

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 2010, 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 2010 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

25 October 2010

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

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2010

	Note	2010 \$'000	2009 \$'000
Assets			
Investments with the Exchange Fund	3	292,688,458	269,515,582
Deposits with banks	4	303,326	382,899
Cash and bank balances	5	3,227,281	3,288,404
Advances	6	2,369,844	2,383,800
Suspense Accounts	7	33,534	42,707
		298,622,443	275,613,392
Liabilities			
Deposits	8	(18,573,554)	(16,930,754)
Suspense Accounts	7	(110,405)	(108,757)
	9	(18,683,959)	(17,039,511)
		279,938,484	258,573,881
Representing:			
General Revenue Balance			
Balance at 1 April 2009		258,573,881	246,130,973
Surplus for the year		21,364,603	12,442,908
Balance at 31 March 2010	10	279,938,484	258,573,881

Notes 1 to 13 form part of these financial statements.

LI Kwok-tso
Director of Accounting Services
25 August 2010



General Revenue Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 \$'000	2009 \$'000
Cash and bank balances at 1 April 2009		3,288,404	4,658,772
Revenue	11	258,659,272	273,237,220
Expenditure	12	(237,294,669)	(260,794,312)
Surplus for the year		21,364,603	12,442,908
Other cash movements	13	(21,425,726)	(13,813,276)
Cash and bank balances at 31 March 2010		3,227,281	3,288,404

Notes 1 to 13 form part of these financial statements.

LI Kwok-tso
Director of Accounting Services
25 August 2010



General Revenue Account

NOTES TO THE FINANCIAL STATEMENTS

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, Lotteries Fund and Bond Fund, for which separate financial statements 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 financial statements, 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:

	2010	2009
	\$'000	\$'000
Investments (see (ii) and (iii) below)	292,396,952	269,260,629
Deposits	291,506	254,953
	<u>292,688,458</u>	<u>269,515,582</u>

- (ii) The investments represent the cost of investments together with interest of \$17.76 billion received in the year ended 31 March 2010.
- (iii) Effective from 1 April 2007, the return on the investments 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.

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:

	2010	2009
	\$'000	\$'000
Hong Kong dollar	97,553	187,576
Foreign currency	205,773	195,323
	<u>303,326</u>	<u>382,899</u>

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:

	2010	2009
	\$'000	\$'000
Expenditure on Vietnamese migrants (see (i) below)	1,161,991	1,161,991
Advances to Government officers	735,328	740,860
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	303,363	354,452
Payment of expenditure arising from land acquisition, clearance and related costs payable under the Railways Ordinance (Cap. 519) for the implementation of West Island Line Works and Re-provisioning, Remedial and Improvement Works	42,482	-
Others	126,680	126,497
	<u>2,369,844</u>	<u>2,383,800</u>

- (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 2009-10, 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:

	2010 \$'000	2009 \$'000
Assets:		
Correctional Services Industries (see (i) below)	25,997	36,583
Government Logistics Department — Unallocated Stores (see (i) below)	7,537	6,124
	33,534	42,707
Liabilities:		
The Special Coin (see (ii) below)	(95,674)	(106,851)
The Financial Secretary Incorporated (see (iii) below)	(14,731)	(1,906)
	(110,405)	(108,757)
Net balance	<u>(76,871)</u>	<u>(66,050)</u>

- (i) 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.
- (ii) 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.
- (iii) 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:

	2010 \$'000	2009 \$'000
Tax reserve certificates	12,936,546	11,788,741
Water deposits	1,473,467	1,416,958
Tenancy deposits	1,064,775	960,314
Tax overpayments	567,797	472,640
Legal aid deposits	528,092	434,956
Private works	195,669	164,463
Receipts on behalf of non-departmental public bodies and trading funds	61	188
Others	1,807,147	1,692,494
	<u>18,573,554</u>	<u>16,930,754</u>

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:

	2010	2009
	\$'000	\$'000
Outstanding Toll Revenue Bond	<u>-</u>	<u>1,932,460</u>

Following a resolution passed under section 3(1) of the Loans Ordinance, 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. The outstanding Toll Revenue Bond had been fully repaid on 4 February 2010. During the financial year, repayments of \$1.93 billion principal and payments of \$0.05 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 2010 indicated in brackets:

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (\$21,483 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (\$4,917 million);
- (iii) Guarantees provided under the Special Loan Guarantee Scheme (\$46,606 million); and
- (iv) Litigation (\$364 million).

