

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 2018 to 31 March 2019.

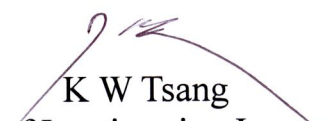
2. At the beginning of the year, the Fund had an accumulated net balance of \$2,152,587. The total income for the year was \$735,559 including a sum of \$382,440 voted by the Legislative Council on the basis of \$60 per annum for each member of the Immigration Service serving on 1 April 2018, donations of \$330,000 and net interest of \$23,119 from bank deposits.

3. Expenditure for the year under review was \$1,167,641. Apart from a grant of \$902,218 to the Immigration Department Staff Club to subsidise activities in which members of the Immigration Service participated, \$265,423 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 \$432,082.

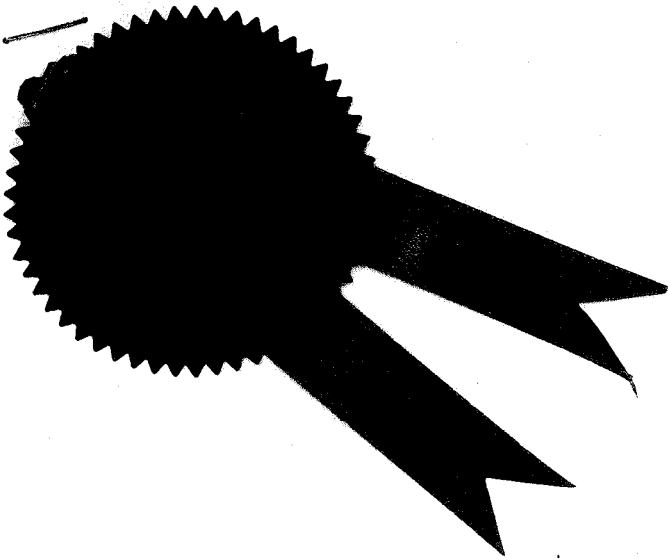
4. In 2018-19, no application for loan from the Fund was received and there was no outstanding loan by the end of the financial year.

5. As at 31 March 2019, the Fund had a total credit balance of \$1,720,505.

6. The financial statements for the year ended 31 March 2019, which have been certified true and fair by the Director of Audit, are attached.


K W Tsang
Director of Immigration Incorporated

24 SEP 2019



Immigration Service Welfare Fund

Financial statements for the year ended 31 March 2019

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 2019, 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 2019, 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
Principal Auditor
for Director of Audit

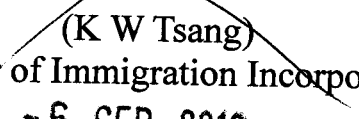
6 September 2019

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

**Immigration Service Welfare Fund
Balance Sheet as at 31 March 2019**

	Note	2019 HK\$	2018 HK\$
Current assets			
Stock		21,606	25,957
Accounts receivable		173,867	205,039
Interest receivable		781	720
Cash and cash equivalents	3	1,524,251	1,920,871
Net assets		<u>1,720,505</u>	<u>2,152,587</u>
 Accumulated fund			
Capital		650,000	650,000
Accumulated surplus		1,070,505	1,502,587
		<u>1,720,505</u>	<u>2,152,587</u>

The accompanying notes 1 to 8 form part of these financial statements.


 (K W Tsang)
 Director of Immigration Incorporated
 - 6 SEP 2019

Immigration Service Welfare Fund
Income and Expenditure Account for the year ended 31 March 2019

	2019	2018
	HK\$	HK\$
Income		
Government grant	382,440	346,320
Donations	330,000	910,000
Interest from bank deposits	23,119	8,610
	<u>735,559</u>	<u>1,264,930</u>
Expenditure		
Consolation gifts for officers	(132,272)	(100,353)
Other staff welfare	(24,124)	(26,908)
Sports and recreational activities	(109,027)	(77,113)
Grants to staff clubs	(902,218)	(855,913)
	<u>(1,167,641)</u>	<u>(1,060,287)</u>
(Deficit)/Surplus for the year	(432,082)	204,643
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	<u>(432,082)</u>	<u>204,643</u>

The accompanying notes 1 to 8 form part of these financial statements.

Immigration Service Welfare Fund
Statement of Changes in Equity for the year ended 31 March 2019

	Capital HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 1.4.2017	650,000	1,297,944	1,947,944
Total comprehensive income for 2017-18	-	204,643	204,643
Balance at 31.3.2018	<u>650,000</u>	<u>1,502,587</u>	<u>2,152,587</u>
Total comprehensive loss for 2018-19	-	(432,082)	(432,082)
Balance at 31.3.2019	<u>650,000</u>	<u>1,070,505</u>	<u>1,720,505</u>

The accompanying notes 1 to 8 form part of these financial statements.

