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**District Finance Manual
Rotary International District 3450**

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Chapter 1

Preamble

1. This Manual intends to provide background information and guidance on financial management of the district for those who are charged with the responsibility of leading the district in each Rotary year.
2. Matters covered in this Manual include district management structure on finance and reporting, Rotary International and local regulatory requirements, district financial and accounting functions, responsibilities of those in stewardship positions, underlying financial management principles, and current operational practices and procedures.
3. It is hoped that this Manual will serve as a handy and useful reference guide for the District Governor and the officers appointed to take charge of the district financial matters enabling them to meet the general expectation of running the district in an effective, efficient, transparent and consistent manner.

Chapter 2

Responsibilities of District Governor

1. The duties of the District Governor are set out in S.16.030 of the RI Bylaws of Rotary International (“RI Bylaws”).
2. The following are the finance-related provisions of the RI Bylaws:
 - a. The governor is charged with the duty of “furthering the Object of Rotary by providing leadership and supervision of the clubs in the district.....”;
 - b. “The governor shall ensure continuity within the district by working with past, current, and incoming district leaders in fostering effective clubs.....”;
 - c. “The governor shall be responsible for transferring district files to the governor-elect”
3. Specifically, the District Governor’s financial responsibilities include:
 - a. managing the RI board-approved allocation to be used for expenses in carrying out his/her official responsibilities; and
 - b. administering and accounting for any district-approved budget or any contribution collected for a specific district-approved activity.

Chapter 3

RI Requirements on District Finance, Accounting & Reporting

1. In accordance with S.15.060.1 of the RI Bylaws, the district has established a “district fund” for financing district-sponsored projects and the administration and development of Rotary in the district. The district fund is financed by all clubs in the district by way of a per capita levy on the members of those clubs.
2. S. 15.060.4 of the RI Bylaws prescribes that “Within one year of serving as governor, the immediate past governor must provide each club an independently reviewed annual statement and report of district finances. The immediate past governor must provide the statement and report and have it discussed and adopted at a district meeting to which all clubs are entitled to send a representative and for which 30 days’ notice has been given.”
3. Per S. 15.060.4 of the RI Bylaws, review of the annual statement and report of district finances may be conducted by either a qualified accountant or a district audit committee. An audit committee must:
 - (a) have at least three active members selected in accordance with established district procedures;
 - (b) include at least one member who is a past governor or an independent, financially literate person; and
 - (c) not include any current governor, treasurer, signatory of district bank accounts, or member of the finance committee.

[Please refer to Chapter 10 for Audit Committee as it relates to District 3450]

4. Per S. 15.060.4 of the RI Bylaws, the annual statement shall include, but not be limited to:
 - a. all sources of district’s fund (RI, The Rotary Foundation, district & clubs);
 - b. all funds received by or on behalf of the district from fundraising activities;
 - c. grants received from The Rotary Foundation or funds of The Rotary

Foundation designated by the district for use;

- d. all financial transactions of district committees;
- e. all financial transactions of the governor by or on behalf of the district;
- f. all expenditures of the district's fund;
- g. all funds received by the governor from RI.

[Please refer to Chapter 9 for "Annual statement and report" as it relates to District 3450]

Chapter 4

Geographical Coverage of the District

1. The geographical coverage of District 3450 comprises Hong Kong SAR, Macau SAR, Guangdong province of the People's Republic of China, and Mongolia.
2. All the clubs established and to be established in these jurisdictions have to be compliant with the Constitution and Bylaws of Rotary International and the standard Rotary club constitution. In addition, the Rotary clubs will have to comply with the laws and regulations of the countries and regions where they operate.
3. Local laws and regulations may prescribe the form and procedures of establishment and registration of a Rotary club and/or a Rotary district and its reporting on activities for taxation purpose, etc.
4. A primary responsibility of the District Governor is to ensure that a structure and procedures are in place to ensure the district is compliant with all the relevant requirements imposed by Rotary International and local governments on finance-related matters.
5. District 3450 is not an incorporated district. Given that the district comprises four jurisdictions each of which having its own set of local laws and regulations governing the activities of Rotary clubs, it is not feasible to establish a formal corporate structure to represent the entire district. It was decided in Rotary year 2004-05 that incorporation of the district would not be pursued for the time being. This subject was revisited in 2020 and, on the recommendation of the District Finance Committee, a task force has been set up to study and spearhead the District incorporation process.
6. The district, meanwhile, has set up three legal entities, namely, Rotary District 3450 Limited, Rotary District 3450 Charitable Fund Limited and RIC Limited. Rotary District 3450 Limited is for handling district administrative matters while Rotary District 3450 Charitable Fund Limited is for managing various fundraising initiatives of the district. Rotary District 3450 Charitable Fund Limited has also

obtained a charity status under Section 88 of the Hong Kong Inland Revenue Ordinance and is able to provide tax benefits to donors who make their donations directly to this entity in support of activities of a charitable nature as permitted by and acceptable to the Hong Kong Inland Revenue. RIC Limited holds the RIC premises.

