

CHAPTER 1

INTRODUCTION

1.1 The Lump Sum Grant (LSG) Manual provides a self-contained and necessary reference for the non-governmental organisations (NGOs) to operate under the Lump Sum Grant Subvention System, with a view to enhancing accountability, efficiency and cost-effectiveness in the use of public funds for the provision of welfare services. This LSG Manual (October 2016) is available solely in electronic form. There will be regular reviews and updates of the LSG Manual. The Social Welfare Department (SWD) will forward any future amendments/ replacements to users. Practice notes and guidance may also be issued by SWD from time to time to supplement the LSG Manual.

PURPOSE

1.2 The purpose of this LSG Manual is to set out :

- (a) the structure of LSG, the arrangements for PF provision and other related matters;
- (b) the financial management under LSG;
- (c) the respective roles and responsibilities and accountability of SWD and NGOs for the use of public funds; and
- (d) advice on best management practices and processes.

1.3 Generally speaking, SWD will administer the LSG in accordance with the requirements under (a) to (c) above, unless otherwise stated. **Sub-paragraph (d) above is meant for NGOs' reference, and individual NGOs may wish to adopt these as appropriate to meet the unique situation of their organisation.**

FORMAT

1.4 Specifically, the Chapters cover :

Chapter	Contents
2	<p>Lump Sum Grant The LSG structure, payment, adjustment mechanism and flexibility. It also covers the Provident Fund arrangements, reserves, fees and charges and insurance.</p>
3	<p>Financial Management The financial accounting to be put in place by NGOs and the external auditing of NGOs' use of public funds in respect of Funding and Service Agreement activities.</p>
4	<p>Public Accountability Roles and responsibilities of SWD and NGOs, issues of public accountability and the authority of the Audit Commission.</p>
5.	<p>Best Practices Good management practices and processes in areas of corporate governance, human resource management, management accounting and internal auditing.</p>

1.5 The LSG Manual has drawn upon parts of the existing Guide to Social Welfare Subventions issued in October 1993. **The existing Guide will continue to be used for the reimbursement of Rent and Rates, which is not covered under the LSG.**