

Good Practice Guide on Charitable Fund-raising

Social Welfare Department

Home Affairs Department

**Food and Environmental Hygiene
Department**

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Background

- 1.1 To enhance transparency and accountability of charitable fund-raising activities, the Social Welfare Department (SWD), having regard to the advice of the Legislative Council Panel on Welfare Services, the Social Welfare Advisory Committee and the Lotteries Fund Advisory Committee, promulgated a Reference Guide on Best Practices for Charitable Fund-raising Activities (Reference Guide) in October 2004 for voluntary compliance by charitable organisations¹, wholly or partly, in a flexible manner. The Reference Guide, which may be referred to for measuring the performance of charitable organisations in organising fund-raising activities, was subsequently updated in December 2014 and April 2017.

- 1.2 Similar codes of practices overseas had been referred to in drawing up the Reference Guide which was finalised in consultation with, amongst others, charitable organisations, the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Corruption Prevention Department of the Independent Commission Against Corruption (ICAC).

¹ List of charitable institutions and trusts of a public character, which are exempt from tax under section 88 of the Inland Revenue Ordinance, can be accessed via the following website: https://www.ird.gov.hk/eng/tax/ach_index.htm

The Good Practice Guide on Charitable Fund-raising

- 1.3 The Audit Commission had conducted a review on the Government's monitoring of charitable fund-raising activities and made a number of observations and recommendations in Chapter 2 of its Director of Audit's Report No. 68, which was promulgated on 26 April 2017, to strengthen the monitoring of charitable fund-raising activities. After two public hearings held in May and June 2017, the Public Accounts Committee of the Legislative Council released its report on 12 July 2017. It recommended, among other things, that the Director of Social Welfare, the Director of Home Affairs and the Director of Food and Environmental Hygiene should step up promotion efforts to encourage more charitable organisations in adopting best practices for organising charitable fund-raising activities and incorporate more guidance on other forms of fund-raising activities in the best practices as far as practicable. In the light of the recommendations, the three licensing departments subsequently developed this Good Practice Guide on Charitable Fund-raising (Good Practice Guide) on the basis of the Reference Guide.
- 1.4 The Good Practice Guide is divided into three parts, covering the areas on donors' rights, fund-raising practices and financial accountability.

1.5 The best practices contained herein do not purport to address suspected fraudulent activities which are governed by the Theft Ordinance (Cap. 210) and are subject to criminal investigation. On the other hand, responsible charitable organisations may also have their own reasons for not adopting this Good Practice Guide (e.g. they have already adopted a separate but no less ethical code of practices).

The Mechanism

1.6 Charitable organisations are highly recommended to adopt this Good Practice Guide to ensure the accountability and transparency of charitable fund-raising activities and the use of donations so received. Those organisations that voluntarily adopt this Good Practice Guide commit to fund-raising practices that respect donors' right to truthful information and privacy. They also commit to managing responsibly the funds that donors entrust to them, and to reporting their financial affairs accurately and completely.

1.7 Donors or prospective donors who have questions or concerns about a fund-raising activity should contact the charitable organisation which organises the activity. Charitable organisations that adopt the Good Practice Guide are committed to dealing with such queries promptly and fairly.

- 1.8 This Good Practice Guide, to be made available in the relevant government websites for general reference, will be updated by the three licensing departments as and when required to reflect the prevailing needs of the community.

Good Practices

A. Donors' Rights	
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<p>A1. All donors (including individuals, corporations and foundations) shall be issued with an official receipt for the amount of money donated. The governing board of a charitable organisation may set a minimum amount for the automatic issuance of a receipt, and the donation of a smaller amount will be given a receipt only upon request. The level of this minimum amount should be made known to donors and prospective donors.</p>	<p>Charitable organisations should formulate clear policies regarding the issuance of official receipts. Particular attention should be given to circumstances under which no receipt should be issued.</p>
<p>A2. Regarding all fund-raising activities conducted by or on behalf of a charitable organisation, the name of the charitable organisation and the purpose of the fund-raising appeal shall be disclosed. Printed materials seeking donations shall also include the address, website (if available) or other contact information of the charitable organisation.</p>	<p>(i) All communications with donors and prospective donors should include a statement of the purpose of the fund-raising appeal and sufficient contact information to facilitate further enquiries about or to the charitable organisation.</p> <p>(ii) Care should be taken not to mislead donors or prospective donors into believing that their contributions will be used for a specific project, if that is not the case. Where an appeal is made for funds for general use, it is a good practice to illustrate with examples the scope of general use of funds, where such examples also show the work being done by the charitable organisation to achieve its objectives.</p>

