide
- Clerical Assistant
- Cook/Workman II

The provision of child care staff is in accordance with the CCSO and CCSR. The minimum staffing requirement should be one CCW for every 8 children aged under 2 and one CCW for every 14 children aged 2 to under 3. With the provision of the Subsidy for Further Manpower Enhancement since September 2019, the staffing requirement with the enhanced manning ratios is one CCW to 6 children aged under 2 and one CCW to 11 children aged 2 to under 3. Besides, with the provision of Subsidy for Assistant Supervisor since February 2021, one CCW in addition to the enhanced manning ratios is recognised.

(b) Salaries for standalone CCC staff should not exceed the following scales -

<u>Rank</u>	<u>Salary Scale</u>
Child Care Supervisor	MPS ³ Pt. 15-22*
Child Care Worker	MPS Pt. 7-17*
Child Care Aide	MPS Pt. 3-9
Clerical Assistant	MPS Pt. 1-10
Cook	MPS Pt. 5-8
Workman II	MOD1PS ⁴ Pt. 0-8

** As a new initiative promulgated in the 2017 Policy Address, the Subsidy for Manpower Enhancement (SME) is allocated to CCCs with effect from September 2017 for the enhancement of remuneration for qualified child care staff. The existing salary ranges of CCS and CCW under the MPS will not be adjusted while they are paid with a subsidy by deploying the SME, making their total salary comparable to but not exceeding the salary ranges from MPS Pt. 21 to Pt 28 for CCS and from MPS Pt. 9 to Pt. 20 for CCW.*

(Updated salary scales are issued by SWD from time to time).

(c) provident fund contributions are provided in accordance with the rules contained in “Staff Retirement Schemes of Subvented Organisations” at **Appendix 1 of Annex 2** or requirements set out in Mandatory Provident Fund (MPF) Scheme. Where the contributions are made under a non-standard staff retirement scheme, (i.e. Section III of **Appendix 1 of Annex 2**), the expenditure recognised is limited

³ MPS refers to Master Pay Scale

⁴ MOD1PS refers to Model Scale 1 Pay Scale

to a maximum of 5% of the recognised staff salaries;

- (d) relief child care workers may be employed at the wage rates notified by SWD from time to time;
- (e) relief minor staff (e.g. Cook and Workman II) may be employed for recognised leaves at the wage rates notified by SWD;
- (f) actual long service payment; and
- (g) any other staff costs are not recognised unless there is written approval by SWD.

Other Charges

4. Recognised operating expenses refer to the recurrent expenses which are necessarily and exclusively incurred for the operation of the CCC. These include, among others, (a) installation/maintenance of fire services, mechanical ventilation system, building safety, gas equipment and electrical installations subject to the maximum of the Subsidy for Minor Repairs and Maintenance per centre per annum as notified by SWD; and (b) minor purchases including minor repairs and maintenance subject to a maximum of \$30,000⁵ per centre per annum provided that such items do not carry recurrent financial implications.

5. The following items of expenditure are not recognised -

- (a) fringe benefits for staff, including housing benefits, provision of food or food allowance and travelling allowance, medical expenses except for staff recruitment, etc.;
- (b) participation in overseas conference or training;
- (c) central administrative overheads or management/secretarial/other expenses from the headquarters or other service units;
- (d) capital expenditure for major renovation, purchase and replacement of fixed assets;
- (e) depreciation/amortisation of fixed assets or provisions not representing actual expenses incurred;
- (f) expenses related to designated funds and Lotteries Fund grants, and recurrent consequences of capital projects financed by donations;
- (g) capital financing expenses such as mortgage and interest on loans/overdrafts;
- (h) expenses specifically advised by SWD to be borne out of the CCC service

⁵ The amount will be adjusted annually in accordance with the changes in the Composite Consumer Price Index.

operator's own resources;

- (i) insurance premiums (except for employee compensation, public liability, vehicle third party insurance and insurance cover for children under the care of the centre);
- (j) entertainment expenses;
- (k) honorarium for volunteers;
- (l) subscription fees; and
- (m) expenses incurred for activities outside the scope of the CCC.

The above list is not exhaustive. If in doubt, CCC service operators are advised to consult SWD.

Subvention Surpluses/Deficits

6. Subvention surpluses represent the excess of subvention over the recognised actual expenditure incurred for the purpose intended. Subvention surpluses arising from any underspending in rent and rates must be assessed and identified separately. Overspending should be borne by CCC service operator with their own funds and not offset against any subvention surpluses identified. For every financial year, all subvention surpluses must be transferred to a separate surpluses account kept by the CCC service operator under the title "Social Welfare Subvention Surpluses Account". An amount of cash equivalent to the balance of this surplus account must be kept in a separate interest-bearing account in a licensed bank in Hong Kong and the interest earned should be transferred to this surpluses account. Funds accruing in the surpluses account will revert to the General Revenue of the Government annually unless there is prior approval by the Director for other uses. A standalone CCC which fails to place subvention surpluses in an interest-bearing account may be required to pay a notional interest.

Operating Surpluses/Deficits

7. Operating surpluses/deficits represent the excess/shortfall of recognised income (excluding subventions for rent and rates) over the recognised operating expenses necessarily and exclusively incurred for the operation of the centre. For details on the computation of the operating surplus/deficit, please refer to the Statement 2A of **Appendix 2 of Annex 2**.

Recovery of Surpluses

8. Assessment of subvention surpluses will be carried out in the next financial year following receipt of NGOs' audited accounts and accompanying financial statements which

should reach SWD before 31st October each year. Surpluses relating to the previous financial year will be recovered by means of deduction from the current year's monthly/quarterly payments.

Rent and Rates

9. NGOs may claim reimbursement of rent and rates (including management fee and building maintenance fee) based on actual expenditure or the recognised expenditure, as the case may be.

10. Rent and rates for premises used exclusively for subvented activities are reimbursed on the basis of the recognised standard of accommodation for a CCC.

11. Premises in private housing used for subvented activities are eligible for reimbursement of rent and rates subject to the following: -

- (a) that the agreement of the Director is obtained before leasing the premises; and
- (b) that the amount of rent is considered to be fair and reasonable with reference to published rental indices.

12. Renewal of tenancy in private housing also requires the prior approval of the Director. NGOs are advised to begin discussion with the parties concerned for the renewal of tenancy in private premises not later than six months before the expiry of the tenancy.

13. Where premises are shared with non-subvented activities, reimbursement of rent and rates will be determined on a pro rata basis according to the proportion of area used for the subvented activities.

