

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 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

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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

26 October 2012

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

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Assets			
Investments with the Exchange Fund	3	372,704,340	341,515,070
Deposits with banks	4	283,157	297,610
Cash and bank balances	5	3,228,912	2,552,907
Advances	6	2,415,177	2,414,333
		378,631,586	346,779,920
Liabilities			
Deposits	7	(17,847,586)	(19,150,921)
Suspense Accounts	8	(124,462)	(71,717)
		(17,972,048)	(19,222,638)
		360,659,538	327,557,282
Representing:			
General Revenue Balance			
Balance at beginning of year		327,557,282	279,938,484
Surplus for the year		33,102,256	47,618,798
Balance at end of year	9	360,659,538	327,557,282

Notes 1 to 12 form part of these financial statements.

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



General Revenue Account

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		2,552,907	3,227,281
Revenue	10	332,621,019	290,289,432
Expenditure	11	(299,518,763)	(242,670,634)
Surplus for the year		33,102,256	47,618,798
Other cash movements	12	(32,426,251)	(48,293,172)
Cash and bank balances at end of year		<u>3,228,912</u>	<u>2,552,907</u>

Notes 1 to 12 form part of these financial statements.

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



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:

	2012	2011
	HK\$'000	HK\$'000
Investments (Notes (ii) and (iii) below)	372,446,696	341,361,468
Deposits	257,644	153,602
	<u>372,704,340</u>	<u>341,515,070</u>

- (ii) The investments represent the cost of investments together with interest of HK\$19.82 billion 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.

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:

	2012	2011
	HK\$'000	HK\$'000
Hong Kong dollar	97,752	97,621
Foreign currency	185,405	199,989
	<u>283,157</u>	<u>297,610</u>

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:

	2012	2011
	HK\$'000	HK\$'000
Expenditure on Vietnamese migrants (Note (i) below)	1,161,991	1,161,991
Advances to Government officers	683,111	758,409
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	336,114	328,430
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 Re-provisioning, Remedial and Improvement Works	-	4,455
Others	233,961	161,048
	<u>2,415,177</u>	<u>2,414,333</u>

- (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 2011-12, 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:

	2012	2011
	HKS'000	HKS'000
Tax reserve certificates	11,672,627	13,278,695
Water deposits	1,557,609	1,519,693
Tenancy deposits	1,167,957	1,097,901
Tax overpayments	629,734	670,664
Legal aid deposits	513,810	547,113
Private works	221,697	202,609
Others	2,084,152	1,834,246
	<u>17,847,586</u>	<u>19,150,921</u>

8. Suspense Accounts

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

	2012	2011
	HKS'000	HKS'000
Correctional Services Industries (Note (i) below)	20,329	24,663
Government Logistics Department — Unallocated Stores (Note (i) below)	8,374	6,011
The Special Coin (Note (ii) below)	(95,867)	(95,743)
The Financial Secretary Incorporated (Note (iii) below)	(57,298)	(6,648)
	<u>(124,462)</u>	<u>(71,717)</u>

- (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

As at 31 March 2012, the Government had the following contingent liabilities:

- (i) guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance amounting to HK\$23,751 million (2011: HK\$22,693 million);
- (ii) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$7,012 million (2011: HK\$5,862 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$62,751 million (2011: HK\$68,563 million); and
- (iv) litigation amounting to HK\$3,168 million (2011: HK\$4,232 million).