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	<p>(iii) It is preferable to provide the charitable organisation's complete local address. Where this is not practical (e.g. the charitable organisation does not have its own office) or reasonable given the nature of the charitable activity or the nature of the solicitation (e.g. by telephone), sufficient information should be included to enable donors or prospective donors to contact the organisation during regular business hours and communicate with an employee or volunteer who can respond to their questions.</p> <p>(iv) Printed materials (e.g. posters, booklets, leaflets, admission tickets, concert tickets and lottery tickets, etc.) to be displayed (e.g. at the fund-raising counter) or distributed shall state the charitable organisation's name, website (if available), ticket price (if applicable) and the purpose for which donations are requested.</p>
<p>A3. Donors and prospective donors are entitled to prompt examination of (or an opportunity to examine promptly) the following:</p> <p>(a) the relevant part of a charitable organisation's constitutional documents (e.g. Ordinance, Memorandum and Articles of</p>	<p>(i) Charitable organisations recognise that they are responsible and accountable to donors and should therefore disclose all information (e.g. financial statements, charitable service record and annual report) that will reasonably add to the public's understanding of, and confidence in, their operations, and in their methods and costs</p>

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<p>Association, club rules or constitution) which details its objects and purposes;</p> <p>(b) the charitable organisation's most recent annual report, audited financial statements and charitable service record as approved by the governing board;</p> <p>(c) document(s) confirming the charitable organisation's status as a tax-exempt charitable organisation under Section 88 of the Inland Revenue Ordinance and in which case information on the effective date of exemption and whether the status has been removed should also be provided;</p> <p>(d) a list of the names of members of the charitable organisation's current governing board;</p> <p>(e) non-financial information about the use/disbursement of donations, including the details or a summary of projects/activities organised or services delivered to meet the stated objectives or for other justifiable purposes, and any relevant details (such as performance achievements</p>	<p>of fund-raising.</p> <p>(ii) Charitable organisations should reply promptly to all requests for information.</p> <p>(iii) Financial statements should provide enough information by listing out all sorts of income and a breakdown of every disbursement item, including a detailed allocation of donations received for administrative costs and charitable services, to serve as a basis for informed decision-making by donors. Besides, financial statements shall accurately present the financial activities and overall financial position of an organisation and shall disclose, at least, the information set out in this Good Practice Guide.</p> <p>(iv) All financial summaries or extracts presented separately from an organisation's financial statement should be clearly related to and consistent with the information contained in the full financial statements including notes.</p> <p>(v) This practice should be read in conjunction with Section C4 below.</p> <p>(vi) This provision would be considered to have been complied with if the enquirer is allowed to make an appointment with a</p>

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<p>of the stated objectives);</p> <p>(f) a “Donor Charter” that informs existing and prospective donors of its policy on solicitation and acceptance of donations, as well as donors’ rights; and</p> <p>(g) a copy of the latest edition of this Good Practice Guide (which may be downloaded from the fund-raising webpage under the GovHK portal).</p> <p>The charitable organisation should provide the above in Chinese or English. It is a better practice to provide both Chinese and English versions as far as practicable.</p>	<p>charitable organisation to examine the documents or if the information has been uploaded onto the charitable organisation’s website (or a link to the relevant websites where appropriate).</p>
<p>A4. Donors and prospective donors are entitled to know whether an individual soliciting funds on behalf of a charitable organisation, is a volunteer, the organisation’s employee, or a hired agent/professional, etc.</p>	<p>(i) The “volunteer, organisation’s employee and hired agent/professional” are only some examples of the person who may solicit donations for a charitable organisation. Other people, such as members of the governing board, may also be involved in such activities.</p> <p>(ii) Training of fund-raisers, whether volunteer or paid, should include a briefing about donors’ right to know the fundraiser’s status.</p>