11. Revenue

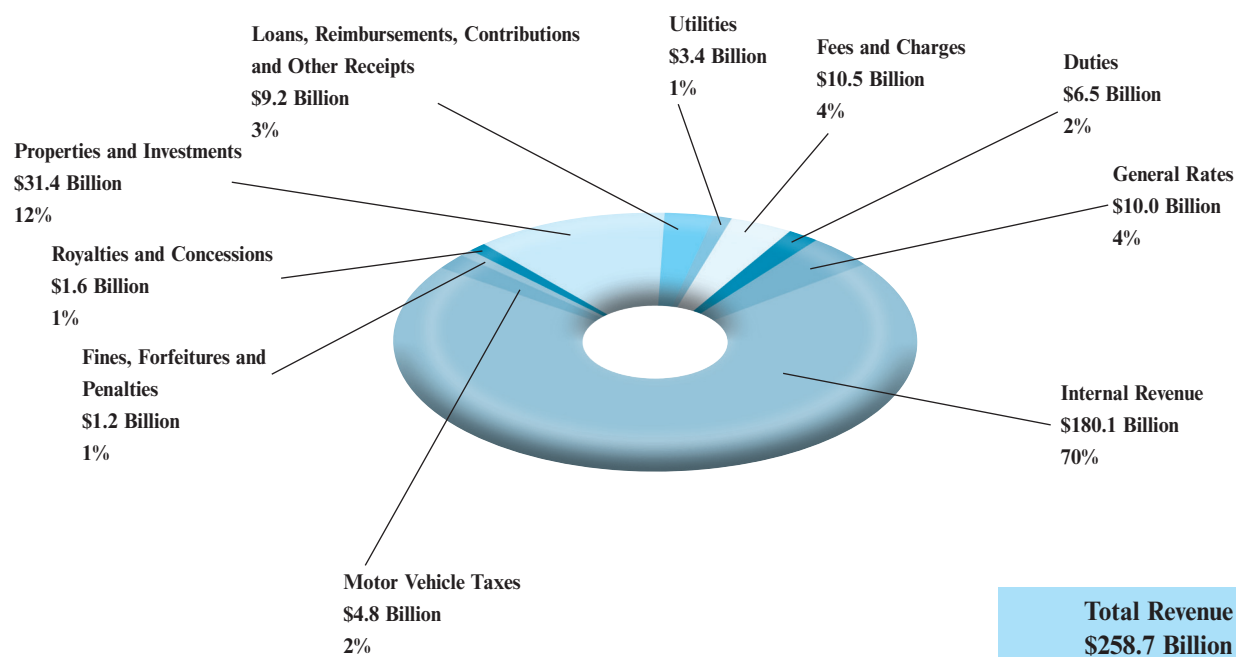
Analysis of total revenue by Head:

Head	2010				2009
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
1 Duties	6,581,811	6,464,877	(116,934)	(1.8)	6,046,654
2 General Rates	13,899,000	9,957,161	(3,941,839)	(28.4)	7,174,835
3 Internal Revenue	149,651,588	180,135,801	30,484,213	20.4	192,949,724
4 Motor Vehicle Taxes	4,080,832	4,816,338	735,506	18.0	4,980,925
5 Fines, Forfeitures and Penalties	1,012,499	1,182,815	170,316	16.8	1,006,391
6 Royalties and Concessions	1,004,341	1,596,610	592,269	59.0	2,389,088
7 Properties and Investments	29,427,839	31,357,535	1,929,696	6.6	36,306,289
9 Loans, Reimbursements, Contributions and Other Receipts	5,279,733	9,223,576	3,943,843	74.7	8,592,659
10 Utilities	3,412,827	3,437,835	25,008	0.7	3,320,350
11 Fees and Charges	12,120,481	10,486,724	(1,633,757)	(13.5)	10,470,305
Total	<u>226,470,951</u>	<u>258,659,272</u>	<u>32,188,321</u>	14.2	<u>273,237,220</u>

Further analysis of revenue appears in the Supporting Statements.

