

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 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

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 2014 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

28 October 2014

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

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	412,725,827	415,738,275
Deposits with banks	4	435,603	379,494
Cash and bank balances	5	3,582,332	3,273,636
Advances	6	2,674,114	2,519,239
		419,417,876	421,910,644
Liabilities			
Deposits	7	(16,557,997)	(17,110,200)
Suspense Accounts	8	(74,431)	(80,410)
		(16,632,428)	(17,190,610)
		<u>402,785,448</u>	<u>404,720,034</u>
Representing:			
General Revenue Balance			
Balance at beginning of year		404,720,034	360,659,538
(Deficit)/Surplus for the year		(1,934,586)	44,060,496
Balance at end of year	9	<u>402,785,448</u>	<u>404,720,034</u>

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



General Revenue Account

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

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		3,273,636	3,228,912
Revenue	10	349,233,774	350,200,032
Expenditure	11	(351,168,360)	(306,139,536)
(Deficit)/Surplus for the year		(1,934,586)	44,060,496
Other cash movements	12	2,243,282	(44,015,772)
Cash and bank balances at end of year		3,582,332	3,273,636

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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) Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Foreign currency balances are translated into Hong Kong dollars 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:

	2014	2013
	HK\$'000	HK\$'000
Investments	412,705,816	415,471,751
(Note (ii) below)		
Deposits	20,011	266,524
	412,725,827	415,738,275

General Revenue Account

3. Investments with the Exchange Fund *(Continued)*

- (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\$19.45 billion (2013: HK\$19.78 billion).

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:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	97,736	97,925
Foreign currency	337,867	281,569
	435,603	379,494

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:

	2014 HK\$'000	2013 HK\$'000
Expenditure on Vietnamese migrants (Note (i) below)	1,161,991	1,161,991
Advances to Government officers	784,376	718,249
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	375,246	370,797
Others	352,501	268,202
	2,674,114	2,519,239

- (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 Organizations and Diplomatic Privileges Ordinance (Cap. 190). Consequently, the full recovery of the amount due is doubtful.

During the financial year 2013-14, 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:

	2014 HK\$'000	2013 HK\$'000
Tax reserve certificates	9,790,248	10,559,825
Water deposits	1,654,754	1,602,738
Tenancy deposits	1,499,403	1,264,486
Tax overpayments	681,649	842,653
Legal aid deposits	673,446	578,235
Private works	238,432	242,452
Others	2,020,065	2,019,811
	<u>16,557,997</u>	<u>17,110,200</u>

8. Suspense Accounts

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

	2014 HK\$'000	2013 HK\$'000
Correctional Services Industries (Note (i) below)	17,898	14,281
Government Logistics Department — Unallocated Stores (Note (i) below)	10,534	9,195
The Special Coin (Note (ii) below)	(96,101)	(96,041)
The Financial Secretary Incorporated (Note (iii) below)	(6,762)	(7,845)
	<u>(74,431)</u>	<u>(80,410)</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 2014, 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\$31,397 million (2013: HK\$29,475 million);
- (ii) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$7,610 million (2013: HK\$7,452 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$41,689 million (2013: HK\$50,955 million);
- (iv) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to HK\$26,531 million (2013: HK\$20,924 million); and
- (v) legal claims, disputes and proceedings amounting to HK\$4,170 million (2013: HK\$4,009 million).

10. Revenue

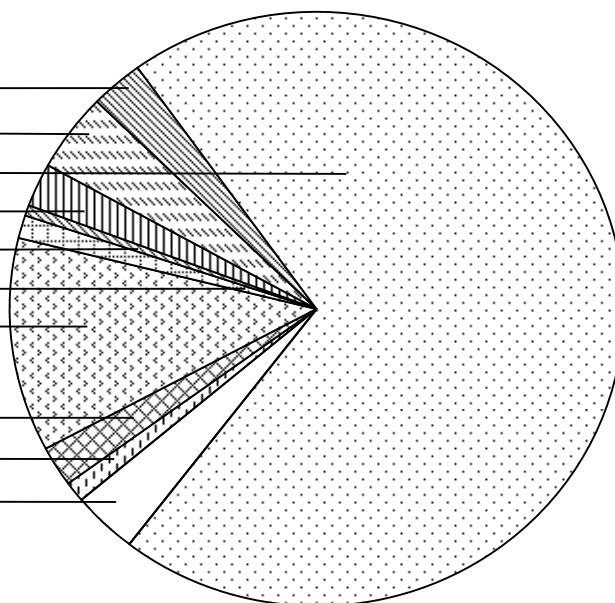
Analysis of total revenue by Head:

Head	2014				2013
	Original Estimate	Actual	Over/(Under) the Estimate	Variance	Actual
	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000
1 Duties	8,795,794	9,720,205	924,411	10.5	8,976,510
2 General Rates	12,971,000	14,911,481	1,940,481	15.0	11,204,421
3 Internal Revenue					
Profits tax	131,000,000	120,881,813	(10,118,187)	(7.7)	125,638,364
Salaries tax	51,000,000	55,620,272	4,620,272	9.1	50,466,999
Stamp duties	40,000,000	41,514,691	1,514,691	3.8	42,879,744
Other internal revenue	25,975,970	27,702,750	1,726,780	6.6	25,068,003
	247,975,970	245,719,526	(2,256,444)	(0.9)	244,053,110
4 Motor Vehicle Taxes	7,651,649	8,338,007	686,358	9.0	7,466,089
5 Fines, Forfeitures and Penalties	1,057,466	1,956,821	899,355	85.0	1,208,474
6 Royalties and Concessions	3,532,472	4,426,309	893,837	25.3	2,736,265
7 Properties and Investments					
Income from Investments with the Exchange Fund	-	19,452,290	-	-	19,782,999
Others	-	21,147,290	-	-	19,738,660
	38,525,298	40,599,580	2,074,282	5.4	39,521,659
9 Loans, Reimbursements, Contributions and Other Receipts	9,594,676	7,713,160	(1,881,516)	(19.6)	19,756,500
10 Utilities	3,821,967	3,885,123	63,156	1.7	3,686,858
11 Fees and Charges	11,435,631	11,963,562	527,931	4.6	11,590,146
Total	<u>345,361,923</u>	<u>349,233,774</u>	<u>3,871,851</u>	1.1	<u>350,200,032</u>

General Revenue Account

Analysis of Revenue for the year ended 31 March 2014

Duties	HK\$9.7 Billion	3%
General Rates	HK\$14.9 Billion	4%
Internal Revenue	HK\$245.7 Billion	70%
Motor Vehicle Taxes	HK\$8.3 Billion	2%
Fines, Forfeitures and Penalties	HK\$2.0 Billion	1%
Royalties and Concessions	HK\$4.4 Billion	1%
Properties and Investments	HK\$40.6 Billion	12%
Loans, Reimbursements, Contributions and Other Receipts (Including Transfers from Funds)	HK\$7.7 Billion	2%
Utilities	HK\$3.9 Billion	1%
Fees and Charges	HK\$12.0 Billion	4%



**Total Revenue
HK\$349.2 Billion**

11. Expenditure

Analysis of total expenditure by Head:

Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	94,481	94,464	(17)	-	92,388
22 Agriculture, Fisheries and Conservation Department	1,579,239	1,149,867	(429,372)	(27.2)	1,964,540
25 Architectural Services Department	1,733,990	1,760,510	26,520	1.5	1,673,413
24 Audit Commission	137,368	138,253	885	0.6	132,968
23 Auxiliary Medical Service	75,158	74,287	(871)	(1.2)	71,961
82 Buildings Department	1,124,935	1,106,303	(18,632)	(1.7)	1,029,782
26 Census and Statistics Department	590,713	557,047	(33,666)	(5.7)	550,625
27 Civil Aid Service	96,253	96,196	(57)	(0.1)	88,351
28 Civil Aviation Department	853,813	855,633	1,820	0.2	832,351
33 Civil Engineering and Development Department	2,029,341	1,845,860	(183,481)	(9.0)	1,799,825
30 Correctional Services Department	3,235,902	3,278,777	42,875	1.3	3,140,130
31 Customs and Excise Department	3,107,689	2,960,851	(146,838)	(4.7)	2,768,626
37 Department of Health	5,580,318	5,606,137	25,819	0.5	4,991,733
92 Department of Justice	1,401,718	1,351,778	(49,940)	(3.6)	1,272,067
39 Drainage Services Department	1,996,348	2,000,981	4,633	0.2	1,939,166