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	(iii) This practice should be read in conjunction with Section B2 below.
A5. Donors' requests to remain anonymous should be respected.	<p>(i) Every donor has the right to confidentiality in their affairs and the right to require that his/her identity and/or the amount of his/her donation be not publicly disclosed.</p> <p>(ii) A donor's right to anonymity is limited only by legal requirements to disclose.</p>
A6. It is imperative that the charitable organisation complies with the requirements of the Personal Data (Privacy) Ordinance (Cap. 486) in relation to the collection, accuracy, retention, use, security, access and correction of personal data of its donors.	<p>(i) A charitable organisation should ensure its own integrity and that of the sector through the proper use and management of all donors' or prospective donors' personal information in its possession. Every organisation should carefully safeguard the confidentiality of information which donors or prospective donors would reasonably expect to be private.</p> <p>(ii) The duty of confidentiality continues after the professional relationship with a donor or prospective donors has ended.</p> <p>(iii) A Personal Information Collection Statement should be provided before collecting personal data from donors.</p>

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	(iv) This practice should be read in conjunction with Section B5 below.
<p>A7. Donors and prospective donors should be treated with respect. Every reasonable effort should be made by charitable organisations to meet their requests:</p> <p>(a) to limit the frequency of solicitations; or</p> <p>(b) not to be solicited by telephone or other technological means.</p>	<p>(i) While recognising the charitable organisations' need of the flexibility in choosing the ways to approach donors, fund-raising activities should be conducted in a manner to preserve and enhance the public's confidence in the integrity of the individual charitable organisation and the welfare sector as a whole. Disregard of donors' or prospective donors' expressed wishes regarding the manner or frequency of contact is contrary to good practices and reflects poorly on the entire sector.</p> <p>(ii) This practice should be read in conjunction with Section B2 below.</p> <p>(iii) Section A7(a) may not be applicable in some circumstances e.g. it would seldom be possible for fund-raisers in the street to comply.</p>
<p>A8. The charitable organisation should respond promptly to a complaint by a donor or prospective donor about any matter referred to in this Good Practice Guide.</p>	<p>(i) Complaints should be investigated and handled thoroughly, professionally and fairly, as well as documented properly.</p> <p>(ii) The charitable organisation's governing board bears ultimate responsibility for the ethical conduct of all fund-raising activities and should make certain that</p>

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	<p>fund-raising staff and volunteers are aware of and familiar with the requirements of this Good Practice Guide.</p> <p>(iii) This practice should be read in conjunction with Section B6 below.</p>

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B. Fund-raising Practices	
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<p>B1. When conducting fund-raising activities, the charitable organisation shall:</p> <ul style="list-style-type: none"> (a) ensure the activities to be truthful and have complied with the legal requirements; (b) arrange sufficient publicity and promotion; (c) accurately describe the charitable organisation's background, activities, service details and the intended use of donated funds; and (d) respect the dignity and privacy of those who benefit from the charitable organisation's activities. 	<ul style="list-style-type: none"> (i) All marketing, advertising and public information materials prepared in connection with fund-raising campaigns must be forthright and truthful and should accurately describe the organisation's objects, type of the organisation's registration, details of charitable activities / services and use of solicited funds to facilitate the public in deciding whether to make donation. (ii) Fund-raising communications should contain no material omission, exaggeration of fact, misleading photograph, nor any other information that would tend to create a false impression or misunderstanding. Solicitations should be constructed so that public response is based on the reality of the situation and the organisation's actual capacity and not on deliberate misinformation or manipulation. (iii) The charitable organisation's relevant service details and the permit or licence issued for conducting fund-raising activities (if applicable) should be made available for public inspection during the course of the fund-raising solicitation.
<p>B2. The charitable organisation should disclose to donors and prospective donors whether or not their directors and staff have any actual, potential and perceived conflict of interest associated with any fund-raisers whilst</p>	<ul style="list-style-type: none"> (i) As elaborated under Section A4 above, the "volunteer, organisation's employee and hired agent/professional" are only some examples of the person who may solicit donations for a charitable organisation since other people, such

