

General Revenue Account

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 General Revenue Account set out on pages 18 to 29, which comprise the statement of assets and liabilities as at 31 March 2009, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, 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 12(1) of the Audit Ordinance (Cap. 122) 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 as to 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 and proper presentation 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 properly present the assets and liabilities of the General Revenue Account as at 31 March 2009 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

27 October 2009

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

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2009

	Note	2009 \$'000	2008 \$'000
Assets			
Investments with the Exchange Fund	3	269,515,582	255,527,390
Deposits with banks	4	382,899	456,223
Cash and bank balances	5	3,288,404	4,658,772
Advances	6	2,383,800	2,086,076
Suspense Accounts	7	42,707	39,869
		275,613,392	262,768,330
Liabilities			
Deposits	8	(16,930,754)	(16,527,360)
Suspense Accounts	7	(108,757)	(109,997)
	9	(17,039,511)	(16,637,357)
		<u>258,573,881</u>	<u>246,130,973</u>
Representing:			
General Revenue Balance			
Balance at 1 April 2008		246,130,973	147,436,644
Surplus for the year		12,442,908	98,694,329
Balance at 31 March 2009	10	<u>258,573,881</u>	<u>246,130,973</u>

The accompanying Notes 1 to 13 form part of these accounts.

LI Kwok-tso
Director of Accounting Services
14 August 2009



General Revenue Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 \$'000	2008 \$'000
Cash and bank balances at 1 April 2008		4,658,772	3,090,671
Revenue	11	273,237,220	306,480,475
Expenditure	12	(260,794,312)	(207,786,146)
Surplus for the year		12,442,908	98,694,329
Other cash movements	13	(13,813,276)	(97,126,228)
Cash and bank balances at 31 March 2009		3,288,404	4,658,772

The accompanying Notes 1 to 13 form part of these accounts.

LI Kwok-tso
Director of Accounting Services
14 August 2009



General Revenue Account

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

- (i) The Public Finance Ordinance (Cap. 2) provides for the control and management of the public finances of Hong Kong and for incidental and connected purposes. The General Revenue Account records moneys raised or received for the purposes of the Government (except where provided otherwise in other Ordinances) and appropriations of expenditure in accordance with the Appropriation Ordinance and the Supplementary Appropriation Ordinance.
- (ii) The Statement of Assets and Liabilities and the Statement of Receipts and Payments of the General Revenue Account constitute the statement of the assets and liabilities and the annual statement of the receipts and payments of the Government as specified in section 11(1)(a) and (b) of the Audit Ordinance (Cap. 122). These Statements exclude the assets and liabilities and the receipts and payments of the Funds established under section 29 of the Public Finance Ordinance, viz Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund, for which separate statements of accounts are prepared.

2. Accounting Policies

- (i) The General Revenue Account is kept on a cash basis. Transactions are recorded when moneys are received or paid, whether they relate to recurrent or capital transactions. The Statement of Assets and Liabilities does not include fixed assets, loans, investments other than those made under section 26 of the Public Finance Ordinance, and debtors and creditors other than those covered by sections 20, 21, 22, 23, 24, 27 and 30 of the Public Finance Ordinance.
- (ii) For the purposes of these accounts, a contingent liability is defined as:
 - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
 - (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.
- (iii) Currency balances other than Hong Kong dollar are stated at weighted average cost.

3. Investments with the Exchange Fund

- (i) These are investments and deposits held under section 26 of the Public Finance Ordinance:

	2009	2008
	\$'000	\$'000
Investments (see (ii) and (iii) below)	269,260,629	255,223,782
Deposits	254,953	303,608
	<u>269,515,582</u>	<u>255,527,390</u>

- (ii) The investments represent the cost of investments together with interest of \$23.15 billion received in the year ended 31 March 2009.
- (iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

General Revenue Account

4. Deposits with Banks

These are Hong Kong dollar and foreign currency deposits placed with licensed banks in Hong Kong for investment under section 26 of the Public Finance Ordinance:

	2009	2008
	\$'000	\$'000
Hong Kong dollar	187,576	249,501
Foreign currency	195,323	206,722
	382,899	456,223

5. Cash and Bank Balances

These balances cover cash in hand, in transit, with banks and agents, and with public officers for operating standing or special imprest accounts as provided under section 22 of the Public Finance Ordinance.

