

# 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 92 to 96, which comprise the statement of assets and liabilities as at 31 March 2014, 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 2014 are prepared, in all material respects, in accordance with section 7(1) of the Government Lotteries Ordinance.

David Sun  
Director of Audit

28 October 2014

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

# Lotteries Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	21,230,854	10,288,096
Cash and bank balances		1	1
		21,230,855	10,288,097
<b>Liabilities</b>			
Deposits	4	(57,785)	(59,821)
		21,173,070	10,228,276
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		10,228,276	9,329,516
Surplus for the year		10,944,794	898,760
Balance at end of year	5	21,173,070	10,228,276

Notes 1 to 8 form part of these financial statements.

**Martin SIU**  
Director of Accounting Services  
15 August 2014



# Lotteries Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Cash and bank balances at beginning of year</b>		<b>1</b>	<b>-</b>
Receipts	6	11,756,858	1,779,776
Payments	7	(812,064)	(881,016)
<b>Surplus for the year</b>		<b>10,944,794</b>	<b>898,760</b>
<b>Other cash movements</b>	8	<b>(10,944,794)</b>	<b>(898,759)</b>
<b>Cash and bank balances at end of year</b>		<b>1</b>	<b>1</b>

Notes 1 to 8 form part of these financial statements.

**Martin SIU**  
Director of Accounting Services  
15 August 2014



# 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 of the Fund excludes fixed assets, loans, investments other than those made under paragraph 2 of the Resolution, and debtors and creditors other than those deposits referred to in the Note 4 below.

### 3. Investments with the Exchange Fund

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Investments (Note (ii) below)	<b>21,230,754</b>	10,287,996
Deposits	<b>100</b>	100
	<b><u>21,230,854</u></b>	<u>10,288,096</u>

(ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income 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. The investment income for the year ended 31 March 2014 was HK\$518 million (2013: HK\$530 million).

### 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 for credit to the Fund:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Donations	<b>56,304</b>	56,304
Contract retention money	<b>1,481</b>	3,517
	<b><u>57,785</u></b>	<u>59,821</u>

### 5. Commitments

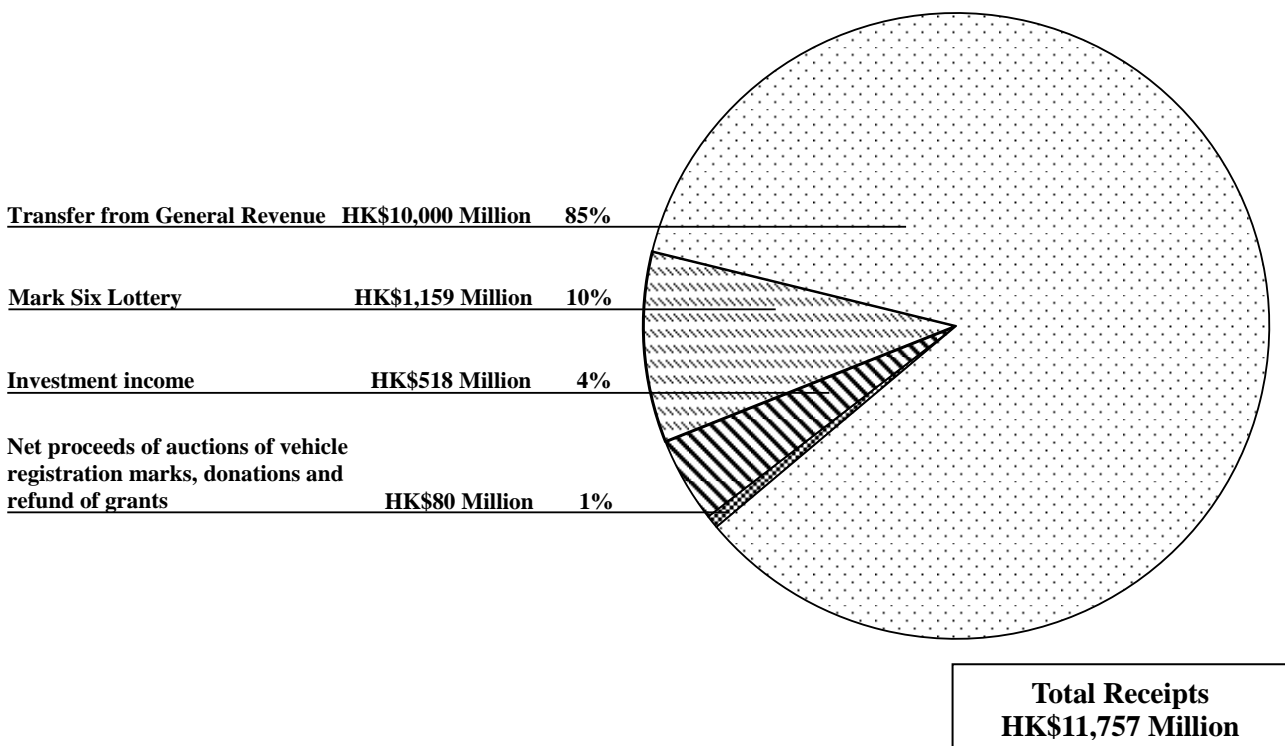
The approved grants that were unpaid as at 31 March 2014 amounted to HK\$3,994 million (2013: HK\$3,659 million).

# Lotteries Fund

## 6. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Mark Six Lottery	1,106,096	<b>1,158,703</b>	1,171,767
Investment income			
Investments with the Exchange Fund	500,000	<b>518,396</b>	529,994
Net proceeds of auctions of vehicle registration marks	48,578	<b>76,817</b>	76,551
Donations	10,105	<b>2,866</b>	1,464
Refund of grants	-	<b>76</b>	-
Transfer from General Revenue	-	<b>10,000,000</b>	-
	<u>1,664,779</u>	<u><b>11,756,858</b></u>	<u>1,779,776</u>

### Analysis of Receipts for the year ended 31 March 2014



# Lotteries Fund

## 7. Payments

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	1,166,983	812,064	881,016
Additional commitments	122,015	-	-
	<u>1,288,998</u>	<u>812,064</u>	<u>881,016</u>

## 8. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
<b>Increase in Assets</b>		
Investments with the Exchange Fund	(10,942,758)	(899,866)
<b>(Reduction)/Increase in Liabilities</b>		
Deposits	(2,036)	1,107
	<u>(10,944,794)</u>	<u>(898,759)</u>

## Receipts, Payments and Fund Balance for the years ended 31 March 2005 to 2014