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<p>ensuring that the personnel (e.g. volunteers, organisation's employees and hired agents/professionals) who solicit or receive funds on behalf of the charitable organisation will:</p> <p>(a) adhere to the provisions of this Good Practice Guide and the code of practice set out by the charitable organisation;</p> <p>(b) be subject to probity requirements prohibiting solicitation, acceptance and offering of advantages in relation to fund-raising activities without permission of the organisation on the one hand, and acceptance of lavish, unreasonably generous or frequent entertainment in this respect on the other;</p> <p>(c) act with fairness, integrity, and in accordance with all applicable laws, permit/licence conditions, rules, regulations, guidelines, etc.;</p> <p>(d) adhere to the provisions of applicable professional codes of ethics, standard of practice, etc.;</p> <p>(e) cease immediately any solicitation from a prospective donor who identifies the solicitation as harassment or undue pressure;</p>	<p>as members of the governing board, may also be involved in such activities. If assistance is sought from individual fund-raisers or fund-raising groups for solicitation, the charitable organisation should be responsible for ensuring their suitability.</p> <p>(ii) Contracts between a charitable organisation and a hired agent/professional should specify that all fund-raising activities undertaken on behalf of the charitable organisation will be conducted in a manner that is consistent with the provisions of this Good Practice Guide.</p> <p>(iii) Charitable organisations should exercise effective control over volunteers, organisation's employees and hired agents/professionals and take all reasonable steps to ensure that every person participating in a fund-raising programme is aware of and complies with the organisation's code of practice for fund-raising activities and this Good Practice Guide.</p> <p>(iv) Charitable organisations should inform volunteers, organisation's employees and hired agents/professionals about the provisions of all laws applicable to the organisation's fund-raising practices and take all reasonable steps to ensure that fund-raising activities are carried out in accordance with the law.</p>

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<p>(f) disclose immediately to the charitable organisation any actual, potential or perceived conflict of interest;</p> <p>(g) not accept donations for purposes that are inconsistent with the charitable organisation’s objects or mission; and</p> <p>(h) be under proper and adequate care.</p>	<p>(v) Charitable organisations should establish a complaint mechanism for handling matters of non-compliance by volunteers, organisation’s employees and hired agents/professionals.</p> <p>(vi) Fund-raising solicitations should encourage voluntary giving and should not apply undue or unwarranted pressure.</p> <p>(vii) The charitable organisations and their agents should take into account public and donors’ perceptions when assessing whether there is a conflict of interest, and they have the obligation to disclose even a “perceived conflict of interest”.</p> <p>(viii) This practice requires individual fund-raisers to fully disclose all actual, potential or perceived conflicts of interest to the charitable organisation. Full disclosure enables the charitable organisation to make an informed decision regarding a fund-raiser’s suitability to continue to act on behalf of the organisation in spite of the conflict.</p> <p>(ix) Charitable organisations should be mindful of the need to ensure the disclosure of any conflict of interest that would be of material interest or relevance to a donor or prospective donor, or which may influence a decision to give.</p>

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	<p>(x) In deploying employees or fund-raisers to conduct solicitation, charitable organisations must take into consideration various factors, such as age, physical needs and health conditions of the employees or fund-raisers (e.g. standing for an extended period of time may not be suitable for some children, elderly persons or mobility-handicapped persons), as well as the weather conditions on the fund-raising days of activities, etc., so as to provide them with proper and adequate care based on their individual circumstances. For example, charitable organisations have to consider whether to arrange meals or companion employees/fund-raisers for persons with mobility difficulty (e.g. wheel-chair users) during solicitation; to arrange regular rest time with drinking water and snacks for fund-raisers (especially those frail or in poor health) under very hot or bitterly cold weather to replenish their energy.</p> <p>(xi) In laying down the probity requirements, charitable organisations are advised to make reference to the Sample of Code of Conduct for Non-Governmental Organisations issued by the ICAC, which is available from its website.</p> <p>(xii) This practice should be read in conjunction with Sections A4 and A7 above.</p>

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	(xiii) This Section should normally not be applicable to those events where the charitable organisation is only the beneficiary but not the organiser. Nevertheless, even under such circumstances, it would be a good practice for the charitable organisation to advise the organiser of these events to fulfill the requirement of this Section, where practicable.
B3. The charitable organisation should respond promptly to a donor's request to amend the donor's standing donation instruction.	A charitable organisation should take all reasonable steps to assist revision of the donor's standing (e.g. monthly) donation instruction as and when it is being approached by the donor.
<p>B4. Paid fund-raisers or volunteer fund-raisers may be engaged to appeal for donations by different means including the Internet and face-to-face solicitation:</p> <p>(a) The paid fund-raisers, whether staff or consultants, should be compensated by a salary, retainer or fee, and not be paid finders' fees, commissions or other payments based on the number of donors secured, the amount (or number) of gifts received or the value of funds raised. Compensation policies for fund-raisers, including performance-based compensation practices (such as salary increases or bonuses) should be consistent with the charitable organisation's policies</p>	<p>(i) The engagement of paid fund-raisers is a controversial provision since some charitable organisations find that the commission system may reduce their risk in employing the service of professional fund-raising firms. Moreover, some others consider that charitable organisations should be given the flexibility to determine their pay policies. The rationales for including this provision are as follows:</p> <ul style="list-style-type: none"> – A set salary, retainer or fee recognises the value of fund-raising agents/professionals independently of the fund-raising outcome (which cannot be guaranteed). – There is an inherent conflict of interest in percentage-based compensation: fund-raisers will try all possible means in

