

# Lotteries Fund

## REPORT OF THE DIRECTOR OF AUDIT



### **Audit Commission**

The Government of the Hong Kong Special Administrative Region

### **Independent Audit Report To the President of the Legislative Council**

I certify that I have examined and audited the financial statements of the Lotteries Fund set out on pages 96 to 101, which comprise the statement of assets and liabilities as at 31 March 2015, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Director of Accounting Services' responsibility for the financial statements**

Under section 7(1) of the Government Lotteries Ordinance (Cap. 334), the Director of Accounting Services is responsible for the preparation of the statement of the accounts which includes a receipts and payments account and a statement of assets and liabilities. In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is also responsible for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

### **Auditor's responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 7(1A) of the Government Lotteries Ordinance and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements of the Lotteries Fund for the year ended 31 March 2015 are prepared, in all material respects, in accordance with section 7(1) of the Government Lotteries Ordinance.

David Sun  
Director of Audit

27 October 2015

Audit Commission  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

# Lotteries Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	21,622,033	21,230,854
Cash and bank balances		1	1
		<b>21,622,034</b>	21,230,855
<b>Liabilities</b>			
Deposits	4	(2,444)	(57,785)
		<b>21,619,590</b>	21,173,070
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		21,173,070	10,228,276
Surplus for the year		446,520	10,944,794
Balance at end of year	5	<b>21,619,590</b>	21,173,070

Notes 1 to 8 form part of these financial statements.

**Martin SIU**  
Director of Accounting Services  
20 August 2015



# Lotteries Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Cash and bank balances at beginning of year</b>		<b>1</b>	<b>1</b>
Receipts	6	1,322,168	11,756,858
Payments	7	(875,648)	(812,064)
<b>Surplus for the year</b>		<b>446,520</b>	<b>10,944,794</b>
<b>Other cash movements</b>	8	<b>(446,520)</b>	<b>(10,944,794)</b>
<b>Cash and bank balances at end of year</b>		<b>1</b>	<b>1</b>

Notes 1 to 8 form part of these financial statements.

**Martin SIU**  
Director of Accounting Services  
20 August 2015



# Lotteries Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Purpose and Legislation

The Lotteries Fund finances social welfare services by grants, loans and advances. It was established with effect from 30 June 1965 by a Resolution (hereinafter referred to as the Resolution) passed by the Legislative Council on the same date and subsequently deemed to have been established under section 29(3) of the Public Finance Ordinance (Cap. 2). The financial statements of the Fund are prepared in accordance with section 7 of the Government Lotteries Ordinance (Cap. 334).

### 2. Accounting Policy

The accounts of the Lotteries Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid. The Statement of Assets and Liabilities of the Fund excludes fixed assets, loans, investments other than those made under paragraph 2 of the Resolution, and debtors and creditors other than those deposits referred to in the Note 4 below.

### 3. Investments with the Exchange Fund

(i) These are investments and deposits held under paragraph 2 of the Resolution:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Investments (Notes (ii) and (iii) below)	<b>21,621,933</b>	21,230,754
Deposits	<b>100</b>	100
	<b>21,622,033</b>	21,230,854

(ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher. The annual investment income is receivable on 31 December of each year.

(iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$700 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

### 4. Deposits

These are moneys received from time to time from individuals or organisations for a variety of reasons and are in due course either repayable or transferable for credit to the Fund:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Donations	<b>521</b>	56,304
Contract retention money	<b>1,923</b>	1,481
	<b>2,444</b>	57,785

# Lotteries Fund

## 5. Commitments

The approved grants that were unpaid were as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Grants	<b>3,778,716</b>	3,994,158

