

# **Sustainable Fisheries Development Fund**

## **Application Guidelines**

**(Revised February 2018)**

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# **Sustainable Fisheries Development Fund**

## **Application Guidelines**

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## 1. Sustainable Fisheries Development Fund

### Background

- 1.1 In accordance with the policy blueprint formulated by the Committee on Sustainable Fisheries (CSF)<sup>1</sup>, how best to drive the modernisation of the local fisheries industry is an essential element in the overall strategy flowing from the recommendations of the CSF. In this connection, the CSF recommended the establishment of a “Sustainable Fisheries Funding Scheme” in due course to provide financial assistance to the fisheries sector, academic and research institutions or non-profit-making organisations for carrying out research and development programmes that will help improve the operating environment and competitiveness of the industry.
- 1.2 The Chief Executive announced, in his 2013 Policy Address, setting up a “Sustainable Fisheries Development Fund” (Fund) to help fishermen adopt a sustainable and high value-added operation mode, and provide financial support to programmes and research so as to enhance the overall competitiveness of the industry.

### Purpose

- 1.3 The Fund aims to assist the local fisheries community to rise to the challenges on the horizon with a view to enabling the fisheries industry to develop or switch to a sustainable or high value-added mode of operations as well as enhancing the overall competitiveness of the fisheries industry.
- 1.4 The sustainable development of the fisheries industry will allow fishermen to be self-reliant, improve their livelihood and their ability to cope with the changing operating environment.

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<sup>1</sup> The Committee was established in 2006 to study the long-term goals, the direction, and feasible options for the sustainable development of the local fisheries industry. Its recommendations, put to and accepted by the Government in 2010, form the basis of the various fisheries management measures that are currently being rolled out. These include the trawl ban, the registration of local fishing vessels and eventual designation of fisheries protection areas in Hong Kong waters to protect important fish nursery and spawning grounds, etc.

## Funding Scope of Projects

1.5 Please refer to **Annex 1** for the funding scope and projects that may benefit from the Fund.

## 2. Eligibility

2.1 Programmes, projects and research (hereinafter generally refer to projects) that would contribute to fostering the sustainable development and enhancing the overall competitiveness of the fisheries industry, with such initiatives bringing benefits to the operations of the local fisheries community as a whole may be considered, vetted and awarded on their individual merits (including the efficacy of the project and the capability of the applicant).

2.2 The following organisations will be eligible to apply –

(a) where applications are made by legal entities, the entity concerned should be a company incorporated in Hong Kong under the Companies Ordinance (Cap. 622)<sup>2</sup> and has substantial connection to Hong Kong or a body corporate incorporated in Hong Kong under other Ordinances of the Hong Kong Special Administrative Region, and having demonstrated a close connection with the fisheries industry in Hong Kong. These include local registered fisheries co-operatives, non-profit-making fisheries organisations, non-governmental organisations or social enterprises; and

(b) academic and research institutions in Hong Kong.

2.3 Joint applications with overseas organisations and institutions are permissible, provided that the projects are led by a local group satisfying the criteria stated in paragraph 2.2 (a) or (b) above.

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<sup>2</sup> Or the Companies Ordinance (Cap. 32) before 3 March 2014.

### **3. Assessment Criteria on Projects**

- 3.1 Projects approved for funding support will be expected to assist the local fisheries community to rise to the challenges on the horizon with a view to enabling the fisheries industry to develop or switch to a sustainable or high value-added mode of operations as well as enhancing the overall competitiveness of the fisheries industry. Projects that meet these criteria would be eligible for grants from the Fund.
- 3.2 The Fund aims to support sustainable development and to improve competitiveness of the local fisheries industry. Projects that fail to demonstrate the relevance of local sustainable fisheries would not be supported.
- 3.3 Projects should contribute in a direct and practical way towards the sustainable development of the local fisheries industry. Research or theoretical studies without a demonstrated relevance to the local fisheries industry will not be considered.
- 3.4 The benefits of projects must accrue to the local fisheries community as a whole, and not just an individual, a single organisation, a consortium of fisheries companies or a narrow sector.
- 3.5 Projects in general should be non-profit making in nature. Commercial projects may be considered, subject to the assessment criteria and rules described in paragraph 6.16 below. Cost recouped from the project should be channelled back to the Government.
- 3.6 In considering an application, due consideration will be given to –

#### *Project Needs*

- (a) whether there is a demonstrated need for the proposed project (e.g. for the sustainable development of the local fisheries industry, improvement of competitiveness of the industry or enhancement of Hong Kong marine resources and environment);

- (b) whether the project scope, objectives and long-term impact are realistic and clearly expressed in concrete terms, where appropriate, in the application form;
- (c) whether the project is innovative, i.e. unique and pilot in nature including new ideas and implementation method suitable for the target beneficiaries, or new or further developed ideas that are building on projects with successful experiences and good practices with justifications;
- (d) whether the project is compatible with the Government policy priorities in facilitating sustainable development of the fisheries industry;
- (e) whether there is any likely duplication of work already or currently carried out by other groups;
- (f) whether the project has the potential to become a project model;

*Project Feasibility*

- (g) whether the project design is comprehensive and supported by a detailed implementation/business plan and methodology;
- (h) whether the project has an attainable target;
- (i) whether the applicant has relevant background and proven track record in operating projects, the technical and project management capability, professional knowledge as well as readiness to implement the project;
- (j) whether there are sufficient implementation details with a realistic timeline for implementation;
- (k) whether the applicant has obtained the approval required for relevant projects, for example, the right of fishing in fishing grounds, the right of use in waters or on land, etc (the applicant should produce relevant proofs);

- (l) whether the applicant could collaborate with other groups such as locally registered fisheries co-operative societies, non-profit making fisheries organisations, academic and research institutions, and non-governmental organisations in the development and production of project deliverables;
- (m) whether the project budget is detailed, prudent, cost-effective, commensurate with its objectives and scope, activities, the number of direct beneficiaries and end products to be delivered and is supported with full justification for every expenditure item;
- (n) whether the project has alternative sources of funding support or would be more appropriately funded by other sources<sup>3</sup>;

*Expected Project Outcomes*

- (o) whether there are clearly stated outcomes with specified and quantifiable performance indicators for assessing the attainment of project objectives;
- (p) whether major milestones are set for the project to facilitate future monitoring of progress and achievement of performance targets;
- (q) whether the project outcomes/impact can be sustained and the equipment and resources acquired can be properly deployed/reused after completion of the project;
- (r) whether the project would benefit the local fisheries community and the fisheries industry as a whole, not merely an individual, a single organisation, a consortium of fisheries companies or a narrow sector;
- (s) whether the outcomes, e.g. experiences and deliverables, have good value and potential for wide dissemination in the fisheries industry and can help improve the competitiveness of the industry; and

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<sup>3</sup> The same project should not be funded through another fund, or the subject of a loan issued under the Fisheries Development Loan Fund.

- (t) whether the project has the potential to become a self-sufficient ongoing initiative after support from the Fund ends.

#### **4. Submission of Applications**

- 4.1 An applicant should complete an application form which can be downloaded from the webpage of the Agriculture, Fisheries and Conservation Department (AFCD) ([www.afcd.gov.hk](http://www.afcd.gov.hk)) or obtained from the Sustainable Fisheries Development Fund Secretariat (Secretariat) or the liaison offices of the Fish Marketing Organisation. Please send the completed form, together with supporting documents required (hereafter collectively referred to as application form) either by e-mail to [sfdf@afcd.gov.hk](mailto:sfdf@afcd.gov.hk) or by post to the following address:

The Sustainable Fisheries Development Fund Secretariat  
8/F, Cheung Sha Wan Government Office  
303, Cheung Sha Wan Road, Kowloon, Hong Kong

- 4.2 An eligible applicant should submit the completed application form, together with background information of the relevant organisation (in particular the relationship with the local fisheries industry), to the Secretariat at least six months prior to the commencement of the project. The vetting of an application with all required supporting information and documents is expected to complete within six months. The Sustainable Fisheries Development Fund Advisory Committee (Advisory Committee) will approve the Fund application on a regular basis. However, a longer time may be required should there be many applications or the applications involve issues that require more time to consider.

