

Manual on the Use of Community Involvement Fund

Home Affairs Department
(As at March 2023)

Manual on the Use of Community Involvement (CI) Fund

Table of Contents

	Page
I. Introduction	1
II. Ambit of CI Fund	3
III. Provision of Funds	4
IV. Types of Projects and Mode of Implementation	
4.1 Projects implemented by government departments (including District Offices)	5
4.2 Projects implemented by non-government organisations	6
4.3 Projects implemented by District Councils or Committees/Working Groups under District Councils/District Offices	6
V. Scope of Funding	
5.1 Funding Coverage	7
5.2 Project Ceiling	10
VI. Application for CI Fund	
6.1-6.2 Details of Application	10
6.3 Eligibility Criteria for Application	12
6.4 Publicity on Invitation of Applications	12
6.5 Processing Procedures and Funding Approval	13
6.6 Vetting Criteria	14
VII. Administrative and Financial Arrangements	
7.1 Procurement of Goods and Services	16
7.2 Capitalised Items	20
7.3 Payment Arrangements	21
7.4 Project Income and Residual Funds	22
7.5 Sponsorship and Donations	23
7.6 Variations to Project	24
7.7 Public Liability and Accident Insurance	25
VIII. Monitoring Mechanism	
8.1 Progress and Final Reports	25
8.2 Visit and Evaluation	26
8.3 Public Scrutiny	26
8.4 Pre-mature Termination of Project	27
8.5 Breach of Terms and Conditions by NGOs	27
8.6 Ticket Allocation	27
IX. Conflict of Interest	28
X. Public Accountability	
10.1 Role of District Offices	29
10.2 Role of Grantees	29

Annex

- A Permissible Items of Expenditure for Projects Financed by CI Fund
- B Sample Application Form for a Grant under CI Fund
- C Terms and Conditions for Receiving CI Fund
- D Record of Quotations for Project Financed by CI Fund
- E Detailed Payment Arrangements for Projects implemented by Non-government Organisations, District Offices, District Councils or Committees / Working Groups under District Councils/District Offices in collaboration with Non-government Organisations
- Appendix I - Undertaking of Receipt of Advance Payment for Project Financed by CI Fund
- Appendix II - Income and Expenditure Statement cum Application for Partial/Final Reimbursement of CI Fund (with illustrative example)
- Appendix III - Specimen Report of an Agreed-Upon Procedures Engagement Conducted by a Certified Public Accountant (Practising) or a Corporate Practice within the Meaning of the Professional Accountants Ordinance (Chapter 50)
- Appendix IV - Sample Bank Account for Project Financed by CI Fund (with illustrative example)
- Appendix V - Sample Petty Cash Book for Project Financed by CI Fund (with illustrative example)
- Appendix VI - Sample Bank Reconciliation Statement for Project Financed by CI Fund (with illustrative example)
- F1 Final Report for Project Financed by CI Fund
- F2 Progress Report for Project Financed by CI Fund
- G Evaluation Report for Project Financed by CI Fund
- H Form of Declaration of Interests for Project Financed by CI Fund
- I Summary of Approval Results for Projects Financed by CI Fund

I Introduction

Background

- 1.1 The Community Involvement Programme (CIP) was introduced to provide funding for community involvement (CI) initiatives in the districts to promote community building. An annual provision was made available to the 18 District Councils (DCs) by the Government for implementing community involvement initiatives to meet the needs of the respective districts. DCs were responsible for identifying suitable projects for implementation or sponsorship and examining funding applications. However, the funding responsibility and accountability remained with the Director of Home Affairs (DHA) the Controlling Officer of CI fund under Head 63: Home Affairs Department in the annual Estimates approved by the Legislative Council (LegCo). DHA had to ensure that funds were spent in compliance with the ambit and the “Manual on the Use of District Council Funds”, and that funding applications were handled fairly. In handling the funding process, DC members had to strictly follow the above-mentioned Manual and the Code of Conduct for Members of a District Council or its Committees, and deliberate funding projects in a fair, objective and reasonable manner.
- 1.2 The CIP has been conducive to promoting community building and improving the environment/facilities for the benefit of the community.

Present Position

- 1.3 With the latest development in the DC landscape and a significant proportion of DC seats remaining vacant, the previous arrangement of having to seek DCs’ endorsement for all CI projects has become untenable. In addition, there are DCs which do not have sufficient members to proceed with the election of Council Chairman and for that matter unable to convene DC meetings. The public may also consider it unfair and unreasonable to leave the interest of their community to a very small minority of DC members.

- 1.4 Having regard to the missions of the CIP, the Government sees a continuing need to make good use of the CI fund to promote the well-being of the community. It is important for the CIP to continue to provide the essential funding for district activities under its ambit.

Revised Arrangement

- 1.5 To ensure proper use of public money, the Government has decided to suspend the role of DCs in endorsing projects under the CIP during the Sixth Term. Instead, HAD/District Offices (DOs) and Leisure and Cultural Services Department (LCSD) will be tasked to propose worthwhile initiatives for funding under the CIP having regard to the community's views. The scopes and funding criteria of the CIP will remain unchanged, and DHA will continue to oversee funding applications and ensure prudent use of public funds in accordance with the established funding mechanisms. The Manual on the Use of District Council Funds is replaced by the Manual on the Use of CI Fund (Manual).
- 1.6 Under the revised arrangement, DOs, the HAD and the LCSD will either allocate the relevant funds direct to relevant organisations, or will organise projects featuring local characteristics and popular festival celebrations as well as cultural, artistic and recreational activities to promote district harmony. Initiatives to be funded will include (1) specified celebratory events (i.e. Anniversary of Establishment of Hong Kong Special Administrative Region, the National Day and the Chinese New Year reception); (2) other district signature events (such as dragon boat races, temple gatherings, district festivals, etc.); (3) activities of district organisations (i.e. Area Committees, District Fight Crime Committees and District Fire Safety Committees); and (4) special activities that may need to be organised.
- 1.7 This Manual sets out the ambit and scope of CI fund and the detailed administrative and financial arrangements for the application and use of CI fund.

