

Good Practices on Financial Management of Kindergartens

Internal Control	Good Practices on Financial Management
A. Procurement Activities	<p>(1) Establish a set of procurement procedures that can most suit kindergarten’s needs and at the same time can be assured that the process is properly administered and accountable, and that checks and balances are in place to prevent malpractice and corruption.</p> <p><i>(Reference: → School-based policy based on “Best Practice” recommended by ICAC → http://www.edb.gov.hk/pre-primary_e (under Submission of audited annual accounts and purchasing procedures)</i></p> <p>(2) Staff involved in procurement duties should declare any current or future connection that they or their families have with the suppliers/service providers by signing an undertaking and declaring their interest when conflict of interest arises.</p> <p>(3) Proper records of the procurement/quotations must be maintained. Staff obtaining quotations should record particulars including full names of the suppliers/service providers contacted, reasons for their selections and details of the quotations received.</p> <p>(4) The staff authorizing the acceptance of the offer for a purchase should be at a rank higher than that of the staff who obtains quotations.</p> <p>(5) Reference guide to procurement of goods and services : → <u>One-off School Development Grant for Kindergartens under the Pre-primary Education Voucher Scheme (One-off Grant) – Guide to Procurement of Goods and Services and Appointment of Staff.</u></p>
B. Appointment of Auditors	<p>Kindergartens should endeavour to seek audit services through a competitive selection process which should be conducted periodically (preferably every three years) so as to provide an assurance that value for money is obtained. → <u>Education Bureau (EDB) Circular No. 5/2014</u></p>
C. Payments and Collections	<p>(1) Receipt vouchers should be prepared for collection of all incomes. They should be pre-numbered and should record the relevant receipt date and amount, brief description of the income, ledger account(s) affected and the approving officer should initial and date the receipt vouchers after checking. Each receipt voucher should also be attached with relevant supporting document(s).</p> <p>(2) Pre-numbered official receipts should be used and issued in sequence. Spoiled official receipts should be marked “Cancelled” to prevent from being re-issued.</p>

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C. Payments and Collections (Cont'd)	(3) Payment vouchers should be prepared for all payments. They should be serially numbered and should record the relevant payment date and amount, brief description of the payment, ledger account(s) affected and the approving officer should initial and date the payment vouchers after checking. Each payment voucher should also be attached with relevant supporting document(s). Payment should be for goods received or services rendered.
	(4) Invoices and other supporting documents should be date-stamped with the word "PAID" after payment to prevent duplicate payment.
D. Operation of Bank Accounts	(1) The bank accounts should be opened in the name of the kindergarten and operated by joint signatures of two or more authorized persons.
	(2) Monthly bank reconciliation statements should be prepared so that prompt actions can be taken to look into any errors and irregularities detected such as unauthorized payments during the reconciliation process.
	(3) Preparation and checking of bank reconciliation statements should be conducted by different staff. The checking officer should initial on the bank reconciliation statement after review as evidence of work done.
	(4) Cancelled cheques should be stamped or marked "Cancelled" and affixed to counterfoils to prevent from being re-issued.
	(5) Long outstanding cheques should be closely monitored, and cheques unrepresented for over 6 months should be promptly cancelled.
E. Accounts and Records Keeping	Separate ledgers should be prepared to report all income and expenditure relating to individual grants, e.g. One-off Grant. → EDB Circular Memorandum No.101/2013
F. Donation Income	Acceptance of donations by kindergartens should be approved by their School Management Committees. → EDB Circular No.14/2003
G. Fixed Assets	(1) Fixed Assets Register should be kept and updated promptly to record the relevant information of the fixed assets kept by the kindergarten (e.g. date of acquisition, description of fixed assets, location, quantity, amount, etc.).
	(2) Proper prior authorization should be obtained for write-off of fixed assets.
	(3) Physical inspection of fixed assets should be performed at regular intervals.

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Annual Audited Accounts	Good Practices on Preparation for Submission of Audited Accounts
H. Submission of Audited Accounts	(1) Audited accounts in prescribed format should be submitted to EDB promptly on or before the deadline.
	(2) Kindergartens should pass a copy of the EDB’s call circular on submission of audited accounts (including the “Reference Notes for Auditors”) to their auditors for reference.
	(3) Audited accounts must be signed by the school supervisor and stamped with the school chop. Each statement attaching to the accounts should be stamped with the identification chop of the auditors as well.
	(4) Individual grants to kindergartens and One-off Grant should be supported by separate ledgers and schedules. For trading activities, sales of textbooks should be shown as a separate activity in the statement reporting profit/loss.
I. Auditors’ Report	(1) Auditors’ Report in the audited accounts should state whether among others, the kindergarten has used the government subsidy according to EDB requirements.
	(2) The auditors should draw the attention to the supervisors on weakness in internal controls discovered during the course of their audit. They should report items which are considered material in a letter (i.e. management letter) with recommendations for improvement. If there is any qualified opinion from the auditor, the kindergarten should discuss with the auditor and rectify the problem as soon as possible.

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List of DON'Ts on Financial Management of Kindergartens

A. Auditors' report	"Code of Aid" should not be quoted in the audited accounts of kindergartens as it is only applicable to aided primary / secondary / special schools.
B. Procurement Activities	The staff approving and/or selecting the suppliers/service providers for inviting quotations should not be the staff authorising the acceptance of the offer for that purchase to ensure segregation of duties.
C. Collections	Official receipts should not be pre-signed.
D. Operation of Bank Accounts	(1) Cheques should not be pre-signed.
	(2) Bank account should not be opened and operated in the name of any private individual / kindergarten staff. Bank account should not be operated on a single authorised signatory.
E. Surplus Funds	(1) Any form of speculative investment (e.g. local equities) is not recommended because of the risk of financial loss. Supervisors and principals of kindergartens should note that any such loss will not be allowed to be charged to any of the kindergarten's accounts. → EDB Circular No. 14/2015
	(2) Non-profit-making kindergartens joining the Pre-primary Education Voucher Scheme (PEVS) shall not transfer their operating surplus, in whatever form, to any of their sponsoring bodies or other organizations. → <i>Terms and conditions of PEVS in</i> EDB Circular No. 1/2007 / EDB Circular No. 6/2011
F. Petty Cash	(1) The petty cash holder should not assume the role of authorizing any claims to be reimbursed from the petty cash to ensure segregation of duties.
	(2) The petty cash holder and the staff authorizing claims to be reimbursed from the petty cash should not be a claimant for reimbursement of expenses from the petty cash.
G. Trading Operations	(1) Profit should not be allowed to be generated from sale of textbooks. → EDB Circular No. 16/2013
	(2) Profit from sale of exercise books, uniform, stationery, equipment and other items (other than textbooks) should not exceed the profit limit of 15% of the cost price at which they are purchased from the suppliers. → EDB Circular No. 16/2013