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16 June 2017

Mr Anthony CHU
Clerk
Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr CHU,

Public Accounts Committee

Consideration of Chapter 2 of the Director of Audit's Report No. 68

Monitoring of charitable fund-raising activities

Thank you for your letter of 9 June 2017. Our reply with regard to the issues covered in your letter on Chapter 2 of the Director of Audit's Report No. 68 is appended below –

(a) Progress of examining the feasibility of issuing more guidelines on the scope of Public Subscription Permit (PSP)

The Social Welfare Department (SWD) may, under the authority of Section 4(17)(i) of the Summary Offences Ordinance (Cap. 228), issue PSPs for flag days and general charitable fund-raising activities conducted in public places. All along, the SWD has listed out on its website some forms of general charitable fund-raising activities covered by PSP and examples for easy



reference by the public and charitable organisations which intend to organise charitable fund-raising activities. The link to the relevant part of the SWD's website is –

(http://www.swd.gov.hk/en/index/site_pubsvc/page_controlofc/sub_generalcha/)

Generally speaking, according to Section 4(17)(i) of Cap. 228, a PSP must be sought from the SWD for any charitable fund-raising activities involving the effecting of payment on-the-spot (e.g. collection of donations in cash) or sale or exchange for donations of badges, tokens or similar articles in a public place. The SWD shares the view of the Audit Commission (Audit) to issue more guidelines on the scope of the PSP. We have been actively studying this by taking into account the past experience so as to draw up a “general guidelines on the scope” of the PSP issued under Section 4(17)(i) of Cap. 228 to facilitate reference by applicants. We expect that a preliminary draft of the general guidelines would be available by the end of 2017, whereas the finalised version would be uploaded onto the SWD's website after advice from the Department of Justice (DoJ) has been sought.

(b) Progress of considering the publication of information on non-compliance with permit conditions on submission of audited reports

The SWD agrees with the recommendation of the Audit that consideration should be given to publicising the information about cases with serious or repeated non-compliance with PSP conditions.

The SWD has been studying the “publication mechanism” as recommended by the Audit. We shall consult the Lotteries Fund Advisory Committee on how to define serious/repeated non-compliance with PSP conditions, and seek legal advice from DoJ on the proposed “publication mechanism”. We plan to implement the recommended “publication mechanism” within the fourth quarter of 2017.

(c) Examining the existing accounting requirements

A meeting between the SWD and the Hong Kong Institute of Certified Public Accountants (HKICPA) was held in early June 2017, and the HKICPA acknowledged that the adoption of “accrual basis” principle, rather than “cash basis”, would better reflect the whole picture of the income and expenditure situation of the charitable fund-raising activity in question. As a matter of fact, the prevailing Practice Note (PN) 850 issued by HKICPA has mentioned that, in general, the income and expenditure account would be prepared on an “accrual basis”.



In addition, as stipulated in the conditions of PSP, a permittee must credit the balance of the donations after deducting any expenses incurred (i.e. the net proceeds) to the relevant bank account within 90 days of the last event day approved in the PSP. The “recommended procedures” in Appendix I of the PN850 also requires that a Certified Public Accountant engaged should check whether cash receipts are deposited in the permittee's own bank accounts within a reasonable time and included in the bank statements. The SWD will continue the discussion with the HKICPA, with a view to examining and revising the PN850 or relevant accounting requirements after consultations with the stakeholders (i.e. charitable organisations, practitioners in the accounting field, etc.).

(d) Strengthening the liaison with the Food and Environmental Hygiene Department (FEHD) and the Lands Department (LandsD) to tackle repeated “no-show” cases

The SWD agrees to the recommendation of the Audit to explore, in collaboration with the FEHD and the LandsD, the feasibility of sharing enforcement information on charitable fund-raising activities held in public places and taking concerted actions on repeated “no-show” cases without valid reasons. The Home Affairs Bureau plans to convene the third inter-departmental meeting in late June 2017 with a view to coordinating the views of relevant bureaux and departments for government’s overall consideration of its responses to the Law Reform Commission’s recommendations. Representatives from the SWD, the FEHD and the LandsD will attend and further deliberate the arrangement of sharing information on charitable fund-raising activities obtained from inspections.

Should you have any enquiries, please contact the undersigned.

Yours sincerely,

(Manfred WONG)

for Director of Social Welfare



c.c. Secretary for Labour and Welfare
Secretary for Home Affairs
Secretary for Financial Services and the Treasury
Director of Home Affairs
Director of Food and Environmental Hygiene
Director of Lands
Director of Audit