II Ambit of CI Fund

2.1 CI fund is to be used for meeting district needs. In particular, the ambit of CI fund is to cover the following programmes and activities –

- (a) programmes and activities undertaken at district facilities;
- (b) programmes to be organised in partnership with different sectors and NGOs, including programmes that may require cross-year commitments;
- (c) district leisure and sports programmes;
- (d) district cultural and entertainment programmes;
- (e) programmes and activities to enhance public library services at district level;
- (f) district greening activities;
- (g) programmes to strengthen public hygiene and disease prevention efforts;
- (h) programmes to foster inter-cultural understanding, mutual respect and volunteerism;
- (i) activities to support heritage initiatives at district level;
- (j) activities to build social capital and to help enhance self-reliance;
- (k) projects to enhance public understanding of the District Administration Scheme; and
- (l) activities to promote community building, social harmony and public participation in community affairs.

III Provision of Funds

- 3.1 CI fund is voted annually in the context of the Estimates under Head 63 Home Affairs Department (HAD) and may vary according to the Government's overall fiscal situation. **An annual provision** is made available for implementing programmes and activities in all the 18 districts. Funds will be allocated to individual districts at the beginning of the financial year having regard to their size and district characteristics. Based on the provision of funds, DOs may identify and initiate programmes and activities for implementation to meet the needs of their districts. As only a very modest provision is retained in the HAD Headquarters (HAD HQ) for meeting contingencies, DOs should regard their respective allocation as a cash-limiting ceiling and plan their commitments accordingly. Moreover, on a cash accounting basis, all unspent CI fund at the end of the financial year will lapse, i.e. there is no facility for DOs to carry forward unspent balance in a year to the following year.
- 3.2 The above said, in order to enable DOs to plan for cross-year projects and longer-term commitments which straddle over the current financial year, including the employment of dedicated staff, DOs may commit spending in subsequent years provided that –
- (a) the duration of the cross-year projects and longer-term commitments do not exceed 31 December 2023, i.e. end of the Sixth Term DCs, except for projects which have started in and go beyond the Sixth Term as specified in paragraph 3.2(c);
 - (b) the total funding commitments arising from paragraph 3.2(a) does not exceed **50% of the current year's CI fund allocation to the respective district** and does not entail supplementary provision in the current year; and
 - (c) in 2023, 5% to 10% of the 2023-24 provision should be reserved for use on projects initiated in the first three months of 2024. DOs may commit up to 90% to 95% of the 2023-

24 provision for projects, including those to start in and go beyond the Sixth Term.

IV Types of Projects and Mode of Implementation

As stated in Section II, all projects financed by CI fund for organising community involvement programmes / activities are referred to as CI projects. In general, CI projects may be implemented by the following parties –

(a) government departments (including DOs);

(b) NGOs¹; and

(c) DCs or Committees/Working Groups (C/WGs) under DCs / DOs

4.1 Projects implemented by government departments (including DOs)

4.1.1 The funding allocation to the relevant government department (except DOs) will take the form of an allocation warrant from HAD as endorsed by the DOs. Upon receipt of the allocation warrant, the government department may deploy funds according to its established departmental guidelines unless specific conditions have been imposed by the DOs. It will also have to follow established government financial rules and regulations and report progress and outcome of the approved project to the DOs.

4.1.2 For the avoidance of doubt, the leisure and cultural programmes organised by LCSD with CI fund are regarded as CI projects implemented by government departments despite the fact that LCSD may collaborate or out-source certain programmes to non-government bodies. Many of these programmes will be conducted on an on-going basis throughout the year.

4.1.3 On the other hand, CI projects organised by DOs, which may

¹ The offices of Legislative Council Members, DC Members, political parties and associations, are not regarded as NGOs for the purpose of applying for CI fund.

collaborate with NGOs, or in collaboration with DCs or C/WGs under DCs / DOs, may have the flexibility of following the implementation procedures applicable to “Projects implemented by NGOs” (see paragraph 4.2) or “Projects implemented by DCs or C/WGs under DCs/DOs” (see paragraph 4.3) respectively as deemed appropriate by the DO.

4.2 Projects implemented by NGOs

4.2.1 CI projects may be implemented by NGOs through a funding grant directly from the DO. The eligibility criteria for NGOs to apply for CI fund are set out in paragraph 6.3.

4.2.2 It is a common practice that a portion of CI fund would for budgetary purposes be earmarked for some organisations (hereunder referred to as “designated organisations”) to organise CI projects. These designated organisations are still required to submit applications for formal funding approval as in the case of other applicants for CI fund.

4.2.3 Designated organisations are generally well-established local organisations with long-term working partnership with DOs. They have the proven capability and good track record in organising various CI projects, including large scale or theme-specific ones, for the local community and the people who live, work or study in the districts.

4.2.4 For those DOs which have the practice of earmarking funding for designated organisations to organise CI projects, they should maintain a list of such organisations. To ensure only organisations with good performance are included in the list, DOs should review the list annually, taking into account the characteristics of designated organisations set out in paragraph 4.2.3 above. Such review should be suitably documented in writing for the record.

