

# *Report of the Director of Audit*



**Audit Commission**

**The Government of the Hong Kong Special Administrative Region**

## **General Revenue Account**

### **Independent Audit Report**

### **To the President of the Legislative Council**

I certify that I have examined and audited the financial statements of the General Revenue Account set out on pages 9 to 20, 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**

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, 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 12(1) of the Audit Ordinance (Cap. 122) 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 General Revenue Account for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang  
Director of Audit

25 October 2011

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

# General Revenue Account

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	341,515,070	292,688,458
Deposits with banks	4	297,610	303,326
Cash and bank balances	5	2,552,907	3,227,281
Advances	6	2,414,333	2,369,844
		346,779,920	298,588,909
<b>Liabilities</b>			
Deposits	7	(19,150,921)	(18,573,554)
Suspense Accounts	8	(71,717)	(76,871)
		(19,222,638)	(18,650,425)
		<u>327,557,282</u>	<u>279,938,484</u>
<b>Representing:</b>			
<b>General Revenue Balance</b>			
Balance at beginning of year		279,938,484	258,573,881
Surplus for the year		47,618,798	21,364,603
Balance at end of year	9	<u>327,557,282</u>	<u>279,938,484</u>

Notes 1 to 12 form part of these financial statements.

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



# General Revenue Account

## 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		3,227,281	3,288,404
Revenue	10	290,289,432	258,659,272
Expenditure	11	(242,670,634)	(237,294,669)
Surplus for the year		47,618,798	21,364,603
Other cash movements	12	(48,293,172)	(21,425,726)
Cash and bank balances at end of year		<u>2,552,907</u>	<u>3,227,281</u>

Notes 1 to 12 form part of these financial statements.

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



# General Revenue Account

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Purpose and Legislation

- (i) The Public Finance Ordinance (Cap. 2) provides for the control and management of the public finances of Hong Kong and for incidental and connected purposes. The General Revenue Account records moneys raised or received for the purposes of the Government (except where provided otherwise in other Ordinances) and appropriations of expenditure in accordance with the Appropriation Ordinance and the Supplementary Appropriation Ordinance.
- (ii) The Statement of Assets and Liabilities and the Statement of Receipts and Payments of the General Revenue Account constitute the statement of the assets and liabilities and the annual statement of the receipts and payments of the Government as specified in section 11(1)(a) and (b) of the Audit Ordinance (Cap. 122). These Statements exclude the assets and liabilities and the receipts and payments of the Funds established under section 29 of the Public Finance Ordinance, viz Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund, Lotteries Fund and Bond Fund, for which separate financial statements are prepared.

### 2. Accounting Policies

- (i) The General Revenue Account is 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 section 26 of the Public Finance Ordinance, and debtors and creditors other than those covered by sections 20, 21, 22, 23, 24, 27 and 30 of the Public Finance Ordinance.
- (ii) For the purposes of these financial statements, a contingent liability is defined as:
  - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
  - (b) a present obligation that arises from past events but is not recognised because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.
- (iii) Currency balances other than Hong Kong dollars are stated at weighted average cost.

### 3. Investments with the Exchange Fund

- (i) These are investments and deposits held under section 26 of the Public Finance Ordinance:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Investments (see (ii) and (iii) below)	<b>341,361,468</b>	292,396,952
Deposits	<b>153,602</b>	291,506
	<b>341,515,070</b>	292,688,458

- (ii) The investments represent the cost of investments together with interest of HK\$17.66 billion 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.

# General Revenue Account

## 4. Deposits with Banks

These are Hong Kong dollar and foreign currency deposits placed with licensed banks in Hong Kong for investment under section 26 of the Public Finance Ordinance:

	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	97,621	97,553
Foreign currency	199,989	205,773
	<b>297,610</b>	<b>303,326</b>

## 5. Cash and Bank Balances

These balances cover cash in hand, in transit, with banks and agents, and with public officers for operating standing or special imprest accounts as provided under section 22 of the Public Finance Ordinance.