6. Advances

Advances are paid under the authority of warrants issued under section 20 of the Public Finance Ordinance for a variety of reasons and are either recoverable or chargeable to expenditure upon authority being given:

	2009	2008
	\$'000	\$'000
Expenditure on Vietnamese migrants (see (i) below)	1,161,991	1,161,991
Advances to Government officers	740,860	479,708
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	354,452	316,364
Others	126,497	128,013
	2,383,800	2,086,076

- (i) The sum of \$1,161.991 million is the outstanding balance of expenditure on Vietnamese migrants recoverable from the United Nations High Commissioner for Refugees (UNHCR). The last repayment, amounting to \$3.865 million, was received in February 1998. In January 1998, the High Commissioner for Refugees informed the Government of the Hong Kong Special Administrative Region (HKSAR) that in the absence of further funding prospects, the repayment in February 1998 was the last reimbursement that the UNHCR could realistically foresee. If the UNHCR defaults on repayment of the outstanding advances, the Government of the HKSAR will not be able to enforce repayment through legal means as the UNHCR is immune from suit under the International Organisations and Diplomatic Privileges Ordinance (Cap. 190). Consequently, the full recovery of the amount due is doubtful.

During the financial year 2008-09, the Government of the HKSAR continued to pursue the repayment of the outstanding advances from the UNHCR and to urge it to make renewed efforts to look for donations with a view to settling the amount. So far, the Government of the HKSAR has not received any further repayments.

Efforts to press the UNHCR for early settlement of the outstanding advances will continue.

General Revenue Account

7. Suspense Accounts

These Suspense Accounts are established under Resolutions passed by the Legislative Council under section 30 of the Public Finance Ordinance:

	2009 \$'000	2008 \$'000
Assets:		
Correctional Services Industries	36,583	33,836
Government Logistics Department — Unallocated Stores	6,124	6,033
	42,707	39,869
Liabilities:		
The Special Coin	(106,851)	(108,176)
The Financial Secretary Incorporated	(1,906)	(1,821)
	(108,757)	(109,997)
Net balance	(66,050)	(70,128)

The balances on the Correctional Services Industries Suspense Account and the Government Logistics Department — Unallocated Stores Suspense Account represent the cost of stocks in hand.

The balance on The Special Coin Suspense Account represents the unutilised balance of net proceeds arising from issuing and dealing with special and commemorative coins.

The balance on The Financial Secretary Incorporated Suspense Account represents the net amount arising from dealing with the regrant or renewal of Government Leases and managing the properties comprised therein.

8. Deposits

These are moneys received from time to time from individuals or organisations under sections 23 and 24 of the Public Finance Ordinance for a variety of reasons and are in due course either repayable or transferable to General Revenue:

	2009 \$'000	2008 \$'000
Tax reserve certificates	11,788,741	11,913,067
Water deposits	1,416,958	1,372,171
Tenancy deposits	960,314	842,079
Tax overpayments	472,640	318,295
Legal aid deposits	434,956	428,815
Private works	164,463	131,955
Receipts on behalf of non-departmental public bodies and trading funds	188	150
Others	1,692,494	1,520,828
	16,930,754	16,527,360

General Revenue Account

9. Liabilities

The following outstanding liabilities under the Loans Ordinance (Cap. 61) are not included in the Statement of Assets and Liabilities:

	2009 \$'000	2008 \$'000
Outstanding Toll Revenue Bond	<u>1,932,460</u>	<u>2,637,620</u>

Following a resolution passed under section 3(1) of the Loans Ordinance (Cap. 61), the Government issued in May 2004 a \$6 billion Toll Revenue Bond to Hong Kong Link 2004 Limited to be repaid by the net toll revenue receivable of the specified Government-owned tunnels and bridges. The net proceeds were credited to the Capital Works Reserve Fund. Of the outstanding Toll Revenue Bond, \$0.8 billion matured in May 2009 and the rest will mature by May 2016 but may be fully repaid before then. During the financial year, repayments of \$0.71 billion principal and payments of \$0.11 billion interest were made.

