

Notes for Grantees under Enterprise Support Programme (ESP) of the Recycling Fund on Requirements for Recyclable Quantity Achievements

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1. Introduction

- 1.1** This Document is to facilitate the Grantees to fulfil the Requirements on Recyclable Quantity Achievements for Grantees under the Enterprise Support Programme (ESP) of the Recycling Fund (the Fund) and should be read in conjunction with the Requirements on Recyclable Quantity Achievement
- 1.2** The Advisory Committee on Recycling Fund (RFAC) and the Secretariat of Recycling Fund (the Secretariat) reserve their right to change any requirements or to decide how requirements should be interpreted at any time without prior notice. The Secretariat may review this Document as and when appropriate. The most updated version would be available at the website of the Recycling Fund (www.recyclingfund.hk).

2. Scope

- 2.1** This Document serves as a guidance document for fulfilling the Requirements on Recyclable Quantity Achievement for Grantees under the ESP of the Fund. The Grantees have to certify and substantiate the recyclable quantity collected or processed or recycled for the baseline condition and the entire project duration and demonstrate conformity to the Requirements on Recyclable Quantity Achievement through engaging an independent qualified auditor or engagement partner (their eligibility listed in Clause 3.2.2 of the Notes for Auditors).
- 2.2** To facilitate the Grantees to record their daily operation appropriately and effectively for fulfilling the requirements of quantity audit, the Grantees are recommended to read in conjunction with the “Recycling Fund – Good Practice Guide for Record Management” which provides guideline, together with templates and illustrative samples in retaining and managing the records involved in the recycling operation. .

3. Management and Controls

3.1 Scope of operation

- 3.1.1** The Grantees shall engage an independent certified public accountant or certification body qualified and approved by the Secretariat to conduct a quantity audit to certify and substantiate the recyclable quantity collected or processed or recycled for the baseline condition and the entire project duration. The most updated list of certification body approved by the Secretariat would be

available at the website of the Recycling Fund (www.recyclingfund.hk). The Grantees shall ensure that all operations undertaken under the Recycling Fund project comply with all applicable Requirements on Recyclable Quantity Achievements.

- 3.1.2 The Grantees shall specify input material used for processing each recyclable throughput. Activities involved in generating the output (e.g. Collection, Purchase, Storage, Processing, Sale and/or Transport, etc.) shall also be specified (refer to Annex A of this Document). Records such as supplier invoices, work orders, materials balance summaries, sales invoices, delivery notes, etc. should be retained as proof of evidence.
- 3.1.3 The Grantees shall set up a separate ledger in the Grantee's accounting system designated for the sole purpose of keeping and transacting all monies of the Fund (receipt and disbursement of the Fund) and of the trading inputs from upstream suppliers and outputs to downstream exporters / distributors, as far as applicable.
- 3.1.4 The Grantees shall ensure the baseline quantity stated in the approved fund application is in compliance with all requirements in Clauses 4.1, 4.2 and 4.3. The Grantees shall submit its baseline quantity substantiated by the Auditors as in Clause 3.1.1 (refer to Annex B) to the Secretariat for consideration before signing fund agreement with the Government.
- 3.1.5 The Grantees shall ensure the performance target quantity within the entire project duration of the Recycling Fund project is in compliance with all requirements in Clauses 4.1, 4.2, 4.3, 4.4 and 4.5. The Grantees shall submit a certified report (refer to Annex B) for its performance target quantity as in Clause 3.1.1 to the Secretariat no later than three months after project completion.
- 3.1.6 During the course of the entire duration of the Recycling Fund project, the Grantees should cooperate with the Secretariat as regards regular review visits so that the Secretariat is able to keep abreast of the progress. Should there be any contingencies which may jeopardise the well-being of the Recycling Fund project and affect its progress, the Grantees shall report to the Secretariat as soon as applicable.
- 3.1.7 The Grantees shall consent to the Secretariat to approach and communicate with the Auditors who prepared the auditor's report on matters regarding the findings and issues arising from the audit statements of the Recycling Fund project. The Grantees shall authorize the Auditors to disclose all documents and information in connection with the Recycling Fund Project to the Secretariat as and when requested.

