

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 86 to 90, 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

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 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 section 7(1) of the Government Lotteries Ordinance.

Benjamin Tang
Director of Audit

25 October 2010

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

Lotteries Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2010

	Note	2010 \$'000	2009 \$'000
Assets			
Investments with the Exchange Fund	3	7,935,524	7,193,694
Cash and bank balances		8,585	1
		7,944,109	7,193,695
Liabilities			
Deposits	4	(89,572)	(91,622)
		7,854,537	7,102,073
Representing:			
Fund Balance			
Balance at 1 April 2009		7,102,073	6,099,589
Surplus for the year		752,464	1,002,484
Balance at 31 March 2010	5	7,854,537	7,102,073

Notes 1 to 8 form part of these financial statements.

LI Kwok-tso
Director of Accounting Services
25 August 2010



Lotteries Fund

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		1	35,907
Revenue	6	1,489,963	1,602,443
Expenditure	7	(737,499)	(599,959)
Surplus for the year		752,464	1,002,484
Other cash movements	8	(743,880)	(1,038,390)
Cash and bank balances at 31 March 2010		8,585	1

Notes 1 to 8 form part of these financial statements.

LI Kwok-tso
Director of Accounting Services
25 August 2010



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, 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:

	2010	2009
	\$'000	\$'000
Investments (see (ii) and (iii) below)	7,935,023	7,193,594
Deposits	501	100
	<u>7,935,524</u>	<u>7,193,694</u>

(ii) The investments represent the cost of investments together with interest of \$489 million 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.

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 to revenue:

	2010	2009
	\$'000	\$'000
Donations	79,656	81,942
Contract retentions	9,916	9,680
	<u>89,572</u>	<u>91,622</u>

5. Commitments

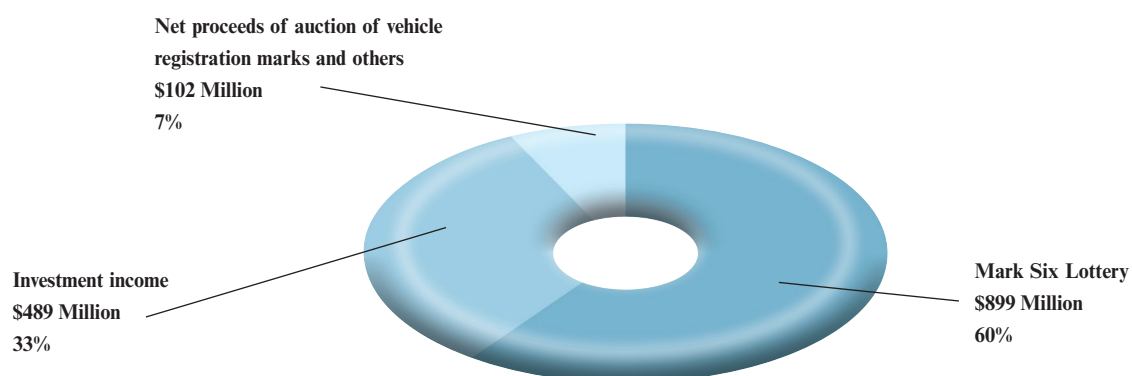
The approved grants that were unpaid as at 31 March 2010 amounted to \$2,511 million.

Lotteries Fund

6. Revenue

	2010		2009
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Mark Six Lottery	952,990	898,458	951,194
Investment income	444,000	489,166	583,867
Net proceeds of auction of vehicle registration marks	40,102	94,283	60,968
Donations	5,321	7,900	5,321
Refund of grants	-	156	809
Loan repayments	-	-	284
	<u>1,442,413</u>	<u>1,489,963</u>	<u>1,602,443</u>

Analysis of Revenue for the year ended 31 March 2010



**Total Revenue
\$1,490 Million**

7. Expenditure

	2010		2009
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Grants	671,654	737,499	599,959
Additional commitments	1,136,874	-	-
	<u>1,808,528</u>	<u>737,499</u>	<u>599,959</u>

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8. Other Cash Movements

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

	2010 \$'000	2009 \$'000
Increase in Assets:		
Investments with the Exchange Fund	(741,830)	(1,042,582)
(Reduction)/Increase in Liabilities:		
Deposits	(2,050)	4,192
	<u>(743,880)</u>	<u>(1,038,390)</u>

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

\$Million