General Revenue Account

Analysis of Revenue for the year ended 31 March 2010



12. Expenditure

Analysis of total expenditure by Head:

Head	2010				2009
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
21 Chief Executive's Office	84,507	83,940	(567)	(0.7)	80,747
22 Agriculture, Fisheries and Conservation Department	930,068	864,098	(65,970)	(7.1)	1,080,906
25 Architectural Services Department	1,521,318	1,525,021	3,703	0.2	1,454,642
24 Audit Commission	122,364	118,358	(4,006)	(3.3)	120,442
23 Auxiliary Medical Service	70,154	69,286	(868)	(1.2)	63,888
82 Buildings Department	890,638	883,577	(7,061)	(0.8)	838,141
26 Census and Statistics Department	553,424	506,884	(46,540)	(8.4)	470,711
27 Civil Aid Service	82,067	85,398	3,331	4.1	82,156
28 Civil Aviation Department	712,824	682,763	(30,061)	(4.2)	668,315
33 Civil Engineering and Development Department	2,115,033	1,850,508	(264,525)	(12.5)	1,446,107
30 Correctional Services Department	2,698,592	2,728,487	29,895	1.1	2,627,500
31 Customs and Excise Department	2,485,416	2,408,581	(76,835)	(3.1)	2,288,494
37 Department of Health	4,120,690	4,154,864	34,174	0.8	3,351,167
92 Department of Justice	1,004,363	985,570	(18,793)	(1.9)	937,044
39 Drainage Services Department	1,769,653	1,765,310	(4,343)	(0.2)	1,680,147

General Revenue Account

12. Expenditure (Continued)

Head	2010				2009
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
42 Electrical and Mechanical Services Department	463,722	470,888	7,166	1.5	327,393
44 Environmental Protection Department	3,202,669	2,296,236	(906,433)	(28.3)	2,541,740
45 Fire Services Department	3,801,080	3,839,297	38,217	1.0	3,518,546
49 Food and Environmental Hygiene Department	4,453,871	4,318,365	(135,506)	(3.0)	4,617,041
46 General Expenses of the Civil Service	3,007,718	2,663,973	(343,745)	(11.4)	2,913,271
166 Government Flying Service	275,591	251,061	(24,530)	(8.9)	232,511
48 Government Laboratory	319,449	309,063	(10,386)	(3.3)	325,499
59 Government Logistics Department	486,498	466,864	(19,634)	(4.0)	440,237
51 Government Property Agency	1,828,181	1,650,339	(177,842)	(9.7)	1,672,778
143 Government Secretariat: Civil Service Bureau	417,851	407,594	(10,257)	(2.5)	413,908
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,221,053	1,224,217	3,164	0.3	1,172,507
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	66,300	194,884	128,584	193.9	72,883
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	465,160	407,334	(57,826)	(12.4)	337,664
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	308,957	657,233	348,276	112.7	296,475
159 Government Secretariat: Development Bureau (Works Branch)	239,041	216,954	(22,087)	(9.2)	199,554
156 Government Secretariat: Education Bureau	39,361,534	37,542,263	(1,819,271)	(4.6)	36,609,086
137 Government Secretariat: Environment Bureau	70,246	62,766	(7,480)	(10.6)	52,432
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	140,218	136,067	(4,151)	(3.0)	8,726,867