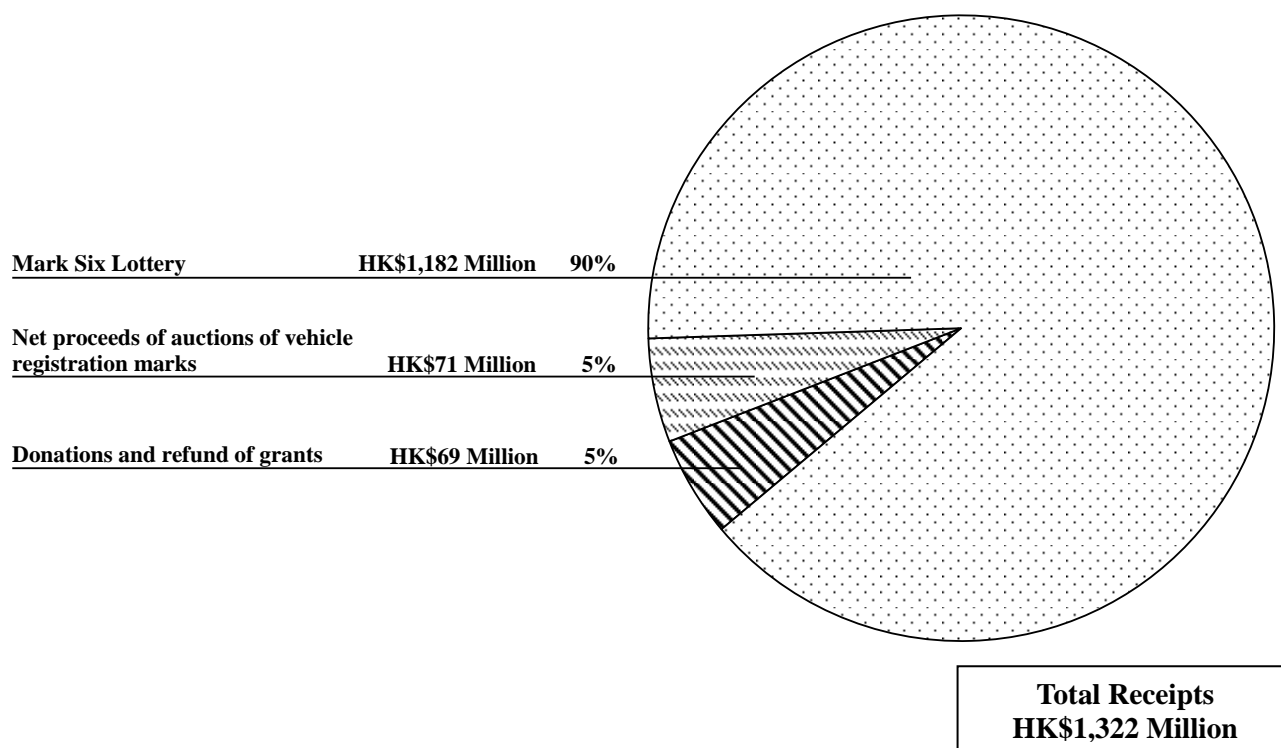
## 6. Receipts

	<b>2015</b>		2014
	Original Estimate HK\$'000	<b>Actual</b> <b>HK\$'000</b>	Actual HK\$'000
Mark Six Lottery	1,162,608	<b>1,182,210</b>	1,158,703
Investment income			
Investments with the Exchange Fund (Note (i) below)	731,000	-	518,396
Net proceeds of auctions of vehicle registration marks	54,054	<b>70,903</b>	76,817
Donations	10,071	<b>69,028</b>	2,866
Refund of grants	-	<b>27</b>	76
Transfer from General Revenue	-	-	10,000,000
	<u>1,957,733</u>	<u><b>1,322,168</b></u>	<u>11,756,858</u>

- (i) The HK\$700 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

# Lotteries Fund

## Analysis of Receipts for the year ended 31 March 2015



## 7. Payments

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	890,039	875,648	812,064
Additional commitments	116,689	-	-
	<u>1,006,728</u>	<u>875,648</u>	<u>812,064</u>

## 8. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities:

	2015 HK\$'000	2014 HK\$'000
<b>Increase in Assets</b>		
Investments with the Exchange Fund	391,179	10,942,758
<b>Reduction in Liabilities</b>		
Deposits	55,341	2,036
	<u>446,520</u>	<u>10,944,794</u>

# Lotteries Fund

Receipts, Payments and Fund Balance for the years ended 31 March 2006 to 2015

HK\$Million

