

Building Management Ordinance (Cap.344)

A Guide on Clean and Effective Financial Management

The Building Management
(Amendment) Ordinance 2007 comes into
effect on 1 August 2007



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Introduction

Purpose of the Guide

Financial management is an essential part of building management. Good system and control, as an integral part of financial management, will not only ensure effective use of funds and sound financial status of the building but also minimize the risk of corruption, fraud and other malpractices. This Guide, jointly published by the Home Affairs Department, Independent Commission Against Corruption and Hong Kong Institute of Certified Public Accountants aims to assist owners' corporations (OC) in the effective management of their financial affairs. It provides guidance on how budgets are prepared, funds are disbursed and accounts are kept with the appropriate control measures. Sample documents are also provided in the Appendices for reference.

Role and Responsibility

Under the Building Management Ordinance (Cap.344) (BMO), an OC is empowered to establish funds and maintain bank accounts for the management of the building. The management committee (MC) of the OC is required to prepare budget, financial statements (which include income and expenditure account and balance sheet) and to make them available for inspection if required by the owners and the Authority (i.e. Secretary for Home Affairs). The financial statements signed by the chairman and the secretary or treasurer of the MC, together with the accountant's report (where applicable), should be laid before the OC at the annual general meeting of the corporation. For those OCs with more than 50 flats, such accounts should be audited by a Certified Public Accountant (CPA) (Practising) or a CPA firm or CPA Corporate Practice, and that accountant shall report as to whether such financial statements are, in his opinion, properly prepared so as to give a true and fair view of the financial transactions and the financial position of the corporation as at the date to which the financial statements are made up, subject to any qualification as he thinks fit.

The OC may employ staff or engage a property management company to manage the building and carry out some of the above duties but the authority and responsibility rest with the OC. Thus the MC, on behalf of the OC, should exercise due supervision of the staff or the property management company.

Extracts of the relevant sections of the BMO are in **Appendix 1**.

Persons involved in building management should pay attention to the provisions of the Prevention of Bribery Ordinance (Cap.201) (PBO) which prohibit the offering to or acceptance by an agent, an advantage on account of his principal's affairs or business without the latter's permission. It is also an offence for an agent to use any false document, receipt or account to deceive his principal.

In the context of building management, “agent” refers to individual members of the MC or staff employed to provide various services and “principal” refers to the OC or the company employing the staff.

Extracts of relevant sections of the PBO are in **Appendix 2**.

Annual Budget

The Purpose of Budgeting

The BMO requires the MC to prepare budgets setting out the sum reasonably necessary to meet payments for the proper management of the common parts and property of the OC, and to provide for any expenditure of an unexpected or urgent nature.

A budget provides the owners with a general idea of the income and expenditure forecast for the operation of the OC in the coming year. A well-prepared budget enhances management transparency and external monitoring because it clearly defines the scope of work and the priority of tasks that the MC plans to implement over the budget period. Through the budget, the MC and owners can monitor and control the performance and progress of the planned activities by regularly comparing the actual expenditure to the targeted expenditure and by taking corrective action based on the comparison.

Prudent Financial Management

The expenditure incurred in the management of the common area and property of the OC is financed by management fees, funds reserved for major projects (e.g. maintenance, renovation and improvement), other income (e.g. rental of common area) and bank interest. As an independent legal entity, the OC operates on a self-financing basis and should exercise care in monitoring income and expenditure for the benefits of the owners. The following are some principles of prudent financial management in the preparation of the budget —

- a deficit budget should be avoided;
- the management fee deposits should not be used to finance any recurring or capital expenditure except for emergency use, and they should be replenished within a reasonable time after such use;
- the funds reserved for major projects, unexpected or urgent payments should be used strictly according to the set purposes and should not be used to finance recurring expenditure;
- sufficient but not excessive provision should be made to the reserve funds;
- owners' views should be sought before making any major increase in expenditure; and
- appropriate measures should be taken to minimize risks which could lead to potential financial loss.

Preparation of Budget

Generally, a budget is prepared for each financial year. The following are some useful tips in preparing a budget —

- income or expenditure of a similar nature should be grouped under the same budget heading (a list of the common budget headings in building management is in **Appendix 3**);
- all existing income, recurrent and non-recurring expenditure items should be reviewed;
- a reasonable basis should be used when estimating the amount of provision (e.g. reference should be made to the previous contract price, market price, inflation rate or quotations from contractors/suppliers);
- the breakdown of items under each budget heading, the basis and assumptions for making the respective budgetary provisions should be recorded to answer any future enquiries;
- the budget should be compared with the previous year's actual expenditure for any significant variation;
- explanatory notes should be used where necessary to account for any new projects or significant variations; and
- the MC should be prepared to answer any budget enquiries from owners.

Notification of Draft Budget

Enhancing the transparency of the operation of an MC is conducive to effective building management. We strongly encourage MCs to consult owners on the draft budget. In arranging the consultation, the MC should consider to —

- post the draft budget in a prominent location (e.g. the OC's notice board) for a reasonable period (e.g. 7 days) or serve it to the owners individually;
- provide justifications for any new projects and significant variations from the previous expenditure;
- publicize the channel of enquiries (e.g. name and telephone number of the designated MC member) on the budget;
- allow reasonable time (e.g. 14 days) for comments from owners; and
- inform owners of whether a general meeting of the corporation will be convened to discuss and endorse the budget.

Approval of Budget

The MC should be receptive to comments and suggestions from owners. In the event that the majority of owners hold a different view, the draft budget should be revised taking into account the majority opinion. Owners should be consulted on the revised budget following the above notification procedures. After the consultation, the budget should be approved by the MC and preferably endorsed by the OC at a meeting.

It should be noted that OC's endorsement of the budget is not tantamount to the approval of any proposed increase in management fees or contribution to the building management funds exceeding the rate specified in the BMO. According to the BMO, the OC's approval is required by a resolution passed at a general meeting for the charge of any subsequent management fees or owners' contribution to the building management funds exceeding 150% of the amount charged for the preceding period.

Notification of Approved Budget

We strongly encourage MCs to inform all owners of the approved budget. This can be done by posting the approved budget in a prominent location (e.g. the OC's notice board) for a reasonable period (e.g. 7 days) or serving it to the owners individually.

According to the BMO, a copy of the budget should be provided to owners and other authorized persons if so requested and on payment of a copying charge.

