

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 88 to 92, which comprise the statement of assets and liabilities as at 31 March 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about 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 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 of the Lotteries Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with section 7(1) of the Government Lotteries Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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

Lotteries Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	8,520,034	7,935,524
Cash and bank balances		2,413	8,585
		8,522,447	7,944,109
Liabilities			
Deposits	4	(94,079)	(89,572)
		8,428,368	7,854,537
Representing:			
Fund Balance			
Balance at beginning of year		7,854,537	7,102,073
Surplus for the year		573,831	752,464
Balance at end of year	5	8,428,368	7,854,537

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Lotteries Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		8,585	1
Revenue	6	1,538,852	1,489,963
Expenditure	7	(965,021)	(737,499)
Surplus for the year		573,831	752,464
Other cash movements	8	(580,003)	(743,880)
Cash and bank balances at end of year		<u>2,413</u>	<u>8,585</u>

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



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. 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:

	2011	2010
	HK\$'000	HK\$'000
Investments (see (ii) and (iii) below)	8,519,934	7,935,023
Deposits	100	501
	<u>8,520,034</u>	<u>7,935,524</u>

(ii) The investments represent the cost of investments together with interest of HK\$500 million received in the year ended 31 March 2011.

(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:

	2011	2010
	HK\$'000	HK\$'000
Donations	86,154	79,656
Contract retentions	7,925	9,916
	<u>94,079</u>	<u>89,572</u>

5. Commitments

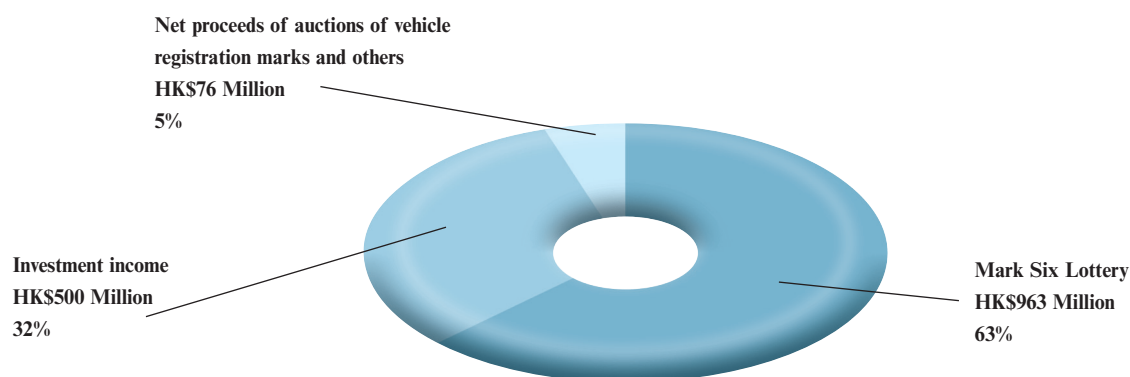
The approved grants that were unpaid as at 31 March 2011 amounted to HK\$2,774 million.

Lotteries Fund

6. Revenue

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Mark Six Lottery	915,207	962,488	898,458
Investment income	475,000	500,437	489,166
Net proceeds of auctions of vehicle registration marks	59,232	73,641	94,283
Donations	6,927	2,181	7,900
Refund of grants	-	105	156
	<u>1,456,366</u>	<u>1,538,852</u>	<u>1,489,963</u>

Analysis of Revenue for the year ended 31 March 2011



**Total Revenue
HK\$1,539 Million**

7. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	890,943	965,021	737,499
Additional commitments	163,081	-	-
	<u>1,054,024</u>	<u>965,021</u>	<u>737,499</u>

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8. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Increase in Assets:		
Investments with the Exchange Fund	(584,510)	(741,830)
Increase/(Reduction) in Liabilities:		
Deposits	4,507	(2,050)
	<u>(580,003)</u>	<u>(743,880)</u>

Revenue, Expenditure and Fund Balance for the years ended 31 March 2002 to 2011

HK\$Million

