

**Immigration Service Ordinance (Chapter 331)**  
**Immigration Service (Welfare Fund) Regulation**

Report on the administration of the  
Immigration Service Welfare Fund  
prepared by the Director of Immigration Incorporated  
in accordance with Regulation 12(b)

This report covers the financial year from 1 April 2016 to 31 March 2017.

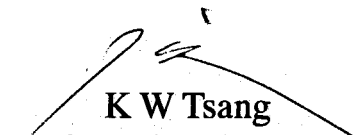
2. At the beginning of the year, the Fund had an accumulated net balance of \$2,486,394. The total income for the year was \$493,065 including a sum of \$334,440 voted by the Legislative Council on the basis of \$60 per annum for each member of the Immigration Service serving on 1 April 2016, donations of \$150,000 and net interest of \$8,625 from bank deposits.

3. Expenditure for the year under review was \$1,031,515. Apart from a grant of \$837,625 to the Immigration Department Staff Club and the Former Immigration Service Staff Association to subsidise activities in which members of the Immigration Service participated, \$193,890 was spent on staff welfare matters such as consolation gifts for officers as well as sports and recreational activities. The excess of expenditure over income for the year amounted to \$538,450.

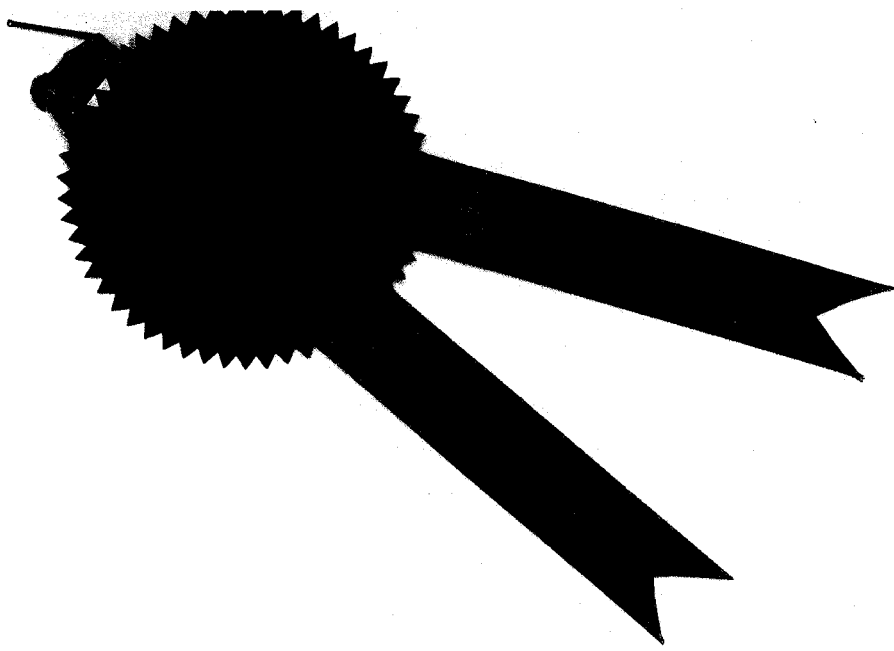
4. In 2016-17, no application for loan from the Fund was received and there was no outstanding loan by the end of the financial year.

5. As at 31 March 2017, the Fund had a total credit balance of \$1,947,944.

6. The financial statements for the year ended 31 March 2017, which have been certified true and fair by the Director of Audit, are attached.

  
K W Tsang  
Director of Immigration Incorporated

- 4 OCT 2017



## **Immigration Service Welfare Fund**

**Financial statements for the year ended 31 March 2017**

# Report of the Director of Audit



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

## **Independent Auditor's Report To the Legislative Council**

### ***Opinion***

I certify that I have audited the financial statements of the Immigration Service Welfare Fund set out on pages 4 to 12, which comprise the balance sheet as at 31 March 2017, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the Immigration Service Welfare Fund as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with section 10(1)(b) of the Immigration Service (Welfare Fund) Regulation (Cap. 331 sub. leg. D).