7. The following Chapters set out more information about the three district entities:

Chapter 6 – Rotary District 3450 Limited

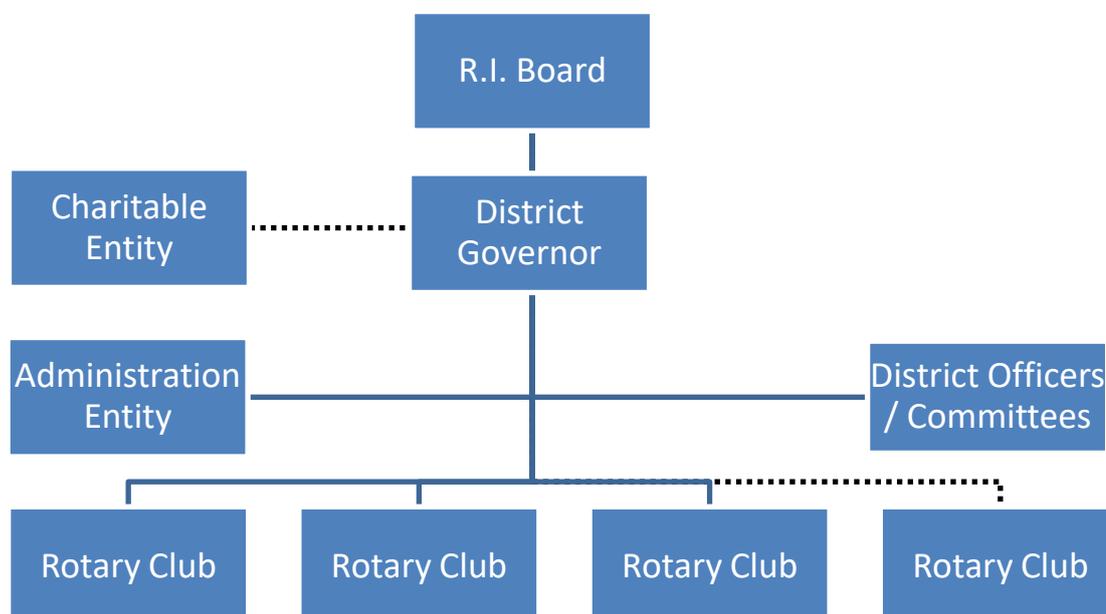
Chapter 7 – Rotary District 3450 Charitable Fund Limited

Chapter 8 – RIC Limited

Chapter 5

Structure in Managing District Finances

1. The District Governor is primarily responsible for ensuring district finances are properly managed.
2. Set out below is a diagram depicting the current structure of the district from a financial management perspective:



3. The district has set up a general fund which accounts for dues collected from the clubs in the district and expenditures incurred for running the district.
4. Over the years, various specific funds have been established to account for funds raised for specific purpose and events. Such funds include various disasters relief funds, preserve planet earth fund, etc. The funds are spent only for the specific purpose under which they were created.
5. In Mongolia, there used to be an account with KHAN Bank, Ulaanbaatar, for collecting the district dues from Rotarians in Mongolia. This bank account was closed in 2020 and the fund balance in this account was then transferred to

Rotary District 3450 Limited's bank account with HSBC in Hong Kong. Historically, another bank account in Mongolia opened in the name of "Rotary Information Centre NGO" has been in place for use by the Mongolian Clubs themselves. With the closure of Rotary District 3450 Limited's bank account in Mongolia, district dues collected from the Mongolian Clubs are then paid into this "Rotary Information Centre NGO" bank account from which disbursements will be made for expenses relating to Rotary activities in Mongolia. To enhance accountability and management of district's fund in Mongolia, annual budget and quarterly reports on "district's receipts and payments" through the "Rotary Information Centre NGO" bank account are to be prepared and reported to the District Treasurer team.

Chapter 6

Rotary District 3450 Limited

1. The primary purpose of Rotary District 3450 Limited is to carry out the administrative function of the district. It is in the name of this entity staff of Rotary Information Centre (“RIC”) is employed, contracts in connection with district activities are entered into, bank accounts are maintained for collection of district dues and payment of district expenses, and potential liabilities against the district are claimed.
2. Rotary District 3450 Limited is an entity with a capital limited by shares. The shareholders are PDG Alexander Mak, PDG Peter Wan and PP Thomas Wong who have all executed a declaration of trust confirming that they are holding the shares on behalf of all the clubs in District 3450.
3. The board of directors for this entity shall consist of the following:
 - District Governor (DG)
 - Immediate Past District Governor (IPDG)
 - District Governor Elect (DGE)
 - Chief District Secretary (CDS)
 - District Treasurer (DT)
 - Incoming Chief District Secretary (Incoming CDS)
 - Incoming District Treasurer (Incoming DT)

The Company Secretary or the professional firm entrusted with the company secretarial work should follow the appropriate procedures on the appointment and retirement of directors. Given the above board composition, the IPDG, CDS and DT will rotate out and the Incoming DGE, Incoming CDS and Incoming DT will be appointed following the end of each Rotary year.

4. The relationship between this entity and the district is governed by a service agreement prescribing the role of the entity as an administrative arm of the district.

Chapter 7

Rotary District 3450 Charitable Fund Limited

1. Rotary District 3450 Charitable Fund Limited was established to consolidate the various specific funds of the district with a service focus for better accountability and management.
2. Rotary District 3450 Charitable Fund Limited is an entity limited by guarantee. The subscribers/members to this company are PDG Jones Wong Chung Hie, PDG Tony Wong Chiu Man and PP Anthony Tam Chun Hung.
3. The board of directors for this company shall consist of the following:
 - District Governor (DG)
 - Immediate Past District Governor (IPDG)
 - District Governor Elect (DGE)
 - Chief District Secretary (CDS)
 - District Treasurer (DT)
 - Incoming Chief District Secretary (Incoming CDS)
 - Incoming District Treasurer (Incoming DT)

The Company Secretary or the professional firm entrusted with the company secretarial work should follow the appropriate procedures on the appointment and retirement of directors. Given the above board composition, the IPDG, CDS and DT will rotate out and the Incoming DGE, Incoming CDS and Incoming DT will be appointed following the end of each Rotary year.

4. This entity has obtained a charitable organization status under Section 88 of the Inland Revenue Ordinance of Hong Kong whereby donations made to this charitable entity can enjoy tax deduction benefit.
5. As an approved charitable organization, Rotary District 3450 Charitable Fund Limited has to comply with certain requirements imposed by the Hong Kong

Inland Revenue Department. In order to safeguard the company's entitlement to Section 88 tax exemption, projects to be run through this company should have the company's Board approval to ensure that the projects concerned are for acceptable "charitable purposes" and are in compliance with the IRD requirements.