Review and Revision of Budget

The budget should be reviewed at suitable intervals (e.g. quarterly, half-yearly) to keep the MC and owners informed of the progress of the management operation, planned projects and activities. The review can be used to analyze the variance between the budgeted and actual performance and to reveal the reasons for such variance. The following are some useful tips for MCs in the review of the budget —

- update the actual income and expenditure under their respective budget headings;
- compare the difference of the budgeted and actual income and expenditure for any significant variance;
- find out the reasons for such significant variance;
- take corrective actions for such significant variance (e.g. expedite project progress, increase provision);
- publicize the findings, explanations and corrective actions for owners' information; and
- be prepared to answer enquiries from the owners.

A sample of a comparison table between the budgeted and actual income and expenditure is in **Appendix 4**.

Risk Management

The BMO empowers the OC to take out insurance for the common parts of the building and property of the OC against third party risks, and further empowers the OC to take out insurance against fire and other perils. This aims to protect the OC and the owners from financial hardship if they are required to pay for the settlement of any claims of public liabilities or for the reinstatement of any common property damaged as a result of accidents. The compensation or reinstatement costs could be an enormous financial burden to the OC and the owners. For the benefits of the owners, we strongly advise the OCs to —

- keep the building and associated structures insured against public liabilities and preferably against all other risks at all times;
- regularly identify and assess the implications of any existing or potential risks (e.g. fire, slopes, falling objects, repair and maintenance works in progress) and work out the preventive and counter measures (e.g. removing debris found in public area to reduce fire hazard);
- implement proactively preventive repair and maintenance programmes (e.g. regular inspection of the condition of the building and fire fighting installations); and
- promote the awareness of public safety to owners and contractors (e.g. the necessary safety measures to be taken for works projects).

Maintenance of Accounts and Records

Statutory Requirements Relating to the Accounts

The BMO requires —

- the OC to open and maintain an interest-bearing bank account in its name and shall use that account exclusively for the management of the building;
- the MC to maintain accounting books and records and supporting documents for at least 6 years;
- the MC to prepare, not later than 15 months after the date of registration of the OC and thereafter every 12 months, financial statements of the OC which shall include an income and expenditure account and a balance sheet. The financial statements of the OC shall be signed by the chairman and the secretary or the treasurer of the MC;
- in the case of buildings which contain more than 50 flats, the OC to appoint a CPA (Practising) or a CPA firm or CPA Corporate Practice to audit the financial statements, and that accountant shall report as to whether such financial statements are, in his opinion, properly prepared so as to give a true and fair view of the financial transactions and the financial position of the corporation as at the date to which the financial statements are made up, subject to any qualification as he thinks fit;
- the MC to lay before the corporation at the annual general meeting of the corporation the financial statements of the OC and where applicable, an accountant's report on the audited financial statements;
- the treasurer to prepare and display for at least 7 consecutive days a summary of income and expenditure of the OC within 1 month after each consecutive period of 3 months in a prominent place in the building;
- the treasurer to give a copy of the financial statements and the accountant's report (where applicable), or a quarterly summary of the income and expenditure of the OC to owners and other authorized persons on request and on the payment of a copying charge;
- where a request is made by not less than 5% of the owners, the MC to permit those owners or any person appointed by those owners to inspect any bills, invoices, vouchers, receipts or other documents of the OC at any reasonable time; and
- where an order is made by the court, the MC to permit any person authorized by the court to inspect any bills, invoices, vouchers, receipts or other documents of the OC at any reasonable time.

Integrity

In discharging their duties in building management, MC members are placed in a position of trust and expected to do the job honestly. To uphold integrity, MC members should —

- comply with any resolutions passed by the OC;
- declare and avoid any conflict of interest (e.g. financial interest in a contractor working for the OC, using contractors of the OC for personal business); and
- avoid over-socializing with or excessive entertainment from contractors or suppliers of the OC.

Preparation of Accounts

Properly maintained statements of accounts reflect the financial transactions and financial position of the OC and are essential in helping the MC and the OC to make sound and sensible management decisions. Properly prepared statements of accounts of the OC are particularly important for a smooth handover of financial matters at the expiration of the tenure of the MC. The following are some tips for the MCs in preparing the statements of account —

- the management fee deposits should have a breakdown of balance under each owner and any movement of this account should be explained in the financial statements;
- separate ledger accounts should be kept for different types of income or expenditure items (e.g. repair and maintenance, salaries, utilities);
- entries should be posted to the appropriate account within a reasonable time;
- the entries under each ledger account should be summed up regularly (monthly or at least quarterly) for preparation of a summary of income and expenditure; and
- at the end of the accounting year, all individual accounts including the balance sheet items should be summed up for the preparation of the financial statements.

Samples of a quarterly summary of income and expenditure, an annual income and expenditure account and a balance sheet in building management and a breakdown of management fee deposits are in **Appendices 5, 6, 7 and 8**.

Use of Vouchers

A good filing system facilitates the reference and retrieval of documents (e.g. invoice, receipt) which support the entries booked in the ledger accounts. Supporting documents are important to validate the accounting records and provide the necessary audit trails. Vouching of the supporting documents is a useful tool to keep track of the transaction records. Generally, vouchers are classified into —

- payment voucher;
- receipt voucher; and

- journal voucher (for transactions other than payment and receipt, e.g. adjustment of a wrong entry in the ledger accounts).

The vouchers should have the following features —

- each type of voucher should have sequential control;
- the date of preparation;
- the account to be credited;
- the account to be debited;
- description of the transaction; and
- signature of the persons involved in preparing, approving and posting the voucher.

Samples of the three types of vouchers are in **Appendix 9**.

Keeping of Vouchers and Supporting Documents

All relevant supporting documents must be attached to the vouchers. The following are some tips for MCs in the keeping of vouchers and supporting documents —

- the voucher number should be marked on the corresponding accounting entry in the ledger accounts for cross referencing;
- vouchers together with the supporting documents should be filed consecutively according to the serial number;
- if a voucher is cancelled, it must be crossed out, marked with “Cancelled” and retained for auditing;
- if a voucher is lost, a remark should be made in the voucher record;
- the supporting documents and the voucher should contain adequate details of the expenditure and trails of the transaction (e.g. description of items purchased and price charged, description and location of repair work carried out);
- erasures or correction fluid should not be permitted for correcting errors in the supporting documents;
- errors should be struck out and corrections should be initialed by the authorized MC members or the payee;
- certification should be made only on original invoices and reasons should be recorded to justify copies (e.g. loss of the original);
- invoices should be stamped “Paid” to prevent duplicate payment;

- specimen signatures of the authorized MC members should be kept for verification purpose;
- other relevant supporting documents (e.g. bank statements, contracts, the OC's minutes authorizing works projects) should also be properly kept for cross-referencing with the accounting entries;
- a fixed asset register should be used to record all non-consumable items of a value as determined by the OC; and
- an inventory record should be kept to control the use and keeping of consumable items (e.g. light bulbs, cleaning tools and materials).