Cessation/Transfer of Operation

14. If any CCC service operator ceases to operate an aided standalone CCC, it should repay SWD as soon as possible any unexpended portion of the subsidy allocated to it. Audited accounts and accompanying financial statements for the period up to and including the last day of its operation should also be submitted to SWD within two months of its closure. Furthermore, when the aided standalone CCC is permanently closed, the CCC service operator should revert the cumulative-operating surplus as at the date of closure to the Government, subject to the full amount of the subsidies previously granted (including fee assistance/subsidies received on behalf of the parents/guardians) being the maximum amount recoverable.

15. When an aided standalone CCC is taken over by another operator, the accumulated operating surplus as at the last date of its operation should be transferred to the new operator who must then take into account the surplus transferred in the determination of fee level.

16. Upon permanent cessation or transfer of operation, any deficit incurred by the CCC should be borne by the operator concerned, i.e. they would neither be topped up by SWD nor taken up by the new operator.

Safeguarding National Security

17. SWD may immediately terminate the Funding and Service Agreement (FSA) with a CCC service operator upon the occurrence of any of the following events –

- (a) the CCC service operator has engaged or is engaging in acts or activities that are likely to constitute or cause the occurrence of offences endangering national security or which would otherwise be contrary to the interest of national security;
- (b) the continued engagement of the CCC service operator or the continued performance of the FSA is contrary to the interest of national security; or
- (c) SWD reasonably believes that any of the events mentioned above is about to occur.

Corruption Prevention and Probity Requirements

18. It is the responsibility of the CCC service operators to ensure that its management, board members and staff comply with the Prevention of Bribery Ordinance (Cap. 201) and the relevant requirements. The CCC service operators shall prohibit the members, staff, agents, and contractors from offering, soliciting or accepting advantages when discharging their duties under the Funding and Service Agreement. With regard to the provision of the subvented services, the CCC service operators shall avoid and declare any conflict of interest.

19. The CCC service operators should also make reference to the relevant guidelines on corruption prevention and probity requirements to uphold integrity in every aspect, including but not limited to the governance structure, internal control, financial/fund management, procurement, staff administration, delivery of services/activities, management of maintenance works as set out in the “Best Practice Checklist on Governance and Internal Control in Non-Governmental Organisations” and the “Integrity and Corruption Prevention Guide on Managing Relationship with Public Servants” issued by the Independent Commission Against Corruption.

Monitoring

20. The use of the subventions and subsidies provided by SWD should comply with this Guidelines, the notification letters issued by SWD to the CCC service operators and the circular letters in force issued by SWD on subventions policies and procedures. The keeping of books of account and submission of financial information should follow the rules as set out

at **Annex 2**. As an organisation under the Lump Sum Grant (LSG) Subvention System, the CCC service operator is also required to observe, where applicable, the guidelines set out in the latest LSG Subvention Manual, LSG Circulars, management letters and correspondence in force as issued by SWD on subvention policies and procedures.

21. Since subventions involve public funds, the CCC service operators is subject to the same degree of public accountability as government departments. It is the management's responsibility to maintain proper control of all government funds in the custody and ensure that the rules governing the use of subventions are complied with. In addition, the operation of the CCCs has to abide by the CCSO (Cap 243) and CCSR (Cap 243A), and is subject to inspection by the Child Care Centre Advisory Inspectorate of SWD.

Guidance Notes on Subsidies for Standalone Child Care Centres

Background

1. In 1982, a 5% Subsidy Scheme was introduced for aided day nurseries/day crèches to provide financial assistance to service operators. In September 1995, the Kindergarten Subsidy Scheme (KSS) was first introduced to provide financial assistance to non-profit-making kindergartens.
2. Upon the harmonisation of pre-primary services from 1 September 2005, the KSS was renamed as “Kindergarten and Child Care Centre Subsidy Scheme” (KCSS) to cover all eligible service operators of pre-primary services for children aged under 6, including those previously covered by the 5% Subsidy Scheme administered by SWD. The Standalone Child Care Centres (CCCs) for children aged 0 to 3, which used to receive 5% Subsidy Scheme from SWD, were continuously subsidised by SWD through KCSS.
3. With effect from the 2008/09 school year, the KCSS was renamed as “Child Care Centre Subsidy Scheme” (CCCSS) to reflect its scope subsequent to the introduction of the Pre-primary Education Voucher Scheme (PEVS) in 2007. The conditions of subsidy and the group grant arrangement remain unchanged.
4. These Guidance Notes (the Notes) are to explain the administrative arrangements in managing the subsidy under CCCSS and other subsidies administered by SWD exclusively for standalone CCCs operated by Non-governmental Organisations (NGOs). The Notes are applicable to the standalone CCCs mentioned in para 2 above or other standalone CCCs as approved by SWD, and should be read in conjunction with the latest Notification Letters, Guidelines on Subventions and Subsidies for Aided Standalone Child Care Centres and/or the Lump Sum Grant Subvention Manual, where applicable.

Conditions to Observe

5. Service operators of CCCs should ensure that they observe all requirements of the Funding and Service Agreement of Child Care Centre Service and they comply with the following conditions -
 - (i) All child care workers (CCWs) employed must be registered under the Child Care Services Ordinance (CCSO)(Cap 243) and Child Care Services Regulations (CCSR)(Cap 243A). With the provision of the Subsidy for Further Manpower Enhancement since September 2019, the staffing of registered CCWs should be in accordance with the enhanced manning ratios (i.e. 1 CCW to 6 children aged under 2 years and 1 CCW to 11 children aged 2 to under 3 years);
 - (ii) To accept any adjustment made by SWD to the approved inclusive monthly fees corresponding to the amount of the subsidies provided by SWD;

- (iii) To spend the subsidies according to the designated purpose(s);
- (iv) To keep at least the nearest seven years' record of children registered at CCCs for the purpose of receiving the subsidies by individual centres for audit purpose; and
- (v) To revert the cumulative operating surplus as at the date of closure to the Government, subject to the full amount of subsidies previously granted being the maximum amount recoverable when the aided standalone CCC is permanently closed.

6. Should there be any non-compliance of the above conditions, SWD reserves the rights to ask the relevant NGO to repay the subsidies to SWD, or the subsidies will be withheld or terminated in full or part by SWD.