#### **5. Processing of Applications**

- 5.1 The Secretariat will issue an acknowledgement letter by mail, fax or email within ten days of receipt of an application.
- 5.2 The Secretariat will endeavour to ensure that all applications received will



be processed efficiently as soon as practicable. It will conduct an initial screening to ensure that applications are complete with all relevant information, and in line with the funding criteria. It will then forward the proposed projects to relevant units of AFCD for assessment. Afterwards, it will prepare a summary of the project as well as assessment outcomes for the consideration by the Advisory Committee and its working groups.

- 5.3 Where necessary, the Secretariat may request an applicant to clarify details in his application or to provide supplementary information. It may also request him to provide relevant expert assessment reports prepared by qualified professionals and accepted by the Director of Agriculture, Fisheries and Conservation (DAFC).
- 5.4 For the purpose of understanding the details, uniqueness and efficacy of an application, the applicant may be invited to provide supplementary information or present their projects to the Advisory Committee. When vetting an application, the Advisory Committee may suggest independent experts of relevant fields be consulted on a case-by-case basis. It will also take the budget into consideration and, where necessary, may require an applicant to amend the budget details, and set ceilings for individual expenditure items.
- 5.5 Applications up to \$15 million must be approved by DAFC subject to the advice of the Advisory Committee, while those exceeding \$15 million must be approved by the Finance Committee of the Legislative Council. Funds may be granted for full or partial support of projects.
- 5.6 The Secretariat will notify applicants of the vetting outcomes in writing, and upload the information on the approved projects onto the webpage of the Fund at AFCD website.
- 5.7 Upon approval of a project, the Government will enter into an agreement with the successful applicant and other relevant parties such as third-party financier(s) (Agreement) as appropriate. The Agreement, together with these Application Guidelines, the application form and budget as submitted by the successful applicant (subject to modifications), as well as all requirements, directions and orders relating to the project as may from time to time be prescribed or made by the Government in writing, constitute the

complete terms and conditions of a grant to be made under the Fund to that successful applicant. The Agreement will prescribe in detail each party's rights, obligations and involvement in the project; payment of the grant; representations and warranties of the grantee; indemnity by the grantee in favour of the Government; intellectual property rights arising from the project materials, including those underlying the technology<sup>4</sup>; title to the equipment; confidentiality; procurement of goods and services; insurance and an early termination clause. DAFC may devise and impose any additional conditions in the Agreement as he deems appropriate. No grant shall be made to a successful applicant until and unless an Agreement has been entered into between the Government and the successful applicant.

5.8 Before an Agreement is entered into with the Government, a successful applicant may write to the Secretariat to withdraw an application at any time.

5.9 If an application is rejected, the Secretariat will notify the unsuccessful applicant in writing of the outcome and the reasons for the rejection, e.g. by setting out the funding criteria that have not been satisfied. An application may be resubmitted if the project in question has been substantially revised or there is fresh evidence provided in response to questions raised by the Advisory Committee. In completing the application form for a resubmitted application, the applicant should set out clearly the differences of the resubmitted applications vis-à-vis the previous one. A revised application will be deemed to be a new one and processed in accordance with the same vetting procedures.

5.10 A flowchart summarising the procedures for processing an application to the Fund is at **Annex 2**.

#### Avoidance of Conflict of Interest

5.11 To avoid conflict of interest, the applicant should declare any actual,

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<sup>4</sup> To enable transfer of new technology and practices within the industry, depending on the level of contribution to the cost of the project by the applicant and third party financier(s), if any, the Government would require that an appropriate level of shared use of the technology or practice covered in the relevant project by other interested members of the fisheries industry in an open, transparent and non-exclusive manner be allowed.

potential or perceived conflict of interest that may arise in the project to be implemented, including that between the applicant and member(s) of the Advisory Committee. The applicant should also make written declarations of interest in accordance with the guidelines set out in the *Best Practice Checklist – Strengthening Integrity and Accountability – Government Funding Schemes Grantee’s Guidebook* compiled by the Independent Commission Against Corruption (ICAC)<sup>5</sup> (see Appendix 1 of the *Checklist*), and put in place a mechanism to minimise such conflict of interest.

## **6. Funding Arrangements and Conditions**

### Funding Cap

6.1 There is no preset level of maximum funding for projects under the Fund.

### Full and Itemised Budget

6.2 An applicant will be required to provide a full and itemised budget for his proposed projects. The principles of economy and cost effectiveness of expenditure should be observed in budgeting.

6.3 The successful applicant should exercise strict economy when incurring any expenses and avoid lavishness.

6.4 If the staff cost amounts to 50% or more of the total project budget, the applicant shall provide justifications such as the content, nature and scale of the project, its direct beneficiaries and their numbers, etc. AFCD and the Advisory Committee may advise on the manpower and staff cost for the project.

### Estimated Income from the Project

6.5 Should the applicant expect any income to be generated by the project, this should be noted in the application.

### Payment to a Grant Recipient

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<sup>5</sup> Available online at [http://www.icac.org.hk/filemanager/en/content\\_218/GranteeBPC.pdf](http://www.icac.org.hk/filemanager/en/content_218/GranteeBPC.pdf)

- 6.6 To ensure that the grants have been fully and properly applied to the projects for which they were expended and received, the grant recipient should open a separate interest-bearing Hong Kong Dollar bank account with one of the licensed banks in Hong Kong specifically for the funded project, for the purposes of keeping the grants from the Fund, the matching contribution and income generated from the projects (if applicable), interest income, as well as handling all other financial operations of the project. Payments from that account should only be made by the authorised representative(s) of the grant recipient. Subject to paragraph 6.9 below, any unspent amount of the grants should be kept at all times in that account.
- 6.7 The grant recipient may provide a schedule of payment. However, it is for DAFC to determine the manner in which payments are made, who may withhold or terminate payment according to the progress of the project. A one-off lump sum payment will normally be made to the grant recipient in respect of a project with a time-span of less than six months. For a project lasting more than six months, payment will be disbursed by instalments (normally every six months, depending on the cash flow requirement and nature of the project) in accordance with the schedule of payment as set out in the Agreement, on condition that the project has met the prescribed milestones and DAFC is satisfied with its progress. The grant recipient may apply for a further disbursement if he can demonstrate that the remaining grant is insufficient for undertaking the project as scheduled. To ensure that the grant recipient will complete the project, DAFC may disburse the last instalment of the grant after he has accepted the audited accounts with original receipts, final report and other relevant documents of the project, and after the grant recipient has discharged all obligations and liabilities in accordance with the Agreement.
- 6.8 Any items not on the approved list of budget items will not be reimbursed.
- 6.9 Expenses incurred before the commencement date of the project will not be reimbursable from the Fund. Applications for supplementary grants will not normally be considered. The Government, the Advisory Committee and the Secretariat accept no liability for deficits arising from projects funded by the Fund.

