

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 2013 to 31 March 2014.

2. At the beginning of the year, the Fund had an accumulated net balance of \$2,616,579. The total income for the year was \$424,881 including a sum of \$316,680 voted by the Legislative Council on the basis of \$60 per annum for each member of the Immigration Service serving on 1 April 2013, donations of \$101,143 and net interest of \$7,058 from bank deposits.

3. Expenditure for the year under review was \$771,905. Apart from a grant of \$592,272 to the Immigration Department Staff Club and the Former Immigration Service Staff Association to subsidise activities in which members of the Immigration Service participated, \$179,633 was spent on staff welfare matters such as purchase and repair of welfare equipment, consolation gifts for officers as well as sports and recreational activities. The excess of expenditure over income for the year amounted to \$347,024.

4. In 2013-14, 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 2014, the Fund had a total credit balance of \$2,269,555.

6. The financial statements for the year ended 31 March 2014, which have been certified true and fair by the Director of Audit, are attached.

Eric K K Chan
Director of Immigration Incorporated

14 OCT 2014



Immigration Service Welfare Fund

Financial Statements for the year ended 31 March 2014

Report of the Director of Audit



Audit Commission
The Government of the Hong Kong Special Administrative Region

Independent Audit Report

To the Legislative Council

I certify that I have audited the financial statements of the Immigration Service Welfare Fund set out on pages 3 to 11, which comprise the balance sheet as at 31 March 2014, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Immigration Incorporated's Responsibility for the Financial Statements

The Director of Immigration Incorporated is responsible for the preparation of financial statements that give a true and fair view in accordance with section 10(1)(b) of the Immigration Service (Welfare Fund) Regulation (Cap. 331 sub. leg. D) and Hong Kong Financial Reporting Standards, 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.

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 11(3) of the Immigration Service (Welfare Fund) Regulation 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 financial statements that give a true and fair view 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 and the reasonableness of accounting estimates made by the Director of Immigration Incorporated, 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 give a true and fair view of the financial position of the Immigration Service Welfare Fund as at 31 March 2014, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 10(1)(b) of the Immigration Service (Welfare Fund) Regulation.



Frederick T C WONG
Principal Auditor
for Director of Audit

23 September 2014

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

**Immigration Service Welfare Fund
Balance Sheet as at 31 March 2014**

| | Note | 2014 HK\$ | 2013 HK\$ |
|----------------------------|------|--------------|--------------|
| Current assets | | | |
| Stock | | 11,858 | 14,766 |
| Accounts receivable | | 195,815 | 105,243 |
| Interest receivable | | 391 | 506 |
| Bank deposits | | 1,095,699 | 1,649,026 |
| Cash with the Treasury | | 977,202 | 847,438 |
| | | 2,280,965 | 2,616,979 |
| Current liabilities | | | |
| Accounts payable | | (11,410) | (400) |
| Net current assets | | 2,269,555 | 2,616,579 |
| Accumulated fund | | | |
| Capital | | 650,000 | 650,000 |
| Accumulated surplus | | 1,619,555 | 1,966,579 |
| | | 2,269,555 | 2,616,579 |

The accompanying notes 1 to 5 form part of these financial statements.

Eric K K Chan

(Eric K K Chan)

Director of Immigration Incorporated

23 SEP 2014

Immigration Service Welfare Fund
Income and Expenditure Account for the year ended 31 March 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| | HK\$ | HK\$ |
| Income | | |
| Government grant | 316,680 | 306,540 |
| Donations | 101,143 | 981,350 |
| Interest from bank deposits | 7,058 | 11,814 |
| | <u>424,881</u> | <u>1,299,704</u> |
| Expenditure | | |
| Purchase and repair of welfare equipment | (9,800) | - |
| Consolation gifts for officers | (79,000) | (75,949) |
| Other staff welfare | (17,468) | (20,440) |
| Sports and recreational activities | (73,365) | (55,798) |
| Grants to staff clubs | (592,272) | (514,510) |
| Bank charges | - | (200) |
| | <u>(771,905)</u> | <u>(666,897)</u> |
| (Deficit)/Surplus for the year | (347,024) | 632,807 |
| Other comprehensive income | - | - |
| | <u>(347,024)</u> | <u>632,807</u> |
| Total comprehensive (expense)/income for the year | (347,024) | 632,807 |

The accompanying notes 1 to 5 form part of these financial statements.

