

**GUIDE FOR FINANCIAL MANAGEMENT
FOR
MANAGING AGENTS
FOR STRATA TITLED DEVELOPMENTS**

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DEFINITION

In the context of the this Guide, the following definitions shall apply:

"BMSMA" means Building Maintenance & Strata Management Act

"Client/s" means the duly elected Council and/or Management Corporation (MC) constituted under the BMSMA

"General Meeting" means Annual general meeting (AGM) and/or Extra-ordinary General Meeting (EOGM) duly convened in compliance with the BMSMA.

"Managing Agent (MA)" means a managing agent appointed by a management corporation under BMSMA

"Manager" means a director or a senior officer of the Managing Agent

"Management Fund(MF) and Sinking Fund (SF)" means funds levied under the BMSMA

"Property Executive (PE)" means a Property Executive employed by the Managing Agent and includes Complex/Building Managers and Building Supervisors

"Staff" means personnel in the payroll of the Managing Agent

"Service Contractor" means contractor/s or supplier/s employed by the client.

"Subsidiary Proprietor/s (SP/s)" means the registered subsidiary proprietor of a strata lot and more particularly defined in the BMSMA.

"Services" means any service required of a Management Corporation for carrying out its functions under the BMSMA or any other Act and includes:

- (a) the maintenance and repair of any building or part thereof;
- (b) the testing and maintenance of any electrical or mechanical plant or equipment;
- (c) the maintenance and repair of furniture and office machines;
- (d) the provision of telephone communications;
- (e) the routine servicing, repair and overhaul of vehicles;
- (f) consultancy or managing agent services;
- (g) pest control services or conservancy or cleaning services; or
- (h) the printing of document, forms, newsletters and other printed materials;

"Temporary Occupation Permit (TOP)" means a temporary occupation permit granted under section 21 (2) of the Building Control Act (Cap 29);

1. MANAGEMENT FUND

- a. A MF is established under Section 38 of BMSMA for regular maintenance of the common property and in particular for the purposes listed in this Section 39.
- b. A MF budget helps to plan the amount of money required for each cost category for a specific time period, based on historical data, past experience, current information and assumptions about the future;
- c. First time budgets shall be based on forecast expenses based on costs of comparable developments;
- d. A MF budget shall be provided for the Client's approval within reasonable period prior to each Annual General Meeting;
- e. The MF to be levied on each SP shall be determined by an ordinary resolution passed at a general meeting in accordance with the BMSMA.
- f. A MF budgets should be provided in a format that provides for reasonable information to enable Client/s and SPs to compare it with the last issued certified accounts;
- g. A review of the MF budget should be carried out mid-year of the financial period for reporting of any potential variance from the budgeted incomes or expenses should be reported to the Client/s
- h. Subject to approval, excessive accumulated surplus in MF should be transferred to the SF account if there is no planning in any capital expenditures.

2. SINKING FUND

- a. A SF is established under section 38 for expenditure of a capital or non-recurrent nature and more particular for the purposes listed in Section 39 of the BMSMA;
- b. A SF is established to replace major items listed under Section 39 of the BMSMA so that the building continues to be functional over its useful life.
- c. A SF is not intended to replace the entire structure of the building as it reaches the end of its useful life;
- d. The SF to be levied on each SP shall be determined by an ordinary resolution passed at a general meeting in accordance with the BMSMA.
- e. The SF should be funded annually (herein known as Annual Provision) to ensure that the MC has enough money to replace items as needed. This Annual Provision doesn't provide an exact accounting for each item, rather it is meant to provide a flow of funds over a number of years that allows the MC to replace assets as they wear out;
- f. The Annual Provision should be calculated using capital cost of eligible items over their estimated useful life. The original cost is the current cost of eligible replacement items at the time of TOP.
- g. Reviews should be conducted once every three (3) years to ensure that the Annual Provision and the SF balances continue to meet funding requirements for major replacements.

3. LATE PAYMENT INTEREST

- a. A late payment interest at such rate to be determined by a general meeting duly convened for that purpose, shall be levied on SPs against arrears owed after 30 days from due date of the monies.
- b. The interest rate charged shall not contravene any prevailing legislation;
- c. Standard procedure should be set up for application for waiver of interest of late payment.

4. CHEQUE SIGNATORIES

- b. Cheques should be signed only by at least 2 approved cheques signatories, Treasurer and Chairman or Secretary or such Council Member authorized by Client;
- c. For larger sums, 3 or more signatures should be considered.
- d. MA should not be any of the cheque signatories.