- 6.10 All revenue received (including income derived and interest income generated from the project), irrespective of whether it has been declared in the proposal, must be defrayed against the actual expenditure before calculating the amount to be reimbursed as final payment. Following the completion of the project in question, any unspent amount of the grant must be returned to the Government. Failure to report and return such amount will render the grant recipient ineligible for future funding support from the Fund, and the Government will take appropriate actions to recover the outstanding amount.
- 6.11 The circumstances in which the grant could be reduced on a pro-rata basis include but are not limited to the following:
- (a) the scope and/or activities of the project have changed;
  - (b) the actual frequency of activities is less than proposed;
  - (c) the number of participants (count by heads) is less than proposed, and the grant is allocated according to that number;
  - (d) the duration of the project is reduced; and
  - (e) any other circumstances as accepted by DAFC.
- 6.12 The grant recipient should maintain proper books, accounts, relevant records and information related to the funded project. Such records should be kept for seven years after the completion of the project, and be available for inspection by authorised staff of the Secretariat and the Audit Commission at all reasonable times.
- 6.13 Where circumstances justify, DAFC may withhold or reclaim any payment from the grant recipient in accordance with the Agreement.
- 6.14 Grants cannot be used to create any permanent staff posts or recurrent financial commitments. Project staff engaged in funded projects should be recruited through open and fair procedures.

6.15 The grant recipient may be required to compensate the Government for loss arising from improper handling of the grants. Where necessary, the Government will initiate legal action for suitable remedies.

#### Commercial Projects and Cost Recouping

6.16 There are initiatives that aim to demonstrate the technical feasibility and commercial viability of new fisheries practices and can subsequently be transferred to other stakeholders within the fisheries and aquaculture industry. Such initiatives may involve a commercial element. They will be considered on individual merits and in accordance with the criteria discussed in paragraph 3 above, as well as the general rules and monitoring and control measures as set out in the ensuing paragraphs.

- (a) The applicant will be required to draw up a detailed business plan and budget of the proposed project which will be subject to the scrutiny of the Advisory Committee. In vetting applications, they may suggest consulting independent experts of the relevant fields as appropriate. The applicant must disclose to the Secretariat, DAFC and the Advisory Committee all relevant financial and related information of the project.
- (b) A project involving commercial elements will be funded on a dollar-for-dollar matching basis, with the Government's funding for the project capped at the successful applicant's contribution at the time of entering into the Agreement. In other words, the Government's contribution will be limited to no more than 50% of the total project costs (where there is no funding from any third party financier(s)). The applicant must demonstrate that he is capable of securing the non-Government financing required and submit documentary proofs such as sufficient bank saving deposit and/or proofs or pledges of injection of funds to the project.
- (c) DAFC will disburse grants to commercial projects by instalments after he has confirmed the availability of the matching fund. The first instalment will only be effected upon receipt of the necessary proof of project expenditure using the matching fund and the documentary proof of successful registration of the floating charge

from the Companies Registry mentioned in section 7.18 below. Subsequent instalments will be disbursed only if the project is able to meet the prescribed milestones and DAFC is satisfied with its progress, and that there is evidence showing due contribution of the matching fund by the applicant and other relevant parties such as third-party financier(s), if any, to the project. To enhance monitoring, the last instalment of the grant will be disbursed to settle any outstanding Government contribution after DAFC has accepted the audited accounts and final report of the project.

- (d) Subject to detailed conditions to be imposed by DAFC, as a general rule, the Government may recoup the cost in a manner commensurate with the Government's share of funding contribution in relation to the grant recipient and third party financier(s), if any, towards the project on a pro-rata basis. The Government's maximum contribution and commitment will be up to the approved amount of funding (i.e. capped at 50%, or a lesser percentage as the case may be, of the total costs of the approved project where there is no funding from any third party financier(s)). The Government's contribution and commitment as well as the details of cost recouping will be prescribed upfront in the Agreement. The Government contribution is to be recouped from (i) net revenue<sup>6</sup> generated from the project when the deliverable under the project begins to take on its economic useful life; and/or (ii) investment<sup>7</sup> made by a third party<sup>8</sup> subsequent to the Agreement, after the investment is made, with the pace of recoupage depending on the actual circumstances of the case. Recoupage will be made until the Government contribution is repaid in full or the end of the economic useful life of the project deliverable. The payment received shall be credited to the General Revenue of the Government.

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<sup>6</sup> "Net revenue" means the excess of revenues over approved expenses. Approved expenses are those proposed in the business plan and budget of the project as approved by AFCD and specified in the Agreement in relation to the project. Prior approval from AFCD is required for any change to the approved expenses.

<sup>7</sup> "Investment" means any monetary value injected in exchange for shares of the applicant's project. Prior approval from the Secretariat is required for any change to the ownership of shares of the applicant's project during the project period.

<sup>8</sup> "Third party" means any individual, corporation and unincorporated body other than holders of shares of the applicant's project.

- (e) The grant recipient is required to provide capital goods of the project (e.g. fishing vessels financed by the Fund) as collateral for the grant and any related monies owed to the Government. In case the grant recipient does not repay the Fund even if the project is successful and makes profits or is commercially unsuccessful and liquidated, the Government may exercise its rights against the collateral.
- (f) In the event that the project could attract investment from a third party, the grant recipient is required to discuss with the Secretariat how such a scenario is to be addressed. The grant recipient is required to report to the Secretariat in writing within one month upon receipt of any third party's investments after project commencement.
- (g) The grant recipient is required to submit a report together with audited accounts to the Secretariat annually, or at an interval proposed in the application and agreed by DAFC. The first report should be submitted on the date one year after commencement of the project. In the reports, the grant recipient is required to provide information such as implementation progress, problems encountered, remedial measures taken to tackle the problems, profits made in the year, and interim results and evaluation of the programme, etc. A project completion report and audited accounts should be submitted upon project completion. They will be made available for public inspection and uploaded onto the website of the Fund.
- (h) To facilitate DAFC in ascertaining the amount of recoupment and associated information (such as revenue generated), the grant recipient upon request by DAFC has to submit, together with the reports, relevant documents as considered necessary by him, which include, among other things, financial statements, audited accounts, capital and shareholding information.
- (i) DAFC reserves the right to withhold or terminate any further payment to the commercial project if the grant recipient fails to produce evidence of his own and third party financiers' (if any) contributions. Upon termination of funding, the grant recipient shall return to the Fund any residual grants or payments made in advance.



## Quotations, Procurement and Recruitment

- 6.17 Recruitment of staff/workers and procurement of goods/services must be conducted in an open and fair manner. A mechanism should be put in place for staff/workers to declare any conflict of interest and to prohibit staff/workers from soliciting or accepting any advantage when performing their duties. All records of declaration of interest in relation to the funded project should be properly documented and submitted with the final report to the Secretariat and the Advisory Committee for inspection. Please refer to **Annex 3** and the *Best Practice Checklist – Strengthening Integrity and Accountability – Government Funding Schemes Grantee’s Guidebook* compiled by ICAC for the probity requirements for grant recipients.
- 6.18 To ensure value for money, in procuring capital assets (including all capital items, equipment, minor works and supporting facilities purchased with grants from the Fund) and relevant services required for the project, the grant recipient should exercise prudence, adhere to the principle of fair competition and keep the procurement process open. The grant recipient should also comply with procurement requirements stipulated by AFCD. The general procedures are as follows:
- (a) more than one quotation should be obtained for procurement with value not exceeding \$50,000 (no quotation is required for procurement with value of \$2,000 or below);
  - (b) at least five written quotations should be obtained for procurement with value over \$50,000 but not exceeding \$1,400,000; and
  - (c) a competitive tendering exercise should be conducted for procurement with value exceeding \$1,400,000.
- 6.19 Prior approval of DAFC is required for adopting other procurement procedures.
- 6.20 DAFC may impose suitable conditions in addition to the requirements set out in paragraphs 6.17 and 6.18 above.