10. Contingent Liabilities

There are contingent liabilities as listed below, with the maximum amount of each liability as at 31 March 2009 indicated in brackets:

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (\$17,120 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (\$4,035 million);
- (iii) Guarantees provided under the Special Loan Guarantee Scheme (\$3,248 million); and
- (iv) Litigation (\$23 million).

11. Revenue

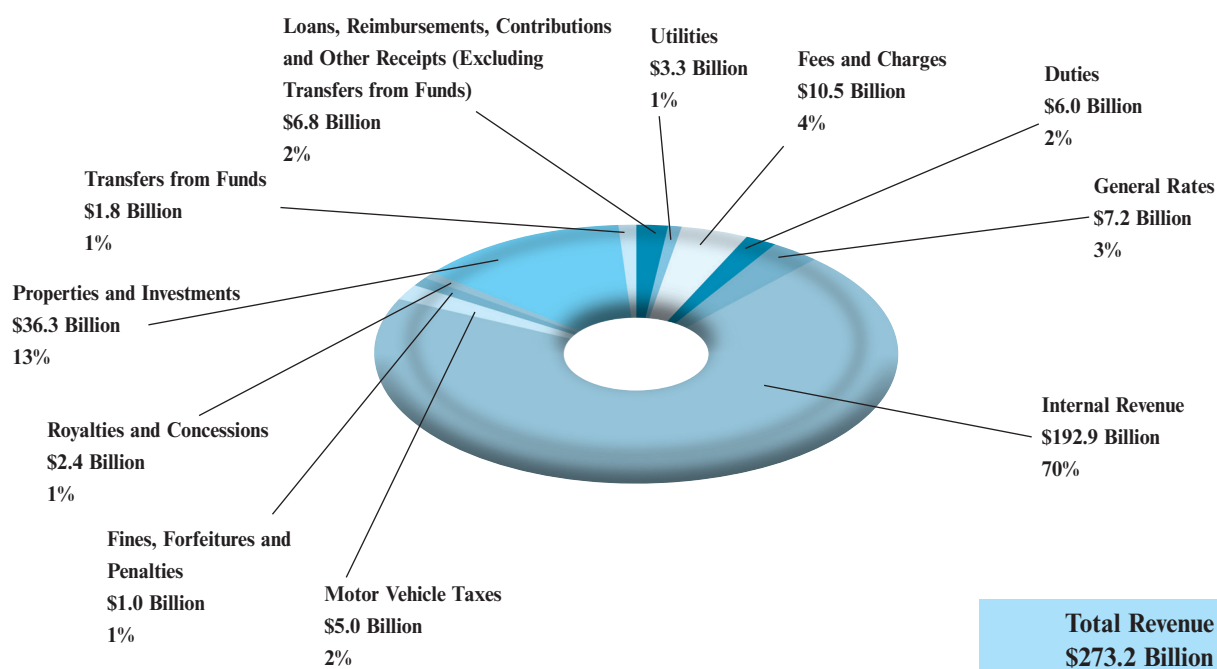
Analysis of total revenue by Head:

Head	2009				2008
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
1 Duties	6,198,696	6,046,654	(152,042)	(2.5)	7,059,525
2 General Rates	7,333,000	7,174,835	(158,165)	(2.2)	9,494,544
3 Internal Revenue	162,950,517	192,949,724	29,999,207	18.4	200,801,441
4 Motor Vehicle Taxes	5,570,100	4,980,925	(589,175)	(10.6)	5,552,874
5 Fines, Forfeitures and Penalties	1,013,477	1,006,391	(7,086)	(0.7)	996,968
6 Royalties and Concessions	870,914	2,389,088	1,518,174	174.3	863,270
7 Properties and Investments	35,239,322	36,306,289	1,066,967	3.0	28,078,385
9 Loans, Reimbursements, Contributions and Other Receipts	28,794,812	8,592,659	(20,202,153)	(70.2)	37,993,181
10 Utilities	3,514,019	3,320,350	(193,669)	(5.5)	3,343,639
11 Fees and Charges	10,394,037	10,470,305	76,268	0.7	12,296,648
Total	<u>261,878,894</u>	<u>273,237,220</u>	<u>11,358,326</u>	4.3	<u>306,480,475</u>

Further analysis of revenue appears in the Supporting Statements.