I. Child Care Centre Subsidy Scheme (CCCSS)

Mode of CCCSS

7. To employ registered CCWs for the full-day service based on the respective staff to children ratios according to the CCSO and CCSR in **Appendix 1 of Annex 1**. The level of CCCSS disbursed to each CCC is calculated on a standardised basis of group/per capita grant. Subsidy for full-day children aged under 2 is calculated on groups of 8 children or part thereof as in **Appendix 2 of Annex 1**. Subsidy for full-day children aged 2 to under 3 is calculated on groups of 15 children or part thereof as in **Appendix 3 of Annex 1**. CCCSS is restricted for use for covering the salary of child care staff.

8. Subsidy under CCCSS is regarded as recognised income in the assessment of the proposed adjustment of the inclusive monthly fees. The rate of group/per capita subsidy will be adjusted annually in accordance with the changes in the Consumer Price Index (A) [CPI(A)].

Payment of CCCSS

9. CCCSS will be paid by two instalments in a year. In September of the current year and February of the subsequent year, invitation will be sent to the NGOs with standalone CCCs to report the number of children enrolled and the full compliance of 100% registered CCWs being employed as at a specific date in September and February. The actual enrolment is used as the basis for calculating the number of groups/per capita that is eligible for CCCSS disbursement for the two periods, i.e. from September to February and from March to August.

II. Subsidy for Manpower Enhancement (SME) and Subsidy for Further Manpower Enhancement (SFME)

Mode of SME and SFME

10. SME and SFME are used for enhancement of the remuneration of qualified child care staff, i.e. child care supervisor (CCS) and CCW, as well as improving the existing manning ratios for qualified CCWs serving in aided CCCs. The existing salary ranges of CCW and CCS under the Master Pay Scale (MPS) will not be adjusted while the CCC will pay them a subsidy by deploying the SME, making their total salary comparable to but not exceeding the salary ranges from MPS Point (Pt.) 9 to Pt. 20 for CCWs and from MPS Pt. 21 to Pt. 28 for CCSs. Besides, with the enhanced manning ratios under the SFME, the aided standalone CCCs are required to appoint CCWs to meet the overall CCW-to-children ratio of 1:6 for children aged under 2 and 1:11 for children aged 2 to under 3.

11. SME and SFME are restricted for covering the salary of child care staff and regarded as the recognised income in the assessment of the proposed adjustment of the inclusive monthly fees. The level of SME and SFME will be adjusted annually in accordance with the changes in Composite Consumer Price Index (CCPI).

Payment of SME and SFME

12. The calculation of SME and SFME is based on the actual enrollment of the CCC as at a specific date in February each year. SME comprises two elements, i.e. CCW subsidy and CCS subsidy. CCW subsidy is calculated at two different unit rates for children aged under 2 and for children aged 2 to under 3 while CCS subsidy is calculated on centre-based. SFME is also calculated on unit rates of each child aged under 2 and each child aged 2 to under 3 enrolled. The SME and SFME are disbursed annually in September of the same year.

III. Subsidy for Assistant Supervisor (SAS)

Mode of SAS

13. SAS is to strengthen the supervisory support to aided CCCs by the provision of additional manpower to assist the supervisor in the supervisory and administrative work in CCCs. SAS is provided on centre-based at a standard rate. With the allocation of SAS, each CCC is provided with an additional CCW, on top of the number of CCWs required in the enhanced manning ratios under SFME.

14. SAS is restricted for covering the salary of child care staff and regarded as the recognised income in the assessment of the proposed adjustment of the inclusive monthly fees. The rate of SAS will be adjusted annually in accordance with the changes in the CCPI.

Payment of SAS

15. The SAS is disbursed annually in September of each year.

IV. Subsidy for Operation Enhancement (SOE)

Mode of SOE

16. SOE is to enhance the supervisory and administrative support of the CCCs. There are two levels of subsidy based on the capacity of centre –

- (i) centre with a capacity at or less than 56 places; and
- (ii) centre with a capacity exceeding 56 places.

The SOE is regarded as the recognised income for covering the staff cost in the assessment of the proposed adjustment of the inclusive monthly fees. The rate of SOE is adjusted annually in accordance with the changes in CPI(A).

Payment of SOE

17. SOE is disbursed annually in September of each year.

V. Subsidy for Minor Repairs and Maintenance (SMRM)

Mode of SMRM

18. SMRM is designated for the use on minor repairs/maintenance/replenishment of furniture and equipment that are essential to the operation of CCC. The list of essential items is in **Appendix 4 of Annex 1**. Similar to SOE, there are two level of subsidy based on the capacity of centre -

- (i) centre with a capacity at or less than 56 places; and
- (ii) centre with a capacity exceeding 56 places.

SMRM is regarded as recognised income in the assessment of the proposed adjustment of the inclusive monthly fees. The rate of SMRM will be adjusted annually in accordance with the changes in CCPI.

Payment of SMRM

19. SMRM is disbursed annually in September of each year.

**The Method of Calculating 100% Child Care Workers (CCWs)
Attainment for Child Care Centres**

Child Care Centre Subsidy Scheme for Standalone Child Care Centres

N^1 = No. of existing CCWs employed at the CCC

$$N = \frac{\text{No. of children aged 0 - 2}}{8 \text{ (Note 1)}} + \frac{\text{No. of children aged 2 to 3}}{14 \text{ (Note 1)}}$$

(N = Number of CCWs required in the full day session. If N includes a fraction, it should be rounded up to the next whole number.)

$$\frac{\text{100% (or above) CCWs Attainment for the CCC}}{\text{100%}} = \frac{N^1}{N} \times 100\%$$

Note 1: According to the Child Care Services Ordinance (Cap 243) and Child Care Services Regulations (Cap 243A), the required staff to children ratio for children aged 0 – 2 is 1:8 while children aged 2 – 3 is 1:14.

**Calculation of Number of Eligible Groups/Per Capita for
Full-day Children Aged *Under Two***

Child Care Centre Subsidy Scheme for Standalone Child Care Centres

No. of Children Per Level	Basis of Calculating Subsidy	
	No. of Groups	No. of Per Capita
1-4	0	1-4
5-8	1	0
9-16	2	0
17-24	3	0
25-32	4	0
33-40	5	0
41-48	6	0
49-56	7	0
57-64	8	0
65-72	9	0
73-80	10	0

**Calculation of Number of Eligible Groups/Per Capita for
Full-day Children Aged *Two to Under Three***

Child Care Centre Subsidy Scheme for Standalone Child Care Centres

No. of Children Per Level	Basis of Calculating CCCSS Subsidy	
	No. of Groups	No. of Per Capita
1-9	0	1-9
10-15	1	0
16-19	1 group for 15 children + per capita for the remainder	
20-30	2	0
31-45	3	0
46-60	4	0
61-75	5	0
76-90	6	0
91-105	7	0
106-120	8	0
121-135	9	0
136-150	10	0
151-165	11	0
166-180	12	0
181-195	13	0

List of Essential Items of Aided Standalone Child Care Centres

The following items will be recognised as the essential operating expenses of aided standalone child care centres eligible for the Subsidy for Minor Repairs and Maintenance (SMRM) –

- (a) Maintenance of the following installations/equipment subject to the maximum of the SMRM allocated for meeting the statutory requirements and operational needs –
 - (i) fire services;
 - (ii) mechanical ventilating system;
 - (iii) building safety;
 - (iv) gas equipment; and
 - (v) electrical installations.