General Revenue Account

11. Expenditure (Continued)

Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	509,032	502,948	(6,084)	(1.2)	379,035
44 Environmental Protection Department	3,132,891	7,961,302	4,828,411	154.1	2,732,201
45 Fire Services Department	4,691,796	4,676,837	(14,959)	(0.3)	4,482,731
49 Food and Environmental Hygiene Department	5,200,542	5,329,353	128,811	2.5	5,004,521
46 General Expenses of the Civil Service	3,044,324	2,809,903	(234,421)	(7.7)	2,699,636
166 Government Flying Service	515,835	312,188	(203,647)	(39.5)	641,940
48 Government Laboratory	411,240	409,531	(1,709)	(0.4)	380,116
59 Government Logistics Department	526,171	511,954	(14,217)	(2.7)	504,657
51 Government Property Agency	1,889,157	1,866,265	(22,892)	(1.2)	1,735,985
143 Government Secretariat: Civil Service Bureau	499,173	484,380	(14,793)	(3.0)	464,775
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,539,475	1,480,694	(58,781)	(3.8)	1,326,011
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	326,031	296,821	(29,210)	(9.0)	307,486
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	500,086	497,496	(2,590)	(0.5)	451,033
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	763,645	537,452	(226,193)	(29.6)	622,041
159 Government Secretariat: Development Bureau (Works Branch)	472,729	396,795	(75,934)	(16.1)	329,303
156 Government Secretariat: Education Bureau	44,478,419	49,731,487	5,253,068	11.8	50,534,721
137 Government Secretariat: Environment Bureau	72,755	68,572	(4,183)	(5.7)	58,580
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	239,173	230,951	(8,222)	(3.4)	216,852

General Revenue Account

11. Expenditure (Continued)

Head	2014				2013
	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)	1,812,850	4,531,500	2,718,650	150.0	14,486,536
139 Government Secretariat: Food and Health Bureau (Food Branch)	80,496	74,809	(5,687)	(7.1)	58,414
140 Government Secretariat: Food and Health Bureau (Health Branch)	45,568,939	46,692,450	1,123,511	2.5	53,249,857
53 Government Secretariat: Home Affairs Bureau	1,393,644	16,388,205	14,994,561	1,075.9	1,302,385
155 Government Secretariat: Innovation and Technology Commission	559,228	550,979	(8,249)	(1.5)	533,963
141 Government Secretariat: Labour and Welfare Bureau	717,785	15,713,109	14,995,324	2,089.1	619,977
47 Government Secretariat: Office of the Government Chief Information Officer	671,357	670,825	(532)	(0.1)	627,154
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	739,840	701,076	(38,764)	(5.2)	669,577
96 Government Secretariat: Overseas Economic and Trade Offices	324,678	314,183	(10,495)	(3.2)	306,355
151 Government Secretariat: Security Bureau	313,589	276,674	(36,915)	(11.8)	251,931
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	169,179	179,998	10,819	6.4	146,961
60 Highways Department	2,475,061	2,485,815	10,754	0.4	2,361,588
63 Home Affairs Department	2,022,532	1,970,358	(52,174)	(2.6)	1,865,952
168 Hong Kong Observatory	247,367	245,768	(1,599)	(0.6)	239,103
122 Hong Kong Police Force	14,776,454	15,144,195	367,741	2.5	14,598,280
62 Housing Department	210,178	2,356,518	2,146,340	1,021.2	2,074,459
70 Immigration Department	3,546,855	3,602,630	55,775	1.6	3,380,067
72 Independent Commission Against Corruption	927,340	909,050	(18,290)	(2.0)	861,921
121 Independent Police Complaints Council	49,833	50,916	1,083	2.2	46,685