General Revenue Account

Analysis of Revenue for the year ended 31 March 2009



12. Expenditure

Analysis of total expenditure by Head:

Head	2009				2008
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
21 Chief Executive's Office	79,145	80,747	1,602	2.0	77,429
22 Agriculture, Fisheries and Conservation Department	897,545	1,080,906	183,361	20.4	1,458,086
25 Architectural Services Department	1,432,348	1,454,642	22,294	1.6	1,391,110
24 Audit Commission	119,263	120,442	1,179	1.0	114,522
23 Auxiliary Medical Service	63,633	63,888	255	0.4	59,738
82 Buildings Department	825,042	838,141	13,099	1.6	783,243
26 Census and Statistics Department	484,715	470,711	(14,004)	(2.9)	455,302
27 Civil Aid Service	80,831	82,156	1,325	1.6	72,324
28 Civil Aviation Department	677,479	668,315	(9,164)	(1.4)	605,238
33 Civil Engineering and Development Department	1,431,120	1,446,107	14,987	1.0	1,302,260
30 Correctional Services Department	2,539,155	2,627,500	88,345	3.5	2,484,866
31 Customs and Excise Department	2,308,147	2,288,494	(19,653)	(0.9)	2,052,986
37 Department of Health	3,344,211	3,351,167	6,956	0.2	3,075,435
92 Department of Justice	949,200	937,044	(12,156)	(1.3)	855,181
39 Drainage Services Department	1,638,608	1,680,147	41,539	2.5	1,601,314

General Revenue Account

12. Expenditure (Continued)

Head	2009				2008
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
42 Electrical and Mechanical Services Department	309,160	327,393	18,233	5.9	302,889
44 Environmental Protection Department	3,349,442	2,541,740	(807,702)	(24.1)	3,254,009
45 Fire Services Department	3,427,865	3,518,546	90,681	2.6	3,123,397
49 Food and Environmental Hygiene Department	4,390,654	4,617,041	226,387	5.2	3,863,520
46 General Expenses of the Civil Service	3,385,233	2,913,271	(471,962)	(13.9)	3,282,475
166 Government Flying Service	257,280	232,511	(24,769)	(9.6)	213,090
48 Government Laboratory	329,049	325,499	(3,550)	(1.1)	278,693
59 Government Logistics Department	448,883	440,237	(8,646)	(1.9)	422,942
51 Government Property Agency	1,805,428	1,672,778	(132,650)	(7.3)	1,622,697
143 Government Secretariat: Civil Service Bureau	397,937	413,908	15,971	4.0	405,983
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,180,197	1,172,507	(7,690)	(0.7)	962,679
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	63,609	72,883	9,274	14.6	64,346
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	345,684	337,664	(8,020)	(2.3)	218,182
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	96,604	296,475	199,871	206.9	84,086
159 Government Secretariat: Development Bureau (Works Branch)	221,117	199,554	(21,563)	(9.8)	181,876
156 Government Secretariat: Education Bureau	37,640,728	36,609,086	(1,031,642)	(2.7)	34,587,017
137 Government Secretariat: Environment Bureau	63,731	52,432	(11,299)	(17.7)	28,452
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	127,327	8,726,867	8,599,540	6,753.9	103,796