- (b) Minor purchases including minor repairs and maintenance subject to a maximum of \$30,000 per centre per annum provided that such items do not carry recurrent financial implications.

Capital expenditure for major renovation, purchase and replacement of fixed assets should not be recognised as essential operating expenses.

Keeping of Books of Account and Submission of Financial Information

Keeping of Books of Account

1. Books of account and other accounting records should be properly kept for all transactions during the financial year. Non-governmental Organisations (NGOs) operating child care centre(s) (CCCs) must ensure that annual financial statements and interim financial reports should be properly prepared in the format required by the Social Welfare Department (SWD). NGOs are also responsible for making improvements to the accounting systems in accordance with the advice of their auditors and SWD.

2. NGOs should keep the following books of account and accounting records -
 - (a) cash books;
 - (b) revenue receipt, counterfoils in respect of donations, subscriptions and fees, etc.;
 - (c) payment vouchers in respect of all types of expenditure;
 - (d) pay lists in respect of all personal emolument expenditure;
 - (e) staff record such as appointment letters, documents relating to promotion, transfer, incremental date, etc.;
 - (f) register of fixed assets;
 - (g) ledgers showing accounts in respect of all income and expenditure, assets and liabilities; and
 - (h) journal for all transfers and adjustments.

3. NGOs should ensure that income and expenditure for specific programme/activity which is financed by designated donations should be shown separately in the books of account.

4. NGOs should ensure that the books of account and other related records are retained for the minimum periods specified below -
 - (a) records of a permanent nature, e.g. annual accounts, inventories, records of capital nature and government non-recurrent grants, etc. shall not be destroyed without the prior approval of the Director of Social Welfare;
 - (b) records which may be destroyed after a minimum retention period of 7 years include all books of account (e.g. ledgers, cash books, etc.), vouchers, fee receipts and bank statements; and
 - (c) records which may be destroyed after a minimum retention period of 2 years include duplicates of quarterly returns, pay sheets, vouchers and fee receipts.

The books of account shall, at all reasonable times, be available for inspection by authorised staff of SWD and the Audit Commission.

Submission of Annual Financial Returns

5. All NGOs should ensure that the due dates stipulated for submission of financial returns are strictly observed.

(a) Audited Accounts

6. NGOs are required to submit to SWD two copies of their audited accounts for the year ending 31st March annually and the "Accompanying Financial Statements" as per the format given in **Appendix 2 of Annex 2**. Guidance for the preparation and certification of these financial statements are given in paragraphs 8 to 14 below.

7. The audited accounts, together with the accompanying financial statements, should be forwarded to SWD no later than 31 October following the end of the financial year. They should be signed by two authorised representatives of the NGO and should be certified by a Certified Public Accountant holding a practicing certificate as defined in the Professional Accountants Ordinance (Cap. 50).

(b) Accompanying Financial Statements

8. The accompanying financial statements which are primarily required for the purposes of assessment of subvention surplus should be prepared in the standard format but may be amplified for the purpose of adapting them to the circumstances of individual NGOs. They must be signed by two representatives of the NGO and certified by the auditors as set out in paragraph 7 above.

9. Aided Standalone CCCs should, when preparing their annual financial statements, follow the requirements set out below. Standard formats for the accompanying financial statements are as follows -

(a) Statement 1A - Aided Standalone Child Care Centres Operating Surpluses Account

10. A separate "Aided Standalone Child Care Centres Operating Surpluses Account" must be kept for the accumulated balance of the operating surpluses of all centres to reflect the amount available to finance the centres under the government's various subsidy schemes. The Aided Standalone Child Care Centres Operating Surpluses Account should be prepared in the standard format of Statement 1A with breakdown showing the operating surplus for each centre.

(b) Statement 2A - Operating Income and Expenditure Account

11. A separate operating income and expenditure account must be prepared in the standard format of statement 2A for each standalone child care centre. A special column headed "Subvented" is provided in the standard format to show the income and expenditure relating to subvented activities. On the other hand, the columns headed "Aided Standalone Child Care Centre Operations" and "Unrecognised" should be used to show the income and expenditure pertinent to and not recognised for the operation of the aided standalone child care centre under various subsidy schemes respectively.

12. The subvention surpluses arising from any underspending in rent and rates must be assessed and identified separately in the same format as the Statement 2A. An equivalent amount of each representing the balance of the "Social Welfare Subvention Surpluses

Account" refundable to SWD should be kept in a separate interest-bearing bank account. Any interest earned from the accumulated social welfare subvention surpluses should be credited to this surpluses account.

13. Subvention surpluses relating to the previous financial year are recovered by offsetting against subvention payments in the following year. The amount of subvention received should always be shown "gross" (i.e. it should not be reduced due to the said recovery) in the NGOs' books of account. For reference purpose, the recommended accounting entries are given in **Appendix 3 of Annex 2** (Part I).

14. Particular attention should be paid to the following -

- (a) Income received for a subvented unit must be shown as income for that unit, irrespective of where the income is collected, i.e. at the centre, the headquarters or the central office of the NGO;
- (b) income designated for a specific activity (e.g. a grant from The Hong Kong Jockey Club Charities Trust for a summer programme), together with the expenditure for that activity, should be shown under the "Unrecognised" column;
- (c) transfer of income or expenditure between subvented units and the headquarters or central office is not allowed. Apportionment of auditors' fee to individual subvented unit is permitted. Where this is done, a footnote should be included in the financial statement for the subvented unit;
- (d) any depreciation/amortisation of fixed assets or provision not representing actual expenditure incurred (e.g. provision for doubtful debts) is not recognised and should be shown under the "Unrecognised" column;
- (e) any staff fringe benefits, including housing benefits, provision of food or food allowance for staff and travelling allowance, etc. which are not recognised should be shown under the "Unrecognised" column;
- (f) any capital financing expenses, e.g. any interest and bank charges on bank or other loans are not recognised and should be shown under the "Unrecognised" column;
- (g) recognised rent and rates mean payments which have been approved by SWD for reimbursement under subvention with regard to the specific location, limit of amount and tenancy. Any other payment or excess payment of rent and rates should be shown under the "Unrecognised" column;
- (h) forfeited employers' contribution to provident fund in respect of subvented posts should be dealt with in accordance with the terms stipulated in the provident fund deed/scheme. Any forfeited provident fund contributions should be properly accounted for in the books. For reference purpose, the recommended accounting entries for Provident Fund scheme managed by a bank/life insurance company are given in **Appendix 3 of Annex 2** (Part II);
- (i) the year-end surplus/deficit of the Operating Income and Expenditure Account, after transfer to Social Welfare Subvention Surpluses Account or Standalone Child Care Centres Operating Surpluses Account, should be transferred to the NGO's Accumulated General Fund Account; and