6. Further, being an entity limited by guarantee, it needs to comply with the requirements stipulated in the Hong Kong Companies Ordinance including the timely filing of its annual return and audited accounts with the Companies Registry.

Chapter 8

RIC Limited

1. Rotary International District 3450 has throughout the past been served by the Rotary Information Centre (“RIC”) as a district secretariat which helps the District Governor to coordinate clubs on district events. Prior to 1985, RIC had no office of its own nor any full-time staff.
2. At a 1980-81 Joint Presidents Meeting (“JPM”), it was decided that for the effective function of the district, RIC should have its own office and paid full-time staff to be supervised by a supervisory committee. PP Philip Kwok (Rotary Club of Hong Kong) was invited to serve as the first chairman. Through the generosity of PP Philip, the RIC was located, free of charge, at the Wing On Life Building in Central. A full-time paid secretary was also recruited.
3. Gradually, office space in Wing On Life Building became insufficient. The JPM decided to acquire its own premises for the RIC which could also be used for club meetings in addition to its functions as a district secretariat. Applying the surplus of district events then accumulated throughout the past years (about HK\$150,000) and through contributions from the then existing 23 Hong Kong & Macau Clubs based on a per-capita basis, namely HK\$400 per member for clubs in Hong Kong and HK\$200 per member for clubs in Macau, and generous donations from individual Rotarians, the present RIC Premises situated at 14th Floor of Capital Commercial Building in Causeway Bay (“the RIC premises”) was purchased at the price of HK\$600,000. The RIC premises was officially opened on 14th December 1985.
4. The 23 contributing clubs are as follows:-

Clubs in Hong Kong		Clubs in Macau
i. Hong Kong	xi. Victoria	i. Macau
ii. Kowloon	xii. Peninsula	ii. Hou Kuong
iii. Hong Kong Island East	xiii. Tsuen Wan	iii. Macau Central
iv. Hong Kong Island West	xiv. Hong Kong North	
v. Kowloon West	xv. Hong Kong Northwest	

vi. Kowloon North	xvi. Shatin	
vii. New Territories	xvii. Kowloon Northwest	
viii. Kowloon East	xviii. Tsimshatsui	
ix. Hong Kong South	xix. Hong Kong Northeast	
x. Kwun Tong	xx. Kwai Chung	

5. An entity, RIC Limited was set up to hold this RIC premises. It has a capital limited by shares with all the contributing clubs as shareholders.
6. The board of directors consist of the 23 contributing clubs' presidents each year.
7. The district does not have disposal right with regard to the RIC premises. As the district grows, the space of the RIC premises is barely sufficient to meet the need of the district in terms of housing its staff resources and hosting district meetings. There has been discussion on the need to acquire a bigger premises by selling the existing one to partly finance the cost of acquisition. Any deficit is to be raised by soliciting donation from Rotarians or by imposing a special per capita levy. Before this can be put into action, consent has to be obtained from the existing shareholders of RIC Limited to grant the district the right to dispose of the current premises. The process is pending.

Chapter 9

Annual Statement and Report

1. As required by S.15.060.4 of the RI Bylaws, “Within one year of serving as governor, the immediate past governor must provide each club an independently reviewed annual statement and report of district finances. The immediate past governor must provide the statement and report and have it discussed and adopted at a district meeting to which all clubs are entitled to send a representative and for which 30 days’ notice has been given.”
2. The above-said “annual statement and report on district finances”, as they relate to District 3450, should include all activities undertaken in the name of the district and utilizing district funds for a Rotary Year ended 30 June. A template is included in Appendix 2 to this Manual to serve as a reference guide.
3. The “annual statement and report on district finances” should be provided to all Rotary Clubs 30 days in advance of the District Conference at which the said statement will be discussed and adopted (e.g. the “statement” for the year ended 30 June 2020 should be discussed and adopted at the District Conference held in the Rotary Year 2020/2021). The audited financial statements of the three Hong Kong-incorporated district entities will also be provided to all clubs for information.
4. The District Governor is primarily responsible for maintaining appropriate records of the district activities and the production of the “annual statement and report on district finances” with the support of the District Treasurer, other district officers and staff appointed to perform the detailed work. The District Governor should ensure that the Rotarians appointed to these positions are fully aware of their duty and responsibilities, authority, rights and obligations associated with these positions.

Chapter 10

District Audit Committee

1. Pursuant to a resolution passed at the 2015-2016 District Conference, the District Audit Committee was formed. The Audit Committee should consist of three members, each for a term of 3 years. An Audit Committee member shall serve no more than three full 3-year terms.
2. Audit Committee members shall be nominated by the District Finance Committee and appointed by the District Governor.
3. An Audit Committee member should:
 - a. preferably be a qualified accountant or one who is well-versed and experienced in finance management and control matters;
 - b. be familiar with the district finance structure and district activities, and be able to perform the assigned duty independently and diligently; and
 - c. **not** be the current governor, treasurer, signatory of district bank accounts or a member of the District Finance Committee
4. The District Audit Committee is specifically charged with the following tasks:
 - a. Conducting an independent review of the “annual statement and report of the district finances” (please refer to Chapter 9 for what constitutes “annual statement and report of district finances” as they relate to District 3450) before presentation of the same to each Club for discussion and adoption at the District Conference;
 - b. Examining and ensuring the effectiveness of the internal control systems laid down by District management;
 - c. Reviewing and overseeing the appointment of external auditors; and

- d. Reviewing audit findings from external auditors on the three district companies, namely, Rotary District 3450 Limited, Rotary District 3450 Charitable Fund Limited and RIC Limited, and making recommendation(s) to District management for addressing and resolving the said audit findings.