General Revenue Account

12. Expenditure (Continued)

Head	2009				2008
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)	188,737	3,422,595	3,233,858	1,713.4	170,869
139 Government Secretariat: Food and Health Bureau (Food Branch)	65,423	43,568	(21,855)	(33.4)	37,599
140 Government Secretariat: Food and Health Bureau (Health Branch)	30,762,021	32,990,350	2,228,329	7.2	30,020,597
53 Government Secretariat: Home Affairs Bureau	1,384,989	7,459,789	6,074,800	438.6	982,921
155 Government Secretariat: Innovation and Technology Commission	507,943	502,533	(5,410)	(1.1)	470,120
141 Government Secretariat: Labour and Welfare Bureau	498,688	468,650	(30,038)	(6.0)	842,952
47 Government Secretariat: Office of the Government Chief Information Officer	564,184	559,836	(4,348)	(0.8)	541,628
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	498,406	454,103	(44,303)	(8.9)	512,948
96 Government Secretariat: Overseas Economic and Trade Offices	310,907	278,198	(32,709)	(10.5)	274,394
151 Government Secretariat: Security Bureau	160,491	154,579	(5,912)	(3.7)	124,585
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	121,693	116,833	(4,860)	(4.0)	106,649
60 Highways Department	2,109,209	2,141,206	31,997	1.5	1,997,255
63 Home Affairs Department	1,547,250	1,511,036	(36,214)	(2.3)	1,268,951
168 Hong Kong Observatory	203,416	206,315	2,899	1.4	196,560
122 Hong Kong Police Force	11,913,550	12,239,394	325,844	2.7	11,515,456
62 Housing Department	125,553	2,638,648	2,513,095	2,001.6	116,736
70 Immigration Department	2,709,371	2,821,346	111,975	4.1	2,627,279
72 Independent Commission Against Corruption	756,887	750,071	(6,816)	(0.9)	696,940
121 Independent Police Complaints Council	16,526	17,361	835	5.1	15,206

General Revenue Account

12. Expenditure (Continued)

Head	2009				2008
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
74 Information Services Department	370,047	353,053	(16,994)	(4.6)	339,807
76 Inland Revenue Department	1,251,688	1,182,802	(68,886)	(5.5)	1,140,579
78 Intellectual Property Department	92,748	91,199	(1,549)	(1.7)	82,823
79 Invest Hong Kong	109,307	108,023	(1,284)	(1.2)	107,685
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	25,791	27,265	1,474	5.7	13,911
80 Judiciary	1,044,758	969,547	(75,211)	(7.2)	910,459
90 Labour Department	1,016,769	1,070,059	53,290	5.2	1,046,994
91 Lands Department	1,698,662	1,691,823	(6,839)	(0.4)	1,572,718
94 Legal Aid Department	758,863	661,163	(97,700)	(12.9)	646,780
112 Legislative Council Commission	385,927	399,269	13,342	3.5	358,389
95 Leisure and Cultural Services Department	5,054,876	5,097,452	42,576	0.8	4,961,859
100 Marine Department	918,973	915,454	(3,519)	(0.4)	879,430
106 Miscellaneous Services	40,887,954	46,580	(40,841,374)	(99.9)	81,541
114 Office of The Ombudsman	85,144	89,037	3,893	4.6	81,612
116 Official Receiver's Office	134,284	114,669	(19,615)	(14.6)	110,070
120 Pensions	16,525,011	15,699,877	(825,134)	(5.0)	14,736,368
118 Planning Department	468,647	459,879	(8,768)	(1.9)	435,600
136 Public Service Commission	17,886	18,138	252	1.4	15,597
160 Radio Television Hong Kong	490,757	470,758	(19,999)	(4.1)	432,145
162 Rating and Valuation Department	386,329	381,184	(5,145)	(1.3)	358,607
163 Registration and Electoral Office	352,739	323,385	(29,354)	(8.3)	229,203
169 Secretariat, Commissioner on Interception of Communications and Surveillance	11,524	10,129	(1,395)	(12.1)	8,653
170 Social Welfare Department	34,424,527	38,533,357	4,108,830	11.9	33,958,580
173 Student Financial Assistance Agency	3,649,222	3,550,987	(98,235)	(2.7)	3,258,269
180 Television and Entertainment Licensing Authority	147,820	132,447	(15,373)	(10.4)	105,128
181 Trade and Industry Department	454,395	541,867	87,472	19.3	435,954
186 Transport Department	1,108,874	1,089,278	(19,596)	(1.8)	916,735
188 Treasury	331,093	311,860	(19,233)	(5.8)	298,598