- (j) the corresponding figures for the previous year should be stated in the column provided.

Auditors' Certification

15. NGOs receiving subvention are required to arrange with their auditors for the accompanying financial statements to be examined and certified with due regard for these notes.

16. An auditor's certification should be obtained for the full set of accompanying financial statements to be submitted to SWD. The certification may be added to the auditors' report on the audited accounts or may appear separately together with the accompanying financial statements. Subject to any modifications as may be deemed necessary by the auditors (e.g. inclusion of qualification or reservations), the following wording may be used -

"We have examined the accompanying financial statements on pages _____ to which are presented for the purpose of additional analyses and are not required as part of the audited accounts on pages _____ to _____. This information has been subject to the auditing procedures applied in our audit of the annual accounts and in our opinion is fairly stated in all material respects in relation to the audited accounts taken as a whole and complies with the "Guidelines on Subventions and Subsidies for Aided Standalone Child Care Centres" and other instructions issued by the Director of Social Welfare from time to time".

Auditors' Management Letter

17. NGOs receiving subvention are also required to submit their auditors' management letters together with their annual accounts.

18. It is assumed that an audit will involve a general appraisal of the adequacy and effectiveness of financial and accounting records and procedures aiming at providing proper and effective internal controls. Auditors are expected to use their professional judgment in making the appraisal.

19. The auditors may discover, during the course of the audit, weaknesses in the NGO's internal controls. These should be brought to the attention of the management together with recommendations for improvement in the auditors' management letter. Where no obvious weakness has been identified and assuming no suggestion for improvement are necessary, the auditors' management letter may state, for example, "During the course of the audit, we have reviewed the accounting records and procedures of the organisation and we consider them adequate having regard to the level and nature of activities of the organisation".

STAFF RETIREMENT SCHEMES OF SUBVENTED ORGANISATIONS

Introduction

This Appendix sets out the conditions for the Government's subsidy of staff retirement schemes in subvented organisations excluding the Subsidized Schools Provident Fund and the Grant Schools Provident Fund which are governed by Rules made under the Education Ordinance.

2. The term "Provident Fund" is used to mean a fund to which contributions are made by the employer and the employees, in which a separate account is maintained in respect of each contributing employee. The conditions for the subsidy of "Provident Fund" schemes are set out in Section I.

3. The term "Provident Fund" is used to mean a fund to which contributions are made by the employer and the employees, in which a separate account is maintained in respect of each contributing employee. The conditions for the subsidy of "Provident Fund" schemes are set out in Section I.

SECTION I

PROVIDENT FUND SCHEMES

With effect from 1 September 1980 Provident fund schemes (hereafter referred to as the Fund) in subvented organisations are eligible for Government subvention if they comply fully with the conditions in the following paragraphs in this Section.

Object of the Fund

2. The object of the Fund is to maintain and manage a contributory fund which will provide payments in case of the dismissal or death of resignation, retirement, dismissal or death of contributory staff in subvented non-governmental organisations (NGOs) or to their estate in case of death.

Contributor

3. A contributor shall be a member of the staff employed by the organisation on a permanent basis. Staff employed on a day-to-day basis and temporary staff shall not be contributors to the Fund.

Establishment of the Fund

4. The Fund shall consist of -

- (a) contributions as provided in paragraphs 8 and 9;
- (b) dividends or interests accruing from investments of the Fund; and
- (c) any voluntary subscriptions, legacies or other moneys or benefits bequeathed or donated to the Fund.

Control of the Fund

5. The Fund shall be controlled, subject to the provisions of these paragraphs by the Board of Directors or Executive Committee (hereafter referred to as the Board) of the organisation.

6. The cost of the administration of the Fund (including audit fees, if any) should be chargeable against the income of the Fund rather than the general income of the organisation.

Financial Year

7. For the purpose of the Fund the financial year shall normally run from the 1st day of April to the 31st day of March next following.

Employee's Contributions

8. Every contributor approved by the Board to join the Fund shall contribute five per cent of his salary, being his basic monthly salary excluding bonuses, commission, overtime and any other allowances. Contributions shall be deducted from each contributor's salary monthly and be paid to the account of the Fund.

Employer's Contributions

9. For every contribution by an employee the employer shall contribute to the Fund in accordance with the following scale -

<u>Length of contributory service</u>	<u>Employer contribution (percentage of employee's salary)</u>
First 10 years	5%
11 th to 15 th year	10%
16 th year and over	15%

Such contributions shall be taken into account in calculating the subvention which is paid to the organisation concerned.

Contributor's Account

10. It shall be the duty of the Board to maintain an independent complete account for each contributor in the organisation which shall specify -

- (a) employee's and employer's contributions; and
- (b) such other credits and debits as may be determined by the Board from time to time, in accordance with the conditions set out in these paragraphs.

The total of each contributor's account as maintained by the Board shall be available for inspection by the contributor and the Government. The Board shall provide the contributor with a statement of his account as at the end of each financial year not later than three months after the end of that year.

Investments

11. The Board may invest all sums considered to be surplus to the normal cash requirements in such securities or in such manner specified in the Trustee Ordinance or in any other manner as may be approved by the Financial Secretary. The dividends or interests

accruing from such securities or deposits shall be credited to the account of the Fund.