Chapter 11

District Finance Committee: Composition, Roles & Responsibilities

1. Since Rotary year 2015-16, the district has set up a Finance Committee to oversee the district financial matters.
2. To ensure appropriate representation and continuity, the District Finance Committee (DFC) shall consist of the following members:
 - Ex-officio members:
 - District Governor (DG)
 - Immediate Past District Governor (IPDG)
 - District Governor-Elect (DGE)
 - District Governor-Nominee (DGN)
 - District Treasurer for current year
 - Immediate Past District Treasurer
 - Incoming District Treasurer
 - Chief District Secretary for current year

AND

- Additional members appointed as deemed necessary and appropriate by the District Finance Committee Chairman in consultation with the Incumbent DG.

The RIC General Manager will serve as the District Finance Committee's permanent secretary providing operational input and support thereto.

3. The term of office for each appointed committee member is three years subject to annual re-appointment. Each DFC member shall serve no more than two full 3-year terms.

4. The District Finance Committee is to serve as an advisory body to assist the District Governor in discharging his/her responsibility in providing stewardship and management of District financial matters including:
 - oversee the establishment of proper financial management and control policies/procedures for the district (issues to be addressed should include, but not limited to, segregation of duties, conflict of interests, transparency and timeliness of production of district accounts, as well as succession planning of Committee members);
 - oversee the preparation and spending of the district budget;
 - review and, where necessary, strengthen the governance structure of the district's financial management and reporting function;
 - oversee the provision of training and guidance to district and club leaders on proper financial management procedures and practice.
5. Meetings of the District Finance Committee will be held on a quarterly basis at a time to be agreed among the members of the Committee. However, depending on matters arising that warrant attention, the DFC Chair is given the flexibility to call more or less meetings as circumstances warrant.
6. The District Finance Committee should be chaired by a Past District Governor with experience on financial management, corporate governance and familiar with Rotary International requirements on district finances.

Chapter 12

District Treasurer

Roles and Responsibilities of District Treasurer

1. A District Treasurer is appointed by the District Governor each year to assist him in performing the following specific duties pertaining to his/her responsibilities to lead the district:
 - a. Preparing the district budget for the year when the District Governor is in office, assisting in its presentation to the district officers and club presidents for explaining to the Rotary clubs in the district and seeking their approval at the District Training Assembly;
 - b. Monitoring the spending of the district funds in accordance with the approved district budget and in line with policy and procedures as reviewed and approved by the District Finance Committee;
 - c. Supervising the staff in RIC responsible for district finance, accounting and reporting, reviewing the accounting manpower requirements and making recommendation to the District Governor for additional manpower resource when considered necessary;
 - d. Ensuring the district accounts are prepared on a regular and timely basis and reporting to the District Governor and Chairman of the District Finance Committee on matters requiring their input and attention;
 - e. Reviewing and authorizing expense claims from Rotarians involved in district projects and activities;
 - f. Assessing the financial implications when major capital expenditure need for the district is identified (e.g. major renovation/improvement to RIC office); reporting the findings to the District Governor and the District Finance Committee for decision and further action;

- g. Reviewing agreement(s) entered into in the name of the district, working in conjunction with the district legal advisor, to ensure that the district will not be exposed to any potential risk, financial and otherwise;
 - h. Serving as a signatory of the bank accounts opened under the name of the district, authorize payments within the authority as vested by the District Governor and the District Finance Committee;
 - i. Ensuring timely project reports are completed and submitted by district committees using district funds with explanation on any significant overrun and solution on replenishing the project budget deficit, if any;
 - j. Ensuring that the “annual statement and report on district finances” and the financial statements of the three Hong Kong-incorporated district entities are prepared, available for review/audit within the time frame as required by RI and the Hong Kong Companies Ordinance.
 - k. Working with the District Governor, have the reviewed/audited “annual statement and report on district finances” available for circulation and adoption by Rotary clubs at the District Conference held in the Rotary year following the year to which the “annual statement and report on district finances” relates.
2. District Treasurer is accountable to the District Governor.
 3. District Treasurer should preferably be a qualified accountant and be familiar with the district finance structure and district activities, and be able to perform the assigned duty independently and diligently.

Hand-Over Procedures Between Current District Treasurer and Incoming District Treasurer:

4. Timing: meeting should be held in the first week of June latest for the handover, in the presence of RIC staff who is responsible for book-keeping.
5. Management Accounts walk-through: District Treasurer will walk through the latest management accounts with the Incoming District Treasurer and highlight

to him/her the monthly closing procedures of various entities. Such management accounts include but are not limited to the district accounts and the charity fund accounts.

6. Bank signature changes: to ensure effective handover, bank signatory changes and related board resolution should be arranged immediately after July 1st.
7. Cheque signing procedure: District Treasurer will walk through the cheque signing procedure with the Incoming District Treasurer with the assistance and samples provided by the RIC staff who is responsible for book-keeping.

Chapter 13

Rotary Information Center and Staff Support

1. Rotary Information Centre (“RIC”) is set up for providing support to the District Governor and his/her district team in managing the district affairs. The budget for RIC constitutes a significant part of the district budget for each year.
2. The RIC team is headed by the RIC general manager.
3. A key responsibility of the RIC team is running the finance and accounting function of the district directly reporting to the District Governor via the District Treasurer.
4. Over the years, the district has set up formal policies and procedures in handling various district financial matters. The staff is knowledgeable about these policies and procedures and has been instructed to follow them without exception.
5. Should there be any concerns in implementing the existing policies and procedures, RIC staff should raise these with the District Governor, Chairman of the District Finance Committee or the District Treasurer.