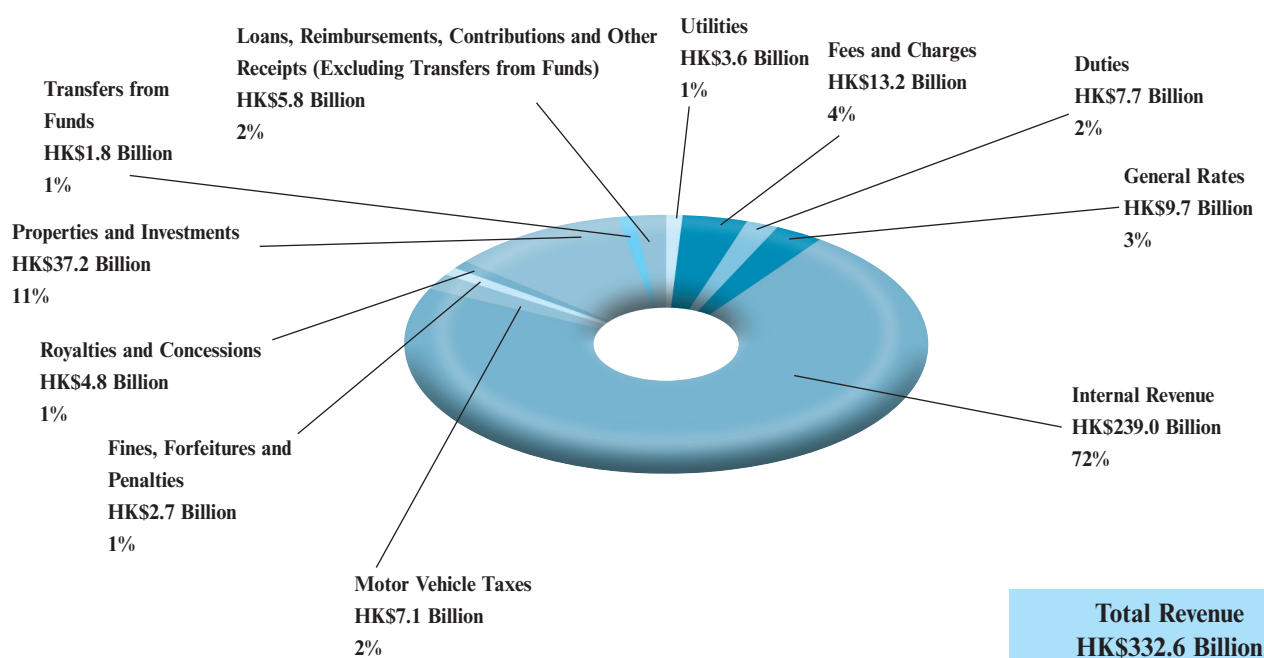
10. Revenue

Analysis of total revenue by Head:

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
1 Duties	7,797,868	7,724,742	(73,126)	(0.9)	7,551,086
2 General Rates	11,011,000	9,722,268	(1,288,732)	(11.7)	8,955,850
3 Internal Revenue	201,769,118	238,980,135	37,211,017	18.4	210,797,234
4 Motor Vehicle Taxes	7,493,607	7,070,073	(423,534)	(5.7)	6,657,392
5 Fines, Forfeitures and Penalties	985,679	2,659,647	1,673,968	169.8	1,159,047
6 Royalties and Concessions	2,410,173	4,849,249	2,439,076	101.2	2,451,443
7 Properties and Investments	34,962,266	37,238,972	2,276,706	6.5	33,772,161
9 Loans, Reimbursements, Contributions and Other Receipts	5,834,681	7,583,523	1,748,842	30.0	4,098,880
10 Utilities	3,655,386	3,573,203	(82,183)	(2.2)	3,483,357
11 Fees and Charges	12,510,219	13,219,207	708,988	5.7	11,362,982
Total	<u>288,429,997</u>	<u>332,621,019</u>	<u>44,191,022</u>	15.3	<u>290,289,432</u>

General Revenue Account

Analysis of Revenue for the year ended 31 March 2012



11. Expenditure

Analysis of total expenditure by Head:

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	85,217	90,155	4,938	5.8	82,420
22 Agriculture, Fisheries and Conservation Department	964,195	951,814	(12,381)	(1.3)	891,118
25 Architectural Services Department	1,565,434	1,616,696	51,262	3.3	1,553,113
24 Audit Commission	121,132	124,754	3,622	3.0	119,870
23 Auxiliary Medical Service	66,360	66,577	217	0.3	64,643
82 Buildings Department	993,996	872,062	(121,934)	(12.3)	837,452
26 Census and Statistics Department	827,607	776,343	(51,264)	(6.2)	544,101
27 Civil Aid Service	81,696	81,611	(85)	(0.1)	78,267
28 Civil Aviation Department	758,817	767,095	8,278	1.1	689,770
33 Civil Engineering and Development Department	1,996,469	1,791,973	(204,496)	(10.2)	1,647,686
30 Correctional Services Department	2,895,922	2,983,617	87,695	3.0	2,794,827
31 Customs and Excise Department	2,565,707	2,549,770	(15,937)	(0.6)	2,374,075
37 Department of Health	4,870,346	4,393,525	(476,821)	(9.8)	3,966,598
92 Department of Justice	1,043,191	1,119,862	76,671	7.3	966,088
39 Drainage Services Department	1,850,534	1,880,413	29,879	1.6	1,811,419

