



財經事務及庫務局
(庫務科)

香港下亞厘畢道
中區政府合署

FINANCIAL SERVICES AND THE
TREASURY BUREAU
(The Treasury Branch)

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本函檔號 Our Ref. : H/MISC/29 Pt.4
來函檔號 Your Ref. : CB(4)/PAC/ACC

24 January 2011

Ms Miranda Hon
Clerk to Public Accounts Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms Hon,

**Report of the Director of Audit on the Accounts of the
Government of the Hong Kong Special Administrative Region
for the year ended 31 March 2010**

I refer to your letter of 12.1.2011. Our reply is set out in the following paragraphs.

Question 1

The Government Accounts provide variance analyses for the General Revenue Account (GRA) as GRA expenditure is subject to statutory control on an annual basis. Besides, the bulk of Government's expenditure is met directly from the GRA.

As requested, the variance analyses for individual funds for 2009-10 are enclosed at the **Appendix**.

Question 2

The cash-based financial statements for the GRA and the individual funds are audited by the Director of Audit pursuant to the Audit Ordinance (Cap. 122) (except the Lotteries Fund which is governed by the Government Lotteries Ordinance (Cap. 334)). In addition to the statutory accounts, for the purpose of giving an overview of the financial position and cash resources of the Government of the Hong Kong Special Administrative Region, the GRA and the individual funds, excluding the Bond Fund, are aggregated, with adjustments for inter-fund transfers, to form the cash-based Consolidated Account. As the consolidation process is relatively straightforward, the Administration sees no need for the cash-based Consolidated Account to be audited by the Director of Audit.

In addition to the cash-based Consolidated Account, the Administration started to prepare accrual-based financial statements from 2002-03 to provide additional information. Since then, we have been making improvements to our accrual accounting policies as well as the relevant computer systems to enable better compliance with generally accepted accounting principles and to streamline the compilation work. We will continue to review and introduce improvements to the accrual-based accounts, and will examine the need for statutory audit in due course.

Yours sincerely,



(Ms Shirley Lau)
for Secretary for Financial Services and the Treasury

c.c. D of Audit

Encl.

**Revenue and Expenditure Variance Analyses
for Funds Established under Section 29 of Public Finance Ordinance**

	2009-10			
	Original		Over/(Under)	
	Estimate	Actual	the Estimate	Variance
	\$'000	\$'000	\$'000	%
Capital Works Reserve Fund				
Revenue	33,361,000	41,876,919	8,515,919	25.5
Expenditure	48,026,030	51,581,575	3,555,545	7.4
Capital Investment Fund				
Revenue	928,449	1,232,145	303,696	32.7
Expenditure	980,503	0	(980,503)	(100.0)
Civil Service Pension Reserve Fund				
Revenue	1,377,000	1,377,240	240	0.0
Disaster Relief Fund				
Revenue	12,246	70,469	58,223	475.4
Expenditure	--	98,910	98,910	--
Innovation and Technology Fund				
Revenue	251,006	323,259	72,253	28.8
Expenditure	1,277,861	721,602	(556,259)	(43.5)
Land Fund				
Revenue	11,196,000	11,196,207	207	0.0
Loan Fund				
Revenue	2,702,083	2,275,648	(426,435)	(15.8)
Expenditure	2,592,768	2,149,734	(443,034)	(17.1)
Lotteries Fund				
Revenue	1,442,413	1,489,963	47,550	3.3
Expenditure	1,808,528	737,499	(1,071,029)	(59.2)
Bond Fund				
Revenue	--	11,599,422	11,599,422	--
Expenditure	--	16,999	16,999	--

Capital Works Reserve Fund

The increase of \$8,515.9 million in revenue was mainly due to the higher than expected receipts from land premium (\$23,132.1 million) and investment income (\$489.7 million), partly offset by the lower than expected transfer from the General Revenue Account (\$15,000 million).

The increase of \$3,555.5 million in expenditure was mainly due to the higher than expected payment for funding support to West Island Line (\$3,089 million) and better progress of various on-going capital works projects.

Capital Investment Fund

The increase of \$303.7 million in revenue was mainly due to the higher than expected dividends and interests from investment/loans (\$335.5 million), partly offset by the lower than expected loan repayments from the Hong Kong Science and Technology Park Corporation (\$30.3 million).

The decrease of \$980.5 million in expenditure was due to the deferred drawdown of loan to the Hong Kong Science and Technology Park Corporation for the development of Science Park Phase 2 (\$380.5 million) and the lower than expected transfer to the General Revenue Account (\$600 million).

Disaster Relief Fund

The increase of \$58.2 million in revenue was mainly due to the approved supplementary provision of \$50 million to the Fund to cater for a grant of \$50 million to the Taiwanese authorities for the disaster relief and rehabilitation work in Taiwan resulting from the damage brought by Typhoon Morakot in August 2009.

No estimate of payment was made for the year as calls on the Fund in relief of disasters cannot be predicted.

Innovation and Technology Fund

The increase of \$72.3 million in revenue was mainly due to the higher than expected amount of refund of grants (\$46.6 million) and investment income (\$25.6 million).

The decrease of \$556.3 million in expenditure was mainly due to the lower than expected cash flow requirement for projects undertaken by research and development centres (\$323.5 million) and other recipients (\$243.4 million).

Loan Fund

The decrease of \$426.4 million in revenue was mainly due to the lower than expected transfer from the General Revenue Account (\$400 million) and loan repayments from education loans (\$92.9 million), partly offset by the higher than expected proceeds from sale of loans (\$86.6 million).

The decrease of \$443 million in expenditure was mainly due to the lower than expected education loan payments to students and schools (\$536.3 million), partly offset by the higher than expected housing loan payments (\$124.4 million).

Lotteries Fund

The increase of \$47.6 million in revenue was mainly due to the higher than expected receipts from auction of vehicle registration marks (\$54.2 million) and investment income (\$45.2 million), partly offset by the lower than expected receipts from Mark Six Lottery (\$54.5 million).

The decrease of \$1,071 million in expenditure was mainly due to the lower than expected cash flow requirements for various social welfare projects.

Bond Fund

The Bond Fund was established by the Resolution of the Legislative Council on 8 July 2009. The provision of Original Estimates for the Fund commenced from 2010-11.