4.3 Projects implemented by DCs or C/WGs under DCs/DOs

DCs or C/WGs under DCs/DOs should be given certain flexibility

in undertaking CI projects as long as they are done in compliance with the guidelines set out in this Manual. Projects may be implemented by DCs or C/WGs under DCs/DOs in the following manner –

(a) In partnership with NGOs

DCs or C/WGs under DCs/DOs may identify or invite NGOs to jointly organise CI projects. DCs or C/WGs under DCs/DOs should record its discussion of selection of project partners in relevant minutes of meetings.

To ensure the openness and transparency of the selection process, NGO partners should be selected through open invitation (e.g. by posting the invitation on the DO's /DC's website) and/or restricted invitation (e.g. by sending invitation letters to a number of NGOs in the district). If it is considered necessary to depart from the practice of open or restricted invitations, the rationale for the departure in practice should be recorded in the relevant minutes of meetings. Relevant factors such as the experience and track record of the NGOs and their capability in organising the CI projects concerned should be taken into account in the selection.

The project will be executed by the NGO according to the plan agreed by the DC or DO as reflected in the approved application for CI fund. DO staff will not be involved in its actual implementation, save for giving advice and providing information where necessary.

(b) On their own

The project will be executed by DO staff. In implementing the project, DO staff will follow Government rules and regulations unless specified otherwise in this Manual. As a general rule, DO staff should not be involved in activities that might give rise to any perceived conflict of interest with their official

position or that would cause any possible embarrassment to the Government.

V Scope of Funding

5.1 Funding Coverage

5.1.1 DOs may use not more than 15% of their respective district allocation approved at the commencement of the Sixth Term DC to engage dedicated staff to discharge DC or DO duties all year round which may include administration work for the C/WGs under DC, coordination and promotion of large-scale and cross-year projects as well as monitoring and evaluation of projects.

5.1.2 DOs may set aside a reasonable amount of their district allocation for the procurement and maintenance of capitalised items (see paragraph 7.2) that are commonly used in carrying out CI projects (e.g. public address systems) to assist DOs or DCs and C/WGs in implementing projects in the long term. Before making the procurement, DOs should be satisfied that there will be a continued need for the item in implementing CI projects and that storage of the item is not a problem. In addition, the items to be procured must be used solely to implement CI projects.

5.1.3 Grantees² should use the CI fund provided to meet the expenses wholly and necessarily incurred for the approved project during the project period.

5.1.4 In making the application and in implementing the approved project, the applicant (other than government departments) should refer to the permissible items of expenditure at Annex A. It should also note the following –

- (a) an amount of not more than **25% of the approved project fund** may be used to cover staff costs³ directly and

² Grantees refer to all recipients of CI fund, including government departments, DO, DCs, C/WGs under DCs/DOs as well as NGOs.

³ Staff costs refer to the costs incurred in employing project staff and/or casual workers to follow through a project and/or for subsidising the overtime allowance for existing staff employed by

specifically incurred on the project;

- (b) for a project with an approved project fund of **\$0.2 million or below**, an amount of not more than **10% of the approved project fund** may be included by an NGO to cover the organisation's overheads, known as "Central Administrative Overheads" (CAO) (such as supervisory staff and Headquarters expenses in overseeing the funded project under the CI fund). For a project with an approved project fund **exceeding \$0.2 million**, the amount of CAO that an NGO may claim is limited to **10% of the actual project cost**. All NGOs can apply for CAO regardless of whether they carry out the project on their own or in partnership with DO or DC;
- (c) an amount of not more than **10% of the approved project fund** may be used to cover other miscellaneous items directly and specifically incurred on the project. Such items may or may not be included in the list of permissible items of expenditure at Annex A; and
- (d) capitalised equipment and furniture (see paragraph 7.2) may be procured with CI fund, subject to the following conditions –
 - (i) the item should be wholly and necessarily used for the implementation of the approved project;
 - (ii) there should be a continued need for the item in implementing CI projects in the future (otherwise the item should be hired rather than purchased);
 - (iii) storage of the item is not a problem (otherwise the item should be hired rather than purchased);
 - (iv) the item should not become the personal property of any individual person; and

NGOs for running a project. Costs of hiring tutors and coaches, etc. are not regarded as staff costs but are permissible items of expenditure that can be met from CI fund.

- (v) the item should not give rise to any recurrent costs, e.g. electricity charges, to be met from CI fund.

5.1.5 In endorsing a project, DOs may support an additional amount of not more than **5% of the project fund (i.e. the approved budget of the project)** as contingency to meet any unforeseen commitment arising from the items of expenditure.

5.2 Project Ceiling

A maximum amount of **\$2.5 million** may be approved for each project. Applications for supplementary funds exceeding the ceiling will only be considered by DHA for projects implemented by DOs on ground of exceptional merits.

VI **Application for CI Fund**

6.1 Details of Application

6.1.1 Applicants (other than DOs and government departments) are required to submit an application to the respective DO which should set out the project proposal [Sample application form at Annex B. The section on declaration and consent (i.e. Part 7 and 8⁴) must be included and should not be amended]. The application should contain the following information –

- (a) the name and background of the organiser, and documentary proof of eligibility to apply, if applicable (see paragraph 6.3.1);

⁴ The person signing the application (e.g. the chairman of DC or C/WG under DC/DO, and if he/she refuses, the secretariat staff) which contains the declaration in Parts 7 and 8 should confirm that all members of DC or C/WG under DC/DO (as applicable) have declared on interest and National Security Law as per the application requirements. In the back-end, DOs should arrange all members to make such declaration at the meeting when processing the CI fund application. The relevant documents should be kept for record. If a member of DC or C/WG under DC / DO refuses to make the declaration, the DO should consider the way forward. As a general guideline, if a member refuses to make the relevant declaration, he/she should not participate in the discussion of the application concerned. This can ensure that he/she would not affect the content of the application and the application will not be held up. Otherwise, the application could in effect be vetoed by a member who refuses to make a declaration.