General Revenue Account

11. Expenditure (Continued)

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	345,418	355,702	10,284	3.0	402,742
44 Environmental Protection Department	2,425,515	2,969,843	544,328	22.4	2,336,547
45 Fire Services Department	4,205,211	4,173,274	(31,937)	(0.8)	3,952,258
49 Food and Environmental Hygiene Department	4,572,750	4,668,970	96,220	2.1	4,386,802
46 General Expenses of the Civil Service	2,848,009	2,655,867	(192,142)	(6.7)	2,641,770
166 Government Flying Service	558,834	530,194	(28,640)	(5.1)	248,831
48 Government Laboratory	347,454	347,306	(148)	-	339,910
59 Government Logistics Department	499,456	445,210	(54,246)	(10.9)	463,456
51 Government Property Agency	1,800,542	1,652,976	(147,566)	(8.2)	1,630,830
143 Government Secretariat: Civil Service Bureau	420,026	440,344	20,318	4.8	403,255
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,355,242	1,269,448	(85,794)	(6.3)	1,221,922
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	310,890	246,753	(64,137)	(20.6)	237,286
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	388,055	387,434	(621)	(0.2)	538,321
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	831,364	689,601	(141,763)	(17.1)	962,085
159 Government Secretariat: Development Bureau (Works Branch)	316,711	301,553	(15,158)	(4.8)	238,433
156 Government Secretariat: Education Bureau	41,050,152	44,662,190	3,612,038	8.8	39,046,861
137 Government Secretariat: Environment Bureau	80,035	65,292	(14,743)	(18.4)	67,154
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	185,493	190,341	4,848	2.6	144,707

General Revenue Account

11. Expenditure (Continued)

Head	2012				2011
	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)	332,979	30,147,821	29,814,842	8,954.0	653,403
139 Government Secretariat: Food and Health Bureau (Food Branch)	77,031	58,852	(18,179)	(23.6)	55,978
140 Government Secretariat: Food and Health Bureau (Health Branch)	37,322,905	38,969,146	1,646,241	4.4	34,652,352
53 Government Secretariat: Home Affairs Bureau	1,358,524	14,764,515	13,405,991	986.8	4,391,013
155 Government Secretariat: Innovation and Technology Commission	498,232	502,660	4,428	0.9	465,432
141 Government Secretariat: Labour and Welfare Bureau	583,946	554,997	(28,949)	(5.0)	462,116
47 Government Secretariat: Office of the Government Chief Information Officer	657,581	655,161	(2,420)	(0.4)	580,433
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	624,800	594,407	(30,393)	(4.9)	480,810
96 Government Secretariat: Overseas Economic and Trade Offices	299,302	302,112	2,810	0.9	299,114
151 Government Secretariat: Security Bureau	272,961	233,543	(39,418)	(14.4)	3,184,109
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	137,433	134,407	(3,026)	(2.2)	122,639
60 Highways Department	2,230,549	2,263,032	32,483	1.5	2,184,963
63 Home Affairs Department	1,769,413	1,723,426	(45,987)	(2.6)	1,743,853
168 Hong Kong Observatory	220,668	225,606	4,938	2.2	213,504
122 Hong Kong Police Force	13,157,929	13,750,863	592,934	4.5	12,855,128
62 Housing Department	146,083	2,050,378	1,904,295	1,303.6	1,935,211
70 Immigration Department	3,071,992	3,124,877	52,885	1.7	2,936,636
72 Independent Commission Against Corruption	824,119	821,245	(2,874)	(0.3)	769,968
121 Independent Police Complaints Council	35,230	36,089	859	2.4	28,484

General Revenue Account

11. Expenditure (Continued)

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	375,902	362,080	(13,822)	(3.7)	355,231
76 Inland Revenue Department	1,290,339	1,188,457	(101,882)	(7.9)	1,147,820
78 Intellectual Property Department	97,817	100,556	2,739	2.8	94,683
79 Invest Hong Kong	110,647	112,055	1,408	1.3	108,771
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	19,244	20,409	1,165	6.1	19,254
80 Judiciary	1,137,930	1,057,691	(80,239)	(7.1)	1,022,926
90 Labour Department	1,298,408	1,270,314	(28,094)	(2.2)	1,074,500
91 Lands Department	1,810,067	1,849,683	39,616	2.2	1,730,347
94 Legal Aid Department	784,260	704,706	(79,554)	(10.1)	733,529
112 Legislative Council Commission	566,961	568,927	1,966	0.3	449,402
95 Leisure and Cultural Services Department	5,630,026	5,825,415	195,389	3.5	5,392,556
100 Marine Department	988,869	974,509	(14,360)	(1.5)	926,220
106 Miscellaneous Services	61,245,750	115,525	(61,130,225)	(99.8)	174,940
114 Office of The Ombudsman	89,391	94,164	4,773	5.3	89,116
116 Official Receiver's Office	136,331	126,082	(10,249)	(7.5)	119,332
120 Pensions	19,772,434	19,737,349	(35,085)	(0.2)	18,026,853
118 Planning Department	479,470	490,754	11,284	2.4	464,177
*136 Public Service Commission Secretariat	18,203	18,932	729	4.0	16,434
160 Radio Television Hong Kong	563,106	539,904	(23,202)	(4.1)	469,857
162 Rating and Valuation Department	411,711	405,033	(6,678)	(1.6)	384,084
163 Registration and Electoral Office	411,923	352,839	(59,084)	(14.3)	197,154
169 Secretariat, Commissioner on Interception of Communications and Surveillance	17,079	16,096	(983)	(5.8)	12,899
170 Social Welfare Department	41,265,733	42,189,135	923,402	2.2	39,368,247
173 Student Financial Assistance Agency	3,955,741	4,085,407	129,666	3.3	3,978,120
180 Television and Entertainment Licensing Authority	78,962	78,926	(36)	-	78,472
181 Trade and Industry Department	718,441	647,792	(70,649)	(9.8)	660,374
186 Transport Department	1,306,014	1,270,453	(35,561)	(2.7)	1,145,425
188 Treasury	332,454	327,411	(5,043)	(1.5)	317,588

