

Building Financial Management Toolkit

The Building Management Ordinance (Cap. 344) (BMO) requires Owners' Corporations (OCs) to set up a fund for building management with contributions mainly from management fees paid by individual property owners of the building. Some building management funds have accumulated a substantial amount of surplus over the years, particularly in the case of large residential estates. Previous ICAC cases revealed that for some OCs the control to prevent embezzlement of the building management fund may not be adequate. The lack of proper accounting of the OC's income and lax monitoring of fund usage are common shortcomings.

The BMO has set out a framework governing the OCs in the management of building funds on areas such as preparation of budgets, procurement of goods and services, maintenance of accounting records, and preparation and auditing of financial statements. However, there is a general lack of financial management knowledge on the part of the Management Committee (MC) members and an effective accounting system to control income collection and fund usage. The MC members may find it difficult to comply with the BMO requirements and deal with building financial management issues, in particular:

What are the legal requirements?

What are the internal controls required to prevent abuse and corruption?

How to keep accounting records, and prepare budgets and financial statements?

The Building Financial Management Toolkit aims at providing a **practical** and **user-friendly** guide on building financial management for use by OCs and owners, and for reference by property management companies (PMCs). The Toolkit includes a summary of the **key control measures** necessary to prevent corruption and other malpractices in building financial management, and important information on various facets of building financial management including :

- ▶ legal requirements
- ▶ good governance and internal control measures in the preparation of accounts
- ▶ a step by step guide on managing building funds and assets
- ▶ sample accounting forms and financial statements
- ▶ examples to illustrate accounting entries and calculations
- ▶ recommendations on managing the relationship with the PMCs.

This toolkit is developed by the ICAC, jointly with the Home Affairs Department, the Hong Kong Housing Society, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Association of Property Management Companies. OCs and PMCs can get printed copies or a CD of the Toolkit from any ICAC Regional Offices or the Property Management Advisory Centres of the Hong Kong Housing Society. The CD is also available at the Public Enquiry Service Centres of the District Offices. For further details of the Toolkit, please visit these websites : www.bm.icac.hk, bmms.hkhs.com and www.buildingmgt.gov.hk. For enquiries, please call **2929 4555**. To report corruption, please call **25 266 366** (24-hour) direct.

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