### ***Basis for opinion***

I conducted my audit in accordance with section 11(3) of the Immigration Service (Welfare Fund) Regulation and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Immigration Service Welfare Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### ***Responsibilities of the Director of Immigration Incorporated for the financial statements***

The Director of Immigration Incorporated is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA

and section 10(1)(b) of the Immigration Service (Welfare Fund) Regulation, and for such internal control as the Director of Immigration Incorporated determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Immigration Incorporated is responsible for assessing the Immigration Service Welfare Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

***Auditor's responsibilities for the audit of the financial statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Immigration Service Welfare Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director of Immigration Incorporated;
- conclude on the appropriateness of the Director of Immigration Incorporated's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Immigration Service Welfare Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Immigration Service Welfare Fund to cease to continue as a going concern; and

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



LIANG Kar-lun, Ken  
Acting Principal Auditor  
for Director of Audit

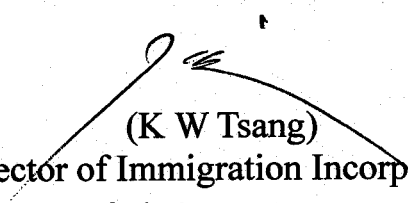
14 September 2017

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

**Immigration Service Welfare Fund  
Balance Sheet as at 31 March 2017**

	Note	2017 HK\$	2016 HK\$
<b>Current assets</b>			
Stock		31,148	5,540
Accounts receivable		251,885	371,488
Interest receivable		766	895
Cash and cash equivalents	3	1,664,145	2,108,471
<b>Net assets</b>		<b>1,947,944</b>	<b>2,486,394</b>
 <b>Accumulated fund</b>			
Capital		650,000	650,000
Accumulated surplus		1,297,944	1,836,394
		<b>1,947,944</b>	<b>2,486,394</b>

The accompanying notes 1 to 7 form part of these financial statements.

  
 (K W Tsang)  
 Director of Immigration Incorporated  
 14 SEP 2017

**Immigration Service Welfare Fund**  
**Income and Expenditure Account for the year ended 31 March 2017**

	<b>2017</b>	<b>2016</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Income</b>		
Government grant	334,440	326,280
Donations	150,000	1,555,000
Interest from bank deposits	8,625	4,297
	<u>493,065</u>	<u>1,885,577</u>
<b>Expenditure</b>		
Purchase and repair of welfare equipment	-	(1,660)
Consolation gifts for officers	(99,826)	(112,060)
Other staff welfare	(23,729)	(25,750)
Sports and recreational activities	(70,335)	(69,487)
Grants to staff clubs	(837,625)	(833,347)
	<u>(1,031,515)</u>	<u>(1,042,304)</u>
<b>(Deficit)/Surplus for the year</b>	<b>(538,450)</b>	<b>843,273</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(538,450)</u></b>	<b><u>843,273</u></b>

The accompanying notes 1 to 7 form part of these financial statements.

**Immigration Service Welfare Fund**  
**Statement of Changes in Equity for the year ended 31 March 2017**

	<b>Capital HK\$</b>	<b>Accumulated surplus HK\$</b>	<b>Total HK\$</b>
Balance at 1.4.2015	650,000	993,121	1,643,121
Total comprehensive income for 2015-16	-	843,273	843,273
Balance at 31.3.2016	<u>650,000</u>	<u>1,836,394</u>	<u>2,486,394</u>
Total comprehensive loss for 2016-17	-	(538,450)	(538,450)
Balance at 31.3.2017	<u><u>650,000</u></u>	<u><u>1,297,944</u></u>	<u><u>1,947,944</u></u>

The accompanying notes 1 to 7 form part of these financial statements.



**Immigration Service Welfare Fund**  
**Statement of Cash Flows for the year ended 31 March 2017**

	Note	2017 HK\$	2016 HK\$
<b>Cash flows from operating activities</b>			
(Deficit)/Surplus for the year		(538,450)	843,273
Interest income		(8,625)	(4,297)
(Increase)/Decrease in stock		(25,608)	3,786
Decrease/(Increase) in accounts receivable		119,603	(172,496)
Decrease in accounts payable		-	(4,370)
		<u>                    </u>	<u>                    </u>
<b>Net cash (used in)/from operating activities</b>		<u>(453,080)</u>	<u>665,896</u>
<b>Cash flows from investing activities</b>			
Interest received		<u>8,754</u>	<u>3,799</u>
		<u>8,754</u>	<u>3,799</u>
<b>Net cash from investing activities</b>		<u>8,754</u>	<u>3,799</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(444,326)	669,695
Cash and cash equivalents at beginning of year		<u>2,108,471</u>	<u>1,438,776</u>
Cash and cash equivalents at end of year	3	<u>1,664,145</u>	<u>2,108,471</u>

The accompanying notes 1 to 7 form part of these financial statements.