## 6. Advances

Advances are paid under the authority of warrants issued under section 20 of the Public Finance Ordinance for a variety of reasons and are either recoverable or chargeable to expenditure upon authority being given:

	2011 HK\$'000	2010 HK\$'000
Expenditure on Vietnamese migrants (see (i) below)	1,161,991	1,161,991
Advances to Government officers	758,409	735,328
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	328,430	303,363
Payment of expenditure arising from land acquisition, clearance and related costs payable under the Railways Ordinance (Cap. 519) for the implementation of West Island Line Works and Reprovisioning, Remedial and Improvement Works	4,455	42,482
Others	161,048	126,680
	<b>2,414,333</b>	<b>2,369,844</b>

- (i) The sum of HK\$1,161.991 million is the outstanding balance of expenditure on Vietnamese migrants recoverable from the United Nations High Commissioner for Refugees (UNHCR). The last repayment, amounting to HK\$3.865 million, was received in February 1998. In January 1998, the High Commissioner for Refugees informed the Government of the Hong Kong Special Administrative Region (HKSAR) that in the absence of further funding prospects, the repayment in February 1998 was the last reimbursement that the UNHCR could realistically foresee. If the UNHCR defaults on repayment of the outstanding advances, the Government of the HKSAR will not be able to enforce repayment through legal means as the UNHCR is immune from suit under the International Organisations and Diplomatic Privileges Ordinance (Cap. 190). Consequently, the full recovery of the amount due is doubtful.

During the financial year 2010-11, the Government of the HKSAR continued to pursue the repayment of the outstanding advances from the UNHCR and to urge it to make renewed efforts to look for donations with a view to settling the amount. So far, the Government of the HKSAR has not received any further repayments.

Efforts to press the UNHCR for early settlement of the outstanding advances will continue.

# General Revenue Account

## 7. Deposits

These are moneys received from time to time from individuals or organisations under sections 23 and 24 of the Public Finance Ordinance for a variety of reasons and are in due course either repayable or transferable to General Revenue:

	2011 HK\$'000	2010 HK\$'000
Tax reserve certificates	13,278,695	12,936,546
Water deposits	1,519,693	1,473,467
Tenancy deposits	1,097,901	1,064,775
Tax overpayments	670,664	567,797
Legal aid deposits	547,113	528,092
Private works	202,609	195,669
Others	1,834,246	1,807,208
	<b>19,150,921</b>	<b>18,573,554</b>

## 8. Suspense Accounts

These Suspense Accounts are established under Resolutions passed by the Legislative Council under section 30 of the Public Finance Ordinance:

	2011 HK\$'000	2010 HK\$'000
Correctional Services Industries (see (i) below)	24,663	25,997
Government Logistics Department — Unallocated Stores (see (i) below)	6,011	7,537
The Special Coin (see (ii) below)	(95,743)	(95,674)
The Financial Secretary Incorporated (see (iii) below)	(6,648)	(14,731)
	<b>(71,717)</b>	<b>(76,871)</b>

- (i) The balances on the Correctional Services Industries Suspense Account and the Government Logistics Department — Unallocated Stores Suspense Account represent the cost of stocks in hand.
- (ii) The balance on The Special Coin Suspense Account represents the unutilised balance of net proceeds arising from issuing and dealing with special and commemorative coins.
- (iii) The balance on The Financial Secretary Incorporated Suspense Account represents the net amount arising from dealing with the regrant or renewal of Government Leases and managing the properties comprised therein.

# General Revenue Account

## 9. Contingent Liabilities

There are contingent liabilities as listed below, with the maximum amount of each liability as at 31 March 2011 indicated in brackets:

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (HK\$22,693 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (HK\$5,862 million);
- (iii) Guarantees provided under the Special Loan Guarantee Scheme (HK\$68,563 million); and
- (iv) Litigation (HK\$4,232 million).