Reserve Fund

12. A reserve fund shall be maintained, to which shall be -
- (a) credited each year -
 - (i) the proceeds of any realisation upon sale or maturity of any security during the year insofar as such proceeds exceed the cost price of such security to the Fund;
 - (ii) the net amount of any employer's contribution, including any dividend earned thereby, standing to the credit of any contributor to whom such contribution and dividend is not payable in accordance with the provisions of paragraph 17;
 - (iii) such proportion of the income derived from securities and deposits as the Board may think fit; and
 - (b) debited each year -
 - (i) any loss incurred upon sale or maturity during the year of any security having regard to the cost price of such security to the Fund; and
 - (ii) such outgoings or losses incurred by the Fund as the Board may in special circumstances authorise or direct in writing.
13. To the extent that the reserve fund may in any financial year be insufficient to meet any item specified in paragraph 12(b), such item shall be debited to the income of the Fund so far as possible and any excess shall be debited to contributors in accordance with paragraph 15.
14. To the extent that the reserve fund may in any financial year, after crediting and debiting the items specified in paragraph 12, exceed a sum equal to five per cent of the total credit balances of contributors' accounts for that financial year, any excess may in the discretion of the Board be credited to contributors in accordance with paragraphs 15 and 16.

Credits and Debits to Contributors' Accounts

15. At the end of each financial year the Board shall declare to the account of each contributor a credit, not exceeding five percent, or a debit, not limited in amount, by way of a percentage of each such account as at the previous 31st day of March to be credited and debited thereto, as the case may be, according to the proportion which such account bears to the total sum comprised during the year ending such 31st day of March of the following -
- (a) the income of the Fund after providing for any expenses and for the amount, if any, contributed to the reserve fund in accordance with the provision of paragraph 12;

- (b) any credit being the excess available under the provisions of paragraph 14 to the extent that the Board decides to distribute the same; and
- (c) any debit sum being the excess which cannot be borne by the reserve fund under paragraph 13.

Supplementary Dividend

16. The Board may at the end of each financial year declare a supplementary dividend by way of a percentage of the account of each contributor as at the previous 31st day of March, to be credited in the same manner as provided in paragraph 15 from the excess available under paragraph 14.

Benefits

17. (A) Whenever a contributor ceases to be employed by the organisation for any of the following reasons -

- (a) voluntary retirement after ten years continuous contributory service;
- (b) voluntary retirement at the normal age, being not less than 45 years, laid down by the organisation;
- (c) compulsory retirement after ten years continuous contributory service, or after reaching the normal retirement age;
- (d) voluntary or compulsory retirement on grounds of ill-health; or
- (e) death of the contributor;

his account shall be closed and there shall be paid out to him, or to his estate, the sum standing to his credit including all employer's contributions and dividends which may have been declared up to and including the date upon which his employment in the organisation terminated.

(B) Whenever a contributor retires or resigns from an organisation after completing more than five, but less than ten years' continuous contributory service his account shall be closed and there shall be paid out to him a sum including the total amount contributed by him (plus dividend) up to the date of his retirement or resignation plus one-tenth of the employer's contribution (plus dividend) for each year of contributory service completed up to the date of his retirement or resignation.

(C) When a contributor -

- (a) retires or resigns from an organisation after completing less than five years' continuous contributory service; or
- (b) is dismissed, or resigns in order to avoid dismissal, from service in an

organisation on any of the following grounds -

- (i) wilfully disobeying a lawful and reasonable order;
- (ii) misconducting himself, such conduct being inconsistent with the due and faithful discharge of his duties
- (iii) being guilty of fraud or dishonesty;
- (iv) being habitually neglectful in his duties; or
- (v) upon any other ground on which the employer would be entitled to terminate the contract of employment without notice at common law;

his account shall be closed and there shall be paid out to him a sum equal to the amount contributed by him up to the date of his resignation or dismissal together with any dividends declared to that contribution and less any sums debited thereto.

18. In the event of dismissal, if the Fund is conducted by a third party being a trustee, the trustee shall be satisfied that the dismissal was duly made upon one of the grounds specified in paragraph 17(C)(b).

19. For the purposes of interpretation, where any contributor commences contributions on a day other than the first day of any month, such contributor shall be deemed to have completed a year's contributory service on the last day of the month immediately preceding the expiration of twelve months. This interpretation shall be used to determine the number of years' contributory service.

Accounts

20. The accounts of the Fund shall be separate and distinct from the general or other specified accounts of the organisation and shall not be used to meet expenditure other than approved payment from the Fund.

21. The Board shall cause proper accounts to be kept of all transactions of the Fund and shall cause to be prepared and audited a statement of accounts which shall include an income and expenditure account and a balance sheet for every financial year.

22. A copy of the audited accounts of any Fund together with the auditor's report (if any) shall be submitted to the Government within six months of the close of the financial year. Such statement of accounts shall include among other items in the income and expenditure account amounts of contributions made by the employers and employees.

SECTION II

NON-STANDARD SCHEMES OPERATED BY
A BANK OR LIFE INSURANCE COMPANY

An NGO may enter into an agreement with a bank or life insurance company approved by Government, for a staff retirement scheme. The terms of the scheme will be a matter between the subvented organisation and the bank or life insurance company, but the Government's subvention in regard to the employer's contribution will be made only if the scheme complies fully with the conditions in the following paragraphs.

2. The approval of the Government shall be required before an NGO enters into agreement for such a scheme and the amount of employer's contribution shall be limited to a percentage of employee's basic salary as specified in paragraph 7.
3. Contributions of those staff who participate in such a scheme, together with appropriate employer's contribution, shall be transferred to the account specifically opened for such purposes.
4. The NGO shall each year inform the contributors of the position of their benefits under the scheme.

Contributor

5. A contributor shall be a member of the Staff employed by the NGO on a permanent basis. Staff employed on a day-to-day basis and temporary staff shall not be contributors to the scheme.

Employee's Contributions

6. Every contributor joining the scheme shall contribute five per cent of his salary, being his basic monthly salary excluding bonuses, commission, overtime and any other allowances. Contributions shall be deducted from each contributor's salary monthly and be paid to the account for the scheme.

Employer's Contributions

7. For every contribution by an employee the employer shall contribute in accordance with the following scale -

<u>Length of Contributory Service</u>	<u>Employer contribution (percentage of employee's salary)</u>
First 10 years	5%
11th to 15th year	10%
16th year and over	15%

such contributions shall be taken into account in calculating the subvention which is paid to the NGO concerned.

Benefits

8. Whenever a contributor ceases to be employed by the NGO there shall be paid out to him, or to his estate, the benefits due to him in accordance with the terms of the scheme, which shall be no less than the benefits which would have been available in like circumstances under a provident fund scheme as prescribed in paragraphs 17 to 19 in Section I of this Appendix.