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<p>and practices that apply to non-fund-raising personnel.</p> <p>(b) There should be clear policies on reimbursing the fund-raisers who are engaged on a voluntary basis for the expenses incurred as result of volunteering in the fund-raising activities and provision of volunteer allowances for items like meal, travelling, etc.</p> <p>(c) The charitable organisations should publicise information clearly about their remuneration/compensation policies/package for fund-raisers to prospective and existing donors.</p>	<p>negotiating donations that also benefit them personally.</p> <ul style="list-style-type: none"> – Successful fund-raising programmes are built on the development of long-term relationships with donors. Percentage-based compensation for fund-raisers provides an incentive to maximise immediate revenue from the current campaign, and may undermine the long-term interests of the charitable organisation. – Percentage-based compensation undermines donors’ confidence by diverting or appearing to divert donated funds into private pockets. Donors and prospective donors may be alienated and may reconsider their decision to give if it is perceived to benefit the person making the donation request rather than the organisation or the causes it represents. – To charge a commission based on the amount of funds raised is generally viewed as unethical by fund-raising professionals. Some overseas leading non-profit sector professional fund-raising organisations (e.g. Association of Fund-raising Professionals, Canadian Association of Gift Planners) also prohibit their members from accepting percentage-based or commission

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	<p>compensation structures.</p> <p>(ii) The provision does not preclude, amongst others, the use of a fund-raising target as one of the parameters to measure the performance of fund-raising staff. However, the inclusion of a percentage of the amount of fund raised for the charitable organisation in the salary/pay of the fund-raising staff is not considered acceptable.</p> <p>(iii) The provision does not intend to cover occasions where a donation is pledged or secured on the basis of the sale of goods/services provided by another organisation/firm. Under these circumstances, it would be a good practice to publicise the specific rate of the donation to be made to the charitable organisations concerned (e.g. 1% of the revenue or \$1 per item sold, etc.).</p> <p>(iv) The organisation should ensure that volunteer fund-raisers participating in a fund-raising programme are aware of the organisation's policies on reimbursement and provision of related allowances.</p>
<p>B5. A charitable organisation shall not sell its donors' list. In all cases, should the charitable organisation need to transfer or disclose the information of the charitable organisation's donors, it must comply with the provisions of the Personal Data (Privacy)</p>	<p>(i) The governing board of a charitable organisation should give formal approval to all policies regarding the use of their donors' list.</p> <p>(ii) A donors' list is an income-producing asset of the charitable organisation. Relinquishing</p>

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Ordinance (Cap. 486).	<p>control of a donors' list by selling it or diminishing its value by allowing others to have unlimited access may be detrimental to the long-term development of the charitable organisation.</p> <p>(iii) This practice should be read in conjunction with Section A6 above.</p>
B6. The charitable organisation's governing board shall be informed at least annually of the number, type and handling of complaints received from donors or prospective donors about matters that are addressed in this Good Practice Guide.	<p>(i) The governing board of a charitable organisation has a duty to familiarise themselves with its fund-raising programmes, including the steps taken by the organisation to monitor compliance with this Good Practice Guide and to address complaints that have arisen as a result of an actual or alleged violation of this Good Practice Guide.</p> <p>(ii) As fund-raising activities affect the reputation of the charitable organisation, the governing board therefore has a duty to protect their intangible assets.</p> <p>(iii) This practice should be read in conjunction with Section A8 above.</p>
B7. The charitable organisation should check if government approval is needed for a fund-raising activity.	<p>(i) Flag selling and other general charitable fund-raising activities conducted in public places, such as setting up donation boxes for collection of money, are covered by public subscription permits issued by the Director of Social Welfare under the Summary Offences</p>

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	<p>Ordinance (Cap. 228).</p> <p>(ii) Fund-raising activities involving on-street selling are covered by temporary hawker licences issued by the Director of Food and Environmental Hygiene pursuant to the Hawker Regulation (Cap. 132AI).</p> <p>(iii) Fund-raising activities through the sale of lottery tickets are covered by lottery licences issued by public officer appointed by the Secretary for Home Affairs under the Gambling Ordinance (Cap. 148).</p> <p>(iv) If a fund-raising involves activity of (i) to (iii) above, the charitable organisation will need to obtain the relevant permit and licence/waiver².</p> <p>(v) Charitable organisations should seek approval from the management authority of the venue for fund-raising activities, except where a licence/permit can be obtained from the licensing departments upon application. For example, approval from the Lands Department for temporary occupation of government land for fund-raising activities can be sought via the relevant licensing departments.</p>

² That is an exemption from obtaining a temporary hawker licence if the charitable organisation which has been granted by the SWD with a public subscription permit intends to raise fund by means of, among others, selling activities in the street.

