

**School-based After-school Learning and Support Programmes**  
**Community-based Projects**  
**Notes for Auditors of the Grantees**

Pursuant to the School-based After-school Learning and Support Programmes Grantee Agreement (“Grantee Agreement”) made between the Government of the Hong Kong Special Administrative Region as represented by the Education Bureau (“Grantor”) and the Grantee in respect of each Community-based Project (“CBP”), the Grantee is required to submit audited accounts (containing the Income and Expenditure Statement and Notes, and an auditor’s report on them) with unaudited supplementary information appended to the audited accounts within six months upon the end of the project period<sup>1</sup> or date of termination of the Grantee Agreement, whichever is earlier.

**Scope**

2. The objective of the audit engagement is to express an audit opinion on whether (a) the audited accounts are, in all material respects, prepared in accordance with the Grant Agreement Documents (please refer to paragraph 5 for details) and the Accounting Policies for CBPs (Appendix); and (b) the expenditure incurred by the Grantee is made in accordance with the Grant Agreement Documents and the Accounting Policies for CBPs.

3. The audited accounts are prepared by the Grantee for meeting the financial information needs of the Grantor and are therefore considered to be **special purpose financial statements**. When the required financial reporting provisions of the Grant Agreement Documents and these Notes conflict with the accounting principles generally accepted in Hong Kong, the former prevails over the latter. The audited accounts shall be prepared in accordance with the Accounting Policies for CBPs.

4. The audit of the accounts of CBPs shall be conducted in accordance with the Hong Kong Standards on Auditing (“HKSA”), especially with regard to HKSA 800 (Revised) “Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks” and HKSA 805

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<sup>1</sup> “Project period” means the period from the start date of the approved CBP as specified in the Offer Letter till the following 31 July.

(Revised) “Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement”, issued by the Hong Kong Institute of Certified Public Accountants.

### **Grant Agreement Documents**

5. The terms and conditions of the CBP Grant (“the Grant”) are contained in the following documents (collectively, the “Grant Agreement Documents”):

- (a) the Grantee Agreement;
- (b) the Offer Letter (with the proposal of activities and approved budget, as well as the CBP Guidelines enclosed thereto); and
- (c) all instructions and correspondences issued by the Grantor to the Grantee in respect of the CBP.

6. In case of any ambiguity regarding the terms and conditions of the Grant that has a significant effect upon the auditor’s reporting, the auditor should seek clarification from the Grantor.

### **Engagement Letters**

7. It is in the interest of both the Grantee and the auditor that engagement letters are issued to the Grantee for acceptance before the commencement of the engagements to help avoid misunderstandings. The contents of the engagement letters should include the objective and scope of the audit of the accounts of the CBP, the respective responsibilities of the Grantee and the auditor, the right of access to records, documentation and other information in connection with the audit, the form of any reports or other communication of results of the engagements and the audit fee.

### **Internal Controls**

8. The auditor should obtain a sufficient understanding of the Grantee and its environment, including its internal controls, to assess the risk of misstatement of the subject matters. If the auditor identifies any material deficiencies or

weaknesses in internal controls, it should draw to the Grantee's attention in a letter with recommendations for improvement. A copy of such letter should also be forwarded to the Grantor for reference and action as appropriate.

### **Fraud and Irregularities**

9. The auditor should maintain professional skepticism throughout the engagements, recognising that circumstances including fraud may exist that cause material misstatement to the subject matters. If the auditor finds that a fraud or irregularity has occurred or is likely to have occurred, the auditor should make an immediate written report to the Grantor. The Grantor will decide on follow-up actions.

### **Opinion Provided in Audited Accounts**

10. If the auditor considers that the audited accounts are prepared, in all material respects, in accordance with the financial reporting provisions as required by the Grantor, it should issue an unmodified report on the audited accounts in accordance with the HKSA's.

11. If the auditor cannot express an unmodified opinion on the audited accounts, it should give a qualified opinion, an adverse opinion or a disclaimer opinion in accordance with the relevant HKSA's as appropriate.

**Education Bureau**

**December 2024**

### Accounting Policies for Community-based Projects

These accounting policies are the principles that the Grantee shall follow in preparing the audited accounts of CBPs.

#### Reporting Entity

2. The Grantor provides funding for the Grantee to undertake a one-off project to organise after-school learning activities for needy students with a view to facilitating their whole-person and all-rounded development. For a CBP funded with the Grant, the Grantee is required to submit audited accounts of the CBP together with unaudited supplementary information appended to the audited accounts to the Grantor within six months after the end of the project period<sup>2</sup>. For the purpose of these audited accounts, the reporting entity is the Grantee. The “audited accounts” mean the Income and Expenditure Statement and Notes (comprising a summary of significant accounting policies and other explanatory notes) of a CBP<sup>3</sup>.