Chapter 14

District Budget: Preparation & Approval

1. Every year before the new Rotary year begins, the District Governor-Elect will prepare a district budget showing the anticipated amount of district income and expenses that are expected to be incurred during the Rotary year when the governor-elect takes office as the governor.
2. District income is mainly the district dues from individual Rotary clubs based on the estimated number of Rotarians in the clubs.
3. District expenses are the recurring expenses to support the District Governor in running the district. Examples of such expense items are the RIC staff salaries, expenses for maintaining the RIC, costs for providing training to incoming district officers and club leaders, expenses for promoting Rotary, etc.
4. District Governor, supported by the District Treasurer, is primarily responsible for compiling the district budget for his/her year as he/she knows where the emphasis should be placed in leading the district and where resources should be allocated.
5. In compiling the budget, the District Governor should aim to prepare a balanced budget making a realistic estimation of the district income and allocating budget to various expense categories based on a need basis and with proper consultation with the budget owners for specific tasks/projects for agreement.
6. The District Finance Committee serves as a resource to the District Governor for seeking advice on measures he/she wants to introduce which may have impacts on the district budget.
7. The budget should be presented to all the clubs 30 days in advance for approval at the District Training Assembly in the year prior to the one the budget relates.
8. In case an increase in district dues is proposed, it is preferable for the budget and the justifications for the increase to be shared with the incoming club presidents

well ahead of the District Training Assembly to allow sufficient time for them to consult with their club members.

9. The district budget normally does not cover expenses of a capital nature with benefits accruing to the district for more than one year. However, experiences in the past have shown that events may arise that would require unbudgeted expenses be incurred. In such situation and when the need for incurring such expenses are known at the time for budget preparation, additional item(s) should be included in the budget with proper explanation on its inclusion.
10. The District Finance Committee should review the current approach of budgeting and make recommendation for improvement to ensure that a reasonable amount of reserve is built up over the years to cover any contingency or unbudgeted expenditures of a significant amount.
11. It is not a requirement for the District Governor to make good any deficit of the district income and expenditure for a particular Rotary year but there is the general expectation that the District Governor will perform his/her duty and manage district finance in a responsible and diligent manner.
12. Any surplus arising from a particular Rotary year will be carried forward as part of the district fund and will be at the disposal of the District Governor of the future years. The District Governor of the year in which the surplus arises does not have a right to use this surplus after his/her term of governorship ends.

Chapter 15

District Dues and Income

1. The main income of the district is district dues collected from each Rotary club in the district and levied on a per capita basis. District dues will be accounted for in the general fund of the district.
2. District dues are payable in equal half-yearly installments based on the number of members in the respective clubs in the district as at 1 July for the first installment and as at 1 January for the second installment. Invoices will be issued by the Rotary Information Centre to each Rotary club by email and/or by mail. The clubs shall prepare a cheque for the invoiced amount and payable to Rotary District 3450 Limited.
3. Clubs in Mongolia used to bank-in the district dues direct to the bank account set up in KHAN Bank in Mongolia. Since the closing of this bank account in 2020, district dues from Mongolian Clubs are banked into another existing bank account opened in the name of "Rotary Information Centre NGO" in Mongolia.
4. Other income of the district includes donation/sponsorships from Rotarians and their connections in support of specific district projects and initiatives. These donations will normally be accounted for in the Rotary District 3450 Charitable Fund Limited. Please refer to Chapter 17 on the district's position on corporate sponsorships.

Chapter 16

District Expenditure and Contracting Procedures

1. District expenses are mainly the recurring expenses to support the District Governor in running the district.
2. The District Governor also has an obligation to monitor expenditures incurred on service projects carried out in the name of the district.
3. The above expenditures should be properly accounted for in appropriate fund accounts of the district.
4. DG or persons authorized by DG including Rotarians and staff in charge of spending should act diligently and follow the best practice of financial management including:
 - a. Spend within budget.;
 - b. Seek budget revision from the District Governor and District Treasurer when over-spending is anticipated;
 - c. Except for justifiable circumstances, more than one quotation should be obtained from potential suppliers before awarding the contract to ensure that the price being paid for the service and goods is fair and reasonable. In this regard, the district's requirement is as follows:
 - For purchase of single item of more than HK\$5,000 or service of more than HK\$9,000, at least two quotations in writing should be obtained.
 - For purchase of single item or service of more than HK\$50,000, or purchase of items or services with accumulated value of more than HK\$50,000, at least three quotations in writing should be obtained.

- Generally, lowest quotation should be accepted. Otherwise, detailed explanation should be provided.
 - Any exception to complying with the above requirements should be justified and properly recorded.
- d. Seek advice from district legal adviser before signing any contract with contractual value exceeding HK\$200,000 for legal efficacy and, where considered necessary, also seek other professional and insurance advice. Rotarians responsible are encouraged to exercise their own judgement in the light of prevailing circumstances as to whether a contract below HK\$200,000 needs to be reviewed by the district legal adviser;
- e. Always avoid actual and perceived conflict of interest [please refer Chapter 21 on “Conflict of Interests”];
- f. Obtain endorsement of the District Governor before signing up any contract in excess of HK\$200,000; signed contract should also be stamped with the relevant district company chop, the usage of which is under the control of the District Treasurer;
- g. Report to the District Governor and District Treasurer immediately when dispute with supplier arises. Disputes expected to have major adverse impact on the district’s finances should further be brought to the attention of the District Finance Committee and district legal advisor.