- (b) details and form of collaboration with other co-organising bodies for the project, if any;
- (c) details of the project such as its nature, purpose and the venue for the event;
- (d) the work plan and timetable;
- (e) the budget of the project with an itemised breakdown;
- (f) the expected benefits/achievements of the project (with proposed performance measurement and milestones in quantifiable terms, if applicable);
- (g) the other sources of funding support (e.g. proceeds from ticket sales and cash donations, etc.) expected to be received (see paragraph 7.4);
- (h) the cash flow projection throughout the funding period;
- (i) ticket allocation arrangement, if applicable (see paragraph 8.6); and
- (j) any other relevant information in support of the application, having regard to the vetting criteria as set out in paragraph 6.6.

6.1.2 To enhance administrative efficiency, in respect of projects executed by DO staff on behalf of the DC or C/WG under DC/DO which cost \$100,000 or less, instead of submitting separate detailed applications as required in paragraph 6.1.1 above, DO staff may submit a consolidated submission for a batch of small scale projects to the respective DO, setting out the respective estimated project budget without giving a detailed budget breakdown of each project, provided that prior endorsement has already been given by the respective DO, DC or C/WG under DC/DO for the project concerned. For internal scrutiny purposes, DO staff are required to document the detailed budget breakdown in the subject file in the context of seeking funding

approval from the officer authorised by Director of Home Affairs (DHA) (see paragraph 6.5.3).

- 6.2 For government departments including DOs applying for CI fund or requested by DOs to undertake certain district programmes or activities with CI fund, they should provide as much relevant information as possible as per the above list but due regard has to be given to the prevailing government regulations, fee-charging policy and established practices of the departments concerned.

6.3 Eligibility Criteria for Application

- 6.3.1 Government departments including DOs, DCs and C/WGs under DCs/DOs are eligible to apply for CI fund. In addition, NGOs fulfilling the following criteria are also eligible -

- (a) a statutory organisation or an organisation registered under the laws of the Hong Kong Special Administrative Region (e.g. the Companies Ordinance (Cap.622), the Societies Ordinance (Cap.151), and the Inland Revenue Ordinance (Cap.112)) and established wholly or mainly for the benefit of the district in which it is set up. For territory-wide organisations established to serve the public as a whole, their application should involve a project that will benefit the local community and the people who live, work or study in the district; or
- (b) an autonomous body of persons (whether incorporated or not) established wholly or mainly for the benefit of the district in which it is set up; or an organisation established to serve the general public which organises activities for the benefit of the local community and the people who live, work or study in the district.

- 6.3.2 The offices of Legislative Council Members, DC Members, political parties and associations, however, are not regarded as NGOs for the purpose of applying for CI fund.

6.4 Publicity on Invitation of Applications

DOs should from time to time arrange suitable publicity, such as through the HAD/DO websites, to invite applications from NGOs (e.g. cultural or arts organisations) for the grant of CI fund to organise CI projects. DOs may also invite NGOs to bid for projects now undertaken by designated organisations on behalf of the DO (e.g. management of a district football team and organising a dragon boat race, etc.). The publicity should contain relevant information such as the procedures and deadline for application, permissible items of expenditure and accounting arrangements.

6.5 Processing Procedures and Funding Approval

- 6.5.1 Upon receipt of an application, the DO staff concerned will examine the project proposal to check whether it is within the ambit of CI fund and whether the proposed items of expenditure fall within the list of permissible items of expenditure and the relevant expenditure limits. Where necessary, the DO staff will consult those government departments which may have an interest in the proposed project before submitting the project proposal to the DOs for consideration.
- 6.5.2 After a preliminary assessment by DO staff, the application will be submitted to an internal vetting panel⁵ appointed by DO for a decision as to whether the application should be supported. The decision of the panel should be recorded in the minutes of the relevant panel meeting, with justification provided as far as practicable. Details of the panel's endorsement, including the amount of funds endorsed, should also be recorded if they are not covered in other related documents.
- 6.5.3 Upon endorsement by the vetting panel, DHA or any officer authorised by DHA will approve the funding of the project if he/she is satisfied that the project falls within the ambit and scope of CI fund. The applicant will be informed of the outcome accordingly.

⁵ The vetting panel should be comprised of not less than three officers, one not below the rank of SEO/SLO or equivalent as the Chairperson and two not below the rank of EO II/LO II or equivalent as the Members.

6.5.4 As a rule, all successful applicants are required to ensure that the name and, as far as practicable, the logo of HAD is displayed in all publicity materials of the programmes and activities financed by CI fund. In addition, NGOs and DO, DCs or C/WGs under DCs/DOs which implement joint projects in collaboration with NGOs will be required to comply with the terms and conditions at Annex C in implementing the approved projects.

6.6 Vetting Criteria

6.6.1 Funding support may be given to projects that fall under the ambit of CI fund (see Section II). Funds expended must directly benefit the local community and the people who live, work or study in the district.

6.6.2 DOs may determine the respective priorities or themes for expending CI fund in a particular year but generally it is expected higher priorities be accorded to projects featuring the following characteristics –

- (a) programmes and activities with district characteristics and undertaken at district level;
- (b) joint projects in collaboration with different sectors and NGOs aiming to achieve a particular social objective;
- (c) continuity: programmes which seek to plant seeds for more activities of similar nature to be held in future, thereby producing long-lasting and sustainable benefits to the community;
- (d) professionalism: projects proposed by NGOs which possess the necessary experience, capacity, resources and know-how relevant to the community activities; or
- (e) inclusiveness: projects targeted at the underprivileged such as the singleton elderly, ethnic minorities, the disabled, new arrivals and neglected children, etc. as well as the family as

a unit.

