

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 90 to 94, which comprise the statement of assets and liabilities as at 31 March 2012, 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 2012 are prepared, in all material respects, in accordance with section 7(1) of the Government Lotteries Ordinance.

David Sun
Director of Audit

26 October 2012

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

Lotteries Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Assets			
Investments with the Exchange Fund	3	9,388,230	8,520,034
Cash and bank balances		-	2,413
		9,388,230	8,522,447
Liabilities			
Deposits	4	(58,714)	(94,079)
		9,329,516	8,428,368
Representing:			
Fund Balance			
Balance at beginning of year		8,428,368	7,854,537
Surplus for the year		901,148	573,831
Balance at end of year	5	9,329,516	8,428,368

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2012



Lotteries Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Cash and bank balances at beginning of year		2,413	8,585
Revenue	6	1,817,610	1,538,852
Expenditure	7	(916,462)	(965,021)
Surplus for the year		901,148	573,831
Other cash movements	8	(903,561)	(580,003)
Cash and bank balances at end of year		-	2,413

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2012



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:

	2012	2011
	HK\$'000	HK\$'000
Investments (Notes (ii) and (iii) below)	9,388,130	8,519,934
Deposits	100	100
	<u>9,388,230</u>	<u>8,520,034</u>

(ii) The investments represent the cost of investments together with interest of HK\$514 million received in the year ended 31 March 2012.

(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:

	2012	2011
	HK\$'000	HK\$'000
Donations	56,276	86,154
Contract retention money	2,438	7,925
	<u>58,714</u>	<u>94,079</u>

5. Commitments

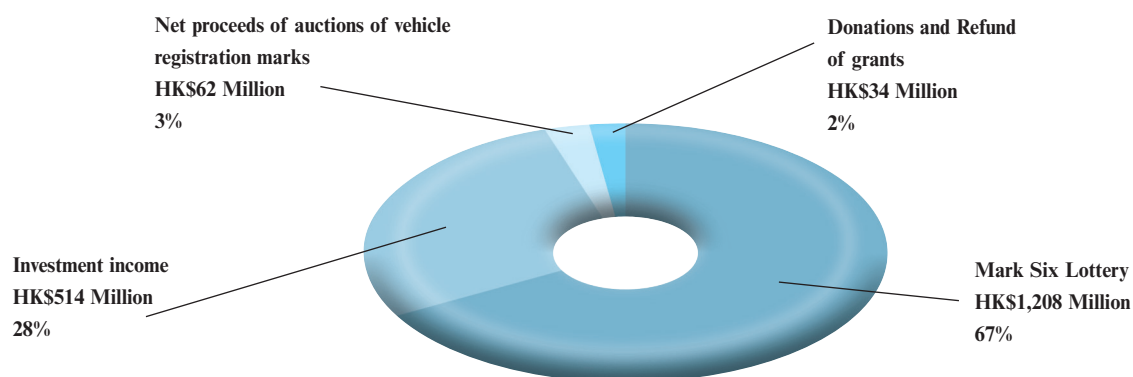
The approved grants that were unpaid as at 31 March 2012 amounted to HK\$2,912 million.

Lotteries Fund

6. Revenue

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Mark Six Lottery	1,043,822	1,208,147	962,488
Investment income	504,000	514,160	500,437
Net proceeds of auctions of vehicle registration marks	50,135	61,671	73,641
Donations	3,994	33,489	2,181
Refund of grants	-	143	105
	<u>1,601,951</u>	<u>1,817,610</u>	<u>1,538,852</u>

Analysis of Revenue for the year ended 31 March 2012



**Total Revenue
HK\$1,818 Million**

7. Expenditure

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	974,976	916,462	965,021
Additional commitments	107,365	-	-
	<u>1,082,341</u>	<u>916,462</u>	<u>965,021</u>

Lotteries Fund

8. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	(868,196)	(584,510)
(Reduction)/Increase in Liabilities		
Deposits	(35,365)	4,507
	<u>(903,561)</u>	<u>(580,003)</u>

Revenue, Expenditure and Fund Balance for the years ended 31 March 2003 to 2012

HK\$Million

