

# 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 84 to 88, 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**

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 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 Lotteries Fund 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 section 7(1) of the Government Lotteries Ordinance.

Benjamin Tang  
Director of Audit

27 October 2009

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

# Lotteries Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2009

	Note	2009 \$'000	2008 \$'000
<b>Assets</b>	<b>4</b>		
Investments with the Exchange Fund	3	7,193,694	6,151,112
Cash and bank balances		1	35,907
		<b>7,193,695</b>	<b>6,187,019</b>
<b>Liabilities</b>			
Deposits	5	(91,622)	(87,430)
		<b>7,102,073</b>	<b>6,099,589</b>
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at 1 April 2008		6,099,589	5,444,344
Surplus for the year		1,002,484	655,245
Balance at 31 March 2009	6	<b>7,102,073</b>	<b>6,099,589</b>

The accompanying Notes 1 to 9 form part of these accounts.

**LI Kwok-tso**  
Director of Accounting Services  
14 August 2009



# Lotteries Fund

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

	Note	2009 \$'000	2008 \$'000
<b>Cash and bank balances at 1 April 2008</b>		<b>35,907</b>	12,730
Revenue	7	1,602,443	1,477,687
Expenditure	8	(599,959)	(822,442)
<b>Surplus for the year</b>		<b>1,002,484</b>	655,245
<b>Other cash movements</b>	9	<b>(1,038,390)</b>	(632,068)
<b>Cash and bank balances at 31 March 2009</b>		<b>1</b>	35,907

The accompanying Notes 1 to 9 form part of these accounts.

**LI Kwok-tso**  
Director of Accounting Services  
14 August 2009



# Lotteries Fund

## NOTES ON THE ACCOUNTS

### 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 accounts 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, 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 paragraph 2 of the Resolution, or debtors and creditors other than those deposits referred to in the Notes below.

### 3. Investments with the Exchange Fund

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

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Investments (see (ii) and (iii) below)	<b>7,193,594</b>	6,151,111
Deposits	<b>100</b>	1
	<b><u>7,193,694</u></b>	<u>6,151,112</u>

(ii) The investments represent the cost of investments together with interest of \$584 million 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.

### 4. Assets

Apart from those assets shown in the Statement of Assets and Liabilities, there is also the following outstanding loan:

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Loan to a charitable institution	<b>-</b>	284

### 5. 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 to revenue:

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Donations	<b>81,942</b>	77,366
Contract retentions	<b>9,680</b>	10,064
	<b><u>91,622</u></b>	<u>87,430</u>

# Lotteries Fund

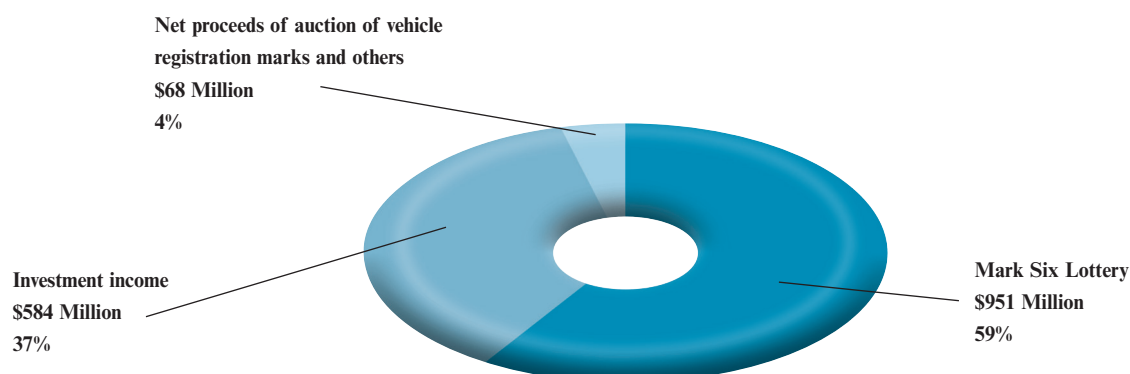
## 6. Commitments

The approved grants that were unpaid as at 31 March 2009 amounted to \$2,011 million.

## 7. Revenue

	2009		2008
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Mark Six Lottery	1,096,629	951,194	1,011,629
Investment income	569,286	583,867	383,167
Net proceeds of auction of vehicle registration marks	50,996	60,968	80,925
Donations	1,526	5,321	1,633
Refund of grants	-	809	213
Loan repayments	120	284	120
	<u>1,718,557</u>	<u>1,602,443</u>	<u>1,477,687</u>

### Analysis of Revenue for the year ended 31 March 2009



**Total Revenue**  
**\$1,603 Million**

## 8. Expenditure

	2009		2008
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Grants	719,969	599,959	822,442
Additional commitments	371,143	-	-
	<u>1,091,112</u>	<u>599,959</u>	<u>822,442</u>

# Lotteries Fund

## 9. Other Cash Movements

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

	2009 \$'000	2008 \$'000
<b>Increase in Assets:</b>		
Investments with the Exchange Fund	(1,042,582)	(631,609)
<b>Increase/(Reduction) in Liabilities:</b>		
Deposits	4,192	(459)
	<u>(1,038,390)</u>	<u>(632,068)</u>

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