6.6.3 The following types of projects will **not** normally be supported –

- (a) projects that may give undue credit or publicity to an individual, a commercial firm, a political party or association;
- (b) projects that are intended for the exclusive or personal benefit of an individual;
- (c) projects that involve disbursement of cash relief;
- (d) projects that are launched primarily for profit-making or fund-raising purposes; or
- (e) projects that are more appropriately charged to other government or departmental votes.

6.6.3(A) Moreover, projects that are submitted by an applicant who is suspected to have involved in activities endangering national security or the proposed project is suspected to involve activities that may risk violating National Security Law and other applicable law or contrary to the interest of national security should NOT be supported.

6.6.4 The following criteria will also be used to assess the merits of individual applications –

- (a) whether the applicant has a satisfactory performance record in delivering past projects, having regard to the project completion reports it submitted and the project evaluation reports completed by the DO or DC previously. Such records would be compiled by the DO staff;
- (b) whether the project's implementation schedule is well planned and practicable;
- (c) whether the proposed budget is prudent and realistic;

whether the proposed project is cost-effective and whether the proposed items of expenditure are reasonable in terms of nature and quantity;

- (d) whether the proposed project has alternative sources of funding support, or should more appropriately be funded by other sources;
- (e) whether there is or likely to be a duplication of events already or currently carried out by other groups; and
- (f) whether the background and integrity of the applicant as reflected in its previous conduct and activities is suspected to have involved in activities endangering national security or the proposed project is suspected to involve activities contrary to the interest of national security. As mentioned in paragraph 6.6.3(A) above, in no circumstances should such projects be given funding support.

6.6.5 Every application will be considered on its own merits. Under no circumstances should block grants be made to an applicant to cover several projects prior to obtaining details of individual projects; or cross-subsidy of projects be allowed by transferring expenses from one project to another.

6.6.6 Where possible, an applicant should approach a single source of government funds for seeking financial assistance for a project unless sufficient funds cannot be secured from any single source. In addition, CI fund should not normally be used to supplement public funds provided by the Government under another vote for the same project.

VII Administrative and Financial Arrangements

7.1 Procurement of Goods and Services

7.1.1 Procurement made by government departments

- (a) Government regulations including the Stores and Procurement

Regulations (SPR) and circulars as well as departmental guidelines on procurement procedures should be followed in implementing CI projects by government departments, including DOs except when DOs organise the projects in collaboration with NGOs, DCs or C/WGs under DCs/DOs (see paragraph 7.1.3 below). In particular, government departments should observe the following quotation requirements and accept the lowest conforming offer or the conforming offer with the highest overall score (if a marking scheme is used) –

Item of procurement	Estimated value	No. of written quotations required
Goods	\$5,000 or below ⁶	Preferably 2
	\$5,001 - \$50,000	2
	\$50,001 – \$1,400,000 ⁷	5
Services	\$5,000 or below ⁶	Preferably 2
	\$5,001 - \$50,000	2
	\$50,001 – \$1,400,000 ⁷	5

- (b) As a general rule, procurement not exceeding \$50,000 should be made by using purchasing cards issued to the relevant officers by Government's designated banks. Officers should follow the lists of the purchasing card suppliers provided by the card issuing banks in the selection of suppliers.
- (c) In general, for procurement of goods and services exceeding \$1,400,000, open tendering procedures should be used.

7.1.2 Procurement made by NGOs

- (a) NGOs should exercise utmost prudence and uphold the principles of openness, fairness, competitiveness, transparency, pro-innovation, integrity and value for money in making procurement with CI fund. In particular, they should strictly observe the following quotation requirements in making procurement with CI

⁶ To meet immediate needs, minor purchases of goods and services can also be made in cash under SPR 265(a) and 290(a) provided that the total value of the purchase does not exceed \$5,000.

⁷ Please refer to quotation limit for government departments to procure goods and services as set out in SPR 220(a), which may be updated from time to time.

fund regardless of the value and accept the lowest conforming offer or the conforming offer with the highest overall score (if a marking scheme is used) –

Item of procurement	Estimated value	No. of written quotations required
Goods	\$5,000 or below ⁸	Preferably 2
	\$5,001 – \$50,000	2
	\$50,001 – \$1,400,000	5
Services	\$9,000 or below ⁸	Preferably 2
	\$9,001 – \$50,000	2
	\$50,001 – \$1,400,000	5

For procurement of goods and services exceeding \$1,400,000, open tendering procedures should be used.

- (b) The NGO should nominate its employee(s) or member(s) as designated person(s) for the procurement and be able to provide their particulars (e.g. ID card number and address) to the Government as and when necessary.
- (c) Prior to the procurement, the designated person should obtain the required number of quotations and complete a record of quotations at Annex D. All written quotations from suppliers should be attached. If a written quotation cannot be obtained for purchases of less than \$50,000, the supplier should be asked to confirm the quoted price in writing (e.g. fax message). The confirmation should be attached to the record of quotations. Subsequent to the procurement, the designated person should be responsible for the receipt and use of goods and services for the project and ensure that such goods/services are ordered, received and appropriately used for the project concerned.
- (d) If more than 50% of the total estimated cost of a project is financed by CI fund, the NGO should follow the procurement procedures as stated in paragraphs 7.1.2 (a) - (c) in implementing the entire project, irrespective of whether the procurement is made using CI fund or other sources of finance.