Procedures for Expense Claims

5. Rotarians making expense or reimbursement claims should follow the procedures below:
- each and every expense claim should be approved by the person in charge of a department, function or event by his/her signing on the original invoices;
 - the approved invoices should be submitted to RIC for processing payment;
 - RIC shall prepare the payment voucher and cheque for each expense claim;

- the payment voucher and cheque together with original copies of approved invoices and supporting documents shall be submitted to the District Treasurer for approval and signature;
 - after approval by District Treasurer, the approved payment voucher and signed cheque together with original copies of approved invoices and supporting documents shall then be passed to the District Governor or other signatories with appropriate authority for signature; and
 - RIC will send the signed cheque directly to the supplier, the Rotarian or Rotary Club submitting the claims and appropriately file the remaining original documents.
6. Chapter 19 sets out more specific guidelines on the financial management of income and expenses of district events.

Chapter 17

Corporate Sponsorship

1. From time to time, the district as well as Rotary clubs may approach or be approached by corporations or individuals to sponsor Rotary events and activities, with cash or in kind, in return to have the name of the corporations publicized in any materials associated with the event and activities.
2. The district has not laid down any rules whether sponsorship should be solicited. District committee chairs and Rotarians are reminded to use common sense when handling sponsorship. Rotary is happy to be associated with corporations and individuals who share the ideal of service of Rotary and are well respected citizens and corporations in the community. Sponsorship from corporations whose businesses are related to alcohol, tobacco, gaming which may adversely affect the development of the young generations should normally be avoided.
3. The identity of Rotary and the role it plays on the project should always be clear regardless of the amount of sponsorship accepted.
4. In case of doubt, please consult with the District Governor, the Chairman of the District Finance Committee and/or the legal adviser.

Chapter 18

Obligation and Expectation of Those Charged with Financial Responsibilities

1. The following individuals are charged with responsibility of different degree relating to district finances, namely, District Governor, District Treasurer, District Finance Committee Chairman and members, district officers, committee chairs and members, and RIC staff. Their responsibilities range from stewardship, oversight, supervisory, monitoring and execution depending on their respective role.
2. In discharging their responsibilities, there is a general expectation that these individuals will perform their duties in an open, transparent, responsible and timely manner. It is their obligation to adopt the best practices of financial management and follow the laid down policies and procedures of the district consistently and without deviation. They should uphold the highest standard of business ethics and professionalism and should never put the reputation of the district at risk. Conflict of interests (Please refer Chapter 21 on “conflict of interests”) should always be avoided and be declared before any transactions involving themselves as contracting parties are committed.
3. Should there be any doubt in complying with the above requirements, please consult with the District Governor and/or the District Finance Committee Chairman.

Chapter 19

Financial Management of District Events

Appointment of Event Treasurer

1. For each major District Event, an Event Treasurer should be appointed whose responsibilities include the following:
 - a. Attend Event Committee meetings
 - b. Develop event budget
 - c. Provide regular financial updates against budget
 - d. Highlight significant and unusual transactions for discussion and approval by Event Committee
 - e. Manage and ensure all original invoices and supporting documents are retained by RIC
 - f. Present detailed final financial report on event within 30 days of event completion

2. Events that will generally be regarded as “major” may include those involving participation of Rotarians and third parties on a large scale and also involving a more significant amount of project/event finances to be managed. Examples for such events will include, but not limited to, the following:
 - a. District Installation
 - b. District Conference

Where appropriate, the District Governor and/or the District Treasurer can direct an Event Committee Chair to appoint an Event Treasurer for a specific district project/event in the light of district events planned and budgeted for the year.

Developing the Event Budget

3. The Event Treasurer should work with the Event Committee members and District Treasurer Team to develop a realistic budget for the event. This budget should

essentially reflect in financial terms the planned event activities using well-considered budget assumptions. Before creating the budget, the Event Treasurer should review the financial history, if any, of the event concerned to gain an idea of its likely income and expenses. The Event Treasurer should meet with the relevant Event Committee members to discuss their plans for event activities and formulate budget assumptions accordingly. These assumptions should be documented. The budget may include a reserve of 8-10% for contingencies. The final budget must be approved by the Event Committee and the District Treasurer.

Regular Financial Updates Against Budget

4. The Event Treasurer should manage and keep track of all income and expenses (including those not yet paid but contractually committed) on actual running basis and prepare regular income and expense statements for monitoring against budget.
5. In the event that certain expenses to be incurred are expected to significantly exceed the amount originally budgeted for, such should be discussed and approval sought from the Event Committee BEFORE such funds are actually committed and spent. Event Committee Chair should consider the necessity and merits of such excess fund commitment in terms of its impact on delivery of the event project and on achieving event objectives. Event Committee Chair and Event Treasurer should co-ordinate the actual spending between sub-committees (e.g. considering whether excess in some expense items can be compensated for by savings in other spending areas) to ensure that activities planned for the entire project stay within the overall budget. Where, on an overall basis, a significant budget over-run is expected, this should be promptly brought to the attention of the District Treasurer and District Governor for consideration and appropriate remedial action.

Prompt Recording and Collection of Event Income

6. Event income mainly consists of participants' registration fees, sponsorships, advertising fees or compliments for event program books, etc. District Treasurer Team should promptly update the record for different categories of income, listing details such as date, name of parties concerned (e.g. Rotary Clubs, Sponsor names) amount, contact details, payment status, remarks etc.. Entries in the detailed income records should be in sequential order. Any amendment to details

including reference to supporting documents explaining the amendment should be recorded under “Remark” column.

7. Event Treasurer, working with the District Treasurer Team, should ensure that outstanding income receivable is closely followed up to ensure all income are promptly collected and banked. As a general requirement, all participants’ registration fees should be collected before the due date for “early bird” registrants and before the event concerned for all others. Advertising fees should be collected before the program book goes to print. Any departure from these general requirements should be promptly reported to the Event Committee Chair and Event Treasurer for appropriate follow-up action.
8. Upon the completion of a district event, should there still be outstanding receivables, the Event Committee Chair will continue to be responsible for directing the efforts in the follow-up and collection of these outstanding receivables.

