

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 2020 to 31 March 2021.

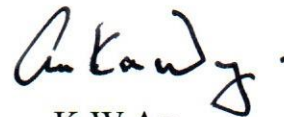
2. At the beginning of the year, the Fund had an accumulated net balance of \$2,467,581. The total income for the year was \$838,711 including a sum of \$428,940 voted by the Legislative Council on the basis of \$60 per annum for each member of the Immigration Service serving on 1 April 2020, donations of \$400,000 and net interest of \$9,771 from bank deposits.

3. Expenditure for the year under review was \$409,782. Apart from a grant of \$348,839 to the Immigration Department Staff Club to subsidise activities in which members of the Immigration Service participated, \$60,943 was spent on staff welfare matters such as consolation gifts for officers, sports and recreational activities as well as purchase and repair of welfare equipment. The excess of income over expenditure for the year amounted to \$428,929.

4. In 2020-21, 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 2021, the Fund had a total credit balance of \$2,896,510.

6. The financial statements for the year ended 31 March 2021, which have been certified true and fair by the Director of Audit, are attached.



K W Au

Director of Immigration Incorporated

11 OCT 2021



Immigration Service Welfare Fund

Financial statements for the year ended 31 March 2021

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 15, which comprise the balance sheet as at 31 March 2021, 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 2021, 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

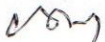
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.



S. M. CHOI
Principal Auditor
for Director of Audit

27 September 2021

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

**Immigration Service Welfare Fund
Balance Sheet as at 31 March 2021**

	Note	2021 HK\$	2020 HK\$
Current assets			
Stock		14,153	16,821
Accounts receivable		163,620	279,935
Interest receivable		215	921
Cash and cash equivalents	3	2,718,698	2,175,120
		2,896,686	2,472,797
Current liabilities			
Accounts payable		(176)	(5,216)
Net assets		2,896,510	2,467,581
Accumulated fund			
Capital		650,000	650,000
Accumulated surplus		2,246,510	1,817,581
		2,896,510	2,467,581

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


(K W Au)

Director of Immigration Incorporated

27 SEP 2021

Immigration Service Welfare Fund
Income and Expenditure Account for the year ended 31 March 2021

	2021	2020
	HK\$	HK\$
Income		
Prize for Award-Winning Department for Civil Service Outstanding Service Award	-	17,750
Government grant	428,940	421,440
Donations	400,000	1,350,000
Interest from time deposits	9,771	22,130
	838,711	1,811,320
Expenditure		
Grants to staff clubs	(348,839)	(944,337)
Consolation gifts for officers	(47,120)	(75,773)
Other staff welfare	(12,473)	(24,820)
Sports and recreational activities	(534)	(19,314)
Purchases and repair of welfare equipment	(816)	-
	(409,782)	(1,064,244)
Surplus for the year	428,929	747,076
Other comprehensive income	-	-
Total comprehensive income for the year	428,929	747,076

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 2021

	Capital HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 1.4.2019	650,000	1,070,505	1,720,505
Total comprehensive income for 2019-20	-	747,076	747,076
Balance at 31.3.2020	<u>650,000</u>	<u>1,817,581</u>	<u>2,467,581</u>
Total comprehensive income for 2020-21	-	428,929	428,929
Balance at 31.3.2021	<u><u>650,000</u></u>	<u><u>2,246,510</u></u>	<u><u>2,896,510</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 2021

	Note	2021 HK\$	2020 HK\$
Cash flows from operating activities			
Surplus for the year		428,929	747,076
Adjustments for:			
Interest income		(9,771)	(22,130)
Decrease in stock		2,668	4,785
Decrease/(Increase) in accounts receivable		116,315	(106,068)
(Decrease)/Increase in accounts payable		<u>(5,040)</u>	<u>5,216</u>
Net cash from operating activities		<u>533,101</u>	<u>628,879</u>
Cash flows from investing activities			
Interest received		<u>10,477</u>	<u>21,990</u>
Net cash from investing activities		<u>10,477</u>	<u>21,990</u>
Net increase in cash and cash equivalents		543,578	650,869
Cash and cash equivalents at beginning of year		<u>2,175,120</u>	<u>1,524,251</u>
Cash and cash equivalents at end of year	3	<u><u>2,718,698</u></u>	<u><u>2,175,120</u></u>

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

Immigration Service Welfare Fund 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 22nd 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), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). A summary of the significant accounting policies adopted by the Fund is set out below.