6.21 All quotations and tendering documents should be kept for seven years after the completion of the project, for inspection by the Secretariat and the Advisory Committee.

#### Progress and Financial Reports

6.22 The grant recipient is required to submit progress reports and annual reports, as well as a final report after the completion of the project, which shall include an end-of-project evaluation that measures the efficacy of the project against the indicators stated in the application. For projects lasting less than six months, the grant recipient is required to submit a progress report and a financial statement with original receipts three months after the project has started. The grant recipient is also required to submit the audited accounts to the Secretariat both within two months following the end of each 12-month period and within four months of the completion of the project (see paragraph 7.4 below).

6.23 Advisory Committee members may carry out inspections or require the grant recipient to attend meetings to examine the progress of the project.

### **7. Obligations of a Grant Recipient**

#### Monitoring Mechanism

7.1 The applicant should set out in the application form the indicators for assessing the effectiveness of the project. He should also state specifically how to evaluate the effectiveness of the project. The focus of both the indicators and the methodology should be on the outcome and impact of the project, and these should be measured quantifiably as far as possible. The grant recipient could consider conducting surveys of the target group to substantiate the efficacy of the project.

7.2 The grant recipient should adhere to a high standard of integrity and spend the grant on undertaking the project in an open, fair and transparent manner according to the terms and conditions of the Agreement. He should be prudent in his spending to ensure that project objectives are achieved and the duties are discharged.

7.3 The grant recipient is also advised to observe the guidelines set out in the

*Best Practice Checklist – Strengthening Integrity and Accountability – Government Funding Schemes Grantee’s Guidebook* compiled by ICAC in order to execute the Agreement in an ethical and accountable manner which meets the public expectation.

## Progress Reports and Financial Reports

- 7.4 The grant recipient is required to submit the following reports:
- (a) a quarterly progress report for a project lasting less than six months, and a financial statement of account supported by original receipts (to be submitted three months after the project has started);
  - (b) a progress report (including a timetable for planned activities and a financial statement)(the report has to be submitted within two months following the end of the six-month reporting period);
  - (c) an annual report (including planned activities of the project) (to be submitted within two months following the end of each 12-month reporting period);
  - (d) a final report of the project (to be submitted within four months following the agreed project completion date);
  - (e) an audited account with original receipts (to be submitted within two months following the end of each 12-month reporting period and within four months following the agreed project completion date).
- 7.5 The grant recipient is required to submit the reports as stated in paragraph 7.4 above to the Secretariat. An applicant may propose an alternative timetable for submission of reports in the application form if necessary when he submits the application form. However, the proposal cannot be effected unless it is agreed by DAFC.
- 7.6 The grant recipient is required to provide in the report information such as implementation progress, problems encountered, remedial measures taken to tackle the problems, profits made in the period, and interim results and evaluation of the project, etc. In addition, the grant recipient is required to submit information and supporting documents in order to verify the

accuracy of the achieved results and objectives as declared in the reports stated in paragraph 7.4 above.

- 7.7 The grant recipient is required to submit well-furnished and full reports. DAFC may withhold or terminate payment of grant according to the performance, progress, efficacy/objectives of the project achieved or when the grant recipient fails to comply with any of the funding terms and conditions as stipulated in the Agreement.
- 7.8 Progress reports, annual reports and final reports should be signed by the person-in-charge of the grant recipient and submitted in such format as prescribed in the relevant forms.
- 7.9 Ineffectiveness performance of a project arising from the unsatisfactory performance of the grant recipient will affect his future chance of getting funding support, and the organisation's management will be informed.
- 7.10 To enhance transparency and to allow the fisheries sector to share the experience and information arising from the funded projects, the final reports together with audited accounts of all projects (excluding commercially sensitive information) would be made available for public inspection. These will also be uploaded onto the webpage of the Fund for easy public access.
- 7.11 The grant recipient is required to submit audited account which contains the auditor's report (including an assurance that the funding was spent in accordance with the conditions of grant) (please refer to Annexes 4 and 5), balance sheet, income and expenditure statement, cash flow statement and notes to accounts. Such an account should be audited by a certified public accountant as defined by section 2 of the Professional Accountants Ordinance (Cap. 50).
- 7.12 Should the project not be audited separately, but rather as part of the annual audit of the grant recipient, the financial status of the funded project should be shown in detail as a separate item in the audited account.
- 7.13 DAFC, the Director of Audit or their authorised representatives are entitled to consult the certified public accountant who audited the account as stated in paragraph 7.11 above regarding the audited account and supporting documents.

## Intellectual Property Rights Arising from Projects and the Use of Project Results

- 7.14 To enable transfer of new technology and practices within the industry, depending on the level of contribution to the cost of the project by the applicant and third party financier(s), if any, the Government would require that an appropriate level of shared use of the technology or practice covered in the relevant project by other interested members of the fisheries industry in an open, transparent and non-exclusive manner be allowed.
- 7.15 The grant recipient shall indemnify the Government against all claims, demands, actions or proceedings in respect of the infringement of patent, copyright, registered design which shall arise from the development or use of technology and practices as stated in paragraph 7.14 above by the grant recipient or in respect of any loss or damage suffered or sustained by any person in consequence of the aforesaid development or use of technology and practices.

## Title of Capital Items

- 7.16 All assets (including all capital items, equipment, minor works and supporting facilities) and related services procured with the grant can be used by the grant recipient only for the purpose of undertaking the project or discharging the duties and obligations under the funding terms.
- 7.17 Under the non-commercial projects, the title of assets (including all capital items, equipment, minor works and supporting facilities) procured with the grant will remain with the Government. The grant recipient may apply to DAFC for permanently retaining the assets when necessary and justified after completing the project with satisfactory results and expected objectives achieved. DAFC may consider each case on individual merits. Subject to approval, the title of the items will be changed to the grant recipient.
- 7.18 Under the commercial projects, the title of assets (including all capital items, equipment, minor works and supporting facilities) procured with the grant will remain with the grantee. However, to ensure the proper use of public funds, the grantee needs to register a floating charge as collateral for the grant and any related monies owed to the Government from the Companies Registry within one month after entering into an agreement

with the Government, and provide the relevant documentary proof of the successful registration. The first instalment will only be effected upon receipt of such proof.

#### Insurance

- 7.19 To safeguard the Fund and the grant recipient, the grant recipient should get his own insurance for the collateral (if applicable) of the project. Should there be no relevant insurance service, DAFC may, subject to the satisfactory justifications put forward by the grant recipient and comments by the Advisory Committee, consider granting the exemption approval.
- 7.20 To ensure that the grant recipient/the Government who suffers any loss in the event could be properly compensated, the grant recipient should strictly adhere to the terms and conditions as stipulated on the insurance policy, for example, the grant recipient should, as required for undertaking the project, hold all kinds of valid certificates and licences and hire eligible people to operate mechanics, tools (including fishing vessels) or facilities and have the certificates and licences renewed before the expiry date.
- 7.21 Should the grant recipient fail to comply with any of the conditions stated in paragraphs 7.19 to 7.20 above, the Government may suspend/terminate funding the grant recipient and take actions as stated in paragraph 7.25 below.

#### Monitoring Meetings/Inspections

- 7.22 The Secretariat, the Advisory Committee and other persons authorised by DAFC may conduct monitoring meetings with the grant recipient/inspect the implementation of a project and hold review meeting(s) upon completion of a project in order to assess the effectiveness of the project and the experience that is worth learning from. The grant recipient should join in the meetings/facilitate the arrangement of such inspections. The Secretariat and other persons authorised by DAFC may conduct surprised checks to examine the progress of a project at any time.

