

## **Quality Education Fund Financial Monitoring FAQs**

### **General**

#### **1. What is the address of the QEF Secretariat office?**

The address of the QEF Secretariat office is Room 403, 4/F, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong.

#### **2. Can grantees submit softcopies of the Financial Reports and related documents to the QEF by email?**

No. Please submit the original signed hardcopies by mail or in person to the QEF Secretariat office. However, grantees may send us the drafts by email for our review before submitting the original signed hardcopies.

#### **3. Can the funds between expenditure items be re-allocated?**

Grantees may refer to the QEF General Guidelines on Management and Monitoring of Projects for details of re-allocation. Please be reminded that audit fee and salary are not allowed for re-allocation unless prior approval in writing was sought from the QEF.

#### **4. What costs can be charged to QEF projects?**

The general principles for determining allowable costs for a QEF project are as follows:

- (a) the cost is in accordance with the terms and conditions stipulated in the QEF Agreement;
- (b) the cost is incurred within the ambit and the scope of the approved Budget;
- (c) the cost is incurred within the project period;
- (d) the cost is necessarily incurred for the purposes for which the QEF Grant is provided;
- (e) the cost is reasonable and accords with the principles of sound financial management, in particular in terms of value for money and cost-effectiveness; and
- (f) the cost is actually and provably spent. It is adequately documented by accounting records and documents such as invoices, receipts, payroll records, timesheets, etc.

For details, please refer to Annex 5 of the QEF General Guidelines on Management and Monitoring of Projects.

**5. Can the costs of prizes or souvenirs be charged to QEF projects?**

No. Prizes either in the form of cash or other types of souvenir including door prizes, movie tickets, cash coupons, gift certificates, passes to amusement parks, memorabilia, promotional items (such as T-shirts, caps, recycle bags, key chains, imprinted pens), etc. are unallowable items.

**6. Can bank charges be charged to QEF projects?**

Bank charges are not chargeable to QEF projects.

**7. Can recruitment fees be charged to QEF projects?**

Recruitment fees are not chargeable to QEF projects.

**8. Can insurance premiums be charged to QEF projects?**

No. All kinds of insurance such as public liability insurance, travel insurance, employees' compensation insurance, directors' and officers' liability insurance, etc. are unallowable items.

**9. Is it mandatory to use the standard "Receipt for Instructor Fee" at Annex 1 of QEF General Guidelines on Management and Monitoring of Projects as the supporting document for the payment of instructor fees?**

No. The standard "Receipt for Instructor Fee" is for reference only. It is also acceptable if there are other documents and records, such as invoices and receipts, to support the payment of instructor fees.

**10. If the actual audit fee used was less than the budgeted audit fee in the QEF project, how should the grantee deal with such underspending?**

The underspending in audit fee should be included in the unused fund and returned to the QEF. The unused audit fee cannot be re-allocated to other expenditure items in the QEF project.

**11. If the actual audit fee used was more than the budgeted audit fee in the QEF project, how should the grantee deal with such overspending?**

The overspending in audit fee should be borne by the grantee. No re-allocation from other expenditure items in the QEF project to audit fee is allowed.

**12. Is 13<sup>th</sup> month pay (double pay) or bonus payment to the staff employed chargeable to QEF projects? What about payment in lieu of untaken leave and housing allowance?**

Fringe benefits for staff (e.g. education allowance, medical insurance, housing allowance, etc.) and severance payment and untaken leave of staff employed are common unallowable costs. These costs could not be charged to QEF projects and should be borne and financed by grantees.

### **13. Can grantees deploy an existing staff of a current QEF project to another QEF project?**

No. Salary costs for staff who are already employed full-time by grantees, such as the school's teaching staff who spend a portion of their time on the project are common unallowable costs. Grantees are not allowed to directly employ staff of their previous or current QEF project(s) for another QEF project or deploy staff from one QEF project to another without conducting a proper and open recruitment procedure. All staff for each specific QEF project should be recruited through an independent recruitment procedure.