⁸ Minor purchases of goods and services can also be made in cash to meet immediate needs. No quotations will be required if the total value of the purchase does not exceed \$1,500.

- (e) In case where the procurement procedures as stated in paragraphs 7.1.2 (a) - (d) are not followed (e.g. a sponsor has made specific requests to hire a particular supplier/contractor), full justifications must be given and properly recorded in Annex D for auditing purposes.
- (f) The NGO is not required to submit the record of quotations at Annex D to DO staff unless being requested to do so. If requested, the NGO should submit the form together with the quotations according to the deadline set by the DO staff.
- (g) The NGO, its co-organisier(s), members and staff should avoid engaging in activities which may result in actual or perceived conflict of interest (e.g. a project staff member procuring goods / services or inviting quotations for the project from company of his own or his immediate family) arising from their involvement in the approved project. They should declare any interest during procurement of goods and services, recruitment and other processes in managing projects (e.g. ticket allocation, adjudicating at competitions) which might involve financial or personal interests, and are prohibited from soliciting, accepting or offering any advantages in the course of planning and executing the project. If there is a conflict of interest, the NGO should decide whether the co-organisier(s), member or staff concerned should abstain from the process(es) concerned and record the reasons for its decision.
- (h) The principles of openness, fairness, competitiveness, transparency, pro-innovation, integrity and value for money should be observed when making purchases. The NGO is advised to make reference to the Corruption Prevention Best Practice Checklist on procurement issued by the Independent Commission Against Corruption (ICAC) where appropriate. The checklist is available on ICAC's website at www.icac.org.hk.
- (i) All quotations and documents in relation to the procurement of a

project should be kept for five years⁹ for inspection by the Government as and when necessary.

7.1.3 Procurement made by DOs, DCs or C/WGs under DCs/DOs

(a) *For projects organised in partnership with an NGO*

The procurement arrangements stated in paragraph 7.1.2 will apply when a DO or DC or C/WG under DC/DO implements a joint project with an NGO.

(b) *For projects executed by DO staff on behalf of the DC or C/WG under DC/DO*

The procurement arrangements stated in paragraph 7.1.1 will apply.

DO staff are exempted from the requirement to follow the procurement procedures for hiring printing and transport services from Government Logistics Department.

7.2 Capitalised Items

7.2.1 A capitalised item refers to any piece of equipment or furniture with a unit cost of over \$1,000 and an expected life-span of one year or more. Computer software and fixtures such as built-in cabinets are not classified as capitalised items. Procurement should only be made if the item is considered absolutely essential for implementing CI projects and where it is more cost-effective to acquire the item by procurement than renting it.

7.2.2 Government regulations and departmental guidelines are to be followed in managing and disposing of capitalised items which are procured by government departments or DO staff on behalf of DO, DC or C/WG under DC/DO.

⁹ NGOs not subjected to any requirements imposed by the relevant ordinances under which they are registered to keep financial, accounting and procurement records may return the records and documents concerned to the DO staff if they have practical difficulties in keeping such information or in the event of their disbandment before the end of the five-year retention period.

- 7.2.3 When NGOs procure capitalised items for their projects or projects organised in partnership with DO, DC or C/WG under DC/DO, they should maintain an equipment register to account for all capitalised equipment and furniture procured with CI fund. The capitalised items and equipment register should be made available for inspection by the Government as and when necessary.
- 7.2.4 If the capitalised items are found to be not being used for the project or if the project is terminated during the implementation stage or within the project period, the Government reserves the right to take back the capitalised items procured with CI fund and any costs so incurred, e.g. transportation expenses, are to be borne by the NGO.
- 7.2.5 If the capitalised item is no longer required for implementing CI projects but is still serviceable, the NGO concerned should return the item to the Government. In case of selling, transferring an item to another party for implementing CI projects or disposing of an item, the NGO concerned is required to obtain prior written approval from DHA or any officer authorised by DHA.
- 7.2.6 NGOs should also account for any deficiencies between the physical and ledger balances of capitalised items under their custody. They have to report immediately, in writing, all cases of loss or deficiency to DHA. They should make a report to the police if the losses or deficiencies involve a criminal act or suspected criminal act. They should also investigate the loss or deficiency and forward their report, to be supported by the police report if appropriate, to DHA. Where appropriate, DHA may recover from the NGO concerned any financial losses arising from the loss or deficiency of capitalised items under their custody.

7.3 Payment Arrangements

7.3.1 Payment to Government Departments (except DOs)

HAD will provide funding direct to the relevant government department by means of an allocation warrant. Where an approved project is planned to incur expenditure in more than one

financial year, HAD will arrange to issue allocation warrants to the department based on the approved cash flow requirements for the financial years concerned; one for the current financial year after funding approval has been obtained and the other(s) at the beginning of the subsequent financial year(s). The department should submit an income and expenditure statement to the DO (see Appendix II to Annex E) within two months of completion of a project.

7.3.2 Payment to NGOs

Reimbursement of CI fund is normally made to an NGO on completion of a project. To facilitate implementation of the project, however, payment can be made in the form of advance payment and partial reimbursements. Details of the payment arrangements, the supporting documents required and other relevant requirements are at Annex E.

7.3.3 Payment to DOs, DCs or C/WGs under DCs/DOs

(a) *For projects organised in partnership with an NGO*

The payment arrangements set out in paragraph 7.3.2 will apply when a DO, DC or C/WG under DC/DO implements a joint project with an NGO.

(b) *For projects executed by DO staff on behalf of the DO, DC or C/WG under DC/DO*

Payments will be settled directly by HAD upon receipt of invoices and/or supporting documents. DO staff should submit an income and expenditure statement to the DOs (see Appendix II to Annex E) within two months upon completion of a project.