## **Notes to the Financial Statements**

### **1. General**

In accordance with section 16D of the Immigration Service Ordinance (Cap. 331), the Immigration Service Welfare Fund (the Fund) was established mainly for providing and maintaining amenities for the use and enjoyment of and making loans to members and former members of the Immigration Service, and granting financial assistance to dependants of deceased persons who, at the time of death, were members or former members of the Service. The address of the Fund's principal place of business is 22<sup>nd</sup> Floor, Immigration Tower, 7 Gloucester Road, Wan Chai, Hong Kong.

### **2. Significant accounting policies**

#### **(a) Statement of compliance**

The financial statements have been prepared in accordance with section 10(1)(b) of the Immigration Service (Welfare Fund) Regulation (Cap. 331 sub. leg. D) and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

#### **(b) Basis of preparation**

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Adoption of new/revised HKFRSs

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

(d) Valuation of stock

The cost of stock issued is calculated by using the weighted average cost method. The value of stock at year end is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

(e) Financial assets

The Fund's financial assets include accounts receivable, interest receivable and cash and cash equivalents. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the assets. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any allowance for impairment loss.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Fund has transferred substantially all the risks and rewards of ownership of the asset.

(f) Revenue recognition

(i) Government grant was the amount voted by the Legislative Council at the rate of HK\$60 (2016 : HK\$60) per annum per disciplined staff member actually on the strength of the Immigration Department as at 1 April 2016. Government grant is recognised when there is reasonable assurance that it will be received and that the Fund will comply with the conditions attaching to it. Government grant is recognised in the income and expenditure account over the period necessary to match it with the costs it is intended to compensate.

(ii) Donation income is recognised once the amount is received and approval for acceptance is obtained.

(iii) Interest income is recognised as it accrues using the effective interest method.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

### 3. Cash and cash equivalents

These comprise:

	<b>2017</b>	<b>2016</b>
	<b>HK\$</b>	<b>HK\$</b>
Bank deposits with original maturity within three months	1,536,923	1,876,673
Cash with the Treasury	<u>127,222</u>	<u>231,798</u>
	<u>1,664,145</u>	<u>2,108,471</u>

### 4. Financial risk management

The Fund's major financial instruments are bank deposits and receivables. The risks associated with these financial instruments are set out below.

(a) Credit risk

The Fund's maximum exposure to credit risk as at the balance sheet date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet. The Fund limits its exposure to credit risk by transacting with reputable licensed banks in Hong Kong. The credit risk in respect of cash with the Treasury is considered minimal. For accounts receivable, the Fund closely monitors the granting of credit and has no significant default risk from third parties.

(b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rate. This can be further classified into fair value interest rate risk and cash flow interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's bank deposits bear interest at fixed rates, their fair value will fall when market interest rates increase. However, as they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and equity.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to material cash flow interest rate risk because it has no major financial instruments bearing interest at a floating rate.

(c) Liquidity risk

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effects of fluctuations in cash flows.

**5. Donations for an arson attack incident account**

A separate account is kept for recording the donations received by the Fund and the payments made for the surviving family of the late Mr LEUNG Kam-kwong and the staff injured in an arson attack. The movements of the account during the year are as follows:

	<b>2017</b>	<b>2016</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance at beginning of year	198,711	198,079
Interest income for the year	779	632
	<hr/>	<hr/>
Balance at end of year	<u>199,490</u>	<u>198,711</u>

## **6. Capital management**

The capital structure of the Fund comprises the amount set aside as capital from the donations made by the late Sir Shiu-kin TANG and the accumulated surplus of the Fund. The Fund's objectives when managing capital are:

- (a) to comply with the Immigration Service Ordinance; and
- (b) to maintain a strong capital base for the provision of benefits to members of the Service as stated in note 1 above.

The Fund manages capital to ensure that its level is adequate to fund expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

## **7. Fair values of financial assets**

All financial assets are stated in the balance sheet at amounts equal to or not materially different from their fair values.