3.2 Responsibilities of the Grantees

- 3.2.1 The Grantees shall declare the recyclable quantity provided is true and accurate and reflect the state of affairs for the required period.
- 3.2.2 The Project Coordinator and / or Deputy Project Coordinator appointed for the Recycling Fund project shall also be appointed to be responsible for the monitoring and compliance of its operation with the Requirements on Recyclable Quantity Achievements. The Grantees shall also define the personnel responsible for each process. Such personnel (including but not limited to the appointed Project Coordinator) shall be able to describe the details of the process and respond to enquiries from the Secretariat, as well as the Auditors during the Quantity Audit (refer to Annex B), if necessary.
- 3.2.3 All staff members, including managerial and operational staff, shall understand and be competent to carry out their assigned job duties under the Recycling Fund project.
- 3.2.4 The Grantees shall regularly calibrate and/or inspect monitoring and measuring equipment that used for obtaining information or reporting purposes to ensure the accuracy. Records, including internal calibration record comparing with external calibrated weighbridge, external calibration certificate, maintenance record, etc., can be provided on request as objective evidence. The Grantees shall also prevent such equipment from adjustments, damage, deterioration or any conditions to maintain accuracy of the results.
- 3.2.5 The Grantees shall retain relevant records and reports, including purchase and sales documents, processing / production records, materials balance summaries (refer to Annex C), etc., for at least seven (7) years after the completion of project.

4. Indicators

4.1 Recyclable Quantity and Throughput

- 4.1.1 Under the Recycling Fund, the Grantees' operation shall be subject to two phases of quantity audit, namely:-
 - (a) baseline quantity audit, to be conducted upon accepting the offer of the Recycling Fund; and
 - (b) performance target quantity audit, to be conducted within two months upon completion of project.

- 4.1.2 For baseline, the Grantees shall determine the target recyclable quantity and throughput which should cover **at least 3 months prior to the month of the application form submitted** by the Grantees and file the all relevant records of these months.
- 4.1.3 Factors of production possessed by the Grantees in determining such baseline, such as number of employees, number and type of machinery and equipment including transport means, should also be demonstrated with documentation support. Other documentation in support of the methodology of determining the baseline, processes involved for delivering ultimate throughput and details of the site (e.g. location, size, etc.) shall also be retained for verification purposes.
- 4.1.4 The Grantees shall provide the percentage mix of recyclable collected from import and local source as well as wastage quantity or ratio of collected recyclables for baseline quantity (if applicable) in order to measure the actual increase in the recyclable possibly diverted from landfills in Hong Kong after the Recycling Fund project.
- 4.1.5 After the completion of the Recycling Fund, the Grantees shall present the performance target recyclable quantity (e.g. collection of recyclables) and throughput (e.g. production and sales of recycled products / processed recyclables) as well as wastage quantity for the entire duration of the Recycling Fund project and file all the relevant records.
- 4.1.6 The Grantees shall retain all relevant documented information, including sales invoices, work orders, production records, materials balance summary, etc., used for determining the baseline quantity and specifications, either in printed or electronic form, and should be able to present such information clearly on request by the Auditors and party authorized by the Secretariat with respect to the Recycling Fund project.

Example 1:

A Grantee presented the following data to the Auditors for its collection of waste paper for the preceding 3 months prior to the month of application form submitted by the Grantee in April.

Operation: Collection

Month	Amount of Waste Paper Collected (kg)
January	16,000
February	18,000
March	20,000
Total	54,000

The Grantee shall provide **where** the figures came from (**source**), e.g. weighing records, sales

The Grantee shall provide **how** this figure could be reached (**methodology**), e.g. sum of the monthly quantity, projection of monthly quantity etc.

Information that can be extracted from the above case:

Baseline quantity and throughput: collection of 54,000 kg of waste paper

4.2 Production confined to the prescribed premises

- 4.2.1 The Grantees shall ensure that activities related to recyclables such as collection, processing and production, are held at premises as prescribed in the approved fund application or as appropriate.

Example:

A Grantee purchased through the Fund two Machines A and one Machine B which can generate 20 kg and 40 kg of processed paper per hour respectively according to the operational manual and operator. Using the equipment above, the Grantee claimed that 210,000 kg of recycled paper or the Recycling Fund project were processed within 300 working days and 10 hours per day last year.

Information that can be extracted from the above case:

Equipment capacity of Machine A: 20 kg of paper per hour

Equipment capacity of Machine B: 40 kg of paper per hour

Overall Equipment capacity: $20 \times 2 + 40 \times 1 = 80$ kg of paper per hour

Estimated hourly production: $210,000 \text{ kg/year} \div 300 \text{ days/year} \div 10 \text{ hours/day} = 70 \text{ kg}$

As the estimated hourly production is within the equipment capacity, so the processed amount claimed by the Grantee is reasonable and the facility has the capability to support the processes as prescribed in approved fund application.