Transparency of the Accounting System

A transparent accounting system helps external monitoring and reduces opportunities for abuse and allegations of impropriety. The following are some advice for the MCs to enhance the transparency of the accounting system —

- publicize the accounting policies which should be consistent with Accounting Standards and endorsed by the OC;
- publicize the authority delegated to the MC members;
- properly keep the statements and books of accounts and supporting documents;
- lay before the OC at the annual general meeting of the corporation the financial statements signed by the chairman and the secretary or the treasurer of the MC and the accountant's report (where applicable);
- display the statements of accounts in a prominent location for reasonable periods (e.g. 7 days) and at suitable intervals;
- make available copies of the statements of accounts to owners and other authorized persons on request;
- display the accountant's report and the accountant's management letter (if any) for the owners' information;
- convene a general meeting of the corporation to consider comments (other than the usual endorsement) in the accountant's report or management letter issued by the accountant; and
- where necessary, invite the accountant who audited the financial statements of the OC to the general meeting of the corporation to explain the comments.

Control and Disbursement of Funds

Delegation of Authority to Approve Expenditure

To facilitate operation, the MC needs to delegate authority to its members to handle administrative work. For prudent management, the delegation of authority should be properly governed by setting —

- the limit of expenditure that the MC can pay or commit on behalf of the OC without convening a general meeting of the corporation (the BMO requires the OC's approval for accepting or not accepting the tender for any supplies of goods or services the value of which exceeds or is likely to exceed a sum which is equivalent to 20% of the annual budget of the OC);
- the financial limits for authorized individual MC members (e.g. chairman and secretary) to approve purchases and expenditure; and
- the minimum number of quotations required for various values of purchases.

The following are examples of delegation of authority. For purchases above \$10,000, the arrangements below are in line with the requirements under the BMO and the Code of Practice on Procurement of Supplies, Goods and Services.

Expenditure	Number of Quotations/Tenders	Approval Authority
\$2,000 and below	As practical	Any one of the authorized MC members (e.g. chairman, secretary, treasurer)
\$2,001 - \$10,000	Three quotations	Any two/three of the authorized MC members
\$10,001 - \$200,000	Three tenders	MC meeting
Above \$200,000 and the value does not exceed 20% of the annual budget of the OC	Five tenders	MC meeting
The value exceeds 20% of the annual budget of the OC	Five tenders	General meeting of the corporation

Segregation and Rotation of Accounting Duties

Duties should be segregated to facilitate detection of errors and mutual monitoring among MC members. Over-centralizing duties to individual MC members is conducive to risks of abuse. Wherever feasible, the following duties should be performed separately by different MC members —

- approval of expenditure;
- keeping, preparing and recording cheques for issue;
- cheque and bank book signatories;
- petty cash holder; and
- booking of entries and compilation of accounts.

Where practical, these duties should be rotated regularly among MC members to further reduce opportunities for abuse.

Opening and Use of Owners' Corporation's Bank Accounts

The OC should open and maintain in its name an interest-bearing account and a current account and use these accounts exclusively for keeping the funds and paying the expenditure for building management. The following control measures are necessary for the proper operation of the OC's bank accounts —

- opening of the OC's bank accounts should be approved at an MC meeting;
- all the OC's bank accounts should be operated by at least two joint signatories (e.g. chairman, treasurer or professional property manager, if appointed) authorized by the MC;
- cheques and cash received should be deposited into the interest-bearing accounts without delay;
- cashing of any personal cheques through the OC's bank account should be strictly prohibited;
- bank statements should be checked against the payments made and kept as supporting documents for accounting entries and audit purpose; and
- at the end of each month, the balance of a bank account should be reconciled with that of the book record and certified correct by the treasurer (a sample of monthly bank reconciliation statement is in **Appendix 10**).

Income and Payment

Proper control must be exercised to prevent misappropriation or embezzlement of funds, inflating payment or making bogus claims. The following control measures are useful —

- autopay and cheques should be used and cash transactions should be minimized as far as possible for payment of expenditure and collection of management fees and other income (e.g. rental of common parts);
- a receipt should be issued for any cash and cheques received;
- receipts should be serially numbered and filed properly;

- owners and payers should be reminded to cross and mark their cheques payable to the OC for any payment to the OC;
- an autopay list with the payees' data and the goods/services provided (e.g. utility charges) should be maintained and reviewed regularly by the MC;
- addition to and deletion from the autopay list should be approved by the MC;
- the financial limit and frequency of autopay to payees should be specified;
- payment should be approved by authorized MC members by initialing the supporting documents (e.g. invoice, receipt);
- cheques should be signed by at least two signatories authorized by the MC;
- cheque signatories should not be allowed to sign cheques drawn in their favour;
- cheques, bank books and the OC's official chop should be kept by an MC member other than the authorized signatories;
- cheques should be crossed and marked "Account Payee Only";
- void cheques should be marked "Cancelled" and retained for audit purposes;
- signing of blank cheques should not be allowed; and
- the bank should be notified promptly of withdrawal or change of authorized signatories.

Petty Cash

Petty cash is used for payment of small value expenses. As cash handling is always subject to risks of abuse, the following control measures should be adopted —

- the maximum amount of petty cash to be kept should be approved by the MC taking into account the operational needs;
- petty cash claims/payment should be supported by receipts as far as practical and certified by the authorized MC member;
- claimants should acknowledge receipt of payment on the reimbursement form if there is no other supporting documents (e.g. traveling expenses);
- replenishment of petty cash should be supported by the batch of receipts and reimbursement forms paid;
- significant cash advance should not be allowed unless approved by authorized MC members for valid reasons; and
- repeated purchases using petty cash should be monitored and replaced by bulk purchases where practical.

Internal Review

Purpose of Internal Review

Internal review is conducted as a good practice although this is not a statutory requirement under the BMO. A well-established internal review system not only increases the transparency of the financial management but also enhances the credibility of the MC. Internal review aims to independently appraise MC members' compliance with the resolutions of the OC and the accounting and operational procedures laid down. In addition to checking the completeness and accuracy of the accounting records, the reviewer also objectively reports on the adequacy of the control measures to ensure the proper, economic, efficient and effective use of the OC's resources. To ensure an ability to work independently and impartially, the reviewer should —

- be appointed by the OC;
- not be involved in any administrative or management functions of the MC;
- have free access to any accounts, documents, books and records;
- report regularly his findings in the general meeting of the corporation; and
- declare and avoid any conflict of interest (e.g. a relative of an MC member or a contractor working for the OC).

