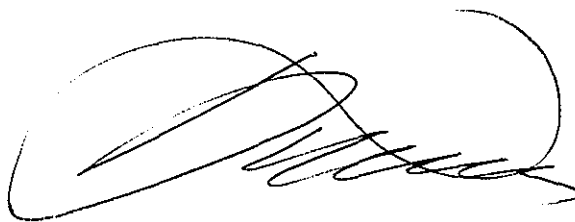


Customs and Excise Service Welfare Fund

Financial statements for the year ended 31 March 2018

**Summary of the Financial Statements of the
Customs and Excise Service Welfare Fund
Customs and Excise Service Ordinance, Cap. 342
Customs and Excise Service (Welfare Fund) Regulation**

1. The financial statements cover the year from 1 April 2017 to 31 March 2018.
2. Total receipts of \$751,062 included bank interest of \$2,937, contribution from the Government of the Hong Kong Special Administrative Region of \$290,520 (calculated on the basis of \$60 per disciplined officer per annum for the actual strength of 4 842 disciplined officers as at 1 April 2017), donation of \$400,000, rental income for holiday house of \$53,105 and Civil Service Outstanding Service Award of \$4,500. The total receipts for the year showed a decrease of \$198,960 over last year's total receipts of \$950,022, which was mainly due to the decrease in donation during the year.
3. Total expenditure of \$712,405 showed an increase of \$59,327 against last year's total expenditure of \$653,078. The increase was mainly due to the increase in the grants to Customs and Excise Department Sports and Recreation Club and running expenses of holiday house.
4. The fixed deposits placed with the Bank of China (Hong Kong) Limited as at 31 March 2018 was \$779,902.
5. The accumulated balance of the Fund at the beginning of the year was \$755,321. The accumulated balance of the Fund was \$793,978 as at 31 March 2018 after adding the total comprehensive gain of \$38,657 for the year.
6. The Balance Sheet as at 31 March 2018, the Income and Expenditure Account for the year ended 31 March 2018, the Statement of Changes in Equity for the year ended 31 March 2018 and the Statement of Cash Flows for the year ended 31 March 2018 are attached.



(Hermes TANG)
Commissioner of Customs and Excise Incorporated
20 September 2018

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 Customs and Excise Service Welfare Fund set out on pages 4 to 12, which comprise the balance sheet as at 31 March 2018, 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 Customs and Excise Service Welfare Fund as at 31 March 2018, 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 Customs and Excise Service (Welfare Fund) Regulation (Cap. 342 sub. leg. C).

Basis for opinion

I conducted my audit in accordance with section 11(3) of the Customs and Excise 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 Customs and Excise 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 Commissioner of Customs and Excise Incorporated for the financial statements

The Commissioner of Customs and Excise 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 Customs and Excise Service (Welfare Fund) Regulation, and for such internal control as the Commissioner of Customs and Excise 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 Commissioner of Customs and Excise Incorporated is responsible for assessing the Customs and Excise 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 Customs and Excise 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 Commissioner of Customs and Excise Incorporated;
- conclude on the appropriateness of the Commissioner of Customs and Excise 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 Customs and Excise 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 Customs and Excise 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
Principal Auditor
for Director of Audit

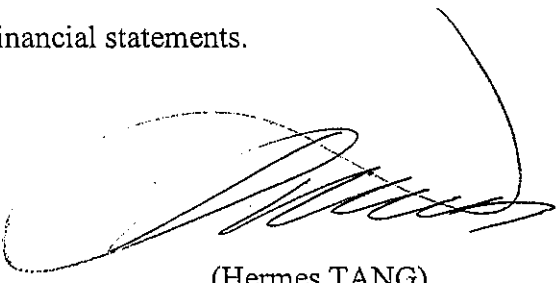
20 September 2018

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

Customs and Excise Service Welfare Fund
Balance Sheet as at 31 March 2018

	Note	2018 HK\$	2017 HK\$
Current assets			
Accounts receivable		752	60
Prepayments		671	671
Cash and cash equivalents	3	<u>827,595</u>	<u>765,863</u>
		<u>829,018</u>	<u>766,594</u>
Current liabilities			
Accounts payable		(31,600)	(7,618)
Rental income collected in advance		<u>(3,440)</u>	<u>(3,655)</u>
		<u>(35,040)</u>	<u>(11,273)</u>
Net current assets		<u>793,978</u>	<u>755,321</u>
Accumulated fund		<u>793,978</u>	<u>755,321</u>

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


 (Hermes TANG)
 Commissioner of Customs and Excise Incorporated
 20 September 2018

Customs and Excise Service Welfare Fund
Income and Expenditure Account
for the year ended 31 March 2018