## 10. Revenue

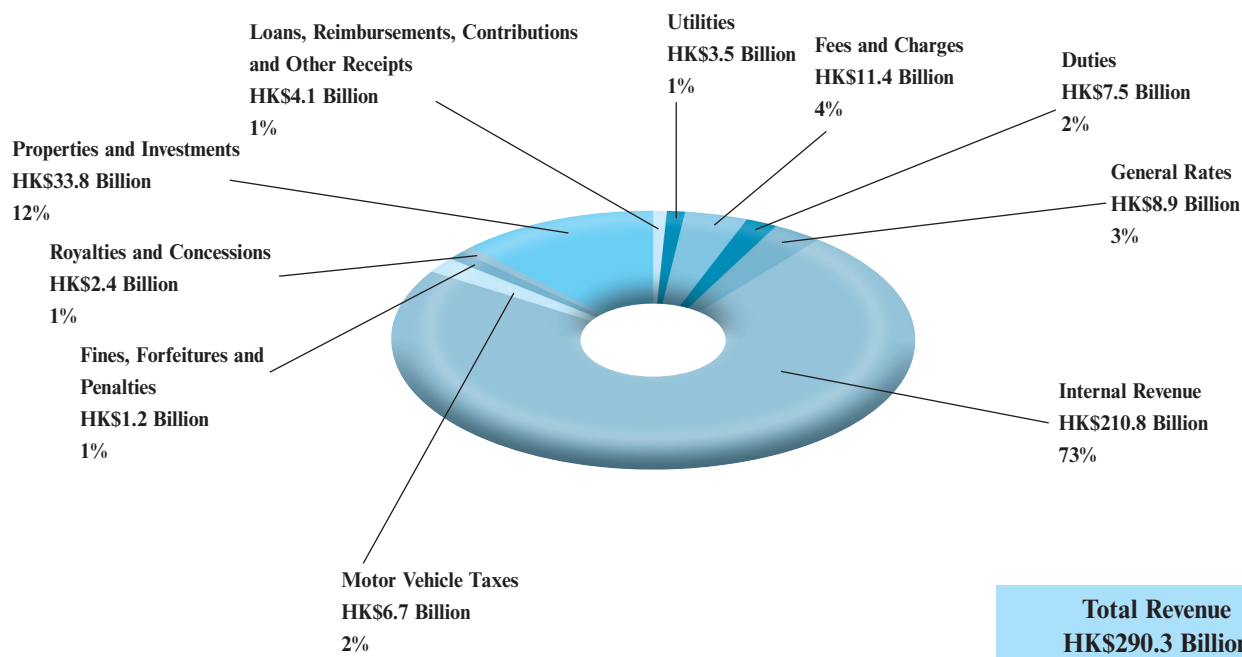
Analysis of total revenue by Head:

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
1 Duties	6,172,405	<b>7,551,086</b>	1,378,681	22.3	6,464,877
2 General Rates	9,375,000	<b>8,955,850</b>	(419,150)	(4.5)	9,957,161
3 Internal Revenue	167,904,243	<b>210,797,234</b>	42,892,991	25.5	180,135,801
4 Motor Vehicle Taxes	4,552,883	<b>6,657,392</b>	2,104,509	46.2	4,816,338
5 Fines, Forfeitures and Penalties	1,013,195	<b>1,159,047</b>	145,852	14.4	1,182,815
6 Royalties and Concessions	2,166,300	<b>2,451,443</b>	285,143	13.2	1,596,610
7 Properties and Investments	28,854,158	<b>33,772,161</b>	4,918,003	17.0	31,357,535
9 Loans, Reimbursements, Contributions and Other Receipts	4,436,881	<b>4,098,880</b>	(338,001)	(7.6)	9,223,576
10 Utilities	3,480,471	<b>3,483,357</b>	2,886	0.1	3,437,835
11 Fees and Charges	10,463,066	<b>11,362,982</b>	899,916	8.6	10,486,724
Total	<u>238,418,602</u>	<u><b>290,289,432</b></u>	<u>51,870,830</u>	21.8	<u>258,659,272</u>



# General Revenue Account

## Analysis of Revenue for the year ended 31 March 2011



## 11. Expenditure

Analysis of total expenditure by Head:

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	82,591	<b>82,420</b>	(171)	(0.2)	83,940
22 Agriculture, Fisheries and Conservation Department	943,104	<b>891,118</b>	(51,986)	(5.5)	864,098
25 Architectural Services Department	1,535,891	<b>1,553,113</b>	17,222	1.1	1,525,021
24 Audit Commission	121,638	<b>119,870</b>	(1,768)	(1.5)	118,358
23 Auxiliary Medical Service	65,004	<b>64,643</b>	(361)	(0.6)	69,286
82 Buildings Department	867,834	<b>837,452</b>	(30,382)	(3.5)	883,577
26 Census and Statistics Department	599,165	<b>544,101</b>	(55,064)	(9.2)	506,884
27 Civil Aid Service	78,268	<b>78,267</b>	(1)	-	85,398
28 Civil Aviation Department	726,398	<b>689,770</b>	(36,628)	(5.0)	682,763
33 Civil Engineering and Development Department	2,132,587	<b>1,647,686</b>	(484,901)	(22.7)	1,850,508
30 Correctional Services Department	2,845,482	<b>2,794,827</b>	(50,655)	(1.8)	2,728,487
31 Customs and Excise Department	2,509,384	<b>2,374,075</b>	(135,309)	(5.4)	2,408,581
37 Department of Health	4,560,090	<b>3,966,598</b>	(593,492)	(13.0)	4,154,864
92 Department of Justice	1,009,882	<b>966,088</b>	(43,794)	(4.3)	985,570
39 Drainage Services Department	1,808,389	<b>1,811,419</b>	3,030	0.2	1,765,310

# General Revenue Account

## 11. Expenditure (Continued)

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	400,857	<b>402,742</b>	1,885	0.5	470,888
44 Environmental Protection Department	2,248,453	<b>2,336,547</b>	88,094	3.9	2,296,236
45 Fire Services Department	4,092,855	<b>3,952,258</b>	(140,597)	(3.4)	3,839,297
49 Food and Environmental Hygiene Department	4,543,431	<b>4,386,802</b>	(156,629)	(3.4)	4,318,365
46 General Expenses of the Civil Service	2,792,747	<b>2,641,770</b>	(150,977)	(5.4)	2,663,973
166 Government Flying Service	553,530	<b>248,831</b>	(304,699)	(55.0)	251,061
48 Government Laboratory	355,005	<b>339,910</b>	(15,095)	(4.3)	309,063
59 Government Logistics Department	491,806	<b>463,456</b>	(28,350)	(5.8)	466,864
51 Government Property Agency	1,770,012	<b>1,630,830</b>	(139,182)	(7.9)	1,650,339
143 Government Secretariat: Civil Service Bureau	410,245	<b>403,255</b>	(6,990)	(1.7)	407,594
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,259,804	<b>1,221,922</b>	(37,882)	(3.0)	1,224,217
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	291,421	<b>237,286</b>	(54,135)	(18.6)	194,884
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	569,686	<b>538,321</b>	(31,365)	(5.5)	407,334
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	1,179,116	<b>962,085</b>	(217,031)	(18.4)	657,233
159 Government Secretariat: Development Bureau (Works Branch)	259,202	<b>238,433</b>	(20,769)	(8.0)	216,954
156 Government Secretariat: Education Bureau	39,220,055	<b>39,046,861</b>	(173,194)	(0.4)	37,542,263
137 Government Secretariat: Environment Bureau	70,641	<b>67,154</b>	(3,487)	(4.9)	62,766
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	160,788	<b>144,707</b>	(16,081)	(10.0)	136,067