- 4.2.2 The Grantees shall separate recyclables prescribed in the approved fund application from other recyclables to prevent mixing of such materials and the Grantees can either:
- make sure that no process of the Project is held in facilities other than that prescribed in the fund application form; or
 - clearly label received recyclables (e.g. date of receipt/produced; quantity of recyclables; and appropriate identification, etc.) for segregation and traceability purposes.

Example:

A Grantee used the Fund to purchase and install two sets of machinery in Site A according to the approved fund application. However, the two sets of machinery shall appear in Site A and not be operated in sites other than Site A. The Grantee shall ensure their employees are aware of the purchased machinery shall only be used in Site A and avoid recyclables from other sites to be processed by the purchased machinery in Site A.

4.3 Traceability of recyclable

- 4.3.1 For each recyclable throughput category, the Grantees shall establish an up-to-date materials balance summary with the percentage by weight. The summary shall include the following:

For inputs:

- a) references of supplier documentation (where applicable);
- b) quantities received and kept in stock (by weight); and
- c) recyclable category and, if applicable, percentage by weight.

For outputs:

- a) references of sales documentation (where applicable);
- b) quantities sold and kept in stock (by weight);
- c) residues disposed of or sold and kept in stock (by weight);
- d) recyclable category and, if applicable, percentage by weight; and
- e) information to identify the output item in sales documentation.

- 4.3.2 Before processing and after receiving recyclables within the scope of the Recycling Fund project, the Grantees shall verify all recyclables through visual inspection or other practical means and retain relevant objective evidence that the recyclables comply with supplier documentation for the following:

- a) supplied quantities of the associated percentage (by weight);
- b) categories of recyclables supplied; and
- c) date when the incoming materials were collected.

- 4.3.3 The Grantees shall ensure that all sales invoices and delivery note (if applicable) issued for recyclable outputs sold include the following information:

- a) name and contact details of the Grantees;
- b) name and address of the customer;
- c) date when the document was issued;
- d) description of the recyclable throughputs and, if applicable, percentage by weight;

- e) quantity of recyclable throughputs sold; and
- f) clear indication of the recyclable throughputs' categories.

4.4 Prescribed operation

4.4.1 The Grantees should provide objective evidence that the Fund was used solely and exclusively for the purposes specified in the approved fund application. The matrix factors of production listed below as funded, including machinery and equipment, shall be gainfully deployed to sustain the recycling operation towards the production of committed recyclable quantity under the Fund as in the approved application form.

- a) recruitment of personnel;
- b) procurement of service;
- c) purchase and maintenance of equipment; and/or
- d) any other operation(s) and purpose(s) as in the approved fund application or as approved by the Secretariat / RFAC.

4.4.2 The Grantees shall retain documented information related to the operations and/or purposes stated in Clause 4.4.1.

Example:

A Grantee recruited three workers for operation and control of one newly built infrastructure for waste paper processing, two sets of newly purchased machinery with the Fund to carry out the recycling operation related to the recyclable quantity as in the approved application form. The Grantee also engaged consultants with the Fund to provide professional opinion on how to utilize the newly acquired resources.

Information that can be extracted from the above case is as follows:

- a) employee contracts, payroll, presence of the three employees, etc.;
- b) contract signed with contractor with technical specification, inspection of built infrastructure, etc.;
- c) receipts / sales invoices, payment record, contract signed, etc.;
- d) sales invoices, quotation with technical specification, purchased machinery, etc

4.5 Source of additional recyclables

4.5.1 The Grantees shall demonstrate that recyclables committed in the Recycling Fund project are collected from the sources as in the approved fund application. The Grantees should maintain supporting records and documents, such as supplier invoices, receipts to walk-in suppliers, etc, in which to consist the following information:-

- a) date of receiving the recyclables;
- b) categories of recyclables supplied;
- c) name and nature of supplier (e.g. purchaser / collector from point of refuse, trader, walk-in supplier, etc.); and
- d) contact details and address of the supplier (where applicable)

Example:

(GRANTEE'S REGISTERED NAME)		
Address: XXX		
Telephone No.: 2345 6789 Fax. No.: 2987 5432		
80-tonne Weighbridge		
Certificate No.: 1234/a-56789	Serial No.: 000001	
Date	02 Jan 2016	Date of receiving the recyclables
Time	09:00	
Vehicle License No.	AA 1234	
Gross Weight (kg)	10,000	
Tare Weight (kg)	0	
Net Weight (kg)	10,000	Weight of recyclables
Fee	\$ 10,000	
Remarks:		Categories of Recyclables, Supplier Information
Categories of Recyclables: Metal - Copper and zinc pipes Supplier: Mr. CHAN, XXX Company, Tel. No. 2233 4455		

Any information as required in the Requirements on Recyclable Quantity Achievement with respect to the Grantee's operation and the approved fund application shall be retained either in the supplier documentation (such as the 'Remarks' Section in the weight note shown above) or in separate records such as logbooks and materials balance summary.

5. General Notes of Quantity Audit

5.1 Course of Audit

- 5.1.1 The Grantees shall cooperate with the Auditors and any party authorized by the Secretariat with respect to the Recycling Fund project by preparing the necessary documentation for verification during the Quantity Audit as per the Requirements on Recyclable Quantity Achievement.

- 5.1.2 The Grantees shall provide truthful and complete information for verification as requested by the Auditors and any party authorized by the Secretariat with respect to the Recycling Fund project. The Secretariat reserves the right to pursue any misrepresentation of data and information with respect to the Recycling Fund project.
- 5.1.3 Objective evidence (e.g. documented information, interview content, photos taken) collected by the Auditors and party authorized by the Secretariat with respect to the Recycling Fund project would remain confidential and would only be used for reporting purposes.
- 5.1.4 All findings are categorized as non-conformities or observations:
- a) An **observation** is made when at early stages such problem does not yet constitutes a non-conformity, but the Auditors consider that it may lead to a future non-conformity if not addressed by the Grantees. Such observations should be recorded in the auditor's report as "observations" for the benefit of the Grantees.

Examples (including but not limited to):

- ✧ All documentation for supporting the prescribed quantity of recyclables in the Fund Application Form could be retrieved. However, the management representative spent much time retrieving such information due to lack of a comprehensive bookkeeping system
- ✧ No discrepancy between the actual and prescribed quantity in the Fund Application, but the methodology used for determining such quantity can be presented in a systematic way

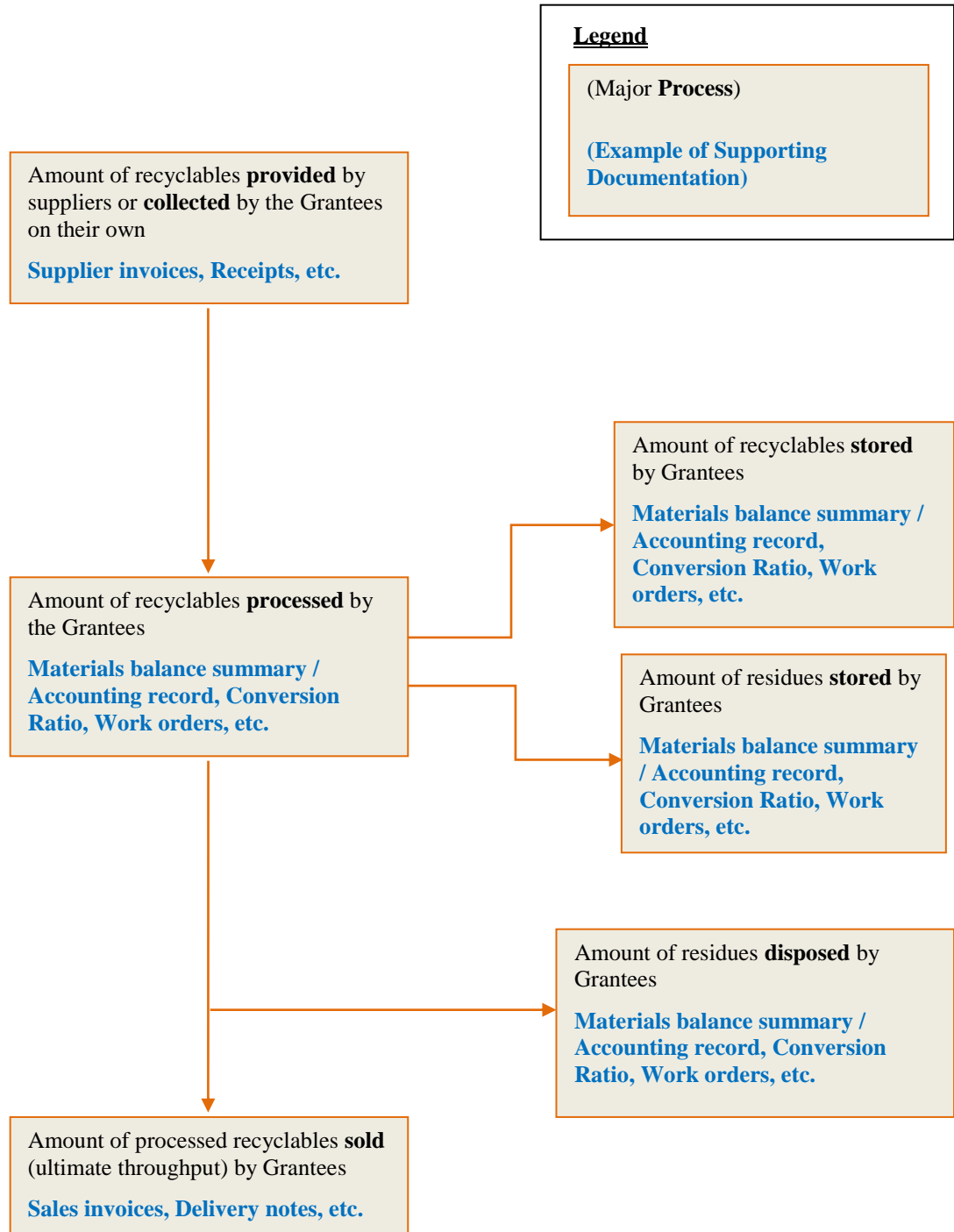
- b) A **non-conformity** is raised where findings appear both on combinations of or either:
 - observable lapses have been identified; and/or
 - a non-conformity that can be potentially or is systematically repeated, and/or
 - it can result, or has already resulted, in a failure to comply with the Requirements on Recyclable Quantity Achievement.