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	(vi) All permit/licence conditions should be strictly complied with.
B8. The charitable organisation shall take sufficient measures to safeguard the money collected.	<p>(i) The charitable organisation shall devise guidelines and sufficient measures to take good custody of the fund-raising tools like the donation boxes, flag bags, lottery tickets, etc. by its staff and fund-raisers, no matter whether the donation boxes or flag bags are empty or not. The donation boxes should be serially-numbered, designed with security safeguards and printed with the name of the organisation and/or the name of the charitable fund-raising event. Such measures are expected to ensure the integrity of the proceeds collected and avoid abuse of the fund-raising tools for fraudulent purposes.</p> <p>(ii) Independent person(s) or volunteer(s) should be appointed to witness the opening of donation boxes and counting of cash donations (e.g. using services of a bank or a security company). The amount of cash counted should be recorded and the witnessing person(s) and the counting staff/volunteer(s) should sign the record to certify its correctness. Any subsequent amendment to the cash-counting record should be jointly signed and dated next to the amendment by the same witnessing person(s) and counting staff/volunteer(s).</p>

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	<p>(iii) Apart from provision of clear guidelines, the organisation shall provide sufficient practical advice and training to its relevant staff responsible for fund-raising activities and fund-raisers (especially those new recruits) on exercising due care on the fund-raising tools and the proceeds. Random checks should be made to ensure compliance with established guidelines and procedures.</p> <p>(iv) In case there is any reported loss of the fund-raising tools, the organisation concerned shall handle the matter according to the relevant condition, if any, of the permit/licence; and the established guidelines of the organisation and/or the government department(s) that issued the permit/licence for the fund-raising activity concerned. The organisation should exercise due diligence to report timely the case to the Police and the licensing department concerned as appropriate. If loss of proceeds is involved, the organisation should also inform its auditor about the incident to facilitate the preparation of an auditor's report of the fund-raising activity concerned.</p>
B9. The charitable organisation should observe the policies and procedures in handling donations in kind including the disposal methods and procedures.	(i) Charitable organisations should maintain a register of all donations in kind which includes the donor's details, description of the donated item, quantity, estimated value, if applicable, disposal method and tracking record of dates of

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	<p>receipt and disposal.</p> <p>(ii) The donated items should be stored securely and disposed properly with the endorsement of an internal designated authority. The items should be labeled clearly for stock taking.</p> <p>(iii) Staff or volunteers are prohibited to buy or sell the donated items without going through an open and fair process for the sale of the donated items.</p> <p>(iv) The proceeds from the sale of the donated items should be banked in the same way as cash donations.</p> <p>(v) Charitable organisations should lay down the procedures/mechanism for disposal of donations in kind, including the disposal methods (e.g. sale, retention for internal use, or donation to other non-governmental organisations), and approving procedures and authority, etc.</p>
<p>B10. The charitable organisation should adopt a fair and competitive procurement system for purchases of goods and services necessary for fund-raising activities. Persons involved in the procurement process should declare any conflict of interest in respect of procurement activities. The charitable</p>	

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<p>organisation should disclose to donors and prospective donors any conflict of interest in respect of procurement activities, such as where the directors/key staff of the supplier/contractor company are also the charitable organisation's directors/key staff or where the supplier/contractor is an associated company of the organisation, say, for purchases and annual purchases from the same company exceeding a certain amount.</p>	
<p>B11. The charitable organisation is advised to refer to the Best Practice Checklist for Management of Charities and Fund-Raising Activities issued by the ICAC.</p>	<p>The ICAC's Best Practice Checklist for Management of Charities and Fund-Raising Activities aims at providing a practical guide on good governance and internal control for use by charitable organisations when they organise fund-raising activities. It covers a wide range of sensitive subjects, such as conflict of interest, procurement and handling of donations.</p>