## **Interim Financial Reports**

### **1. When should the Interim Financial Report(s) be submitted?**

Interim Financial Report(s) should be submitted to the QEF promptly in strict accordance with the report submission date(s) stipulated in the Report Submission Schedule in the revised proposal (Schedule I of the QEF Agreement).

### **2. Do grantees need to submit both Sections I and II of the Interim Financial Report(s)?**

For projects with grants **over \$100,000**, grantees shall submit Section I of the Interim Financial Report(s) only.

For projects with grants **up to \$100,000**, grantees shall submit the following documents:

- (i) both Sections I and II of the Interim Financial Report(s); and
- (ii) certified true copies (certified by the Principal) of supporting documents, such as invoices, receipts, bank statements covering the entire report period, etc.

### **3. Who should sign the Interim Financial Report(s)?**

If the grantee is a kindergarten, primary school, secondary school or special school, signature of the head of the school (Principal or Supervisor) is required. If the grantee is a tertiary institution, signature of the head of the department / centre is required. If the grantee is an organisation, signature of the head of the organisation is required.

### **4. Should the Assets Register be submitted together with the Interim Financial Report(s)?**

No. The Assets Register (if applicable) should be submitted together with the Final Financial Reports for projects with grants up to \$100,000.

## **Final Financial Report**

### **1. When should grantees submit the Final Financial Report and related documents?**

The Final Financial Report and related documents should be submitted within three months after completion of the project or immediately in case of early termination of the project.

### **2. What documents should grantees submit after project completion?**

For projects with grants **over \$100,000**, grantees are required to submit the following documents:

- (i) Audited Project Accounts;
- (ii) Agreed-Upon Procedures Report;
- (iii) Final Financial Report (Summary) and Certificate of Completion of Project / Declaration; and
- (iv) a refund cheque to return to the QEF any unused funds.

For projects with grants **up to \$100,000**, grantees are required to submit the following documents:

- (i) Section I and II of the Final Financial Report;
- (ii) Final Financial Report (Summary) and Certificate of Completion of Project / Declaration;
- (iii) Assets Register (if there is Equipment expenditure);
- (iv) Certified true copies (certified by the Principal) of supporting documents, such as invoices, receipts, bank statements covering the entire report period, etc.; and
- (v) a refund cheque to return to the QEF any unused funds.

### **3. Who should sign the various reports upon project completion?**

If the grantee is a kindergarten, primary school, secondary school or special school, signature of the head of the school (Principal or Supervisor) is required. If the grantee is a tertiary institution, signature of the head of the department / centre is required. If the grantee is an organisation, signature of the head of the organisation is required.

## **Assets Register**

### **1. What items should be included in the Assets Register?**

All assets purchased or acquired with the QEF grant within the project period for each project should be included in the Assets Register. The assets should be purchased in accordance with the approved Budget contained in Schedule I to the Agreement.

**2. Can an item purchased before or after the project period be included?**

No. The costs of all procurements of goods and services must be incurred within the project period. Costs not incurred within the project period are unallowable costs and the grantee shall finance the unallowable costs from non-QEF sources such as the grantee's own fund.

**3. The grantee has purchased two years of extended warranty for an electronic equipment. Is the warranty cost an allowable cost for the QEF project?**

No. Maintenance costs for equipment such as computer, video equipment, etc. are common unallowable costs. The grantee shall finance the unallowable costs from non-QEF sources such as the grantee's own fund.

**Audited Project Accounts**

**1. When should grantees submit the audited project accounts?**

For each QEF project with approved grant over \$100,000, grantees are required to submit audited project accounts (containing the Income and Expenditure Statement, Balance Sheet and Notes, and an auditor's report on them) with unaudited supplementary information appended to the project accounts and an agreed-upon procedures report in connection with the internal controls of the grantees issued by an auditor within three months upon completion of the project or immediately in case of early termination of the project.