Examples (including but not limited to):

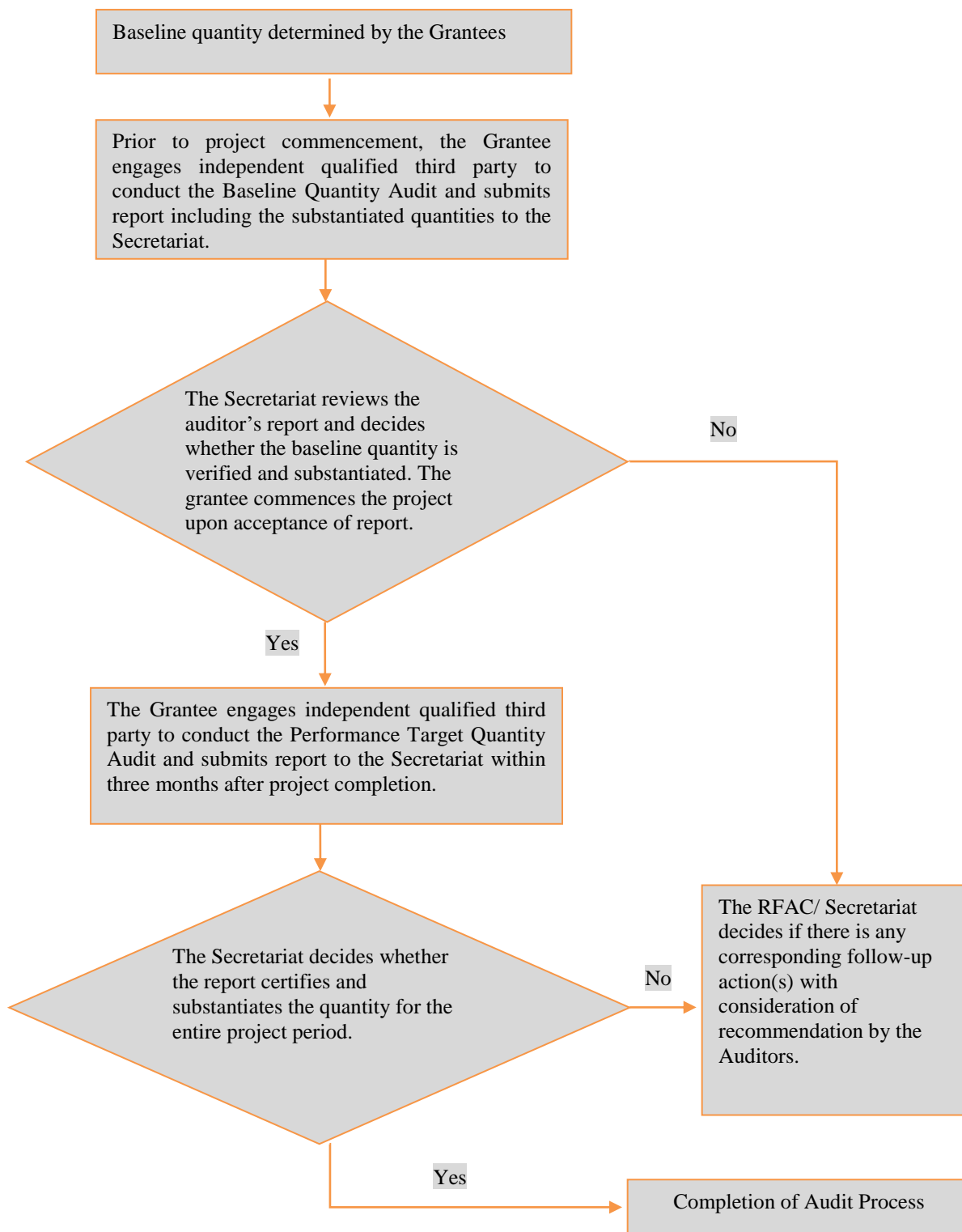
- ✧ Significant deviation between the quantity stated by the applicant and the quantity determined by the auditors
- ✧ The activities related to recyclables for the Recycling Fund project are not held at the premises as prescribed in the approved fund application
- ✧ No documentation for supporting the prescribed quantity of recyclables for the Recycling Fund project could be retrieved
- ✧ Fund not used for the prescribed operations and/or purposes specified in the approved Fund application
- ✧ Additional quantities for the Recycling Fund project are not collected from the sources specified in the approved fund application, thus not possibly achieving waste diversion from landfills in Hong Kong