Scope of Internal Review

The reviewer should check the financial operations of the OC periodically to ensure that —

- proper delegation of authority and segregation of duties are in place and have been complied with;
- the OC's resolutions on accounting matters have been complied with;
- income has been collected promptly and due action has been taken against debts;
- expenditure and payment have been properly authorized in accordance with the schedule of authority;
- accounting entries have been booked within a reasonable period of time;
- the accounts are accurate and correct by verifying book entries against the supporting documents;
- supporting documents contain sufficient trails of the transactions;
- all statements of accounts and supporting documents have been properly filed and retained for at least 6 years;

- the budget, the quarterly summary of income and expenditure, and the financial statements are prepared and displayed in accordance with the BMO;
- procurement policy (e.g. number of tenders/quotations) and procedures (e.g. keeping and opening of tenders) which are in line with the Code of Practice on Procurement of Supplies, Goods and Services under the BMO have been laid down and complied with;
- the bank reconciliation statements have been properly prepared;
- the inventory and the works (e.g. maintenance, gardening) carried out recently conform to the specifications in the supporting documents;
- non-consumable items of a value as determined by the OC have been properly recorded in the fixed asset register and kept;
- reasons and explanations have been recorded for any non-compliance with the policies and procedures laid down; and
- third party risks, the building and associated structures have been properly covered by insurance.

A sample of internal review checklist is in **Appendix 11**.

Audit of Financial Statements

The BMO requires that the financial statements of an OC must be audited by a CPA (Practising), a CPA firm or CPA Corporate Practice (Auditor) if the OC is for a building of more than 50 flats. The Auditor should —

- be appointed by the OC by a resolution passed at a general meeting of the corporation;
- agree the terms of the audit engagement with the MC in an engagement letter;
- agree a basis of audit fee with the MC;
- conduct the audit in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants; and
- have right of free access to any documents, books and records of the OC.

In relation to the audit of the financial statements, it is the responsibility of the MC, or the professional property manager employed by the OC or its MC, to carry out its duties under the BMO to —

- maintain proper books or records of account and other financial records in accordance with Schedules 6 and 7 to the BMO for at least 6 years;
- prepare the financial statements so as to give a true and fair view of the financial transactions and financial position of the OC; and
- provide all the information and explanations which are considered necessary by the Auditor.

The work of the Auditor is to —

- examine, on a test basis, the books and records of the OC;
- assess significant estimates and judgments made by the MC or the professional property manager in the preparation of the financial statements;
- assess whether the financial statements are free from material misstatement; and
- report to members of the OC as to whether the financial statements approved by the MC are properly prepared so as to give a true and fair view of the financial transactions and financial position of the OC as at the date to which the financial statements are made up, subject to qualification as he thinks fit.

As the objective of an audit of the financial statements of the OC is to enable the Auditor to express an opinion on whether the financial statements are properly prepared so as to give a true and fair view of the financial transactions and financial position of the OC as at the date to which the financial statements are made up, it does not include the provision of services such as —

- investigation into specific areas of the books and records, and financial statements of the OC;
- giving advice on internal controls and tendering procedures;
- internal review; and
- tax advisory service.

A list of Certified Public Accountant firms with their contact details can be found in the website of Hong Kong Institute of Certified Public Accountants at www.hkicpa.org.hk. A copy of the list is also kept at the Public Enquiry Service Centres of the District Offices.

Appendix 1

Extracts of the Building Management Ordinance (Cap.344)

Section 20 : Establishment of funds

- (1) A corporation shall establish and maintain a general fund —
 - (a) to defray the cost of the exercise of its powers and the performance of its duties under the deed of mutual covenant (if any) and this Ordinance; and
 - (b) to pay Government rent, premiums, taxes or other outgoings (including any outgoings in relation to any maintenance or repair work) which are payable in respect of the building as a whole.
- (2) A corporation may establish and maintain a contingency fund —
 - (a) to provide for any expenditure of an unexpected or urgent nature; and
 - (b) to meet any payments of the kind specified in sub-section (1) if the fund established thereby is insufficient to meet them.
- (3) A corporation shall open and maintain an interest-bearing account and shall use that account exclusively in respect of the management of the building.
- (4) Subject to subsections (5) and (6), a corporation shall without delay pay all money received by the corporation in respect of the management of the building into the account opened and maintained under subsection (3).
- (5) Subject to subsection (6), the treasurer of a management committee may, out of money received by the corporation in respect of the management of the building, retain or pay into a current account a reasonable amount to cover expenditure of a minor nature, but that amount shall not exceed such figure as is determined from time to time by a resolution of the management committee.
- (6) The retention of a reasonable amount of money under subsection (5) or the payment of that amount into a current account in accordance with that subsection and any other arrangement for dealing with money received by a corporation shall be subject to such conditions as may be approved by a resolution of the management committee.

- (7) Any reference in this section to an account is a reference to an account opened —
 - (a) with a bank within the meaning of section 2 of the Banking Ordinance (Cap.155); and
 - (b) in the name of the corporation.

Section 20A : Supplies, goods and services

- (1) The procurement of all supplies, goods or services required by a corporation in the exercise of its powers and the performance of its duties under the deed of mutual covenant (if any) or this Ordinance shall comply with such standards and guidelines as may be specified in a Code of Practice relating to such procurement.
- (2) Subject to subsection (2A), any supplies, goods or services referred to in subsection (1) the value of which exceeds or is likely to exceed —
 - (a) the sum of \$200,000 or such other sum in substitution therefor as the Authority may specify by notice in the Gazette; or
 - (b) a sum which is equivalent to 20% of the annual budget of the corporation or such other percentage in substitution therefor as the Authority may specify by notice in the Gazette, Whichever is the lesser, shall be procured by invitation to tender.
- (2A) Subsection (2) does not apply to any supplies, goods or services which but for this subsection would be required to be procured by a corporation by invitation to tender (referred to in this section as “relevant supplies, goods or services”) if —
 - (a) the relevant supplies, goods or services are of the same type as any supplies, goods or services which are for the time being supplied to the corporation by a supplier; and
 - (b) the corporation decides by a resolution of the owners passed at a general meeting of the corporation that the relevant supplies, goods or services shall be procured from that supplier on such terms and conditions as specified in the resolution, instead of by invitation to tender.
- (2B) Where any supplies, goods or services are required under subsection (2)(b) to be procured by invitation to tender, whether a tender submitted for the purpose is accepted or not shall be decided by a resolution of the owners passed at a general meeting of the corporation.