#### Publicity of Project Events and Results

- 7.23 Projects which receive funding support from the Fund, including the activities, publicity and other events organised under the projects, as well as

their related educational, publicity and other materials, should not be used for purposes of personal, political, commercial or religious publicity of any individuals or organisations. Nor should any such activities or materials arising from a funded project be presented in a way as to induce public perception of any personal, political, commercial or religious publicity of any kind, or misrepresent any association of any individuals or organisations with the Fund. In addition, activities and events organised and materials produced under the projects should not be implemented or distributed in a way which may adversely affect the image of the Fund, or cause any liability to the Fund.

### Suspension/Termination of Funding Support

7.24 DAFC may suspend/terminate support for a project under the following circumstances:

- (a) if the project does not commence within one year of the approval of the grant and no reasonable explanation has been given;
- (b) if the project is considered not having progressed satisfactorily and no reasonable explanation has been given;
- (c) if the project head resigns prior to the completion of the project and there is no suitable candidate to take over the role of project head among those members who have been involved in the project; or
- (d) if the grant recipient fails to comply with the funding conditions as set out in this Guidelines and/or in the Agreement and no reasonable explanation has been given.

7.25 In each of the above cases of suspension/termination, DAFC shall give a written notice to the grant recipient, stating the reasons for the suspension/termination. In cases of suspension, the grant recipient should demonstrate that measures have been taken to rectify the problems and improve the unsatisfactory situation before DAFC will lift the suspension. In cases of termination, the balance of the grant or any funding given in advance shall be returned to the Fund. The Secretariat will dispose of the assets acquired for the project in accordance with the Agreement. Where necessary, the Government will initiate legal action for suitable remedies.

- 7.26 Any suspension or termination of a project will affect the grant recipient's future chance of getting financial support from the Fund, and the grant recipient's management will be informed.
- 7.27 The Fund shall be entitled to be refunded by the grant recipient of some or all of a grant which has been used other than in accordance with the terms of the approved project.
- 7.28 Any major changes to the project must be approved by DAFC. Such major changes include:
- (a) revision to the objectives and/or contents;
  - (b) change of project head/principal members;
  - (c) transfer of project to another organisation; or
  - (d) deferral of progress reports/project completion report/statement of accounts submission date.
- 7.29 DAFC may suspend/terminate funding support for a project if the project is being carried out under any of the above circumstances without prior approval.
- 7.30 Any proposed substantial changes to a project should be submitted to the Secretariat for follow-up.

## **8. Notes about Personal Data of an Applicant**

### Purposes of Collection

- 8.1 The personal data and other related data provided as part of the application process are to be used by the Secretariat to process the application and to conduct research and surveys. The provision of personal data by means of the application is voluntary. However, failure to provide sufficient and correct information may result in the application not being processed.



## Classes of Transferees and Disclosure of Project Details

8.2 The personal data provided by means of the application may be disclosed to other Government bureaux, commissions or departments for the purposes mentioned in paragraph 8.1 above. By signing and submitting an application, a successful applicant consents to the disclosure from time to time by the Government of the information marked with “\*” in the application form. The applicant is required to indicate in the application form whether consent will be given, in the event that the application is not successful and without prejudice to other rights and powers of the Government, for the disclosure from time to time by the Government of the name of the applicant, the project title and the amount of grant sought to the public for general information.

## Access to Personal Data

8.3 The applicant will have the right of access and correction with respect to personal data and other related data as provided for in sections 18 and 22 and Principle 6 of Schedule 1 of the Personal Data (Privacy) Ordinance (Cap. 486). The applicant’s right of access includes the right to obtain a copy of the personal data provided in the application. Such requests should be made in writing to the Secretariat.

## 9. Enquiries

9.1 Enquiries on general matters of the Fund or concerning the personal data collected by means of the application to the Fund (including the provision of access and making of corrections), or technical advice on the project proposal and its feasibility, and assistance in completing the application form should be addressed to:

Address: The Sustainable Fisheries Development Fund Secretariat  
8/F, Cheung Sha Wan Government Offices  
303 Cheung Sha Wan Road, Kowloon, Hong Kong

Contact Tel.: 2150 7158

Fax No.: 2314 2866

Email Address: [sfdf@afcd.gov.hk](mailto:sfdf@afcd.gov.hk)

## **10. Others**

- 10.1 The Advisory Committee, the Secretariat and the Government shall have no responsibility, financial or otherwise, for expenditure or other liabilities arising from the projects.
- 10.2 The allocated grant shall not be used as payments to individual members of the public as a financial reward for their participation in the activities associated with the project.
- 10.3 Any intentional misrepresentation or omission of information related to this application may result in the application being rejected or grant withheld, and the applicant may be liable to prosecution for making a false declaration. The applicant's explicit attention is drawn that obtaining pecuniary advantage by deception is a criminal offence.
- 10.4 It is an offence to offer advantages to any members of the Advisory Committee or staff of Government department(s) in any dealings therewith under the Prevention of Bribery Ordinance (Cap. 201). Any applications and signed agreements will be invalid if the applicant, or its directors, staff and agents commit the above offence.
- 10.5 DAFC may at any time, if he considers fit and on the advice of the Advisory Committee, amend or add to the above conditions, without prior notice to the grant recipient.

## Funding Scope of Projects

The areas set out in the ensuing paragraphs may help the fishermen community and related stakeholders put the Fund to good use, in furtherance of the objectives of placing the further development of the industry on a sustainable track. These areas are for indicative purpose only. Applications for projects which fall beyond these areas may also be considered. Nevertheless, whether an application will be approved will still depend on whether the application meets the criteria of the Fund.

### *Exploring new opportunities in the South China Sea*

2. An applicant may apply for grants under the Fund for exploring the feasibility of fishing operations using new type of vessels or in new fishing grounds. These would include the development of sustainable technology (e.g. purse seine operation) that help tap unexplored or under-explored pelagic fisheries (such as tuna) in mid-level waters in Nansha and Zhongsha. Grants under the Fund may be used to finance up to 50% (should the applicant fund the other 50%) (please refer to paragraph 6.15) of the construction costs of one or two new catcher vessels teamed up with support vessels (carrying food, water and other supplies for the former) that enable the applicant to test out different catching methods in areas outside the traditional fishing grounds.

### *Developing sustainable practices for fishing operations in Hong Kong Waters*

3. The Fund can provide support in the form of grants that finance the provision of technical assistance and training in non-trawling fishing operations so that those trawler fishermen who wish to switch to small-scale inshore fishing operations in Hong Kong waters can be supported. These assistance and training include capacity building projects such as vocational training courses, study tours and seminars for fishermen and new entrants to the industry, alternative livelihood projects for fishermen such as demonstration sessions, pilot projects of fishermen organisations and/or individual fishermen highlighting vocational/business opportunities in other fisheries or sea related areas that they might switch to.

4. Public awareness projects such as those designed to showcase the local fisheries culture and promote protection of fisheries resources could be considered.

5. An applicant who is interested in promoting recreational fishing (including fishermen organisations) may apply for grants under the Fund individually or in collaboration with relevant organisations to hire passenger vessels or modify fishing vessels for the purpose of trying out the viability of new business related to eco-tourism. The Fund can also support projects for weaving added elements of fishermen's culture into the tours, developing new fisheries-related eco-tourism tour routes in different parts of Hong Kong and marketing programmes for these tours.