General Revenue Account

11. Expenditure (Continued)

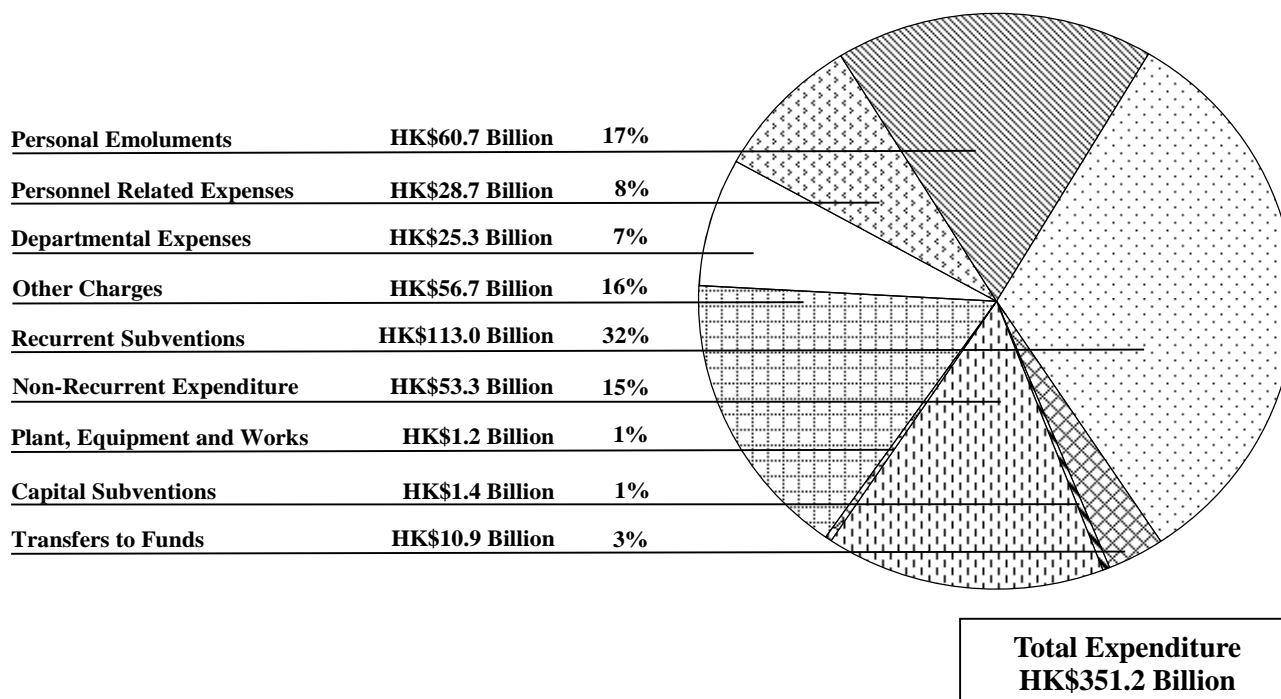
Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	405,986	391,215	(14,771)	(3.6)	382,516
76 Inland Revenue Department	1,431,999	1,331,804	(100,195)	(7.0)	1,265,192
78 Intellectual Property Department	121,505	121,601	96	0.1	113,448
79 Invest Hong Kong	116,913	116,135	(778)	(0.7)	113,675
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	30,070	30,251	181	0.6	27,537
80 Judiciary	1,272,125	1,198,624	(73,501)	(5.8)	1,147,414
90 Labour Department	2,040,432	1,641,286	(399,146)	(19.6)	1,436,590
91 Lands Department	2,071,602	2,087,882	16,280	0.8	1,992,005
94 Legal Aid Department	842,163	841,508	(655)	(0.1)	870,972
112 Legislative Council Commission	664,384	679,728	15,344	2.3	642,090
95 Leisure and Cultural Services Department	6,538,016	6,587,022	49,006	0.7	6,240,150
100 Marine Department	1,045,050	1,060,721	15,671	1.5	1,017,935
106 Miscellaneous Services	57,272,497	198,821	(57,073,676)	(99.7)	107,451
180 Office for Film, Newspaper and Article Administration	43,627	39,941	(3,686)	(8.4)	41,251
114 Office of The Ombudsman	99,540	102,461	2,921	2.9	99,085
116 Official Receiver's Office	155,159	139,798	(15,361)	(9.9)	133,875
120 Pensions	25,509,500	23,913,477	(1,596,023)	(6.3)	21,843,494
118 Planning Department	574,397	545,906	(28,491)	(5.0)	523,549
136 Public Service Commission Secretariat	20,059	20,434	375	1.9	18,329
160 Radio Television Hong Kong	754,288	723,177	(31,111)	(4.1)	615,328
162 Rating and Valuation Department	484,270	459,786	(24,484)	(5.1)	434,085
163 Registration and Electoral Office	94,315	81,784	(12,531)	(13.3)	548,589
169 Secretariat, Commissioner on Interception of Communications and Surveillance	18,014	16,855	(1,159)	(6.4)	15,928
170 Social Welfare Department	54,722,835	53,658,843	(1,063,992)	(1.9)	44,476,987
173 Student Financial Assistance Agency	5,016,294	4,917,424	(98,870)	(2.0)	4,589,213
181 Trade and Industry Department	770,088	803,082	32,994	4.3	707,043
186 Transport Department	2,035,872	1,852,711	(183,161)	(9.0)	1,558,120
188 Treasury	363,460	341,911	(21,549)	(5.9)	338,614

General Revenue Account

11. Expenditure (Continued)

Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
190 University Grants Committee	15,015,579	15,656,765	641,186	4.3	15,315,776
194 Water Supplies Department	6,810,214	6,873,476	63,262	0.9	6,570,580
	355,397,198	340,275,360	(15,121,838)	(4.3)	306,087,536
184 Transfers to Funds	743,000	10,893,000	10,150,000	1,366.1	52,000
Total	356,140,198	351,168,360	(4,971,838)	(1.4)	306,139,536

Analysis of Expenditure for the year ended 31 March 2014



General Revenue Account

12. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	3,012,448	(43,033,935)
Deposits with banks	(56,109)	(96,337)
Advances	(154,875)	(104,062)
	2,801,464	(43,234,334)
Reduction in Liabilities		
Deposits	(552,203)	(737,386)
Suspense Accounts	(5,979)	(44,052)
	(558,182)	(781,438)
	2,243,282	(44,015,772)

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2005 to 2014

HK\$Billion

