

INTRODUCTION

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The Accounts of the Government

The Accounts of the Government comprise the financial statements of the Government's General Revenue Account (GRA) and the following Funds established or deemed to have been established under section 29 of the Public Finance Ordinance (Chapter 2 of the Laws of Hong Kong):

- Capital Works Reserve Fund
- Capital Investment Fund
- Civil Service Pension Reserve Fund
- Disaster Relief Fund
- Innovation and Technology Fund
- Land Fund
- Loan Fund
- Lotteries Fund
- Bond Fund

The purposes of the GRA and the Funds above are explained in their respective financial statements.

The Consolidated Account

2. In addition, this book includes a set of financial statements consolidating the GRA and all the Funds above except the Bond Fund. These consolidated statements, referred to collectively as the Consolidated Account, show the overall position of the Government's fiscal reserves. The Consolidated Account excludes the Bond Fund, the balance of which is not part of the fiscal reserves.

Statutory Reporting Requirements

3. Under the Audit Ordinance (Chapter 122 of the Laws of Hong Kong), the Director of Accounting Services is required to transmit to the Director of Audit, within five months of the end of a financial year, a statement of the assets and liabilities as well as a statement of the receipts and payments in respect of the GRA and each of the Funds above except the Lotteries Fund. The Lotteries Fund is reported and audited separately under the Government Lotteries Ordinance (Chapter 334 of the Laws of Hong Kong).

Objectives and Basis of Accounting

4. The payments which the Government is permitted to make in any financial year are limited to those approved by the Legislative Council under the Public Finance Ordinance and the Appropriation Ordinance. In approving the estimates of expenditure, the Legislative Council also approves the purposes (as defined by the ambit of each subhead) for which payments can be made.

5. The accounts submitted to the Director of Audit are prepared mainly on a cash basis. The cash-based accounts serve both to demonstrate that moneys have been paid within the limits and ambits approved by the Legislature and to satisfy the statutory requirement for the production of statements of receipts and payments.

6. The cash-based accounts are modified in the case of the Capital Investment Fund and the Loan Fund to include the values of assets and liabilities in these respective accounts.

7. In addition to the accounts presented in this book, the Government separately publishes a set of consolidated financial statements prepared on an accrual basis to present the overall financial performance and position of the Government. The Government also publishes separate sets of accrual-based accounts for services which are commercial in nature. For example, the accounts of Trading Funds are prepared on an accrual basis as required by the Trading Funds Ordinance (Chapter 430 of the Laws of Hong Kong). The Trading Funds in operation at present are Companies Registry, Electrical and Mechanical Services, Land Registry, Office of the Communications Authority and Post Office. Although not required statutorily, a similar method of presentation is used for the accounts of Government utilities such as sewage services and ferry terminals, which are accessible on the websites of the relevant government departments.

Martin SIU

Director of Accounting Services

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