Contracting for Goods & Services

9. In contracting for goods and services for the planned activities of a district event, Event Committee members should have due regard to the guidelines set out in Chapter 21 on “conflict of interests”. Essentially, conflict of interests, either actual or perceived, should always be avoided or be declared before any transactions involving committee members (or their immediate family members) as contracting parties are committed.
10. In sourcing for goods and services for the event, the following requirements in relation to quotation matters should be observed:
 - For purchase of single item of more than HK\$5,000 or service of more than HK\$9,000, at least two quotations in writing should be obtained.
 - For purchase of single item or service of more than HK\$50,000, or purchase of items or services with accumulated value of more than HK\$50,000, at least three quotations in writing should be obtained.
 - Generally, lowest quotation should be accepted. Otherwise, detailed explanation should be provided and be agreed by the Event Committee

Chair, Event Treasurer with additional consent from District Treasurer.

- If the required number of quotations cannot be obtained (such as “non-response” or “no intention to bid” from prospective suppliers/service providers), the Event Committee should document the service providers approached and have this noted and agreed by the Event Committee Chair, Event Treasurer with additional consent from District Treasurer.
 - Any exception to complying with the above requirements should be justified by the Event Committee Chair and be properly recorded
11. For a contract with contractual value exceeding HK\$200,000, before signing up, Event Committee should have the contract reviewed by the district legal adviser for legal efficacy and, where necessary, seek other professional and insurance advice. Event Committee Chair is also encouraged to exercise his/her own judgement in the light of prevailing circumstances as to whether a contract below HK\$200,000 needs to be reviewed by the district legal adviser.
 12. After the review for legal efficacy, endorsement should be obtained from the District Governor before signing up any contract in excess of HK\$200,000.
 13. A contract with an event service/product supplier can be signed by the Event Committee Chair and stamped with the relevant district company chop, the usage of which is under the control of the District Treasurer.

Procedures for Expense Claims

14. Rotarians making expense or reimbursement claims should follow the procedures below:
 - each and every expense claim should be approved by the Event Committee Chair by his/her signing on the original invoices;
 - the approved invoices should be submitted to RIC for processing payment;
 - RIC shall prepare the payment voucher and cheque for each expense claim;

- the payment voucher and cheque together with original copies of the approved invoices and supporting documents shall be submitted to the District Treasurer for approval and signature;
 - after approval by the District Treasurer, the approved payment voucher and signed cheque together with original copies of the approved invoices and supporting documents shall be passed to the District Governor or other signatories with appropriate authority for signature; and
 - RIC will send the signed cheque directly to the supplier, the Rotarian or Rotary Club submitting the claims and appropriately file the remaining original documents.
15. Submission of expense and reimbursement claims should be made as soon as they are incurred during the course of the event. In any case, all the claims should be made no later than 2 weeks after the event to which they relate. This is to facilitate the timely completion by the Event Treasurer of the event/project accounts.

Preparation of Final Event/Project Accounts

16. Event Treasurer should prepare the detailed final financial report on the event/project and, after review and agreement by the Event Committee Chair, submit this final report to the District Treasurer via RIC within 30 days of the completion of the event/project.

Chapter 20

Preparation of District Accounts

1. Periodic district accounts should be prepared by RIC staff under the supervision of District Treasurer and submitted for review by the District Governor, the District Management Committee and the District Finance Committee.
2. To facilitate the provision of the most up-to-date financial information, the RIC accounting team should ensure that the district accounting records are kept and maintained on a timely basis.
3. On a periodic basis, district accounts/reports are to be circulated to the relevant district teams as prescribed below:
 - a. On a monthly basis, schedules showing Accounts Receivable position should be circulated to the District Management Committee for monitoring and follow-up actions as deemed necessary.
 - b. On a quarterly basis, district income & expenditure summary with comparison against budget together with the balance sheet should be circulated to the District Management Committee for review and information and, where necessary, call for action/measures where district's finance situation needs to be addressed.
 - c. On a half-yearly basis, district income & expenditure summary with comparison against budget together with the balance sheet should be circulated to the District Finance Committee to keep this advisory body apprised of the District's finance situation.
4. The above district accounts/reports should be circulated within 30 days of the period to which the said accounts/reports relate.
5. To facilitate the accuracy of the periodic district accounts, district officers and committees should be instructed to prepare and submit the respective financial

reports (including Accounts Payable and Accounts Receivable schedules) of district events/projects undertaken by them to RIC within a reasonable time for reconciliation and agreement with district's accounting records. Further, upon completion of each district event, the final financial report for the event should be submitted to RIC within 30 days of the completion of the event/project. In exceptional situation where more time is required, the District Governor or District Treasurer should be notified with justification for the extension.

Chapter 21

Conflict of Interests

1. Rotarians serving in the district and involving in spending district funds should always bear in mind that they owe a duty of trust to the Rotarians in the district. As such, they have an obligation to ensure that all expenses incurred must be necessary, fairly priced and well supported by receipts.
2. Conflict of interests should always be avoided and be declared before any transactions involving Rotarians themselves (or their immediate family members) as contracting parties are committed.
3. It is recognized that Rotarians with expertise in certain trade and skills may be approached to help on particular aspect of a project. Unless the service is provided on a free basis, any charges by a Rotarian and/or his firm should be supported by documentary evidence that the amounts are reasonable and no less favorable than the terms offered by other suppliers.
4. Decision to engage a firm belonging to a Rotarian (or his immediate family members) should not be made by the Rotarian. A chair of a district committee should not make the decision to engage his own firm (or a firm belonging to his immediate family members) to provide service to the district. Should this firm be the only firm available to provide such service, he should not participate in the discussion and decision-making of engaging the firm.

