

## Education Scholarships Fund

Financial statements for the year ended 31 August 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 Education Scholarships Fund set out on pages 4 to 12, which comprise the balance sheet as at 31 August 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 Education Scholarships Fund as at 31 August 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 9(4) of the Education Scholarships Fund Ordinance (Cap. 1085).

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

I conducted my audit in accordance with section 9(5) of the Education Scholarships Fund Ordinance 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 Education Scholarships 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 Permanent Secretary for Education for the financial statements***

The Permanent Secretary for Education 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 9(4) of the Education Scholarships Fund Ordinance, and for such internal control as the Permanent Secretary for Education 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 Permanent Secretary for Education is responsible for assessing the Education Scholarships 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 Education Scholarships Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Permanent Secretary for Education;
- conclude on the appropriateness of the Permanent Secretary for Education'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 Education Scholarships 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 Education Scholarships 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

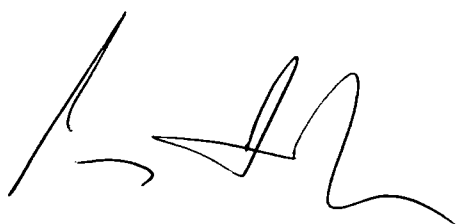
15 January 2019

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

**EDUCATION SCHOLARSHIPS FUND**  
**BALANCE SHEET AS AT 31 AUGUST 2018**

		2018			2017
	Note	Parts I & II	Part III	Total	Total
		HK\$	HK\$	HK\$	HK\$
<b>Current Assets</b>					
Bank interest receivable		38,926	32,345	71,271	62,542
Fixed deposits		3,440,900	2,859,100	6,300,000	6,270,000
Cash and cash equivalents	3	4,882	19,708	24,590	25,116
		<u>3,484,708</u>	<u>2,911,153</u>	<u>6,395,861</u>	<u>6,357,658</u>
<b>Current Liabilities</b>					
Accounts payable		<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>
<b>Net Current Assets</b>		<u><u>3,484,708</u></u>	<u><u>2,911,153</u></u>	<u><u>6,395,861</u></u>	<u><u>6,355,658</u></u>
<b>Capital and Reserves</b>					
General Capital	5	3,317,673	-	3,317,673	3,317,673
Separate Capital	6	-	2,516,004	2,516,004	2,516,004
General Reserve Fund	7	167,035	-	167,035	126,115
Separate Reserve Fund	8	<u>-</u>	<u>395,149</u>	<u>395,149</u>	<u>395,866</u>
		<u><u>3,484,708</u></u>	<u><u>2,911,153</u></u>	<u><u>6,395,861</u></u>	<u><u>6,355,658</u></u>

The accompanying notes 1 to 11 form part of these financial statements.



(Mrs Ingrid Yeung)  
Permanent Secretary for Education  
Trustee,



(Ms Rhoda Chan)

Treasurer,

Education Scholarships Fund

Date : 15 JAN 2019

**EDUCATION SCHOLARSHIPS FUND  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2018**

	<b>2018</b>			<b>2017</b>
	<b>Parts I &amp; II</b>	<b>Part III</b>	<b>Total</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
<b>Income</b>				
Interest	46,830	39,023	85,853	74,103
<b>Expenditure</b>				
Payment of awards	<u>(5,910)</u>	<u>(39,740)</u>	<u>(45,650)</u>	<u>(62,781)</u>
<b>Surplus / (Deficit) for the year</b>	40,920	(717)	40,203	11,322
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the year</b>	<u>40,920</u>	<u>(717)</u>	<u>40,203</u>	<u>11,322</u>

The accompanying notes 1 to 11 form part of these financial statements.

**EDUCATION SCHOLARSHIPS FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

	<b>General Capital HK\$</b>	<b>Separate Capital HK\$</b>	<b>General Reserve Fund HK\$</b>	<b>Separate Reserve Fund HK\$</b>	<b>Total HK\$</b>
Balance at 1 September 2016	3,317,673	2,516,004	92,600	418,059	6,344,336
Total comprehensive income / (loss) for 2016-17	-	-	33,515	(22,193)	11,322
Balance at 31 August 2017	3,317,673	2,516,004	126,115	395,866	6,355,658
Total comprehensive income / (loss) for 2017-18	-	-	40,920	(717)	40,203
Balance at 31 August 2018	<u>3,317,673</u>	<u>2,516,004</u>	<u>167,035</u>	<u>395,149</u>	<u>6,395,861</u>

The accompanying notes 1 to 11 form part of these financial statements.

**EDUCATION SCHOLARSHIPS FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 AUGUST 2018**

		<b>2018</b>			<b>2017</b>
	<b>Note</b>	<b>Parts I &amp; II</b>	<b>Part III</b>	<b>Total</b>	<b>Total</b>
		<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
<b>Cash flows from operating activities</b>					
Surplus / (Deficit) for the year		40,920	(717)	40,203	11,322
Adjustments for :					
Interest		(46,830)	(39,023)	(85,853)	(74,103)
(Decrease) / Increase in accounts payable		-	(2,000)	(2,000)	2,000
<b>Net cash used in operating activities</b>		<u>(5,910)</u>	<u>(41,740)</u>	<u>(47,650)</u>	<u>(60,781)</u>
<b>Cash flows from investing activities</b>					
Net (increase) / decrease in bank deposits					
with original maturity over 3 months		(42,503)	12,503	(30,000)	-
Interest received		41,802	35,322	77,124	61,304
<b>Net cash (used in) / from investing activities</b>		<u>(701)</u>	<u>47,825</u>	<u>47,124</u>	<u>61,304</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		(6,611)	6,085	(526)	523
<b>Cash and cash equivalents at beginning of year</b>		11,493	13,623	25,116	24,593
<b>Cash and cash equivalents at end of year</b>	<b>3</b>	<u>4,882</u>	<u>19,708</u>	<u>24,590</u>	<u>25,116</u>

The accompanying notes 1 to 11 form part of these financial statements.