7.4 Project Income and Residual Funds

7.4.1 Fees may be charged for the programmes and activities financed by CI fund. Grantees should, where appropriate, follow Government's fee-charging policy and arrangements in

formulating charges for CI projects. Any income generated in CI projects implemented by Government departments or DO staff will be regarded as revenue of the Government and is to be credited to the General Revenue Account direct, it should not be used to meet any project expenses.

7.4.2 Irrespective of whether they have so declared in the project proposals, NGOs should utilise all income in the first instance before CI fund is used to meet project expenses. The same arrangement should apply to sponsorship, cash donations and other sources of income. Any surplus funds identified from the project upon its completion should be returned to the Government. All records pertaining to the receipt of income should be kept for five years⁹ for inspection by the Government as and when necessary.

7.4.3 The arrangements set out in paragraph 7.4.1 will apply when DO staff execute a CI project on behalf of a DO, DC or C/WG under DC/DO. In case of a joint project which DO, DC or C/WG under DC/DO implements in collaboration with an NGO, the arrangements set out in paragraph 7.4.2 will apply.

7.5 Sponsorship and Donations

7.5.1 Sponsorship in cash or in kind and donations are generally acceptable except for sponsorship/donations from companies selling tobacco and hard liquor, or from those individuals or organisations who are the contractors for the same item of service or equipment for a project.

7.5.2 All sponsorship/donations in cash and in kind such as prizes, food, beverages and provision of printing services must be acknowledged in writing and disbursed according to the wishes of the sponsors/donors. Contributions unspent or unused should be returned to the sponsors/donors unless they wish to contribute them to other projects.

7.5.3 The name and logo of the sponsor/donor should not be bigger or placed in a more prominent position than that of HAD and other government departments which organise the event when acknowledging sponsorship/donations in any publicity material

relating to the project.

- 7.5.4 Applicants will be required to provide details of all sources of sponsorship and donations as far as practicable when they apply for CI fund and, where necessary, during the implementation of the project. On completion of the project, they should indicate in the income and expenditure statement the amount of sponsorship and donations received.
- 7.5.5 The names of the sponsors/donors, the type, amount and ultimate usage of sponsorship/donations received, as well as copies of the acknowledgement letters to sponsors/donors in relation to the project should be kept for five years⁹ for inspection by the Government as and when necessary.
- 7.5.6 Unless otherwise stated in the Manual, Government departments and DO staff are requested to comply with the relevant government regulations and circulars as well as departmental guidelines on the acceptance of sponsorship and donations when implementing projects.
- 7.6 Variations to Project
 - 7.6.1 Projects should be carried out in accordance with the approved plan and budget.
 - 7.6.2 In case of major amendments or variations (i.e. changes in project nature and cashflow requirement; the addition of items of expenditure not covered in the original approval and other additional expenditure exceeding the 5% contingency funds), the grantee should give reasons to the DOs and seek its prior written approval.
 - 7.6.3 As regards other changes/variations to the project, the grantee should also keep the DO informed.
 - 7.6.4 For projects executed by DO staff on behalf of the DO or DC or C/WG under DC/DO which cost \$100,000 or less, save for major amendments or variations, there is no need to seek further approval from DOs merely for –

- (i) addition of permissible items of expenditure not covered in the original approval provided that the approved project sum has not been exceeded; or
- (ii) addition of non-permissible items of expenditure not covered in the original approval as long as the total amount of the newly added non-permissible items of expenditure and the amount of miscellaneous items already covered in the original approval is within the 10% limit of the approved project fund for covering other miscellaneous items (see paragraph 5.1.4(c)).

7.7 Public Liability and Accident Insurance

- 7.7.1 There is no need to purchase public liability and accident insurance in respect of activities implemented by DOs or HAD HQ, DCs, C/WGs under DCs/DOs and other government departments except where it is a mandatory requirement / condition for the lease of non-government venues.
- 7.7.2 If a project is co-organised by a government department and an NGO, the liability for an accident will be apportioned between the two parties. The actual apportionment will depend on the facts and circumstances of individual cases, and will be subject to legal advice.
- 7.7.3 NGOs are responsible for taking out insurance for their activities. For projects solely financed by CI fund but organised in partnership with NGOs, the NGOs are allowed to take out insurance using CI fund.
- 7.7.4 The premium and premium levy for public liability insurance and accident insurance are permissible items of expenditure for the grant of CI fund.

VIII Monitoring Mechanism

8.1 Progress and Final Reports

8.1.1 To ensure that CI fund is used in accordance with the approved budget and purposes, the grantee is required to submit a final report to the DO staff within two months of completion of the project.

8.1.2 In addition to the project completion report, NGOs are required to submit six-monthly progress reports if the project is of a duration of more than one year. All progress reports should be submitted within two months of the end of each six-month period. The formats of the final and progress reports are at Annexes F1 and F2 respectively.

8.2 Visit and Evaluation

8.2.1 An evaluation system should be in place to monitor the effectiveness of the projects. DOs are given the flexibility to devise their own evaluation system as they see fit but generally we would expect DO staff who are not involved in the project administration and do not have an interest in the organisation or the project under evaluation to conduct visits or attend the activities on a random basis. They should examine the progress of the project and evaluate whether the objectives of the project have been met. An evaluation report at Annex G will need to be submitted to the DOs after the visit. DOs should ensure that evaluation reports are returned after the visits and the DO staff should input evaluation results in the Information System concerned.

8.2.2 DOs should inform the grantee if unsatisfactory evaluation findings are identified and provide it with an opportunity to comment on the evaluation result for incorporation into the evaluation reports. It should also inform the grantee that the DO will make reference to the evaluation reports when considering applications for CI fund in future.