Chapter 22

Appointment of Auditor

1. The financial statements of the three Hong Kong-Incorporated district entities, namely Rotary District 3450 Limited, Rotary District 3450 Charitable Fund Limited and RIC Limited, are subject to annual audit by an external auditor. It has been resolved by the District Finance Committee that the auditor should be engaged on a pay basis as opposed to an honorary basis. Appropriate budget should therefore be set aside for acquiring this service.
2. The auditor can be a Rotarian but this is not a mandatory requirement. The district has pledged to do its best to have the financial statements of the three district entities prepared, audited and reported to Rotarians on a timely basis, which reflects strongly on the ability of stewardship and accountability of the District Governor and his leadership team.
3. The District Audit Committee is tasked with reviewing and overseeing the appointment of auditor.

Chapter 23

Compliance with Relevant Regulatory and Reporting Requirements

1. The district covers Rotary clubs established in four different jurisdictions, each of which has its own national and/or local laws and regulations relating to registration, reporting for taxation purpose and otherwise. There may also be regulations (or restrictions) on soliciting donations which Rotary club has to comply with should they wish to raise funds from the public. For example, Rotary clubs in Hong Kong have to apply for the relevant permits or licences from the Hong Kong government as required by law should they wish to do public fundraising. The result of the fundraising has to be audited and reported to the government.
2. It is not possible for the district to identify all regulatory requirements on activities undertaken in any of the jurisdictions that clubs in the district operate. The district urges all the clubs in the district to make enquiry on the local laws and regulations governing their activities and ensure that they are complied with. In case of doubt, please seek advice from local experts who are knowledgeable with those laws and regulations before launching those activities.
3. The district cannot accept responsibility for any non-compliance of laws and regulations in connection with any activity of the Rotary clubs in the district.
4. While it is not possible for the district to identify and lay down all regulatory requirements on activities undertaken in any of the jurisdictions that clubs in the district operate, for district companies incorporated in Hong Kong, Appendix 1 to this Manual sets out, as a reference guide, the key regulatory provisions that these Hong Kong-incorporated companies need to comply with as far as “corporate registration / annual filing / record-keeping” matters are concerned.

Appendix 1

Key Regulatory Provisions for District Companies Incorporated in Hong Kong

1. Need to notify the Company Registry on the following changes:
 - (a) Change of address of registered office - within 15 days after date of change
 - (b) Change of secretary and director - within 15 days from the date of appointment or ceasing the act
 - (c) Change of particulars of secretary and directors within 15 days after the change
 - (d) Change of name - within 15 days after passing the special resolution to change the company name
 - (e) Notification of the passing of a special resolution - within 15 days after the passing of resolution
 - (f) Notification of any relocation of the company's statutory books from the company's registered office - within 15 days after the change
 - (g) Notification of any allotment or issue of new shares - within one month after allotment or issue

2. Renew business registration one month before expiry on an annual basis/or 3-year basis.

3. Hold an Annual General Meeting (AGM) within 9 months after the end of its accounting reference period. Directors must table the company's financial accounts before the members in the AGM.

4. Maintain the following records and documents at all times:
 - (a) Incorporation Certificate
 - (b) Business Registration Certificate
 - (c) Articles of Association
 - (d) Minutes of all meetings of directors and members
 - (e) Updated financial records
 - (f) Company Seal
 - (g) Share Certificates
 - (h) Registers (including members register, significant controllers register, directors register, company secretaries register, share transfer register and register of changes)

5. Maintain accurate and detailed accounting records for seven years from the end of the financial year to which the last entry made or matter recorded therein relates.
6. Business records must include:
 - (a) Books of accounts recording receipts and payments
 - (b) The underlying documentation necessary to certify the entries in the books of account, such as vouchers, bank statements, invoices, receipts and other relevant papers
 - (c) A record of the assets and liabilities of the business
 - (d) A daily record of all money received and expended by the business together with supporting details of the receipts or payments.
7. Need to file an Annual Return to the Companies Registry (“CR”) once in every calendar year within 42 days of the anniversary of the company's incorporation date.
8. In the case of a company limited by guarantee, it needs to file an Annual Return accompanied by a certified true copy of the audited financial statements, directors’ report and auditor’s report with the CR within 42 days after the company’s return date.
9. Need to file tax return once notification is received from Inland Revenue Department, with the following attached:
 - (a) The company's balance sheet, auditor’s report, and profit and loss accounts related to the basis period
 - (b) A tax computation indicating how the amount of assessable profits has been arrived at (where relevant).

Appendix 2

Template for “annual statement and report on district finances”

Rotary International District 3450

Income and Expenditures

From 1 July 20XX to 30 June 20YY

	20XX-20YY	20XX-20YY	20XX-20YY	20XX-20YY	20XX-20YY
	Income	Expense	Actual	Budget	Budget
	HK\$	HK\$	HK\$	HK\$	Surplus/(Deficit)
	HK\$	HK\$	HK\$	HK\$	HK\$
District Administration					
RIC salaries and allowances					
RIC operation expenses					
Translation fees					
RIC Maintenance					
Audit fee					
Membership Development					
District Conference					
District Installation					
Membership Workshop					
Membership in Guangdong					
Membership Development and Retention					
Rotary Alumni Associations					
New/ Satellite Club Workshop					
District Awards and other miscellaneous					
Elevate Rotaract					
Rotaract Development					
Rotary/ Rotaract Collaboration					
Job Experience/ Life Planning					
Rotaract Support Fund					
Interota 2020					
New Generation Centre					

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Rotary International				
District Governor Funding				
RI Dignitaries visits				
Intercity Meeting				
Miscellaneous				
Others				
Mongolia				
Macau				
Total Expenditures				
Total Income				
District Dues				
Other Income				
Surplus / (Deficit) for the year				