(b) Basis of preparation of the financial statements

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.

There are no critical accounting judgments involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Impact of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period. There have been no changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

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) Financial assets and financial liabilities

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contractual provisions of the financial instrument. They are initially stated at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities.

(ii) Classification and subsequent measurement

Financial assets measured at amortised cost

This category comprises accounts receivable, interest receivable and cash and cash equivalents. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. They are subsequently measured at amortised cost using the effective interest method, net of loss allowance, if any (note 2(d)(iv)).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows by considering all contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Financial liabilities measured at amortised cost

This category comprises accounts payable. They are subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

(iv) Impairment of financial assets

For accounts receivable, interest receivable and cash and cash equivalents, the Fund measures the expected credit losses to determine the loss allowance required to be recognised.

Expected credit losses are a probability-weighted estimate of credit losses. They are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. They are measured on either of the following bases:

- 12-month expected credit losses (for financial instruments for which there has not been a significant increase in credit risk since initial recognition): these are losses that are expected to result from possible default events within the 12 months after the reporting date; or

- lifetime expected credit losses (for financial instruments for which there has been a significant increase in credit risk since initial recognition): these are losses that are expected to result from all possible default events over the expected life of the financial instrument.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Fund compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(e) Valuation of stock

The cost of stock 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.

(f) Revenue recognition

- (i) Government grant was the amount voted by the Legislative Council at the rate of HK\$60 (2020 : HK\$60) per annum per disciplined staff member actually on the strength of the Immigration Department as at 1 April 2020. 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.

(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

Cash and cash equivalents include cash and bank balances, and other short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

3. Cash and cash equivalents

	2021	2020
	HK\$	HK\$
Time deposits with original maturities within three months	2,552,472	1,978,255
Cash with the Director of Accounting Services	<u>166,226</u>	<u>196,865</u>
	<u>2,718,698</u>	<u>2,175,120</u>

4. Financial risk management

The Fund's major financial instruments are bank deposits, receivables and cash with the Director of Accounting Services. The major risks associated with these financial instruments are set out below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The fund's maximum exposure to credit risk at the reporting date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

To minimise the credit risk arising from bank deposits, all deposits are placed with reputable licensed banks in Hong Kong. Hence, the credit risk associated with bank deposits is considered to be low. The credit risk in respect of cash with the Director of Accounting Services is considered minimal. For accounts receivable, the Fund closely monitors the granting of credit and considers that accounts receivable has no significant default risk.

The credit quality of bank balances, analysed by the ratings designated by Moody's, at the reporting date is shown below:

	2021	2020
	HK\$	HK\$
Time deposits, by credit rating		
A1 to A3	<u>2,552,472</u>	<u>1,978,255</u>

While the financial assets measured at amortised cost are subject to the impairment requirements, the Fund has estimated that their expected credit losses are immaterial and considers that no loss allowance is required.

(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 fair 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 values 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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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 effect of fluctuations in cash flows. Hence, the Fund does not have significant exposure to liquidity risk.

As at 31 March 2021, the remaining contractual maturities of all financial liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were two months or less (2020: one month or less).

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:

	2021 HK\$	2020 HK\$
Balance at beginning of year	201,724	200,889
Interest income for the year	822	835
	<hr/>	<hr/>
Balance at end of year	<u>202,546</u>	<u>201,724</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 the Immigration Service (Welfare Fund) Regulation; and
- (b) to maintain a strong capital base for carrying out the purposes of the Fund 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 and financial liabilities

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