	2018 HK\$	2017 HK\$
Income		
Government grant	290,520	290,220
Donation	400,000	600,000
Rental income from holiday house	53,105	58,265
Civil Service Outstanding Service Award	4,500	–
Bank interest	2,937	1,537
	<u>751,062</u>	<u>950,022</u>
Expenditure		
Grants to Customs and Excise Department Sports and Recreation Club	(451,300)	(402,865)
Entertainment and social gatherings	(128,273)	(133,204)
Running expenses of holiday house	(107,119)	(94,794)
Stores	(25,713)	(22,215)
	<u>(712,405)</u>	<u>(653,078)</u>
Surplus for the year	38,657	296,944
Other comprehensive income	–	–
Total comprehensive income for the year	<u>38,657</u>	<u>296,944</u>

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

Customs and Excise Service Welfare Fund
Statement of Changes in Equity
for the year ended 31 March 2018

	Accumulated fund HK\$
Balance at 1 April 2016	458,377
Total comprehensive income for 2016 – 17	296,944
Balance at 31 March 2017	<u>755,321</u>
Total comprehensive income for 2017 – 18	38,657
Balance at 31 March 2018	<u><u>793,978</u></u>

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

Customs and Excise Service Welfare Fund
Statement of Cash Flows
for the year ended 31 March 2018

	Note	2018 HK\$	2017 HK\$
Cash flows from operating activities			
Surplus for the year		38,657	296,944
Bank interest		(2,937)	(1,537)
Decrease/(Increase) in accounts receivable		47	(42)
Increase in prepayments		-	(3)
Increase/(Decrease) in accounts payable		23,982	(402)
(Decrease)/Increase in rental income collected in advance		(215)	645
Net cash from operating activities		<u>59,534</u>	<u>295,605</u>
Cash flows from investing activities			
Bank interest received		<u>2,198</u>	<u>1,530</u>
Net cash from investing activities		<u>2,198</u>	<u>1,530</u>
Net increase in cash and cash equivalents		61,732	297,135
Cash and cash equivalents at beginning of year		<u>765,863</u>	<u>468,728</u>
Cash and cash equivalents at end of year	3	<u><u>827,595</u></u>	<u><u>765,863</u></u>

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

Customs and Excise Service Welfare Fund

Notes to the Financial Statements

1. General

The Customs and Excise Service Welfare Fund (the Fund) is mainly used for providing and maintaining amenities for the use and enjoyment of and making loans to beneficiaries including members, former members, dependants of deceased members and dependants of deceased former members of the Customs and Excise Service (the Service), and granting financial assistance to dependants of deceased members and deceased former members of the Service, in accordance with section 19D of the Customs and Excise Service Ordinance (Cap. 342). The Fund's principal place of business is 29th and 31st floors of the Customs Headquarters Building, 222 Java Road, North Point, Hong Kong.

2. Significant accounting policies

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with section 10(1)(b) of the Customs and Excise Service (Welfare Fund) Regulation (Cap. 342 sub. leg. C) 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) Revenue recognition

- (i) 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) Rental income from holiday houses are recognised when services are provided.
- (iii) Interest income is recognised as it accrues using the effective interest method.
- (iv) Donation income is recognised once cash is received and the approval for acceptance is obtained.

(e) Financial assets and financial liabilities

The Fund's financial assets and financial liabilities include accounts receivable, cash and cash equivalents and accounts payable. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities. Financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

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(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. Cash and cash equivalents

	2018	2017
	HK\$	HK\$
Bank deposits with original maturity within three months	779,902	762,704
Cash with the Director of Accounting Services	47,693	3,159
	<u>827,595</u>	<u>765,863</u>

4. Financial risk management

The Fund's major financial instruments are bank deposits and receivables. 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.

To minimise the credit risks arising from bank deposits, all time deposits are placed with reputable licensed banks in Hong Kong.

The 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.

(b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. 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

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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 as 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. Capital management

The capital structure of the Fund consists solely of accumulated fund. The Fund's objectives when managing capital are:

- (a) to comply with the Customs and Excise Service Ordinance; 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 its capital to ensure that it is adequate to fund expenditure, taking into account the Fund's projected cash flow requirements, future financial obligations and commitments.

6. Fixed assets

Prior to the year 2005 - 06, the Fund had taken advantage of the exemption under paragraph 2 of SSAP 17 "Property, Plant and Equipment" and all property, plant and equipment acquired for use by the Fund were written off to the income and expenditure account in the year of acquisition. The following real estate was owned by the Fund as at the balance sheet date:

Description and location	Cost	Date of Acquisition	Memorial No.
Customs and Excise Service Holiday House DD316 Lot 1085 to 1088 40 Sun Wai Tsuen, G/F Pui O, Lantau Island.	HK\$330,455	8 August 1988	144771

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.