- (3) (Repealed 5 of 2007 s.16)
- (4) All tender documents, copies of contracts, accounts and invoices and any other documents in the possession of a corporation and relating to the procurement of supplies, goods and services shall be kept by the corporation for such period, being not less than 6 years, as the corporation may determine.
- (5) A contract for the procurement of any supplies, goods or services shall not be void by reason only that it does not comply with subsection (1).
- (6) Where any supplies, goods or services are required under subsection (2) to be procured by invitation to tender, a contract for the procurement of the supplies, goods or services which does not comply with subsection (2) or (2B) —
- (a) subject to any resolution passed by corporation under paragraph (b) or any order made by the court under subsection (7), shall not be void by reason only that it does not comply with subsection (2) or (2B);
 - (b) subject to any order made by the court under subsection (7), may be avoided by the corporation by a resolution of the owners passed at a general meeting of the corporation but only for the reason that it does not comply with subsection (2) or (2B).
- (7) In any legal proceedings in relation to a contract for the procurement of any supplies, goods or services to which subsection (2) or (2B) applies, the court may make such orders (including whether the contract is void or voidable) and give such directions in respect of the rights and obligations of the contractual parties as the court thinks fit having regard to all the circumstances of the case, including (but not limited to) the following factors —
- (a) whether the supplies, goods or services have been procured by invitation to tender;
 - (b) whether a general meeting of the corporation has been convened to consider the procurement of the supplies, goods or services;
 - (c) whether the Code of Practice referred to in subsection (1) has been complied with;
 - (d) whether the contract has been split, for the sole purpose of avoiding the compliance of the requirements in subsection (2) or (2B), from a contract which should have been made for the procurement of supplies, goods or services of greater value;
 - (e) whether the supplies, goods or services were urgently required;

- (f) the progress of any activities or works in relation to the supplies, goods or services;
 - (g) whether the owners have benefited from the contract;
 - (h) whether the owners have incurred any financial loss due to the contract and the extent thereof;
 - (i) whether the supplier of the supplies, goods or services under the contract has acted in good faith;
 - (j) whether the supplier of the supplies, goods or services under the contract has benefited from the contract; and
 - (k) whether the supplier of the supplies, goods or services under the contract has incurred any financial loss due to the contract and the extent thereof.
- (8) For the purposes of subsection (7), where the court makes an order that the contract is voidable at the instance of the corporation, it shall also make an order that a general meeting of the corporation be convened and held in such manner as the court thinks fit, so as to decide whether the contract is to be avoided.
- (9) For the avoidance of doubt, subject to section 29A, any person who enters into a contract for the procurement of any supplies, goods, or services otherwise than in compliance with subsection (2) or, if applicable, subsection (2B) shall be personally liable for any claims arising from the contract.

Section 21 : Contributions to funds

- (1) Subject to subsection (4), a management committee shall determine the amount to be contributed by the owners to the funds established and maintained under section 20 during such period —
- (a) in the case of the first such period after the date of registration of the corporation, not exceeding 15 months; and
 - (b) in any other case, not exceeding 12 months,
- as the management committee may determine.
- (1A) Subject to subsection (3), any amount (“subsequent amount” (其後の款額)) determined by a management committee under subsection (1) after the first such amount (so determined under that subsection) shall not exceed a sum equivalent to 150% of the preceding amount

(so determined under that subsection) unless that subsequent amount is approved by the corporation by a resolution passed at a general meeting.

- (2) Subject to section 14(1) and to subsection (3), a management committee shall not increase the amount determined in accordance with subsection (1).
- (3) A management committee may increase the amount required to be contributed by the owners to the extent to which the funds established and maintained under section 20 are insufficient to meet any payment due by the corporation in respect of the cost of complying with —
 - (a) an order of the tribunal; or
 - (b) any notice, order or other document served upon the corporation in relation to the common parts by a public officer or public body under any Ordinance.
- (4) Schedule 5 shall have effect with respect to the amount to be determined under subsection (1), the preparation of budgets by the management committee for such determinations and the supply of copies of any documents in respect of those budgets.
- (5) In the event of any inconsistency between this section (which shall be construed to include Schedule 5) and the terms of a deed of mutual covenant or any other agreement, this section shall prevail.

Section 27 : Accounts of corporation

- (1) Subject to subsection (3), a management committee shall maintain proper books or records of account and other financial records and shall prepare, not later than 15 months after the date of the registration of the corporation and thereafter every 12 months, financial statements which —
 - (a) shall be signed by —
 - (i) the chairman of the management committee; and
 - (ii) the secretary or the treasurer of the management committee;
 - (b) if subsection (1A) is applicable, shall be audited under that subsection; and
 - (c) together with the accountant's report made under subsection (1A), if any, shall be laid before the corporation at the annual general meeting of the corporation convened in accordance with paragraph 1(1) of Schedule 3.
- (1AA) The financial statements referred to in subsection (1) shall include —
 - (a) an income and expenditure account which gives a true and fair view of the financial

transactions of the corporation for the period to which it relates; and

(b) a balance sheet which gives a true and fair view of the financial position of the corporation as at the date to which the income and expenditure account is made up.

- (1A) Except in the case of a corporation incorporated in respect of a building which contains not more than 50 flats, the financial statements referred to in subsection (1) shall be audited by an accountant retained by the corporation as may be approved by the corporation by a resolution passed at a general meeting and that accountant shall report as to whether such financial statements are, in his opinion, properly prepared so as to give a true and fair view of the financial transactions of the corporation for the period to which the income and expenditure account relates and the financial position of the corporation as at the date to which the income and expenditure account is made up, subject to such qualification, if any, as he may think fit.
- (1B) In subsection (1A), “flats” (單位) does not mean any garage, carpark or carport.
- (2) The management committee shall permit the Authority, an authorized officer, the tenants’ representative, an owner, a registered mortgagee or any person authorized in writing in that behalf by an owner or registered mortgagee to inspect the books of account at any reasonable time.
- (3) In the event of a contravention of subsection (1), every member of the management committee shall be guilty of an offence and shall be liable on conviction to a fine at level 5 unless he proves —
- (a) that the offence was committed without his consent or connivance; and
- (b) that he exercised all such due diligence to prevent the commission of the offence as he ought to have exercised in the circumstances.
- (4) Schedule 6 shall have effect with respect to the maintenance of proper books or records of account and other records (including the keeping of such accounts and records), the inspection of any documents referred to in such accounts and records, the preparation of summaries of income and expenditure and the supply of copies of any documents in respect of those accounts and summaries.
- (5) In the event of any inconsistency between this section (which shall be construed to include the Schedule 6) and the terms of a deed of mutual covenant or any other agreement, this section shall prevail.