SECTION III

EXISTING SCHEMES SUBVENTED BEFORE 1 SEPTEMBER 1980
WHICH DO NOT MEET THE CONDITIONS OF SECTIONS I OR II

There are existing schemes, subvented before 1 September 1980, which do not meet the conditions for subvention in Sections I and II of this Appendix. These schemes will continue to receive subvention, but it will be limited to a maximum of five per cent of the employee's basic salary or the actual employer's contribution, whichever is the lower.

2. The terms of these schemes vary and it is not intended to set out a single set of conditions governing the continuation of subvention. Any proposals for changes to these schemes should be referred to the Director of Education, the Director of Medical and Health Services or the Director of Social Welfare, as appropriate, for approval. But in no circumstances will the subvention exceed the amount stipulated in paragraph 1 above.

3. NGOs with schemes existing before 1 September 1980 have the following options

-

- (a) to continue their existing scheme;
- (b) to transfer completely to a scheme fully in compliance with Section I or II; and
- (c) to continue with their existing scheme and to establish a scheme in compliance with Section I or II.

4. Where an organisation establishes a scheme fully in compliance with Section I or II, the years of contributory service for staff will be counted as follows -

- (a) where a member of staff has been making a contribution to an existing scheme, continuous contributory service under that scheme will be recognised for the purpose of determining eligibility for the higher rates of employer's contribution; and
- (b) where a member of staff has not been making a contribution to an existing scheme, his years of continuous contributory service will be counted from the date he joins the new scheme.

5. The higher rates of employer's contribution will be subvented from the date the organisation introduces the new scheme or 1 September 1980, whichever is the later.

NGO Code and Name : _____

ACCOMANYING FINANCIAL STATEMENTS (AFS)

FOR THE PERIOD FROM _____ TO _____

<u>Statement No.</u>	<u>Description</u>
1A	Aided Standalone Child Care Centre Operation Surpluses Account
2A	Operation Income and Expenditure Account (for each aided standalone child care centre) and annex thereof

Authorised
Signature

Name
Title
Date

Authorised
Signature

Name
Title
Date

NGO Code and Name :

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AIDED STANDALONE CHILD CARE CENTRES (CCCs) OPERATING SURPLUSES ACCOUNT

FOR THE PERIOD FROM _____ **TO** _____

	Unit Code (Note 3)	(e.g. 1234)	(e.g. 5678)	Total	Remarks/ Notes (Note 4)
	Unit Name (Note 3)	(e.g. Aided Standalone CCC 1)	(e.g. Aided Standalone CCC 2)		
Balance as at the beginning of the period (Note 1)		\$ (F)1	\$ (F)2	\$ = (F)1 + (F)2 + ...	
<u>Add</u> : Transfer of Aided Standalone CCC's Operating Surpluses/ (Deficits) from Operating Income and Expenditure Account for the period (Note 2) -		(E)1 from Statement 2A(1)	(E)2 from Statement 2A(2)	= (E)1 + (E)2 + ...	
Balance as at the end of the period		(E)1 + (F)1 = G(1)	(E)2 + (F)2 = G(2)	= (G)1 + G(2) + ...	

Note :

- (1) Balance prior to 1 April 1982 should be excluded.
- (2) To list out the Aided Standalone CCCs Operating Surpluses/(Deficits) for each Aided Standalone CCC transferred from the Operating Income and Expenditure Account i.e. Statement 2A.
- (3) To report separately for the operating surplus arising from each Aided Standalone CCC. Please add additional column(s) if necessary.
- (4) Cross reference and supporting details should be indicated under "Remarks/Notes" column, where appropriate.

Appendix 2 of Annex 2

STATEMENT 2A () (Note 1)

Name of NGO : _____

NGO Code :

Name of Aided Standalone CCC: _____

Unit Code : (Note 2)

OPERATING INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD
FROM _____ TO _____

Figures for Previous Year		Aided Standalone CCC Operations (a)	Subvented (b)	Unrecognised (c)	Total (d) = (a) + (b) + (c)	Remarks /Notes
\$	<u>INCOME</u>	\$	\$	\$	\$	
	Fee Income (Note 3)		N/A	N/A		
	Fee Assistance		N/A	N/A		
	Child Care Centre Subsidy Scheme		N/A	N/A		
	Subsidy for Manpower Enhancement		N/A	N/A		
	Subsidy for Further Manpower Enhancement		N/A	N/A		
	Subsidy for Operation Enhancement		N/A	N/A		
	Subsidy for Assistant Supervisor		N/A	N/A		
	Subsidy for Minor Repairs and Maintenance		N/A	N/A		
	Child Care Centre Parent Subsidy		N/A	N/A		
	Child Care Centre Special Grant		N/A	N/A		
	Subvention for Rent (including Government Rent)	N/A		N/A		
	Subvention for Rates	N/A		N/A		
	Net Income from Sundry Sales/Services		N/A	N/A		
	Other Income (Please specify nature : _____)		N/A			
	TOTAL INCOME	(A)			(C)	
	<u>EXPENDITURE</u>					
	<u>Personal Emoluments :</u>					
	Salaries					
	Aided Standalone CCC Staff		N/A			
	Provident Fund Contributions					
	Aided Standalone CCC Staff		N/A			
	Less : Forfeiture of Employer's Contributions	()	()	()	()	
()	Relief Workers					
	Other Payments and Allowances (Please specify nature : _____)					
	Total Personal Emoluments					

Appendix 2 of Annex 2

Figures for Previous Year		Aided Standalone CCC Operations (a)	Subvented (b)	Unrecognised (c)	Total (d) = (a) + (b) + (c)	Remarks /Notes
	<u>Other Charges :</u> <u>Utilities</u> Electricity Gas and Fuel Water Sewage Charge		N/A N/A N/A N/A			
	Sub-total		N/A			

Appendix 2 of Annex 2

STATEMENT 2A () (Cont'd)

Name of NGO : _____

NGO Code :

Name of Aided Standalone CCC: _____ Unit Code : (Note 2)