#### *Aquaculture development*

6. Consistent with the objectives that the Fund is intended to serve, we have identified the following categories of projects that may help local aquaculturists modernise their operations –

- (a) projects that would improve the infrastructure, such as the introduction of high-density polyethylene cage system (to replace the traditional wooden cages), support in the provision of electricity and fresh water, and the establishment of communal rafts in fish culture zones;
- (b) projects that would enhance technical support, such as development of local fish hatchery and nursery, research on new aquaculture species, improvement in fish health management and more robust support in the feed supply (including say studies of opportunities for turning kitchen waste into fish feed); and
- (c) projects that would help the incubation of advanced aquaculture systems that are viable in business terms such as recirculating aquaculture system, offshore mariculture and aquaponics.

7. We believe that these projects may benefit different niche groups (from smallscale family-based fish farmers to commercial farm operators) of both the mariculture and pond fish culture sectors.

### *Accreditation and marketing of local fisheries products*

8. As the aquaculture industry is migrating to organic and sustainable practices, fishermen organisations may partner with relevant certification bodies to apply for grants to develop local standards and guidelines, showcase the advantages of organic fish farming practices to local fish farmers, and enhance public awareness of the quality of organic farmed fish available to local consumers.

9. Local products harvested from sustainable fisheries practices will help meet demands at the upper end of the market for safe, fresh and good quality fish. Fishermen associations, cooperative societies, non-governmental organisations and academic institutions may apply for grants to promote local fisheries products through certification and accreditation, and building up the brand name of local fishermen's products amongst consumers.

### *Resources monitoring and enhancement*

10. With the implementation of the fisheries management measures, specific studies and monitoring programmes that provide the scientific basis for assessing the effectiveness of such measures are necessary. The Fund may provide grants to research institutions for conducting such studies and monitoring projects, such as studies on local fisheries resources, development of new sustainable fishing technology, socio-economic studies of the local fisheries industry and fishermen.

11. Research institutions and professional bodies may also apply for grants to conduct research on measures that are conducive to the enhancement of fisheries resources (such as artificial reefs and restocking programmes of local species).

12. To encourage the fisheries trade to put the Fund in good use for promotion of the sustainable fisheries development, a list of suggested projects that may benefit from the Fund is provided (please refer to the table below). The proposed projects are for reference only. Other eligible applications will also be considered, if the objective of the Fund is met. Approval of an application will depend on the content of the application and whether the application meets the assessment criteria of the Fund.

Sustainable Fisheries Development Fund – Projects that may benefit from the Fund  
(August 2016)

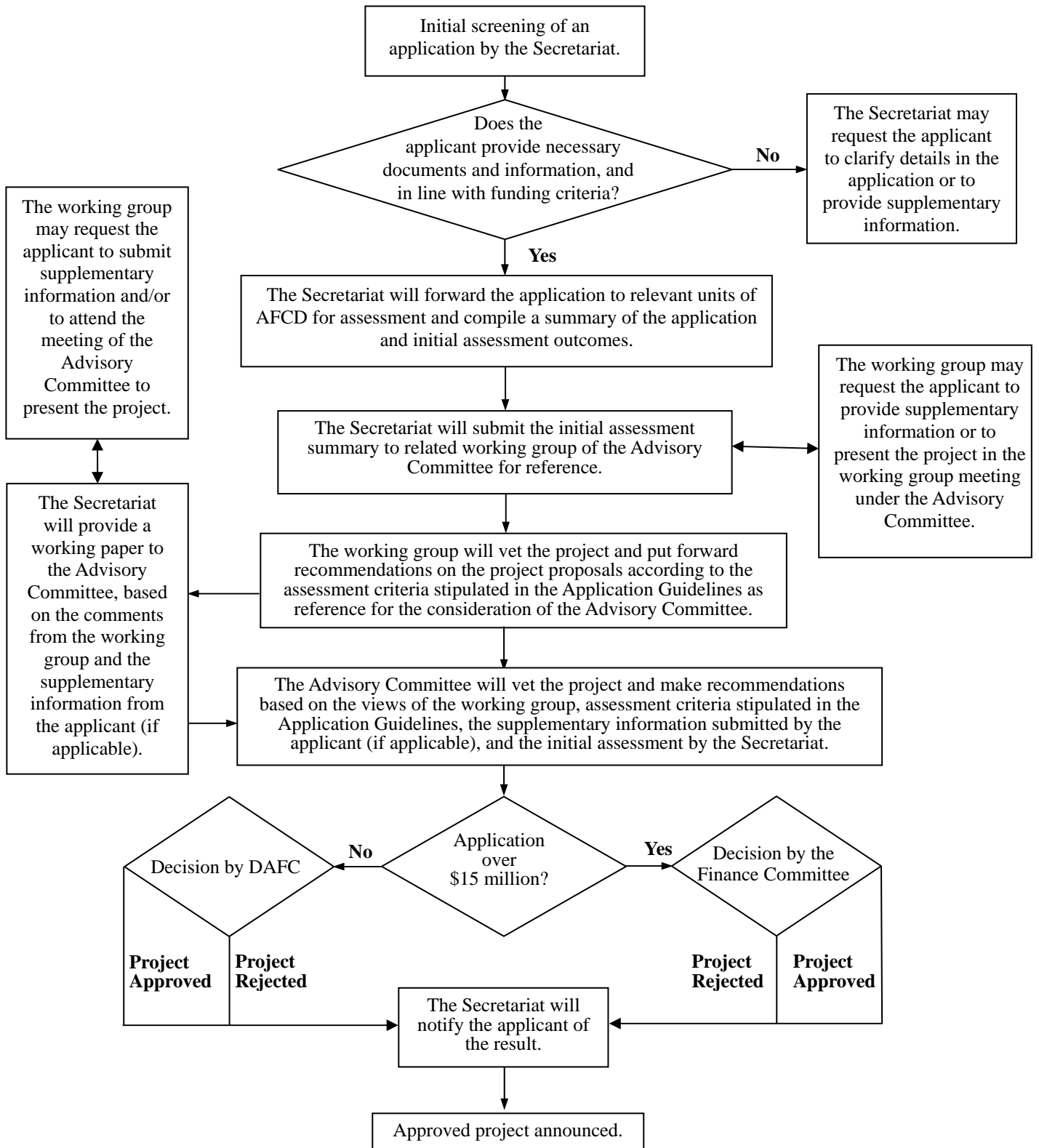
Proposed Project	Main Components
1. Training and practical drills in aquaculture	<ul style="list-style-type: none"> <li>• To attract newcomers, and to provide training in modern aquaculture management and technique; and</li> <li>• To offer on-site practice opportunities, so that participants may get familiarised with the aquaculture operations and its basic technique.</li> </ul>
2. Open Sea/Deep water mariculture	<ul style="list-style-type: none"> <li>• To introduce mariculture operations in Hong Kong offshore waters, including the utilisation of cage with sea keeping capability and other complementary facilities.</li> </ul>
3. High-density pond fish culture	<ul style="list-style-type: none"> <li>• To introduce cluster design in pond culture; and to reduce production cost and enhance farm productivity by using water treatment ponds.</li> </ul>
4. Organic mariculture	<ul style="list-style-type: none"> <li>• To carry out trial run in organic mariculture, with the aim of diversifying the market of organic fish products and providing an alternative way for mariculturists to develop in a sustainable manner.</li> </ul>
5. New aquaculture species	<ul style="list-style-type: none"> <li>• To introduce new culture species, including shellfishes like molluscs and echinoderms, to explore the relevant technology and to conduct economic analyses.</li> </ul>