#### Basis of Presentation

3. The Grantee is responsible for proper use of the Grant in conformity with the approved budget. To demonstrate compliance with budgetary constraints, the audited accounts shall present both budget and actual amounts. The Grantor requires the presentation of final approved budget and actual figures in the Income and Expenditure Statement for budget-to-actual comparison on the same classification basis. For item(s) with significant variances, the reason(s) should be disclosed at the unaudited supplementary information.

#### Basis of Accounting

4. Costs under the “Actual” column of the audited accounts are the actual amount for allowable items incurred by the Grantee and funded by the Grant. It

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<sup>2</sup> If the Grantee Agreement is terminated before the end of the project period (i.e. 31 July), the Grantee shall provide to the Grantor audited accounts of the CBP no later than six months following the termination of the Grantee Agreement.

<sup>3</sup> If the Grantee received funding to undertake more than one CBP in the same project period, the Grantee may prepare one set of audited accounts with an individual Income and Expenditure Statement prepared for each CBP concerned.

should be noted that the Grantee shall ensure that the project expenditure will not exceed the amount of the approved budget of the Grant (i.e. no overspending). When there is overspending upon the end of the project period, the Grantee is responsible for the deficit and shall cover the shortfall by non-CBP sources of funding.

5. Actual income from non-eligible students, parents and other members of the community (“non-eligible participants”) for their participation in activities of CBP, if any, should be disclosed. Non-eligible participants have to pay full fee (i.e. the actual unit cost<sup>4</sup> of an activity for each participant (including eligible students and non-eligible participants)), if they wish to participate.

6. The measurement focus is concerned with the inflow and outflow of the Grant on the CBP. The primary focus is on the receipt and use of the Grant. The audited accounts shall also report the excess of income over expenditure. “Excess of Income over Expenditure”, if any, represents the unused Grant and must be returned to the Grantor immediately upon demand.

7. Incomes are recognised when they become measurable and available. Incomes are considered “measurable” if a reasonable estimate can be provided and “available” if they are collectible within the project period or within two months after the end of the project period.

8. Expenditures are recognised when the related liability is incurred and measurable. In addition, the liability shall be paid no later than two months after the end of the project period. The liability is incurred when the goods or services have been received with the exception of audit service which is engaged during the project period and performed after the end of the project period. Goods and services are expensed when acquired. No capitalisation of expense is required for durable goods or products acquired from the CBP (i.e. the item(s) shall be reported in the Income and Expenditure Statement).

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<sup>4</sup> The actual unit cost of an activity for each non-eligible participant is calculated by dividing the actual cost of the activity concerned with the actual number of participants of the activity (including eligible students and non-eligible participants).

## **Reporting Framework**

9. The audited accounts shall be prepared using a special purpose financial reporting framework designed to meet the Grantor's needs. These accounts are primarily used to assist the Grantor and its representatives in monitoring and reviewing the Grantee's use of budgetary grant resources. They are, therefore, different from general propose accounts reports prepared pursuant to the Hong Kong Financial Reporting Standards ("HKFRSs"). When the CBP financial reporting framework conflicts with the HKFRSs, the former prevails over the latter.

## **Foreign Currency Translation**

10. Where the CBP has entered into a transaction denominated in a foreign currency, the transaction shall be deemed to have been converted into Hong Kong dollar at the exchange rate applicable on the date on which the transaction becomes effective. Where the transaction payment/receipt is not paid/received at the end date of the project period, the value of the transaction in Hong Kong dollar shall be deemed to have been reconverted using the spot exchange rate at the end date of the project period. Resulting gains and losses shall be recognised in the Income and Expenditure Statement.

## **Components of Audited Accounts**

11. The fundamental components of audited accounts are:

- (a) an Income and Expenditure Statement (**Annex**); and
- (b) Notes, comprising a summary of significant accounting policies and other explanatory notes.

The components set out in (a) and (b) above shall be presented with equal prominence.

12. Each component shall be clearly identified. The following information shall be displayed prominently and repeated when necessary for a proper understanding of the information presented:

- (a) the name of the reporting entity;
- (b) the project reference number;

- (c) the project title;
- (d) the project period covered (i.e. from the start date of the approved CBP as specified in the Offer Letter till 31 July of the following year); and
- (e) the presentation currency.

### **Income and Expenditure Statement**

13. The Income and Expenditure Statement is a statement of the Grant and income earned/received on the CBP as well as the CBP-related expenditure eligible for the Grant. Income and expenditure shall not be offset in the statement.

#### Income

14. Income from the Grant is based on the Grant Agreement Documents. Payments of the Grant and remittance advices will be arranged through the Treasury to the designated bank account, which is maintained by the Grantee for the sole purpose of keeping and operating all monies of the Grant. Separate ledgers shall be set up for recording the income and expenditures of the Grant. The amount of the Grant received shall be disclosed in the Income and Expenditure Statement.

15. Other Incomes of the CBP shall include all incomes or capital generated from the CBP to form part of the Grant and to be used exclusively for the purpose of the CBP in accordance with the terms of the Grantee Agreement.