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C. Financial Accountability	
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C1. The charitable organisation's financial affairs shall be conducted in a responsible manner, consistent with the applicable legal requirements and relevant ethical or professional obligations.	<p>(i) The governing board, as the guardian of the charitable organisation and its assets, must act prudently in all matters concerning the financial management of the organisation.</p> <p>(ii) The governing board must ensure that proper accounts are maintained and that all entries in the organisation's financial statements can be substantiated.</p>
C2. Donations shall normally be used to support the charitable organisation's objects as detailed in its constitutional documents.	<p>(i) Charitable organisations shall make their objects and mission clearly known.</p> <p>(ii) The governing board has a duty to ensure that the organisation remains true to its mission and objects, and that its image, programmes and activities are not compromised or undermined by any external or internal self-interest.</p> <p>(iii) A charitable organisation shall not give money or other resources to another organisation for activities which depart from or contravene its own objects.</p>
C3. All restricted or designated donations shall be used for the purposes for which they are given.	<p>(i) This practice applies to restricted or designated donations, including those that are subject to conditions or limitations imposed by the individual donor, and those made in response to fund-raising appeals made to the public at large for the support of specific programmes or projects.</p>

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	<p>(ii) Donors who make restricted or designated donations have a right to expect that their donations will be applied according to their specific directions.</p> <p>(iii) All statements made by a charitable organisation regarding the use of a contribution should be honoured.</p> <p>(iv) Charitable organisations shall have a mechanism in place to deal with:</p> <ul style="list-style-type: none">– funds that cannot be used for a specific project; and– surplus funds raised over and above the requirements of a given campaign. <p>These mechanisms should be clearly communicated in all fund-raising appeals.</p> <p>(v) If there are necessary programmes or organisational changes, alternative uses of donations shall be discussed where possible with the donor or the donor's legal representative. If the donor is deceased or legally incapacitated and the charitable organisation is unable to contact his/her legal representative, the donation should be used in a manner that is as consistent as possible with the donor's original intent.</p>

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	<p>(vi) It is prudent to obtain legal advice before proceeding in this area. This practice and its explanatory notes should not be interpreted as authorising organisations to act independently of the legal requirements of their jurisdictions or outside of the terms of the original donation agreement.</p> <p>(vii) An accounting system that tracks designated donations should be established.</p>
<p>C4. Annual financial reports shall be factual and accurate in all material respects and externally audited, disclosing information which include:</p> <p>(a) the total revenue from a fund-raising event (with or without receipts);</p> <p>(b) the total expenses of a fund-raising event (including salaries, fund-raising allowance and running expenses)</p> <p>(c) the total expenditure of a charitable activity (including gifts to other charitable organisations);</p> <p>(d) government grants and contributions which shall be indicated separately from other donations;</p> <p>(e) the statements that are prepared in all material respects in accordance with</p>	<p>(i) This practice deals with public reporting of the financial position of a charitable organisation. To ensure consistency and accuracy, financial statements should be prepared in accordance with the applicable accounting standards issued by the HKICPA from time to time.</p> <p>(ii) The disclosures referred to in this practice may be shown in the notes to the financial statements.</p> <p>(iii) The requirement in this practice that financial statements be “factual and accurate in all material respects” is met where financial statements are demonstrably prepared in accordance with the applicable accounting standards issued by the HKICPA from time to time.</p> <p>(iv) Charitable organisations have an obligation to ensure that their financial statements and</p>

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<p>the generally accepted accounting principles and standards established by the HKICPA; and</p> <p>(f) where applicable, the revenue generated from individual project/event involving an appeal to the public which should be separately identified.</p>	<p>annual reports (or extract of reports on particular event) are accessible, user-friendly, understandable, complete and truthful.</p> <p>(v) This practice encourages charitable organisations to present their financial statements on a true and fair basis or have them properly stated by valuing also gifts in kind.</p> <p>(vi) This practice should be read in conjunction with Section A3 above.</p>
<p>C5. The financial statements of individual projects should be made available to the public as far as practicable. Particularly for those high value and well-defined projects, charitable organisations are encouraged to prepare separate externally audited (or reviewed) financial statements for individual projects or events which involve appeal to the public (carried out in public place, through broadcast, on the Internet, in newspapers/magazines or other publications, etc.) within 90 days of the completion of the project/event or annually (if that project/event lasts for over one year). The statements shall be factual and accurate in all material respects, disclosing information which preferably includes:</p>	<p>(i) The benefits of such audited statements for an individual event as a transparency and accountability instrument have not been disputed but there are concerns about the financial and administrative implications if the requirement is applicable to each and every event. As such, it is recommended as a good practice for charitable organisations to make available to the public the financial statements of individual high value and well-defined projects which appeal to the public for donations, despite the impracticability to make available the financial statements of all individual projects.</p> <p>(ii) The use of the funds raised in such an event should be accounted for in this statement or in the annual audited statements if the funds raised in this event are transferred to the</p>