General Revenue Account

12. Expenditure (Continued)

Head	2010				2009
	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)	4,893,429	4,621,800	(271,629)	(5.6)	3,422,595
139 Government Secretariat: Food and Health Bureau (Food Branch)	97,459	69,428	(28,031)	(28.8)	43,568
140 Government Secretariat: Food and Health Bureau (Health Branch)	33,387,074	33,090,536	(296,538)	(0.9)	32,990,350
53 Government Secretariat: Home Affairs Bureau	1,340,002	4,247,874	2,907,872	217.0	7,459,789
155 Government Secretariat: Innovation and Technology Commission	518,516	464,122	(54,394)	(10.5)	502,533
141 Government Secretariat: Labour and Welfare Bureau	569,440	487,322	(82,118)	(14.4)	468,650
47 Government Secretariat: Office of the Government Chief Information Officer	655,842	650,253	(5,589)	(0.9)	559,836
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	521,144	476,839	(44,305)	(8.5)	454,103
96 Government Secretariat: Overseas Economic and Trade Offices	314,701	282,587	(32,114)	(10.2)	278,198
151 Government Secretariat: Security Bureau	172,625	157,575	(15,050)	(8.7)	154,579
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	134,537	125,709	(8,828)	(6.6)	116,833
60 Highways Department	2,228,180	2,190,677	(37,503)	(1.7)	2,141,206
63 Home Affairs Department	1,625,816	1,573,126	(52,690)	(3.2)	1,511,036
168 Hong Kong Observatory	220,491	216,501	(3,990)	(1.8)	206,315
122 Hong Kong Police Force	12,573,067	12,714,049	140,982	1.1	12,239,394
62 Housing Department	130,531	1,926,950	1,796,419	1,376.2	2,638,648
70 Immigration Department	2,876,801	2,849,659	(27,142)	(0.9)	2,821,346
72 Independent Commission Against Corruption	808,148	766,922	(41,226)	(5.1)	750,071
121 Independent Police Complaints Council	28,283	26,441	(1,842)	(6.5)	17,361

General Revenue Account

12. Expenditure (Continued)

Head	2010				2009
	Original	Actual	Over/(Under) the Estimate	Variance	Actual
	Estimate				
	\$'000	\$'000	\$'000	%	\$'000
74 Information Services Department	379,335	354,983	(24,352)	(6.4)	353,053
76 Inland Revenue Department	1,276,595	1,151,572	(125,023)	(9.8)	1,182,802
78 Intellectual Property Department	98,261	95,189	(3,072)	(3.1)	91,199
79 Invest Hong Kong	111,562	111,339	(223)	(0.2)	108,023
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	27,271	23,389	(3,882)	(14.2)	27,265
80 Judiciary	1,118,507	1,000,227	(118,280)	(10.6)	969,547
90 Labour Department	1,134,197	1,168,835	34,638	3.1	1,070,059
91 Lands Department	1,793,888	1,710,935	(82,953)	(4.6)	1,691,823
94 Legal Aid Department	752,482	715,522	(36,960)	(4.9)	661,163
112 Legislative Council Commission	407,454	416,752	9,298	2.3	399,269
95 Leisure and Cultural Services Department	5,426,130	5,336,675	(89,455)	(1.6)	5,097,452
100 Marine Department	960,879	920,371	(40,508)	(4.2)	915,454
106 Miscellaneous Services	9,594,408	65,527	(9,528,881)	(99.3)	46,580
114 Office of The Ombudsman	90,272	89,990	(282)	(0.3)	89,037
116 Official Receiver's Office	140,854	115,440	(25,414)	(18.0)	114,669
120 Pensions	17,582,620	16,910,922	(671,698)	(3.8)	15,699,877
118 Planning Department	485,532	464,573	(20,959)	(4.3)	459,879
136 Public Service Commission	17,090	16,921	(169)	(1.0)	18,138
160 Radio Television Hong Kong	507,957	482,669	(25,288)	(5.0)	470,758
162 Rating and Valuation Department	403,124	383,942	(19,182)	(4.8)	381,184
163 Registration and Electoral Office	78,444	72,492	(5,952)	(7.6)	323,385
169 Secretariat, Commissioner on Interception of Communications and Surveillance	12,843	10,762	(2,081)	(16.2)	10,129
170 Social Welfare Department	39,105,111	39,529,326	424,215	1.1	38,533,357
173 Student Financial Assistance Agency	3,905,839	3,765,914	(139,925)	(3.6)	3,550,987
180 Television and Entertainment Licensing Authority	191,132	106,915	(84,217)	(44.1)	132,447
181 Trade and Industry Department	581,080	724,461	143,381	24.7	541,867
186 Transport Department	1,216,175	1,106,377	(109,798)	(9.0)	1,089,278
188 Treasury	336,131	318,947	(17,184)	(5.1)	311,860