8.3 Public Scrutiny

8.3.1 For evaluation purposes, DOs should consider inviting

participants to provide feedback on the performance and effectiveness of the projects, especially those of a larger scale and which last for a longer period. To facilitate public participation and evaluation, a list of current and upcoming programmes and activities financed by CI fund together with a relevant summary of approval results at Annex I should be publicised through various means such as HAD/DO's websites (My District) and notice boards.

- 8.3.2 Documents submitted by the grantees, such as application forms, reimbursement claims and related documents, may be released for public inspection provided that any disclosure of personal data shall be in accordance with the requirements and/or exemptions as provided in the Personal Data (Privacy) Ordinance (Cap. 486).

8.4 Pre-mature Termination of Project

- 8.4.1 The grantee should inform the DO in writing in the event of premature termination of a project during the preparation or implementation stage.
- 8.4.2 Depending on the circumstances and the reasons provided by the NGO, the DO may, where applicable, endorse reimbursement of expenses already incurred in the preparation/implementation of the project. If the DO considers that the cessation of the project is due to negligence of the NGO, no subsequent reimbursement should be made and the NGO should be required to return immediately to the Government the full/partial amount of the advance payment and/or reimbursement previously received.

8.5 Breach of Terms and Conditions by NGOs

- 8.5.1 To ensure that the terms and conditions for receiving CI fund imposed on grantees are fully observed, DO staff will conduct audit checks of the records kept by the grantees on a random basis. The following penalty should be imposed if an NGO fails to observe the terms and conditions imposed on it, if any, in implementing the CI project without a reasonable explanation -

- (a) low priority would be accorded when the NGO next submits an application for CI fund ; and
- (b) if the NGO is subsequently granted CI fund for implementing CI projects and fails again to observe the terms and conditions, further applications for funds will be rejected.

8.5.2 Based on the DO's advice, the DO staff should inform the NGO of the irregularities found and the penalty imposed for the breach.

8.6 Ticket Allocation

For activities involving ticket allocation, grantees should ensure that the tickets are distributed, allocated or sold in an open and fair manner. Generally speaking, CI fund should not be used to subsidise any discounts offered in favour of particular persons (e.g. members of a particular organisation). DOs should issue their own supplementary guidelines on allocation of tickets as necessary having regard to the above principles. Applicants for the CI fund should be required to state in their applications the ticket allocation proposal.

IX Conflict of Interest

9.1 DC members (including co-opted members) and DO staff should make a declaration on any conflict of interest which may be actual, potential or perceived. For example, they should declare an interest under the following circumstances -

- (a) they have pecuniary or other interest in matters relating to the project proposal and selection of quotations or have any connection with a party who has applied for/been granted CI fund for implementing a CI project; and
- (b) they have introduced or nominated a supplier/contractor for a quotation exercise.

Other procedures set out in the DC's Standing Orders governing declarations of interest should also be observed.

- 9.2 DC members (including co-opted members) and DO staff should refrain from having business dealings with any party associated with projects financed by CI fund, which may bring the DCs and DOs into disrepute. If for any reason it is not possible to avoid such dealings, the DC member / DO staff concerned should declare the transaction to the DC / DO and withdraw from the relevant DC / DO proceedings as appropriate.
- 9.3 DC members (including co-opted members) and DO staff should, as far as practicable, make a declaration of interest before the matter is discussed. If at any other time a DC member (including co-opted members)/or a member of DO staff finds that he has an interest to declare, he should do so immediately and, where appropriate, complete a declaration form at Annex H. In any case, the declaration form should be attached to the project completion report for submission to the DO.
- 9.4 All declarations of interest should be recorded in the relevant minutes of the meeting (e.g. DCs / DO internal vetting panel), stating the nature of interest declared, the decision of the meeting and the rationale behind the decision as appropriate.
- 9.5 Project applicants (including other Government Departments and NGOs) should make declaration of interest on the application form if they have any pecuniary or other interest in matters relating to the project proposal, including for example, previous business dealings with any DC Members (or their assistants) / DO staff.

X Public Accountability

To ensure that CI fund are well spent for the benefit of the community, all parties concerned are expected to perform their roles in a responsible and accountable manner.

10.1 Role of DOs

DOs will make decisions about the spending of CI fund in their respective districts. In particular, DOs are responsible for -

- (a) project identification and planning;
- (b) determining whether the projects are within the ambit of CI fund and should be implemented;
- (c) determining the scale of projects;
- (d) determining the priority of projects;
- (e) determining the timetable of projects for implementation; and
- (f) monitoring the progress of implementation and the overall effectiveness of projects.

10.2 Role of Grantees

- (a) Government departments delivering projects with CI fund should ensure that funds are expended within the ambit of CI fund and in accordance with the relevant government rules and regulations as well as the special conditions imposed by the DOs in approving the funds. They should be responsible and accountable to the respective DOs and provide progress reports and evaluation to DOs in a timely manner.
- (b) NGOs are accountable for their acts, including the performance of their employees and/or members, during the project periods and should bear all liabilities and legal responsibilities arising from the implementation of the projects. In particular, they should be responsible for their purchasing and spending decisions which involve the use of CI fund. They should strictly observe the principles of openness, fairness, competitiveness, transparency, pro-innovation, integrity and value for money in dealing with recruitment and purchasing matters as appropriate.
- (c) In performing their role as grantees, DOs, DCs or C/WGs under DCs/DOs should ensure that funds are expended within the ambit of CI fund and in accordance with the guidelines set out in this Manual. They should be responsible and accountable to the public for the programmes and activities they implement with CI fund.