Immigration Service Welfare Fund
Statement of Changes in Equity for the year ended 31 March 2014

| | Capital HK\$ | Accumulated surplus HK\$ | Total HK\$ |
|--|-------------------------|---|-------------------------|
| Balance at 1.4.2012 | 650,000 | 1,333,772 | 1,983,772 |
| Total comprehensive income for 2012-13 | - | 632,807 | 632,807 |
| Balance at 31.3.2013 | <u>650,000</u> | <u>1,966,579</u> | <u>2,616,579</u> |
| Total comprehensive expense for 2013-14 | - | (347,024) | (347,024) |
| Balance at 31.3.2014 | <u><u>650,000</u></u> | <u><u>1,619,555</u></u> | <u><u>2,269,555</u></u> |

The accompanying notes 1 to 5 form part of these financial statements.

Immigration Service Welfare Fund
Statement of Cash Flows for the year ended 31 March 2014

| | 2014 | 2013 |
|--|-------------------------|-------------------------|
| | HK\$ | HK\$ |
| Cash flows from operating activities | | |
| (Deficit)/Surplus for the year | (347,024) | 632,807 |
| Interest income | (7,058) | (11,814) |
| Decrease/(Increase) in stock | 2,908 | (10,624) |
| Increase in accounts receivable | (90,572) | (33,754) |
| Increase in accounts payable | 11,010 | 250 |
| | <u>(430,736)</u> | <u>576,865</u> |
| Net cash (used in)/from operating activities | | |
| Cash flows from investing activities | | |
| Interest received | 7,173 | 11,893 |
| | <u>7,173</u> | <u>11,893</u> |
| Net cash from investing activities | | |
| | <u>7,173</u> | <u>11,893</u> |
| Net (decrease)/increase in cash and cash equivalents | (423,563) | 588,758 |
| Cash and cash equivalents at beginning of year | <u>2,496,464</u> | <u>1,907,706</u> |
| Cash and cash equivalents at end of year | <u><u>2,072,901</u></u> | <u><u>2,496,464</u></u> |
| Analysis of the balances of cash and cash equivalents | | |
| Bank deposits with original maturity within three months | 1,095,699 | 1,649,026 |
| Cash with the Treasury | 977,202 | 847,438 |
| | <u><u>2,072,901</u></u> | <u><u>2,496,464</u></u> |

The accompanying notes 1 to 5 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 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) 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.

There are no critical accounting judgements 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 balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(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) Revenue recognition

(i) Government grant was the amount voted by the Legislative Council at the rate of HK\$60 (2013 : HK\$60) per annum per disciplined staff member actually on the strength of the Department as at 1 April 2013. 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) Interest income is recognised as it accrues using the effective interest method. The effective interest method is a method of calculating the amortised cost of financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset.

(f) 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. 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 deficit 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.

The Fund's exposure to interest rate risk, based on the major interest-bearing assets stated at carrying amounts at the balance sheet date and categorised by the earlier of contractual repricing dates or maturity dates, is shown below:

| | 2014 HK\$ | 2013 HK\$ |
|----------------------|----------------------------|----------------------------|
| <u>Bank deposits</u> | | |
| Repricing Period – | | |
| Up to 3 months | <u>1,095,699</u> | <u>1,649,026</u> |

(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.

4. 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:

| | 2014 HK\$ | 2013 HK\$ |
|------------------------------|----------------------------|----------------------------|
| Balance at beginning of year | 196,726 | 196,216 |
| Interest income for the year | <u>788</u> | <u>510</u> |
| Balance at end of year | <u>197,514</u> | <u>196,726</u> |

5. Capital management

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