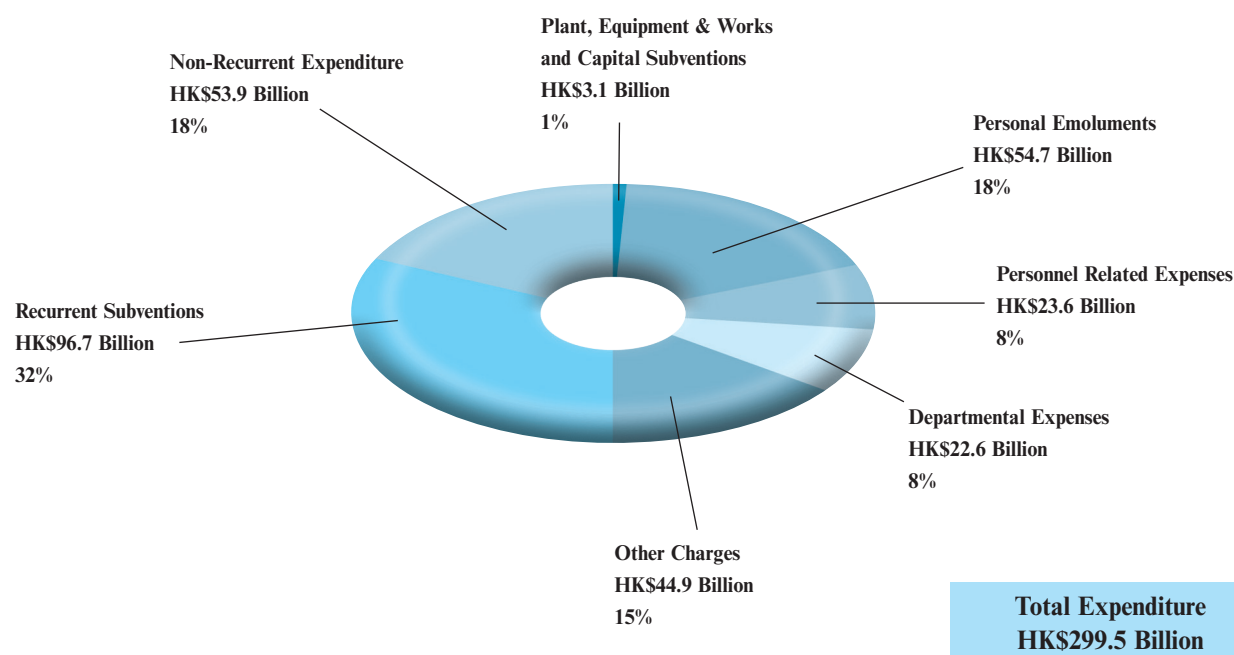
General Revenue Account

11. Expenditure (Continued)

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
190 University Grants Committee	11,027,723	11,707,549	679,826	6.2	12,083,898
194 Water Supplies Department	6,118,761	6,248,908	130,147	2.1	5,951,662
	<u>308,909,154</u>	<u>299,518,763</u>	<u>(9,390,391)</u>	(3.0)	<u>242,293,634</u>
184 Transfers to Funds	25,000,000	-	(25,000,000)	(100.0)	377,000
Total	<u>333,909,154</u>	<u>299,518,763</u>	<u>(34,390,391)</u>	(10.3)	<u>242,670,634</u>

* Head 136 — Public Service Commission has been retitled Public Service Commission Secretariat with effect from 2011-12.

Analysis of Expenditure for the year ended 31 March 2012



General Revenue Account

12. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	(31,189,270)	(48,826,612)
Deposits with banks	14,453	5,716
Advances	(844)	(44,489)
	(31,175,661)	(48,865,385)
Increase/(Reduction) in Liabilities		
Deposits	(1,303,335)	577,367
Suspense Accounts	52,745	(5,154)
	(1,250,590)	572,213
	<u>(32,426,251)</u>	<u>(48,293,172)</u>

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