# General Revenue Account

## 11. Expenditure (Continued)

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)	685,754	<b>653,403</b>	(32,351)	(4.7)	4,621,800
139 Government Secretariat: Food and Health Bureau (Food Branch)	70,810	<b>55,978</b>	(14,832)	(20.9)	69,428
140 Government Secretariat: Food and Health Bureau (Health Branch)	34,584,171	<b>34,652,352</b>	68,181	0.2	33,090,536
53 Government Secretariat: Home Affairs Bureau	1,348,265	<b>4,391,013</b>	3,042,748	225.7	4,247,874
155 Government Secretariat: Innovation and Technology Commission	466,126	<b>465,432</b>	(694)	(0.1)	464,122
141 Government Secretariat: Labour and Welfare Bureau	537,939	<b>462,116</b>	(75,823)	(14.1)	487,322
47 Government Secretariat: Office of the Government Chief Information Officer	580,499	<b>580,433</b>	(66)	-	650,253
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	524,735	<b>480,810</b>	(43,925)	(8.4)	476,839
96 Government Secretariat: Overseas Economic and Trade Offices	303,747	<b>299,114</b>	(4,633)	(1.5)	282,587
151 Government Secretariat: Security Bureau	245,479	<b>3,184,109</b>	2,938,630	1,197.1	157,575
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	134,358	<b>122,639</b>	(11,719)	(8.7)	125,709
60 Highways Department	2,194,355	<b>2,184,963</b>	(9,392)	(0.4)	2,190,677
63 Home Affairs Department	1,639,685	<b>1,743,853</b>	104,168	6.4	1,573,126
168 Hong Kong Observatory	215,940	<b>213,504</b>	(2,436)	(1.1)	216,501
122 Hong Kong Police Force	13,042,384	<b>12,855,128</b>	(187,256)	(1.4)	12,714,049
62 Housing Department	128,712	<b>1,935,211</b>	1,806,499	1,403.5	1,926,950
70 Immigration Department	3,039,401	<b>2,936,636</b>	(102,765)	(3.4)	2,849,659
72 Independent Commission Against Corruption	814,174	<b>769,968</b>	(44,206)	(5.4)	766,922
121 Independent Police Complaints Council	27,177	<b>28,484</b>	1,307	4.8	26,441