- 5.1.5 The Grantees shall engage an independent qualified third party for conducting the Quantity Audit and submit the associated auditor's report to the Secretariat. In case of any non-conformity raised by the Auditors, the Grantees shall carry out any follow-up actions within the established timelines according to the decision of the Secretariat.
- 5.1.6 In case there is any ambiguity regarding the terms and conditions of the grant under the Recycling Fund that has a significant effect upon the auditor's reporting on the subject matters, the Auditors or engagement partners should assist the Grantees to seek clarification with the Secretariat.
- 5.1.7 The Secretariat reserves the right to require the Grantees to conduct further audit to facilitate the considerations by the Secretariat and RFAC.
- 5.1.8 The Grantees are not entitled to seek reimbursement for the audit fee for the quantity audit as in the approved fund application if the auditor's report expresses non-conformity or fails to demonstrate the recyclable quantity achievement required for whatever reasons and so, is not accepted by the Secretariat or RFAC.

Major Processes of Determining Performance Target Recyclable Quantity



Process of Quantity Audit



Template and Example of Materials Balance Summary

XX Recycle Company Limited Monthly Materials Balance Summary

Notes:

1. Recycler can revise this form and expand the table based on its operation and the approved Recycling Fund project.
2. Recycler shall indicate the 'opening stock' carried forward from the preceding period at the beginning of each month and provide the 'closing stock' by the end of each month. The 'closing stock' will then be the 'opening stock' for the next period.
3. Recycler shall fill in its daily operation by each type of recyclable or recycled product in each row. (Please refer to the sample.)
4. Please use standard weight unit (eg. kg, tonne) to complete the form.

Month for Record (MM/YY) : _____

Date	Daily Total (Please choose the weight unit used in the summary table, kg / tonne/ Others: _____)										Remarks
	Collection				Production/ Delivery						
	Recyclable Type	Collection Quantity	Transaction/ Buying Amount (HK\$)	Recyclable Collection Ref. No. (Appendix 1A & 1B)	Recyclable Product Type	Production Quantity	Delivery Quantity	Transaction/ Selling Amount (HK\$)	Delivery Ref. No. (Appdenix 2)	Residual Waste Quantity	
Opening Stock											

Remark: The Grantees may devise their own materials balance summary to exhibit their material process flow of the project to give coherence to input, storage, processing and output. The auditor should verify supporting evidences to ensure the alignment of material process flow for the Grantees.

- End of document -