6. Finfish hatchery	<ul style="list-style-type: none"> <li>• To establish finfish hatchery to enhance the source of fry; and</li> <li>• To identify suitable technology of finfish hatchery for local aquaculture by utilising different technologies and analysing the results in a scientific and economical way.</li> </ul>
7. Quick diagnosis kit development and veterinary support to fish farmers	<ul style="list-style-type: none"> <li>• To develop molecular biology tools for instant bacterial pathogen identification; and</li> <li>• To establish a veterinary support network on disease treatment, including prescription service.</li> </ul>
8. Promotion of local aquaculture products	<ul style="list-style-type: none"> <li>• To engage professional event organisers or public relations organisations to draw up district-level promotion plan for local aquaculture products by conducting activities such as retail booths, tasting sessions and artisanal skills demonstrations.</li> </ul>
9. Premium local aquaculture products	<ul style="list-style-type: none"> <li>• To establish a standardised operation protocol for production of premium local aquaculture products, to coordinate with relevant fish farms for such production, and to develop a sales and marketing platform for premium local aquaculture products.</li> </ul>
10. Communal rafts	<ul style="list-style-type: none"> <li>• To set up communal rafts for the culturists operating in fish culture zones and to provide basic facilities, such as freshwater supply, electricity supply, feed storage and simple laboratory for preliminary fish diseases diagnosis, with the</li> </ul>

	aim of improving aquaculture operations.
11. Deployment of biofilters	<ul style="list-style-type: none"> <li>To deploy biofilters in fish culture zones for the stabilisation of water quality and aggregation of fish, so as to facilitate the development of aquaculture and recreational fishing.</li> </ul>
12. Recreational fishing	<ul style="list-style-type: none"> <li>To develop a sustainable recreational fisheries business model.</li> </ul>
13. Study on fisheries development in South China Sea	<ul style="list-style-type: none"> <li>To conduct a study on fisheries resources in South China Sea and to evaluate the feasibility of fishing operation by local fishermen in that waters with an analysis on new fishing grounds, suitable operations, the regulatory framework and recommended action plans for pursuing the fishing operation in the area.</li> </ul>



## Flowchart on Processing Fund Applications Sustainable Fisheries Development Fund



## **Probity Requirements for Grant Recipients of Grants from the Sustainable Fisheries Development Fund**

### **1. Introduction**

As government funds involve public money, there is high public expectation on the grant recipient of grants from the Sustainable Fisheries Development Fund (Fund) to adhere to a high standard of integrity and spend the grant in an open, fair, accountable and transparent manner.

### **2. Probity Provisions**

To uphold the integrity of staff members and agents of the grant recipient in relation to the funded project, the grant recipient should:

- require its staff members, subcontractors, agents, co-organisers and other personnel who are in any way involved in the funded project, not to offer, solicit or accept from any person any money, gifts or advantages as defined in the Prevention of Bribery Ordinance (Cap. 201) in relation to the project;
- be liable for any loss or damage to the Government arising from the termination of the Agreement, where the termination is attributed to the commitment of any offence under the Prevention of Bribery Ordinance in relation to the funded project by its staff members, subcontractors, agents, co-organisers or other personnel who are in any way involved in the project;
- ensure that the relevant parties (i.e. its staff members, subcontractors, agents or other personnel involving in the project in any manner) shall not undertake any service, task or job or do anything which conflicts, or which may be seen to conflict, with the grant recipient's duties to the Fund (or its Secretariat, the Advisory Committee or DAFC) under the Agreement, unless and to the extent the Secretariat of the Fund have been fully informed, and DAFC's permission has been obtained, by the grant recipient in a timely fashion of all the circumstances in which the permission is sought; and
- notify the Secretariat in writing as soon as possible of all or any facts which may reasonably be considered to give rise to a situation where the financial, professional, commercial, personal, or other interests of the grant recipient or any of its directors, staff members, agents, co-organisers and contractors, or any of their respective associates or associated persons, conflict or compete, or may conflict or compete, with the grant recipient's duties to the Fund (or its Secretariat, the Advisory Committee or DAFC) under the Agreement.

### **3. Staff Recruitment**

The grant recipient should maintain fairness and transparency in recruiting staff, and

ensure that all such staff members recruited with Fund grants are well qualified, suitably deployed, and properly remunerated.

#### 4. Procurement

In procuring goods and services in relation to the funded project and implementation of activities under the project, the grant recipient should:

- adopt a set of standard procurement procedures to procure all goods and services on an open, fair and competitive basis, which should be no less stringent than the requirements set out in the “Sustainable Fisheries Development Fund’s – Application Guidelines”, the Agreement, and other relevant conditions prescribed for the grant of the Fund;
- segregate the duties in the procurement process as far as possible, e.g. assign different staff members to source suppliers/contractors for invitation of quotations/tenders, approve quotations/tenders, and certify the goods/services received;
- specify the approving authorities and the procurement methods for purchases of different values (e.g. open tendering for purchases of significant value or restricted tendering<sup>9</sup> for minor purchases of a specified amount), which should be no less stringent than the requirements set out in the “Sustainable Fisheries Development Fund’s – Application Guidelines”, the Agreement, and other relevant conditions prescribed for the grant of the Fund;
- state the approving authorities for purchases by single source quotation or tender (preferably by a panel in case of high value purchases) and require the staff concerned to give justifications in writing;
- include in the tender/quotation invitation documents probity clauses to prohibit all bidders from offering or soliciting bribes in relation to the bidding exercise;
- incorporate anti-collusion clauses<sup>10</sup> in the tender/quotation invitation document, and require the bidders to submit, together with their bids, a declaration pledging compliance with the anti-collusion clause;
- add probity clauses to prohibit all contractors’/service providers’ staff from offering, soliciting or accepting bribes, in the contracts to be awarded; and
- seek ICAC’s tailor-made advice, if necessary, on procurement in relation to the funded projects.

In sourcing suppliers and service providers, the grant recipient should:

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<sup>9</sup> Some suppliers on pre-approved lists of competent suppliers are selected to participate in the tendering exercise.

<sup>10</sup> Please refer to Appendix 4 of the *Best Practice Checklist — Strengthening Integrity and Accountability – Government Funding Schemes Grantee’s Guidebook*.

- compile lists of suppliers/service providers for approval by the designated authority in the grant recipient to facilitate sourcing of suppliers/service providers for the goods or services that are required frequently;
- invite the required number of suitable suppliers/service providers on the respective approved lists to bid on a fair-share basis (e.g. by rotation);
- add other suppliers nominated, with justifications for their nominations and approval by designated authority, by the users or other staff; and
- source, for those without any approved list, suitable suppliers/service providers for invitations to bid, taking into account their company size, experience and past performance records, if any, through the Internet and nominations by the users and other staff, and include the current supplier/service provider as appropriate.

## **5. Handling of Project Assets**

Since the assets procured for the funded projects (including all capital items, equipment, minor works and supporting facilities) are paid from public monies, the grant recipient must maintain clear records and conduct regularly stock-taking exercises to prevent the assets from being stolen or used for purposes other than funded areas.

The grant recipient should be responsible for the overall control and management of project assets, including any movements or transfers of these items among users. The grant recipient should keep a register to record the movements of each item, such as the date of issue and the recipient, date and cost of acquisition, detailed description of the assets and its physical location. The grant recipient should also mark on each item to show that it is an asset of the Fund.

The grant recipient should conduct and record random and regular (e.g. yearly) physical checks on these assets.

The grant recipient should report on any loss or damages to these assets, or any unserviceable assets, to the management of the grant recipient for necessary action. The grant recipient should also report to the police and the Secretariat for all assets which are lost or stolen.

Approval from the designated authority and consent from DAFC should be obtained before processing or disposing of any substances.