Schedule 5 : Annual Budget

[sections 21 & 42]

1. The amount to be determined by the management committee under section 21(1) shall be based upon a budget prepared by the management committee for the period specified by the management committee under that subsection.
2. The budget referred to in paragraph 1 shall set out the sums which in the opinion of the management committee will be reasonably necessary to meet payments of the kind specified in section 20(1) and shall, if a contingency fund is established under section 20(2), set out the sums which in the opinion of the management committee will be reasonably necessary to meet payments of the kind specified in that subsection.
3. A revised budget may be prepared if the management committee is of the opinion that any sum set out in a budget in respect of which the revised budget is to be prepared is insufficient to meet the proposed expenditure which that sum was intended to meet.
4. If the tenants' representative, an owner, a registered mortgagee or any person duly authorized in writing in that behalf by an owner or registered mortgagee requests in writing the corporation to supply him with copies of any budget referred to in this Schedule, the treasurer shall, on the payment of such reasonable copying charge as the management committee may determine, supply such copies to that person.
5. The treasurer shall, if requested by the Authority or an authorized officer and without raising any charge, supply the copies referred to in paragraph 4 to the Authority or that officer.

Schedule 6 : Accounts

[sections 27 & 42 & Schedule 11]

1. All bills, invoices, vouchers, receipts and other documents referred to in the books or records of account and other records maintained under section 27(1) shall be kept by the management committee for such period, being not less than 6 years, as the corporation may determine.
- 1A The management committee shall —
 - (a) at the request of not less than 5% of the owners, permit those owners or any person

appointed by those owners to inspect any bills, invoices, vouchers, receipts or other documents referred to in paragraph 1 at any reasonable time; and

(b) permit any person authorized by the court to inspect any bills, invoices, vouchers, receipts or other documents referred to in paragraph 1 at any reasonable time.

1B. For the purposes of paragraph 1A(b), an owner may apply to the court for an order authorizing the owner, or any other person named in the application, to inspect any bills, invoices, vouchers, receipts or other documents referred to in paragraph 1.

1C. The court may make an order under paragraph 1B only if it is satisfied that —

(a) the application is made in good faith; and

(b) the inspection applied for is for a proper purpose.

2. Within 1 month after each consecutive period of 3 months, or such shorter period as the management committee may select, the treasurer shall prepare a summary of the income and expenditure of the corporation in respect of that period, display a copy of the summary in a prominent place in the building, and cause it to remain so displayed for at least 7 consecutive days.

3. If the tenants' representative, an owner, a registered mortgagee or any person duly authorized in writing in that behalf by an owner or registered mortgagee requests in writing the corporation to supply him with copies of —

(a) the financial statements and, if applicable, the accountant's report prepared under section 27; or

(b) a summary of the income and expenditure of the corporation prepared under paragraph 2, the treasurer shall, on the payment of such reasonable copying charge as the management committee may determine, supply such copies to that person.

4. The treasurer shall, if requested by the Authority or an authorized officer and without raising any charge, supply the copies referred to in paragraph 3 to the Authority or that officer.

Appendix 2

Extracts of the Prevention of Bribery Ordinance (Cap.201)

Section 9 : Corrupt transactions with agents

- (1) Any agent who, without lawful authority or reasonable excuse, solicits or accepts any advantage as an inducement to or reward for or otherwise on account of his —
- (a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or
 - (b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,
- shall be guilty of an offence.
- (2) Any person who, without lawful authority or reasonable excuse, offers any advantage to any agent as an inducement to or reward for or otherwise on account of the agent's —
- (a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or
 - (b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,
- shall be guilty of an offence.
- (3) Any agent who, with intent to deceive his principal, uses any receipt, account or other document —
- (a) in respect of which the principal is interested; and
 - (b) which contains any statement which is false or erroneous or defective in any material particular; and
 - (c) which to his knowledge is intended to mislead the principal,
- shall be guilty of an offence.
- (4) If an agent solicits or accepts an advantage with the permission of his principal, being permission which complies with subsection (5), neither he nor the person who offered the advantage shall be guilty of an offence under subsection (1) or (2).
- (5) For the purposes of subsection (4) permission shall —
- (a) be given before the advantage is offered, solicited or accepted; or
 - (b) in any case where an advantage has been offered or accepted without prior permission, be applied for and given as soon as reasonably possible after such offer or acceptance,

and for such permission to be effective for the purposes of subsection (4), the principal shall, before giving such permission, have regard to the circumstances in which it is sought.

Section 2 : Interpretation

“advantage” means —

- (a) any gift, loan, fee, reward or commission consisting of money or of any valuable security or of other property or interest in property of any description;
- (b) any office, employment or contract;
- (c) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;
- (d) any other service, or favour (other than entertainment), including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted;
- (e) the exercise or forbearance from the exercise of any right or any power or duty; and
- (f) any offer, undertaking or promise, whether conditional or unconditional, of any advantage within the meaning of any of the preceding paragraphs (a), (b), (c), (d) and (e),

but does not include an election donation within the meaning of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap.554), particulars of which are included in an election return in accordance with that Ordinance.

“entertainment” means the provision of food or drink, for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time as, such provisions.

Appendix 3

A Sample of Annual Budget

Owners' Corporation of XXX Building Budget for the year ended ddmmyy

	Budget	Previous Year's Actual
	(\$)	(\$)
Income		
Management Fees <i>(e.g. residential, commercial, carparks)</i>	X	X
Bank Interest	X	X
Other Income <i>(e.g. carpark rental, hire charges of recreational facilities / common area, rental of advertisement site)</i>	X	X
Total Income	<u>X</u>	<u>X</u>

Expenditure

Personnel and Administration Expenses :

(a) Staff Remuneration <i>(e.g. salary and wages of office staff, caretakers, cleaners, security guards, gardeners, part-time workers, including those employed by the property management company, if appointed)</i> <i>(staff benefits, provision for long service payment, mandatory provident fund, overtime and job related allowances should also be included)</i>	(X)	(X)
(b) Management Committee Members' Allowances	(X)	(X)
(c) Travelling and Transportation	(X)	(X)
(d) Activities for the Owners <i>(e.g. festive celebration or recreational activities stated in the DMC of the building)</i>	(X)	(X)
(e) Activities for the Management Committee <i>(e.g. Management Committee's operational expenditure)</i>	(X)	(X)