**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**1. General**

The Education Scholarships Fund (the Fund) was established for the payment of scholarships in accordance with section 4 of the Education Scholarships Fund Ordinance (Cap. 1085). The Fund consists of three parts:

- (a) Part I refers to 29 scholarships which were donated before the vesting day (1 April 1956) in respect of which the amounts donated and the conditions of award as laid down by the donors are unknown.
- (b) Part II refers to:
  - (i) 16 scholarships which were donated before the vesting day and one scholarship which was donated after the vesting day, of which the amounts donated and the conditions of award as laid down by the donors are known; and
  - (ii) 123 scholarships transferred from Part III since 1 September 1990.
- (c) Part III refers to the Fung Ping Shan Scholarship and eleven scholarships which were donated after the vesting day.

The address of the Fund's principal place of business is 12<sup>th</sup> Floor Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

**2. Significant Accounting Policies**

(a) Statement of compliance

The financial statements have been prepared in accordance with section 9(4) of the Education Scholarships Fund Ordinance 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

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

management to make judgments, 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 judgments 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 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**

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

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

(e) Financial assets and financial liabilities

Financial assets and financial liabilities include bank interest receivable, fixed deposits, cash and cash equivalents and accounts payable. Financial assets are carried at amortised cost using the effective interest method, less impairment losses (if any). Financial liabilities are carried at amortised cost using the effective interest method.

(f) Awards

Awards are recognised as expenditure when they are approved by the Education Scholarships Fund Committee and due for payment.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, deposits with banks 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**

	<b>2018</b>		<b>2017</b>	
	<b>Parts I &amp; II</b>	<b>Part III</b>	<b>Total</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Cash at banks	<u>4,882</u>	<u>19,708</u>	<u>24,590</u>	<u>25,116</u>

**4. Financial Risk Management**

The Fund's major financial instruments include bank deposits and interest receivable. 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 as at the balance sheet date in relation to the financial assets is the carrying amount of the assets as stated in the balance

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

sheet. The Fund limits its exposure to credit risk arising from the bank deposits and the interest receivable by transacting with reputable licensed banks in Hong Kong.

**(b) Market risk**

The Fund is exposed to market risk due to changes in interest rates. 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 all the Fund's time deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all 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 interest income from financial instruments bearing interest at a floating rate is not significant.

**(c) Liquidity risk**

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

**5. General Capital**

General Capital is the moneys and assets from which the income is available for payment of the scholarships under Parts I and II.

**6. Separate Capital**

Separate Capital is the moneys and assets from which the income is available for payment of the scholarships under Part III.

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**7. General Reserve Fund**

General Reserve Fund is for scholarships under Parts I and II.

**8. Separate Reserve Fund**

Separate Reserve Fund is for scholarships under Part III.

**9. Capital Management**

The capital structure of the Fund consists of the General Capital, the Separate Capital, the General Reserve Fund and the Separate Reserve Fund. The Fund's objectives when managing capital are:

- (a) to comply with the Education Scholarships Fund Ordinance; and
- (b) to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

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

**10. Cost of Administration**

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 21 of the Education Scholarships Fund Ordinance.

**11. 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.

**Trustee's Report**

**on the Administration of the Education Scholarships Fund**

**for the year ended 31 August 2018**

The Permanent Secretary for Education, Trustee of the Education Scholarships Fund, has pleasure in presenting this report and the statement of the accounts of the Fund for the year ended 31 August 2018.

2. During the year, net current assets of the Fund increased by \$40,203 to \$6,395,861 as at 31 August 2018. Of this figure, \$6,300,000 (99%) was in fixed deposits.

3. Income from deposits, amounting to \$85,853, represented an increase of 16% as compared with \$74,103 for last year. The increase in income was attributed to relatively higher interest rates during the year. The table below summarizes the income from deposits covering the scholarships referred to in Parts I & II and Part III of the Register for these two years : -

Source	Register	Income	
		Year ended 31 August 2018	Year ended 31 August 2017
Interest from deposits		HK\$	HK\$
	Parts I & II	46,830	40,125
	Part III	<u>39,023</u>	<u>33,978</u>
	Total :	<u>85,853</u>	<u>74,103</u>

4. As at 31 August 2018, the total number of scholarships under the Fund's administration stood at 181 (169 in Parts I & II of the Register and 12 in Part III of the Register).

5. During the year, 8 awards amounting to \$5,910 were given to students under Parts I & II and 51 awards amounting to \$39,740 were given under Part III of the Register.

6. The financial statements for the year ended 31 August 2018 have been audited by the Director of Audit.



(Mrs Ingrid Yeung)  
Permanent Secretary for Education,  
Trustee of the Education Scholarships Fund

Date : 15 JAN 2019