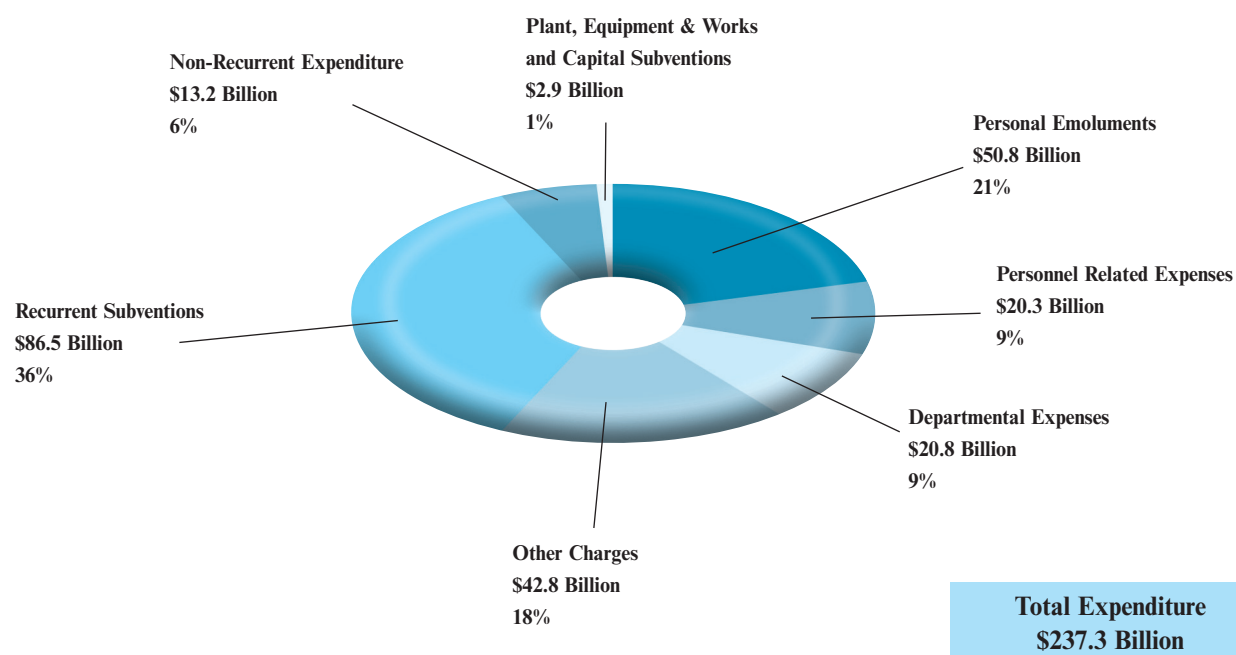
General Revenue Account

12. Expenditure (Continued)

Head	2010				2009
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
190 University Grants Committee	11,645,763	11,539,375	(106,388)	(0.9)	30,364,275
194 Water Supplies Department	5,755,418	5,758,714	3,296	0.1	5,302,286
	<u>247,522,690</u>	<u>237,235,469</u>	<u>(10,287,221)</u>	<u>(4.2)</u>	<u>260,444,312</u>
184 Transfers to Funds	15,409,200	59,200	(15,350,000)	(99.6)	350,000
Total	<u>262,931,890</u>	<u>237,294,669</u>	<u>(25,637,221)</u>	<u>(9.8)</u>	<u>260,794,312</u>

Further analyses of expenditure appear in the Supporting Statements.

Analysis of Expenditure for the year ended 31 March 2010



General Revenue Account

13. Other Cash Movements

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

	2010 \$'000	2009 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(23,172,876)	(13,988,192)
Deposits with banks	79,573	73,324
Advances	13,956	(297,724)
Suspense Accounts	9,173	(2,838)
	(23,070,174)	(14,215,430)
Increase/(Reduction) in Liabilities:		
Deposits	1,642,800	403,394
Suspense Accounts	1,648	(1,240)
	1,644,448	402,154
	(21,425,726)	(13,813,276)

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2001 to 2010