Works and Services :

(a) General Repair and Maintenance <i>(contract sum incurred in the budget period or estimated cost for regular inspection and repair of electricity installations, air-conditioners, plumbing and drainage system, slopes, building services and fire fighting equipment and installations, general maintenance such as replacement of light bulbs, loosened wall tiles and broken windows, repair of closed-circuit television, walkie-talkies, security system, satellite television system and office equipment)</i>	(X)	(X)
(b) Maintenance of Lifts and Escalators <i>(the contract sum and the estimated cost for replacement of parts and licence fees)</i>	(X)	(X)
(c) Landscape Plants and Gardening <i>(for outsourced service, the contract sum; or for self gardening, the estimated expenditure for procurement of plants and related decoration)</i>	(X)	(X)
(d) Cleaning <i>(for outsourced service, the contract sum; or for direct employment of cleaners, the estimated expenditure for the cleaning tools and materials to be purchased)</i>	(X)	(X)
(e) Pest Control	(X)	(X)
(f) Special Projects <i>(e.g. major repair, renovation and improvement projects)</i>	(X)	(X)
(g) Legal and Professional Charges <i>(e.g. audit fees)</i>	(X)	(X)
(h) Fees to Management Company <i>(if appointed, the contract sum or the agreed percentage of annual expenditure as appropriate)</i>	(X)	(X)
(i) Depreciation of Plant and Equipment	(X)	(X)

Utilities:

(a) Electricity	(X)	(X)
(b) Water	(X)	(X)
(c) Gas	(X)	(X)
(d) Telephone	(X)	(X)

Miscellaneous Expenses:

(a) Insurance <i>(e.g. third party, fire and other perils, employee's compensation and medical coverage)</i>	(X)	(X)
(b) Rates and Government Rents	(X)	(X)
(c) Stationery and Office Supplies <i>(e.g. printing, stamps)</i>	(X)	(X)
(d) Others <i>(e.g. staff uniforms)</i>	(X)	(X)

Total Expenditure

(X) (X)

Surplus/(Deficit) before Tax

X X

Taxation

(X) (X)

Surplus/(Deficit) after Tax

X X

Approved by the Management Committee on (date)

Appendix 4

A Sample of Comparison Table between Budgeted and Actual Income and Expenditure

Owners' Corporation of XXX Building Comparison between Budgeted and Actual Income and Expenditure for the year/quarter ended ddmmyy

	Budgeted (\$)	Actual (\$)
Income		
Management Fees	X	X
Bank Interest	X	X
Other Income	X	X
Total Income	<u>X</u>	<u>X</u>
Less : Expenses		
Staff Remuneration	(X)	(X)
Management Committee Members' Allowances	(X)	(X)
Travelling and Transportation	(X)	(X)
Activities for the Owners	(X)	(X)
Activities for the Management Committee	(X)	(X)
General Repair and Maintenance	(X)	(X)
Maintenance of Lifts and Escalators	(X)	(X)
Landscape Plants and Gardening	(X)	(X)
Cleaning	(X)	(X)
Pest Control	(X)	(X)
Special Projects	(X)	(X)
Legal and Professional Charges	(X)	(X)
Fees to Management Company	(X)	(X)

Electricity	(X)	(X)
Water	(X)	(X)
Gas	(X)	(X)
Telephone	(X)	(X)
Insurance	(X)	(X)
Rates and Government Rents	(X)	(X)
Stationery and Office Supplies	(X)	(X)
Depreciation of Plant and Equipment	(X)	(X)
Others	(X)	(X)
	<hr/>	<hr/>
Surplus/(Deficit) before Tax	X	X
Taxation	(X)	(X)
	<hr/>	<hr/>
Surplus/(Deficit) after Tax	<u>X</u>	<u>X</u>

Prepared by : _____ Approved by : _____

Appendix 5

A Sample of Quarterly Summary of Income and Expenditure

**Owners' Corporation of XXX Building
Summary of Income and Expenditure
for the quarter ended ddmmyy**

	Current Year		Prior Year	
	Quarter	Year-to-date	Quarter	Year-to-date
	(\$)	(\$)	(\$)	(\$)
Income				
Management Fees	X	X	X	X
Bank Interest	X	X	X	X
Other Income	X	X	X	X
Total Income	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Less : Expenses				
Staff Remuneration	(X)	(X)	(X)	(X)
Management Committee Members' Allowances	(X)	(X)	(X)	(X)
Travelling and Transportation	(X)	(X)	(X)	(X)
Activities for the Owners	(X)	(X)	(X)	(X)
Activities for the Management Committee	(X)	(X)	(X)	(X)
General Repair and Maintenance	(X)	(X)	(X)	(X)
Maintenance of Lifts and Escalators	(X)	(X)	(X)	(X)
Landscape Plants and Gardening	(X)	(X)	(X)	(X)
Cleaning	(X)	(X)	(X)	(X)
Pest Control	(X)	(X)	(X)	(X)
Special Projects	(X)	(X)	(X)	(X)
Legal and Professional Charges	(X)	(X)	(X)	(X)

Fees to Management Company	(X)	(X)	(X)	(X)
Electricity	(X)	(X)	(X)	(X)
Water	(X)	(X)	(X)	(X)
Gas	(X)	(X)	(X)	(X)
Telephone	(X)	(X)	(X)	(X)
Insurance	(X)	(X)	(X)	(X)
Rates and Government Rents	(X)	(X)	(X)	(X)
Stationery and Office Supplies	(X)	(X)	(X)	(X)
Depreciation of Plant and Equipment	(X)	(X)	(X)	(X)
Others	(X)	(X)	(X)	(X)
Surplus/(Deficit) before Tax	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Taxation	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>	<u>(X)</u>
Surplus/(Deficit) after Tax	<u><u>X</u></u>	<u><u>X</u></u>	<u><u>X</u></u>	<u><u>X</u></u>

Prepared by : _____
Treasurer

Approved by the Management Committee ON (date)

Appendix 6

A Sample of Annual Income and Expenditure Account

Owners' Corporation of XXX Building Income and Expenditure Account for the year ended ddmmyy