**2. What do the Audited Project Accounts contain?**

The objective of the audit engagement is to express an opinion on whether the project accounts are, in all material respects, prepared in accordance with the QEF financial reporting provisions as set out in the "Accounting Policies for QEF Projects". The Audited Project Accounts contain the Income and Expenditure Statement, Balance Sheet and Notes (comprising a summary of significant accounting policies and other explanatory notes), and an auditor's report on them. For details, please refer to the Notes for Auditors of the QEF Grantees on the QEF website and the Circular on Reporting to Grantees of the Quality Education Fund issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

**3. Do grantees need to engage an external auditor to provide the Audited Project Accounts if the approved grant of the QEF project is over \$100,000?**

Yes.

**4. When should an external auditor to conduct audit on the project be engaged?**

Grantees should enter a written service contract with an external auditor within the project period. The audit on the project is performed after project completion.

## **5. Who should sign the auditor's report?**

The auditor's report on the Project Accounts shall be signed by a practice unit as defined under the Professional Accountants Ordinance (Cap. 50) which is not in any way connected with the project. The current Principal (or Head of Department / Organisation in charge) should be responsible for signing the documents. Please be reminded that the signing date of the Audited Project Account by Principal should be the same as or earlier than the signing date of the auditor.

## **6. How do grantees select an external auditor?**

In selecting an external auditor, grantees shall conduct a competitive process according to a pre-established set of selection criteria. The process shall be consistent with the QEF General Guidelines on Staff Administration and Procurement Matter. For details on selection of an external auditor, please refer to Annex of QEF General Guidelines on Management and Monitoring of Projects.

## **7. There are amendments on the Audited Project Accounts and the external auditor requested us to return the original Audited Project Accounts before issuing the revised version. Can QEF mail back the original Audited Project Accounts to us?**

Please contact QEF to arrange a convenient time to collect the documents in the QEF Secretariat office.

## **Agreed-Upon Procedures Report**

### **1. What is Agreed-Upon Procedures Report and what will be included in the report?**

Agreed-Upon Procedures Report is a report issued by the external auditor in connection with the internal controls established by grantees. Grantees are required to adhere to the QEF General Guidelines and to establish appropriate internal controls. The Agreed-Upon Procedures Report should contain the procedures and its factual findings related to the summary of internal controls for QEF project. The main internal controls are set out in "Summary on Internal Controls for QEF Projects" (Appendix 2 of QEF Notes for Auditors of the QEF Grantees). The template can be found in the Hong Kong Institute of Certified Public Accountants (HKICPA) "Circular on Reporting to Grantees of the Quality Education Fund".

### **2. When should grantees submit the Agreed-Upon Procedures Report?**

For each QEF project with approved grant over \$100,000, grantees should submit the Agreed-Upon Procedures Report issued by an external auditor within three months upon completion of the project or immediately in case of early termination of the project.

**3. Which Hong Kong Institute of Certified Public Accountant’s standard should the agreed-upon procedures engagement base on?**

The agreed-upon procedures engagement shall be conducted in accordance with HKSRS 4400 (Revised) “Agreed-Upon Procedures Engagements”.

**Return of Unused Fund**

**1. What should the grantee do if there is unused fund for the QEF project after project completion?**

The grantee should send a cheque / bank draft payable to “Permanent Secretary for Education Incorporated No. 6 Account (Quality Education Fund)” for returning the unused grant to the QEF Secretariat office.

**2. What is the payee name of the refund cheque?**

The payee name of the refund cheque is “Permanent Secretary for Education Incorporated No. 6 Account (Quality Education Fund)”.

**3. When should grantees return the unused fund for the QEF project?**

The unused fund should be returned within three months after completion of the project or immediately in case of early termination of the project.

**4. The grantee has mistakenly returned more than the unused fund amount to the QEF. Will the QEF return the excess amount to the grantee?**

The QEF will, after vetting the documents and verifying the amount, return the excess amount (if any) to the grantee.

**5. Can grantees use bank remittance / transfer or other means of payment methods instead of cheque payment to refund the amount to the QEF?**

No. The QEF only accepts cheque payment. Please send the cheque to the QEF Secretariat office.