16. The type and amount of Other Incomes shall be disclosed separately in the Income and Expenditure Statement. Interest which is earned on the Grant maintained in the designated bank account shall form part of the Grant. If the Grant for the CBP is maintained in a commingled bank account for more than one CBP, the interests earned on the Grant shall be apportioned based upon the respective average monthly proportionate balances of the CBPs during the period when such interest is earned. The average monthly balance of the funds shall be calculated by summing up their respective beginning and ending balances and then dividing by two. Alternatively, they shall be calculated by summing up the daily or weekly balances in respect of each fund and then dividing by the total number of days or weeks in the month.

### Expenditure

17. The approved budget enclosed in the Offer Letter has identified the types of expenditures and the ceiling amounts that the Grantor will fund for the CBP. This budget shall be the basis for the Grantee to charge expenditures to the Income and Expenditure Statement of the CBP. Any adjustments to the approved budget shall require prior written approval by the Grantor.

18. The Grantee shall disclose the amount of each category of expenditure for the CBP based on the budgetary line items which mainly are Activities Expenses, Administration Cost and Project Coordination Cost.

### **Notes to the Audited Accounts**

19. The Grantee shall make use of the explanatory notes accompanying the audited accounts in order to provide further financial information.

20. All significant accounting policies adopted in the preparation and presentation of audited accounts shall be disclosed. Such disclosure shall form part of the audited accounts and the significant accounting policies shall normally be disclosed in the first paragraph of the Notes.

21. Information to be disclosed shall include:

(a) For income:

- (i) The type and amount of other incomes if not yet disclosed separately in the Income and Expenditure Statement;
- (ii) If there is interest earned that is apportioned to the CBP based upon average monthly proportionate balances, the calculation method of the average monthly balance shall be disclosed; and
- (iii) While project income collectible after two months from the end of the project period is not to be included in the Income and Expenditure Statement, the nature, amount and expected date of receipt of such income as identified up to the date of sign-off the accounts, if any, shall be disclosed in the explanatory notes.



(b) For expenditure:

(i) Administration Cost shall include the sub-item of professional fees to the auditor. The actual professional fees to the auditor funded by the Grant shall be disclosed. As the audit of the accounts of CBP is performed after the end of the project period, for the purpose of charging the professional fees to the audited accounts, the Grantee shall:

- enter a written service contract with the external auditor within the project period; and
- settle the audit fee after completion of the engagement.

The fact that the above two conditions are met shall also be disclosed in the explanatory notes.

### **Unaudited Supplementary Information**

22. The unaudited supplementary information is supplementary information to the accounts of CBP. The Grantee shall prepare the unaudited information and append them to the accounts of CBP.

[Name of Grantee]

**School-based After-school Learning and Support Programmes - Community-based Projects  
Income and Expenditure Statement**

For the Period from 1 August \_\_\_\_\_ / \_\_\_\_\_ (Start Date of the Project Stated in the Offer  
Letter, if applicable)  
to 31 July \_\_\_\_\_ / \_\_\_\_\_ (Date of Termination of the Grantee Agreement, if applicable)

Project Reference Number : \_\_\_\_\_

Name of Project : \_\_\_\_\_

	<u>Final</u> <u>Approved Budget</u> (unaudited)		<u>Actual</u>		<u>Variance with</u> <u>Approved Budget</u> (unaudited) *	
	(i)		(ii)		(iii)=(ii)-(i)	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Income</b>						
- Approved grant received from Education Bureau – first instalment		\$0.00		\$0.00		\$0.00
- Approved grant received from Education Bureau – second instalment		\$0.00		\$0.00		\$0.00
- Approved grant received from Education Bureau – third instalment (if any)		\$0.00		\$0.00		\$0.00
- Subsidies from Grantee		\$0.00		\$0.00		\$0.00
- Interest Earned		\$0.00		\$0.00		\$0.00
- Other Income [with separate disclosure of fee paid by the non-eligible participants]		\$0.00		\$0.00		\$0.00
<b>Total Income:</b>		<b><u>\$0.00</u></b>		<b><u>\$0.00</u></b>		<b><u>\$0.00</u></b>
<b>Less: Expenditure</b>						
- Activity Expenses		\$0.00		\$0.00		\$0.00
[Collaborating school & name of activity as specified in the approved budget]	\$0.00		\$0.00		\$0.00	
[Collaborating school & name of activity as specified in the approved budget]	\$0.00		\$0.00		\$0.00	
...						
- Administration Cost		\$0.00		\$0.00		\$0.00
- Project Coordination Cost		\$0.00		\$0.00		\$0.00
<b>Total Expenditure:</b>		<b><u>\$0.00</u></b>		<b><u>\$0.00</u></b>		<b><u>\$0.00</u></b>
<b>Excess of Income over Expenditure</b>		<b><u>\$0.00</u></b>		<b><u>\$0.00</u></b>		<b><u>\$0.00</u></b>

Remarks:

Notes to the audited accounts are an integral part of the audited accounts.

\* Please provide explanation for item(s) with significant variances in the unaudited supplementary information.