	Current Year	Previous Year
	(\$)	(\$)
Income		
Management Fees	X	X
Bank Interest	X	X
Other Income	X	X
Total Income	X	X
Less : Expenses		
Staff Remuneration	(X)	(X)
Management Committee Members' Allowances	(X)	(X)
Travelling and Transportation	(X)	(X)
Activities for the Owners	(X)	(X)
Activities for the Management Committee	(X)	(X)
General Repair and Maintenance	(X)	(X)
Maintenance of Lifts and Escalators	(X)	(X)
Landscape Plants and Gardening	(X)	(X)
Cleaning	(X)	(X)
Pest Control	(X)	(X)
Special Projects	(X)	(X)
Legal and Professional Charges	(X)	(X)
Fees to Management Company	(X)	(X)
Electricity	(X)	(X)
Water	(X)	(X)
Gas	(X)	(X)
Telephone	(X)	(X)

Insurance	(X)	(X)
Rates and Government Rents	(X)	(X)
Stationery and Office Supplies	(X)	(X)
Depreciation of Plant and Equipment	(X)	(X)
Others	(X)	(X)
Surplus/(Deficit) before Tax	<u>X</u>	<u>X</u>
Taxation	(X)	(X)
Surplus/(Deficit) after Tax	<u>X</u>	<u>X</u>
Transfer from/(to) Reserve Fund ^{Note}	(X)	(X)
Accumulated Surpluses/(Deficits) Brought Forward	X	X
Accumulated Surpluses/(Deficits) Carried Forward	<u>X</u>	<u>X</u>

Note : the balance of the fund(s) should be clearly stated in a note to the accounts as follows :

Balance at the beginning of year	X	X
Transfer from/(to) income and expenditure account	X	X
Utilization	(X)	(X)
Balance at the end of year	<u>X</u>	<u>X</u>

Approved by the Management Committee on (date)

Signed by : _____
Chairman and Secretary or Treasurer

Appendix 7

A Sample of Balance Sheet

Owners' Corporation of XXX Building
Balance Sheet as at ddmmyy

	Current Year (\$)	Previous Year (\$)
Non-Current Assets		
Plant and Equipment	X	X
Water Deposits	X	X
Electricity Deposits	X	X
Other Deposits	X	X
	<hr/>	<hr/>
	X	X
Current Assets		
Inventories	X	X
Management Fees Receivable	X	X
Amount due from Property Management Company	X	X
Other Receivables <i>(e.g. Rent of public area, bank interest)</i>	X	X
Prepayments <i>(e.g. Insurance premium paid in advance)</i>	X	X
Deposits	X	X
Cash at Bank	X	X
Cash in Hand	X	X
	<hr/>	<hr/>
	X	X

Current Liabilities

Amount due to Property Management Company	(X)	(X)
Accounts Payable <i>(e.g. contract fees to be paid)</i>	(X)	(X)
Accrued Expenses <i>(e.g. utilities charges)</i>	(X)	(X)
Receipts in advance <i>(e.g. management fees received in advance)</i>	(X)	(X)
Tax Liabilities	(X)	(X)
	<u>(X)</u>	<u>(X)</u>
Net Current Assets/(Liabilities)	<u>X</u>	<u>X</u>

Total Assets less Current Liabilities

X	X
---	---

Non-Current Liabilities

Deposits Received <i>(e.g. management fees deposits)</i>	(X)	(X)
	<u>(X)</u>	<u>(X)</u>
Net Assets/(Liabilities)	<u>X</u>	<u>X</u>

Representing :**Owners' Fund/(Deficiency)**

General Fund	X	X
Contingency Fund	X	X
Accumulated Surpluses/(Deficits)	X	X
	<u>X</u>	<u>X</u>

Approved by the Management Committee on (date)

Signed by : _____
Chairman and Secretary or Treasurer

Appendix 8

A Sample of Breakdown of Management Fee Deposits

Flat Number	Amount of Deposit	Amount of Deposit Received	Receipt Number	Remarks
1A	X	X		
1B	X	X		
1C	X	X		
2A	X	X		
2B	X	X		
2C	X	X		
*	X	X		
*	X	X		
*	X	X		
*	X	X		
*	X	X		
*	X	X		
(Total Number of Flats)	<u>X</u>	<u>X</u>		

Appendix 9

SAMPLES OF VOUCHERS

Date _____	A Sample of Payment Voucher	PV 0001/year (numbered sequentially)
Accounts _____ _____	Debit	Credit
Description of the item paid _____ _____		
	Prepared by _____	Approved by _____
		Posted by _____

Date _____	A Sample of Receipt Voucher	RV 0001/year (numbered sequentially)
Accounts _____ _____	Debit	Credit
Description of the payment received _____ _____		
	Prepared by _____	Approved by _____
		Posted by _____

Date _____	A Sample of Journal Voucher	JV 0001/year (numbered sequentially)
Accounts _____ _____	Debit	Credit
Description of the entries _____ _____		
	Prepared by _____	Approved by _____
		Posted by _____

Appendix 10

A Sample of Monthly Bank Reconciliation Statement

Reconciliation Statement as at (a date of the month)		Date Cleared
Bank balance as per cash book	\$X	-
Add: unpresented cheques		-
(cheque number : xxxxx date: ddmmyy)	\$X	(ddmmyy)
(cheque number : xxxxx date: ddmmyy)	\$X	(ddmmyy)
Less: uncredited deposit	\$(X)	(ddmmyy)
Bank balance as per bank statement	<u>\$X</u>	-
	<u>=====</u>	

Prepared by : _____

Approved by : _____

Treasurer

Appendix 11

A Sample of Internal Review Checklist

Items Reviewed	Compliance	
	Yes	No
Delegation of authority		
Segregation of accounting duties		
Owners' Corporation's resolutions on accounting matters (a) xxxxxxxxx (b) xxxxxxxxx		
Management fees and other income collected promptly		
Overdue management and other fees handled properly (e.g. debts aging report, Small Claims Tribunal)		
Payment and expenditure properly authorized		
Accounting entries booked within a reasonable period of time		
Test check of accounting entries with supporting documents		
Random check of adequacy of details on supporting documents		
Accounts and supporting documents properly filed		
Budget, quarterly summary of income and expenditure, and financial statements properly prepared and displayed		
Procurement policy and procedures laid down and followed (e.g. the number of quotations/tenders invited in major procurement exercises)		
Test check of bank statements against cash book		
Test check of bank reconciliation statements		
Designated non-consumable items recorded in the fixed asset register		
Random check of the fixed asset register against assets, the inventory record against inventories, and the job order/contract against work in progress or recently completed projects		
Reasons given and recorded for any non-compliance with the policies and procedures laid down		
Insurance relating to third party risks, the building and associated structures arranged		