Figures for Previous Year		Aided Standalone CCC Operations (a)	Subvented (b)	Unrecognised (c)	Total (d) = (a) + (b) + (c)	Remarks /Notes
\$	<u>Administrative Expenses</u>	\$	\$	\$	\$	
	Cleaning Charges		N/A			
	Postage		N/A			
	Telephone		N/A			
	Advertisement for Staff Recruitment		N/A			
	Registration Fee under Occupational Retirement Scheme Ordinance	N/A	N/A			
	Audit Fee					
	(a) For Registered Occupational Retirement Scheme	N/A	N/A			
	(b) Annual Audit		N/A			
	Sub-total		N/A			
	<u>Stores and Equipment</u>					
	Cleaning Materials		N/A			
	Printing & Stationery		N/A			
	Newspapers & Periodicals		N/A			
	Maintenance under Statutory Requirements@:					
	(a) Fire services		N/A			
	(b) Mechanical ventilating system		N/A			
	(c) Building safety		N/A			
	(d) Gas equipment		N/A			
	(e) Electrical installations		N/A			
	Minor Purchases, Repairs & Maintenance		N/A			
	Sub-total		N/A			

Appendix 2 of Annex 2

Figures for Previous Year		Aided Standalone CCC Operations (a)	Subvented (b)	Unrecognised (c)	Total (d) = (a) + (b) + (c)	Remarks /Notes
	<u>Transport & Travelling</u> Vehicle Expenses :- (a) Vehicle Licence (b) Third Party Insurance (c) Petroleum Other Travelling Expenses		N/A N/A N/A N/A			
	Sub-total		N/A			
	Food Food for Children Food for Staff	N/A	N/A N/A			
	Sub-total		N/A			
	<u>Programme Expenses</u>					

Appendix 2 of Annex 2
STATEMENT 2A () (Cont'd)

Name of NGO : _____

NGO Code :

Name of Aided Standalone CCC: _____

Unit Code : (Note 2)

Figures for Previous Year		Aided Standalone CCC Operations (a)	Subvented (b)	Unrecognised (c)	Total (d) =(a) +(b)+(c)	Remarks /Notes
\$	<u>Insurance</u>	\$	\$	\$	\$	
	Employee's Compensation		N/A			
	Insurance for Children		N/A			
	Public Liability		N/A			
	Others (Please specify nature : _____)	N/A	N/A			
	Sub-total		N/A			
	<u>Miscellaneous Expenses</u> (Please specify nature: _____)		N/A			
	Total Other Charges					
	<u>Rent</u>	N/A				
	<u>Government Rent</u>	N/A				
	<u>Rates</u>	N/A				
	TOTAL EXPENDITURE	(B)			(D)	
	INCOME LESS EXPENDITURE (C) - (D)					
()	TRANSFER OF SURPLUS/(DEFICIT) TO AIDED STANDALONE CHILD CARE CENTRES (CCC's) OPERATING SURPLUSES A/C (STATEMENT 1A) (E) = (A) - (B).....				()	
()	SUBVENTION SURPLUS TO BE RETURNED TO SOCIAL WELFARE DEPARTMENT [Computation as per the attached Annex to Statement 2A ()]				()	
	BALANCE FOR THE PERIOD TRANSFERRED TO NGO'S ACCUMULATED GENERAL FUND					

- Note : (1) Each Aided Standalone CCC must have a separate Statement 2A and such statements should be numbered consecutively as (1), (2) etc. together with other Statement 2A.
 (2) Please provide the unit code(s) of the subvented unit(s) included in this statement.
 (3) Fee income should be reported after netting off fee assistance and Child Care Centre Parent Subsidy.
 @ The total amount should be capped at the amount of Subsidy for Minor Repairs and Maintenance received.

Name of NGO: _____ NGO Code :

Name of Aided Standalone CCC: _____ Unit Code : (Note 1)

**COMPUTATION OF SOCIAL WELFARE SUBVENTION SURPLUSES ACCOUNT
FOR THE PERIOD FROM _____ TO _____**

<u>Subvention Element</u>	Subvention Released (Note 2) \$	Actual Expenditure (Note 3) \$	Surplus (Note 4) \$	Deficit (Note 4) \$
Aided Standalone CCC				
Unit Code :- _____				
Rent (including Government Rent)	=====	=====	=====	=====
Rates	=====	=====	=====	=====
Added: Interest received on balance of Subvention Surpluses			_____	
Total Subvention Surpluses to be returned to Social Welfare Department			=====	

Note

- (1) Please provide the unit code(s) of the subvented unit(s) included in this statement.
- (2) The figures are extracted from the paylist for March (Final) of the financial year.
- (3) The figures are extracted from the Operating Income and Expenditure Account (Statement 2A) under the 'Subvented' Column.
- (4) Surplus/Deficit for each element represents the difference between subvention released and actual expenditure.

Recommended Accounting Entries

(I) For Social Welfare Subvention Surpluses

- (i) When the subsidy surplus assessed equals to the subsidy surplus reported by the NGO -

DR. Social Welfare Subvention Surpluses Account
CR. Social Welfare Subvention Income Account
(Being subsidy surpluses recovered by SWD)

- (ii) When the subsidy surplus assessed is greater than the subsidy surplus reported by the NGO (due to adjustments such as identified unrecognized expenditure) -

DR. Accumulated General Fund
CR. Social Welfare Subvention Surpluses Account
(Being adjustments made in surplus assessment for ____ (year) and which cause a difference between assessed and reported subsidy surpluses)

DR. Bank A/ C — Social Welfare Subvention Surplus
CR. Bank A/ C - Accumulated General Fund
(Being transfer of an equivalent sum of cash for surplus recovery as a result of adjustments made in surplus assessment for ____ (year))

- (iii) When the subsidy surplus assessed is smaller than the subsidy surplus reported by the NGO, the accounting entries in para. (ii) above should be made vice versa. In any case, the surpluses account must be prepared in the standard format at Statement 1, even if the year-end balance is "nil".

(II) For Forfeited Employers' Provident Fund Contributions

- (i) Forfeited employers' contribution will be offset against employers' future contributions

DR. Provident Fund Prepaid
CR. Employers' Provident Fund Forfeiture
(Being provident fund forfeited in the year in respect of subvented posts)

DR. Employers' Provident Fund Contribution
CR. Provident Fund Prepaid
(Being employers' provident fund contribution for the year not involving any cash payment to bank/insurance company)

- (ii) Direct payment of provident fund forfeiture from the bank/insurance company –

DR. Bank

CR. Employer's Provident Fund Forfeiture

(Being provident fund forfeited in the year in respect of subvented posts)

DR. Employer's Provident Fund Contribution

CR. Bank

(Being employer's provident fund contribution in respect of subvented posts paid in the year)

Both (i) and (ii),

DR. Employer's Provident Fund Forfeiture

CR. Income and Expenditure Account

(Being transfer of provident fund forfeited in the year in respect of subvented posts)

- (iii) Forfeited provident fund from employers' contributions will be kept in the Provident Fund for the benefit of remaining employees.

(No other journal entries are required)