# General Revenue Account

## 11. Expenditure (Continued)

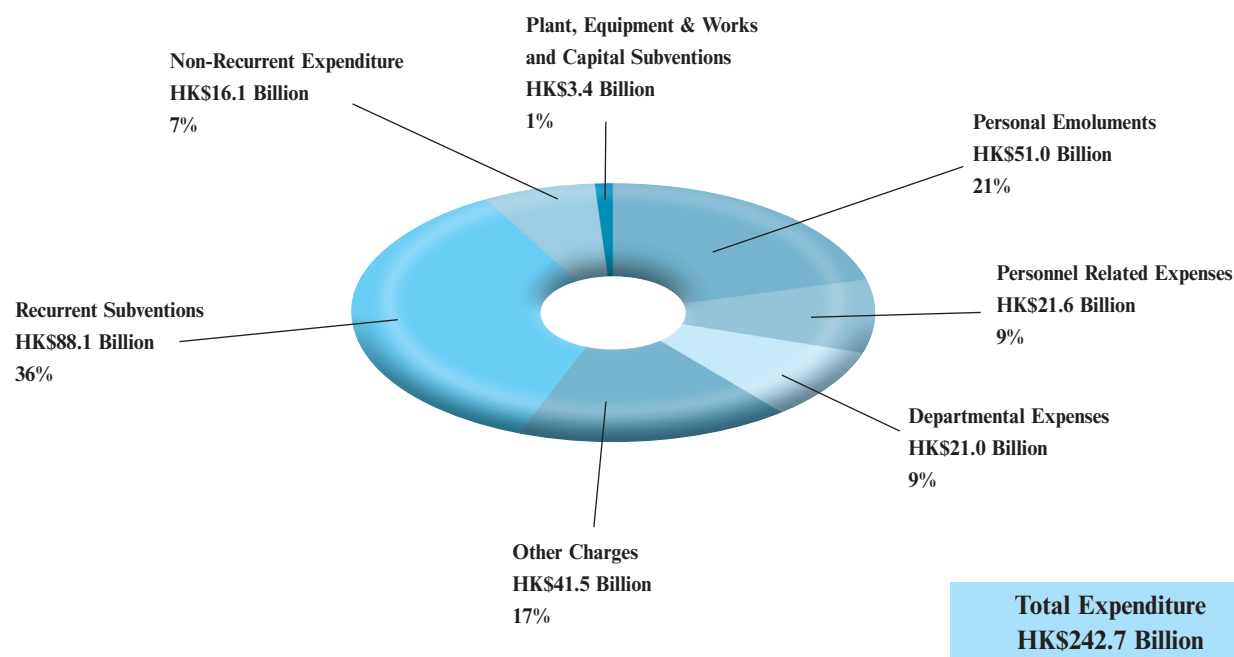
Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	373,769	<b>355,231</b>	(18,538)	(5.0)	354,983
76 Inland Revenue Department	1,273,893	<b>1,147,820</b>	(126,073)	(9.9)	1,151,572
78 Intellectual Property Department	96,086	<b>94,683</b>	(1,403)	(1.5)	95,189
79 Invest Hong Kong	105,776	<b>108,771</b>	2,995	2.8	111,339
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	19,975	<b>19,254</b>	(721)	(3.6)	23,389
80 Judiciary	1,115,639	<b>1,022,926</b>	(92,713)	(8.3)	1,000,227
90 Labour Department	1,166,267	<b>1,074,500</b>	(91,767)	(7.9)	1,168,835
91 Lands Department	1,793,355	<b>1,730,347</b>	(63,008)	(3.5)	1,710,935
94 Legal Aid Department	752,971	<b>733,529</b>	(19,442)	(2.6)	715,522
112 Legislative Council Commission	414,367	<b>449,402</b>	35,035	8.5	416,752
95 Leisure and Cultural Services Department	5,454,665	<b>5,392,556</b>	(62,109)	(1.1)	5,336,675
100 Marine Department	964,272	<b>926,220</b>	(38,052)	(3.9)	920,371
106 Miscellaneous Services	17,600,787	<b>174,940</b>	(17,425,847)	(99.0)	65,527
114 Office of The Ombudsman	88,487	<b>89,116</b>	629	0.7	89,990
116 Official Receiver's Office	138,577	<b>119,332</b>	(19,245)	(13.9)	115,440
120 Pensions	18,587,447	<b>18,026,853</b>	(560,594)	(3.0)	16,910,922
118 Planning Department	475,571	<b>464,177</b>	(11,394)	(2.4)	464,573
136 Public Service Commission	16,474	<b>16,434</b>	(40)	(0.2)	16,921
160 Radio Television Hong Kong	497,227	<b>469,857</b>	(27,370)	(5.5)	482,669
162 Rating and Valuation Department	403,603	<b>384,084</b>	(19,519)	(4.8)	383,942
163 Registration and Electoral Office	247,231	<b>197,154</b>	(50,077)	(20.3)	72,492
169 Secretariat, Commissioner on Interception of Communications and Surveillance	13,932	<b>12,899</b>	(1,033)	(7.4)	10,762
170 Social Welfare Department	39,645,722	<b>39,368,247</b>	(277,475)	(0.7)	39,529,326
173 Student Financial Assistance Agency	3,559,297	<b>3,978,120</b>	418,823	11.8	3,765,914
180 Television and Entertainment Licensing Authority	78,954	<b>78,472</b>	(482)	(0.6)	106,915
181 Trade and Industry Department	993,808	<b>660,374</b>	(333,434)	(33.6)	724,461
186 Transport Department	1,269,196	<b>1,145,425</b>	(123,771)	(9.8)	1,106,377
188 Treasury	339,140	<b>317,588</b>	(21,552)	(6.4)	318,947

# General Revenue Account

## 11. Expenditure (Continued)

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
190 University Grants Committee	10,982,174	12,083,898	1,101,724	10.0	11,539,375
194 Water Supplies Department	5,944,267	5,951,662	7,395	0.1	5,758,714
	255,552,001	242,293,634	(13,258,367)	(5.2)	237,235,469
184 Transfers to Funds	30,047,000	377,000	(29,670,000)	(98.7)	59,200
Total	285,599,001	242,670,634	(42,928,367)	(15.0)	237,294,669

## Analysis of Expenditure for the year ended 31 March 2011



# General Revenue Account

## 12. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
<b>Reduction/(Increase) in Assets:</b>		
Investments with the Exchange Fund	(48,826,612)	(23,172,876)
Deposits with banks	5,716	79,573
Advances	(44,489)	13,956
	(48,865,385)	(23,079,347)
<b>Increase/(Reduction) in Liabilities:</b>		
Deposits	577,367	1,642,800
Suspense Accounts	(5,154)	10,821
	572,213	1,653,621
	<u>(48,293,172)</u>	<u>(21,425,726)</u>

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