5. STATEMENT OF ACCOUNTS

- a. The financial statement should be prepared in accordance with the Singapore Accounting Standards;
- b. Journal entries should only be made with the knowledge of an authorised officer of the MA and in accordance with procedures spelt in the Singapore Accounting Standards;
- c. The financial statements should provide for information showing the income and expenditure for that month/year against the budget approved by the general meeting;
- d. Financial statements should be tabled at Council Meetings for reading.

6. AUDITED ACCOUNTS

- a. No person shall be appointed as an auditor of an MC unless he is an approved company auditor under the Companies Act ;
- b. The auditor shall be appointed at each annual general meeting of the MC and if not, to be appointed by the Council within three (3) months of the AGM.
- c. The first draft of the audited accounts should be ready not less than one month before the date of the AGM
- d. A copy of the signed audited accounts should be attached to the notice of the AGM.

7. ISSUE OF RECEIPT

- a. Only an authorized person is authorised to receive cash presented by any subsidiary proprietor or occupier for payment to the Client.
- b. Where cash payment is to be collected at site where there is no management office, temporary receipt or its equivalent should be issued by the authorized person.
- c. Cash collected at site should be banked into the bank account or submitted to the MA office as soon as possible.

8. AUTHORITY TO INCUR EXPENDITURE

- a. The authority for the MA to incur expenditure for any one item and its financial limits should be established; .
- b. In the circumstance of an emergency when an MA or an officer authorised by him may, commit any one item of expenditure that exceeds its financial limit, a report shall be made as soon as possible to the Client. Where possible, verbal approval of the Chairman or such council member authorised by the Council, shall be obtained before the commitment is made;
- c. Approval referred to in Clause 8(a) shall be obtained before any payment is disbursed.

9. PAYMENT VOUCHERS

- a. Each voucher shall contain full particulars of each purchase or service, including dates, numbers, quantities, distances and rates, so as to be comprehensive without reference to any document other than those attached thereto.
- b. Where the voucher relates to the purchase of an item required to be recorded in inventory, the asset number is to be entered on the payment voucher before it is forwarded for payment.
- c. The name of payee shall be stated in the voucher.
- d. Vouchers shall not be made in favour of more than one person or firm except where more than one person or firm are parties to a contract or to one transaction.
- e. In all cases of goods purchased through a tradesman or services rendered by an individual, his name must appear on the voucher as the person who actually performed the service or to whom payment is due.
- f. Where the payee is an individual, the identity card number shall be shown on the voucher.
- g. Where the identity card number is not available, the address shall be stated.

10. PETTY CASH ACCOUNT

- a. Petty cash floats of fixed amounts may be held by any officer authorised by the MA.
- b. Where possible, properly receipted bills must support petty cash payments.
- c. Every officer who receives a petty cash float must keep a petty cash book showing all amounts received and paid.
- d. All vouchers must be consecutively numbered and entered on the day on which they are paid, and the proper account code entered against them.
- e. When replenishment of a petty cash is necessary, vouchers for all payments, supported by a petty cash reimbursement form which should be serially numbered, shall be submitted.

11. PAYMENT BY CHEQUES

- a. Unless otherwise, all cheques shall be crossed.
- b. Where the payee requests for payment in cash or by uncrossed cheque, the officer responsible for payment shall, by reference to the payee's identity card, the number of which he shall note on the voucher, satisfy himself as to the identity of the payee.
- c. In all cases of payment by cash or uncrossed cheque, the Manager or representative authorised by the MA shall witness the payment and, at the same time, verify by actual sighting of the identity card the particulars of the payee's identity card with that on the payment voucher.

12. ACCOUNTS, AUDIT AND CASH

- a. No alterations or erasures, except as in the manner described in this Guide, shall be made in vouchers or other documents or accounts.
- b. Payment under any document bearing an irregular alteration or erasure may be refused.
- c. Where corrections are necessary, the original figure should be crossed through by a line only, so as to show clearly what the figures originally entered were, and the correct figures placed close to the original ones, the correction being initialed by the Manager or an authorised officer of the MA.
- d. Under no circumstances are alterations or erasures to be made to audited figures.
- e. Any cash balance shortfall discovered shall be reported to the Client;
- f. Where no negligence or fraud is involved, the authority to write-off any claim in any one case in respect of arrears of revenue, debt due to the Client, overpayment reported as irrecoverable etc, shall tabled for approval.