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<p>(a) the total revenue from the fund-raising event (with or without receipts);</p> <p>(b) the total expenses of the fund-raising event (including salaries, fund-raising allowance and running expenses);</p> <p>(c) the uses of the net proceeds, and in the case of the proceeds being wholly or partly transferred as the revenues of the charitable organisation, they should be accounted for in its annual statements (see C4(f) above); and</p> <p>(d) the accounts are prepared in all material respects in accordance with the generally accepted accounting principles and standards established by the HKICPA.</p>	<p>charitable organisation for general application or to a specific account for a project.</p> <p>(iii) Charitable organisations may make reference to the Guidance Note on Internal Financial Controls for Charitable Fund-raising Activities on the SWD's website, which proposes some basic controls to be considered with a view to ensuring that the income generated from charitable fund-raising activities is spent for the designated purpose and that such income and expenditure is properly documented, as appropriate.</p> <p>(iv) Other details could be referred to in the explanatory notes for C4 above.</p>
<p>C6. No more should be spent on administration and fund-raising than is required to ensure effective management and resource development. A charitable organisation should as far as possible disclose the ratio of costs to total revenue for donors' reference. It is also a good practice for a charitable organisation to disclose the return and expenses figures for high value and well-defined projects.</p>	<p>(i) The purpose of this practice is to ensure that fund-raising costs and administration costs are reasonable so that the greatest amount of a charitable organisation's resources can be devoted to its charitable programmes. Appropriate fund-raising costs vary according to the following: size, year of establishment, popularity and reputation of the organisation; access to donors; availability of volunteers; access to corporations; management expertise; financial effectiveness; and the experience of its fund-raising professionals.</p>

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	<p>(ii) The governing board of a charitable organisation has the responsibility to oversee the way in which the costs of fund-raising are determined and to report the same to donors and the public. The governing board should take an active role in approving and monitoring policies concerning:</p> <ul style="list-style-type: none"> – the organisation’s fund-raising activities; and – the disclosure of the nature and breakdown of fund-raising expenses.
<p>C7. The cost-effectiveness of a charitable organisation’s fund-raising programme(s) should be reviewed on a regular basis by its governing board.</p>	<p>(i) The governing board of a charitable organisation, as part of its governance activities, has an obligation to review the costs and benefits of the organisation’s fund-raising programme(s) on a regular basis and to make any necessary change to ensure that the maximum amount possible is being spent on charitable programmes, consistent with the long-term interests of the charitable organisation and its beneficiaries.</p> <p>(ii) The governing board may determine the number of reviews to be conducted. However, it is important that reviews be conducted on a regular basis.</p>

Enquiries

For enquiries about the following licences/permits, please contact the corresponding subject departments below:

Licence/Permit	Subject department	Contact means
Lottery Licence issued under Section 22 of the Gambling Ordinance (Cap. 148)	Home Affairs Department	Telephone: (852) 2117 3694 Fax: (852) 2511 3860 Email: hadlaenq@had.gov.hk
Temporary Hawker (fund-raising) Licence/waiver issued under Hawker Regulation, Public Health and Municipal Services Ordinance (Cap. 132)	Food and Environmental Hygiene Department	Telephone: (852) 2868 0000 Fax: (852) 2869 0169 Email: enquiries@fehd.gov.hk
(a) Public subscription permits for flag days and general charitable fund-raising activities issued under Section 4(17)(i) of the Summary Offences Ordinance (Cap. 228); and (b) Other general enquiries relating to this “Good Practice Guide”	Social Welfare Department	Telephone: (852) 2832 4333 Fax: (852) 2151 0573 Email: pspenq@swd.gov.hk

This Good Practice Guide provides guidance on best practices for voluntary compliance by charitable organisations in conducting charitable fund-raising activities. The information contained herein or the content of this Good Practice Guide shall not be regarded as exhaustive or applicable to all circumstances. Charitable organisations should seek advice from qualified professionals when necessary.