## **6. Record Keeping**

The grant recipient should maintain, for a minimum period of seven years after the completion of the project, full and proper books of accounts and records in respect of the project.

The grant recipient should allow the Secretariat and its authorised representatives to access to all or any of the books and records for conducting audits, inspection and verification whenever required.

## Sustainable Fisheries Development Fund

### Notes for Auditors of Recipient Organisations

Pursuant to the fund agreement (Agreement) made between the Government of the Hong Kong Administrative Region (HKSAR) and the Recipient Organisations (ROs), and the Sustainable Fisheries Development Fund (Fund) Application Guidelines in respect of each Fund project under the Fund, ROs are required to submit interim and final “audited accounts” of each project to the Director of Agriculture, Fisheries and Conservation (DAFC) according to a stipulated timeframe. The requirement to submit “audited accounts” is to assure the Government that:

- (a) the project funds were fully and properly applied to the project for which they were paid, and received and expended in accordance with the approved project budget; and
- (b) the ROs complied with the funding terms and conditions in the administration, management and usage of the Fund project.

These notes aim to provide guidance for Auditors of ROs in conducting reasonable assurance engagements and in preparing auditors’ reports for each Fund project.

2. In conducting a reasonable assurance engagement, the Auditors should perform such procedures<sup>12</sup> as they consider necessary in the circumstances and obtain all the information and explanations which they consider necessary in order to provide them with sufficient evidence to give their conclusion as to whether the RO has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare interim/final audited accounts of the Fund project), and all the terms and conditions of Fund, as specified in the following documents:

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<sup>11</sup> The interim and final “audited accounts” comprise income and expenditure statement, balance sheet, cash flow statements, notes to the accounts and the auditors’ report and mean interim and final accounts of the project which have been reported on by Auditors under a reasonable assurance engagement conducted in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants.

<sup>12</sup> The Auditors’ procedures would normally include:

- a. performing tests of transactions and of the existence, ownership and valuation of assets and liabilities, if any;
- b. obtaining an understanding of the accounting system and control in order to assess its adequacy as a basis for the preparation of the accounts of the Fund project and to establish whether a proper and separate set of project books and have been kept and maintained by the RO;
- c. assessing significant estimates and judgments made by the RO in the preparation of the interim/final accounts of the Fund project, and whether the accounting policies have followed the requirements of Fund, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the interim/final accounts.

- (a) the Agreement made between the HKSAR Government and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) the relevant “ Fund Application Guidelines”<sup>13</sup> referred to in the Agreement; and
- (c) all instructions and correspondences issued by DAFC in respect of the Fund.

3. The Auditors should comply with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants. The following information is required in an auditors’ report prepared by the Auditors to be submitted to DAFC –

- (a) the Auditors should state whether, in their conclusion, the RO has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare interim/final audited accounts of the Fund project), and all the terms and conditions of Fund, as specified in documents mentioned in paragraph 2 above;
- (b) if the Auditors are of the opinion that there exists any material non-compliance as identified in paragraph 3(a) above, they should make full disclosure and quantify the effects of such non-compliance in the auditors’ report; and
- (c) if the Auditors are of the opinion that a proper and separate set of books and records have not been kept by the RO for the Fund project, or the relevant project accounts have not been properly prepared, or if the Auditors fail to obtain all the information and explanations which are necessary for the purpose of the reasonable assurance engagement, they should make appropriate qualifications in the auditors’ report.

4. The Auditors should plan and conduct the reasonable assurance engagement to satisfy paragraphs 2 and 3 above. In case of any ambiguity regarding the terms and conditions contained in the Agreement and rules and regulations governing Fund projects, Auditors should seek clarification from Fund Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of the Fund Application Guidelines, expressed by Auditors in the auditors’ report, will be returned to ROs for rectification before re-submission.

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<sup>13</sup> In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

5. The Auditors may come across during the course of their reasonable assurance engagements weaknesses/breakdown in internal control which are considered material. They should bring to the RO's attention the details of such weaknesses/breakdown and provide the RO with their recommendations for improvement by setting them out in a letter to the RO. A copy of such letter should be sent to DAFC for reference and action as appropriate.

6. Auditors are expected to follow the specimen auditors' report as Annex 5.

Fund Secretariat  
September 2017

(These Notes for Auditors of Recipient Organisations has been translated into Chinese. If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.)

**SPECIMEN AUDITORS' REPORT ON**  
**THE INTERIM/FINAL ACCOUNTS UNDER**  
**SUSTAINABLE FISHERIES DEVELOPMENT FUND**  
**- UNQUALIFIED CONCLUSION**

**ABC PROJECT (PROJECT NUMBER: SFDF-XXXX)**

**[FOR THE YEAR ENDED DD/MM/YY / FOR THE PERIOD FROM DD/MM/YY (Date/ COMMENCEMENT DATE) TO DD/MM/YY (Date/ COMPLETION DATE)] (Delete as appropriate)**

**AUDITORS' REPORT TO THE DIRECTORS OF XYZ LIMITED**

Pursuant to the Agreement made between the HKSAR Government and XYZ Limited, and the Sustainable Fisheries Development Fund (“Fund”) - Application Guidelines in respect of the Fund project under the Fund, we have performed a reasonable assurance engagement to report on whether XYZ Limited has complied with, in all material respects, the requirements set by the Director of Agriculture, Fisheries and Conservation (“DAFC”) (including the requirements to keep proper books and records and to prepare proper [interim/final] accounts of ABC Project (the “Project”) for the [year ended DD/MM/YY / period from DD/MM/YY to DD/MM/YY] on pages .... to .... (the “Project Accounts”)), and all the terms and conditions of Fund, as specified in the following documents:

- (a) the Agreement made between the HKSAR Government and XYZ Limited in respect of the Project and the appendices thereto (which includes the Project proposal);
- (b) the relevant “Fund - Application Guidelines”<sup>14</sup> referred to in the Agreement (the “Guide”); and
- (c) all instructions and correspondences issued by DAFC to XYZ Limited in respect of the Project.

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<sup>14</sup> In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.



### **Respective responsibilities of XYZ Limited and auditors**

DAFC requires XYZ Limited to comply with the requirements set by him/her (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of Fund, as specified in the documents mentioned in the above paragraph.

It is our responsibility to form an independent conclusion, based on our reasonable assurance engagement, and to report our conclusion to you.

### **Basis of conclusion**

We conducted our reasonable assurance engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants and the latest Notes for Auditors of Recipient Organisations issued in [to be inserted as appropriate] by the Fund Secretariat.

Our reasonable assurance engagement includes examination, on a test basis, of evidence relevant to XYZ Limited’s compliance with the requirements set by DAFC (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of Fund, as specified in the documents mentioned in the above first paragraph. It also includes an assessment of the significant estimates and judgments made by XYZ Limited in the preparation of the Project Accounts, and of whether the accounting policies have followed the requirements of Fund, consistently applied and adequately disclosed.

We planned and performed our reasonable assurance engagement so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give our conclusion as to whether XYZ Limited has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of Fund, as specified in the documents mentioned in the above first paragraph. In forming our conclusion, we also evaluated the overall adequacy of the presentation of information in the Project Accounts. We believe that our reasonable assurance engagement provides a reasonable basis for our conclusion.

### **Conclusion**

Based on the foregoing, in our opinion, XYZ Limited has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of Fund, as specified in the documents mentioned in the above first paragraph.

**Use of this report**

This report is intended for filing by XYZ Limited with the HKSAR Government, and is not intended to be, and should not be, used by anyone except the above two parties for any other purposes.

ABC & Co.

Certified Public Accountants (Practising) or Certified Public Accountants

Hong Kong

Date