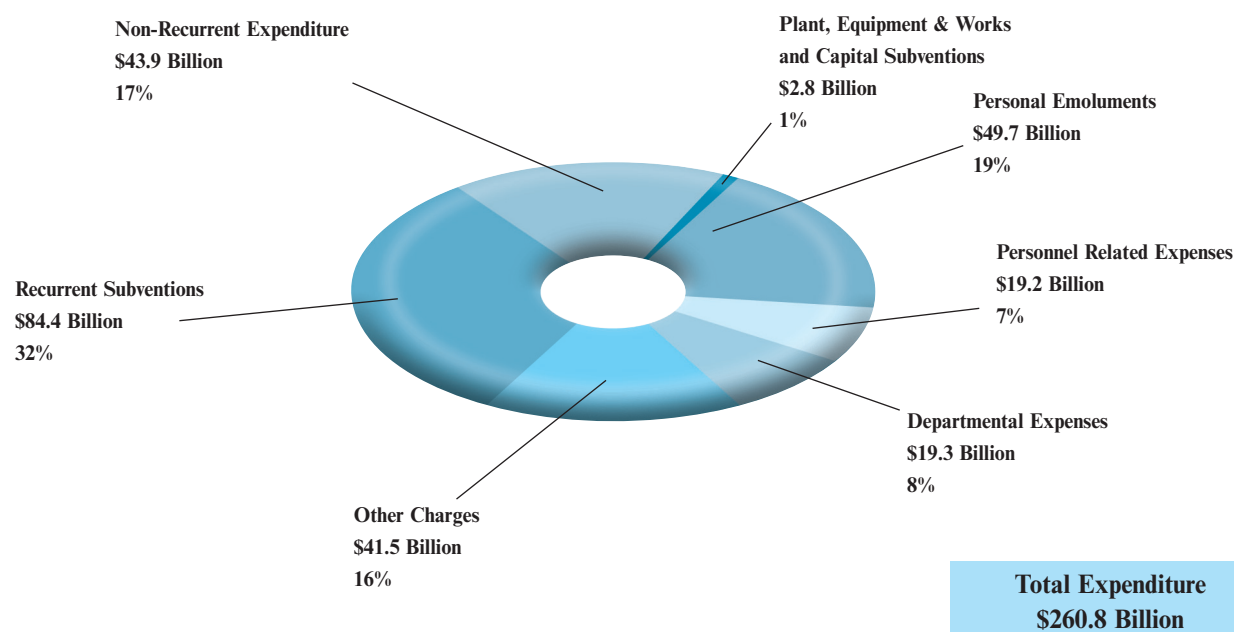
General Revenue Account

12. Expenditure (Continued)

Head	2009				2008
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
190 University Grants Committee	11,926,403	30,364,275	18,437,872	154.6	12,188,484
194 Water Supplies Department	5,139,042	5,302,286	163,244	3.2	5,146,135
Government Secretariat: Beijing Office	-	-	-	-	52,823
Government Secretariat: Economic Development and Labour Bureau (Economic Development Branch)	-	-	-	-	199,002
	258,425,674	260,444,312	2,018,638	0.8	207,019,346
184 Transfers to Funds	740,400	350,000	(390,400)	(52.7)	766,800
Total	259,166,074	260,794,312	1,628,238	0.6	207,786,146

Further analyses of expenditure appear in the Supporting Statements.

Analysis of Expenditure for the year ended 31 March 2009



General Revenue Account

13. Other Cash Movements

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

	2009 \$'000	2008 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(13,988,192)	(98,196,047)
Deposits with banks	73,324	(90,194)
Advances	(297,724)	(16,772)
Suspense Accounts	(2,838)	7,177
	(14,215,430)	(98,295,836)
Increase/(Reduction) in Liabilities:		
Deposits	403,394	1,171,499
Suspense Accounts	(1,240)	(1,891)
	402,154	1,169,608
	<u>(13,813,276)</u>	<u>(97,126,228)</u>

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2000 to 2009