Immigration Service Welfare Fund
Statement of Cash Flows for the year ended 31 March 2019

	Note	2019 HK\$	2018 HK\$
Cash flows from operating activities			
(Deficit)/Surplus for the year		(432,082)	204,643
Interest income		(23,119)	(8,610)
Decrease in stock		4,351	5,191
Decrease in accounts receivable		<u>31,172</u>	<u>46,846</u>
Net cash (used in)/from operating activities		<u>(419,678)</u>	<u>248,070</u>
Cash flows from investing activities			
Interest received		<u>23,058</u>	<u>8,656</u>
Net cash from investing activities		<u>23,058</u>	<u>8,656</u>
Net (decrease)/increase in cash and cash equivalents		(396,620)	256,726
Cash and cash equivalents at beginning of year		<u>1,920,871</u>	<u>1,664,145</u>
Cash and cash equivalents at end of year	3	<u>1,524,251</u>	<u>1,920,871</u>

The accompanying notes 1 to 8 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 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 (HKICPA).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

(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) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund. Of these, the Fund has adopted the requirements of HKFRS 9 “Financial Instruments” from 1 April 2018.

HKFRS 9 replaces Hong Kong Accounting Standard (HKAS) 39 “Financial Instruments: Recognition and Measurement”. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Fund has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements without restating comparative information (i.e. the comparative information continues to be reported under HKAS 39). The carrying amounts of the items at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification of financial assets

HKFRS 9 categorises financial assets into three principal classification categories: measured at (i) amortised cost; (ii) at fair value through other comprehensive income; and (iii) at fair value through profit or loss. These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The Fund’s financial assets, comprising account receivable, interest receivable and cash and cash equivalents, were previously classified as loans and receivables carried at amortised cost under HKAS 39. These were reclassified to financial assets measured at amortised cost under HKFRS 9. The carrying amounts at 31 March 2018 were the same as those at 1 April 2018.

An explanation of how the Fund classifies and measures financial assets is set out in note 2(d)(ii).

(ii) Credit losses and impairment

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” model. The expected credit loss model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises expected credit losses earlier than under the “incurred loss” accounting model in HKAS 39. The Fund applies the new expected credit loss model to the financial assets measured at amortised cost. The initial application of the new impairment requirements had no impact on the carrying amounts of the financial assets at 1 April 2018.

Further details on the Fund’s new accounting policy for impairment are set out in note 2(d)(v).

(d) Financial assets

(i) Initial recognition

Financial assets are recognised on the date the Fund becomes party to the contractual provisions of the financial instruments. They are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of financial assets.

(ii) Categorisation and subsequent measurement from 1 April 2018

Financial assets measured at amortised cost

This category comprise 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, net of loss allowance, if any (note 2(d)(v)).

(iii) Categorisation and subsequent measurement before 1 April 2018

The Fund’s financial assets included accounts receivable, interest receivable and cash and cash equivalents. They were initially measured at fair value plus transaction cost that were directly attributable to the acquisition of financial assets. They were subsequently measured at amortised cost using the effective interest method, less impairment losses, if any (note 2(d)(vi)).

(iv) 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.

(v) Impairment of financial assets from 1 April 2018

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

(vi) Impairment of financial assets before 1 April 2018

The carrying amounts of financial assets were reviewed at each reporting date to determine whether there was objective evidence of impairment. If any such evidence existed, an impairment loss was recognised in surplus or deficit as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If in a subsequent period, the amount of such impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through the income and expenditure account. A reversal of impairment losses was limited to the asset's carrying amount that would have been determined had no impairment losses been recognised in prior years.

(e) 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.

(f) Revenue recognition

- (i) Government grant was the amount voted by the Legislative Council at the rate of HK\$60 (2018 : HK\$60) per annum per disciplined staff member actually on the strength of the Immigration Department as at 1 April 2018. 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

Cash and cash equivalents include deposits with banks with original maturities of three months or less from the date of placement and cash with the Director of Accounting Services.

3. Cash and cash equivalents

These comprise:

	2019 HK\$	2018 HK\$
Bank deposits with original maturities within three months	1,440,264	1,814,306
Cash with the Director of Accounting Services	<u>83,987</u>	<u>106,565</u>
	<u>1,524,251</u>	<u>1,920,871</u>

4. Financial risk management

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

(a) Credit risk

Credit risk is the risk that one party to a financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk of the financial assets of the Fund is equal to their carrying amounts at the reporting date.

To minimise the credit risks arising from bank deposits, all deposits are placed with reputable licensed banks in Hong Kong. Hence, the credit risk associated with bank deposit 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 has no significant default risk from third parties. As such, the credit risk on these financial instruments is assessed as not having increased significantly since initial recognition and the Fund determines the loss allowance required to be recognised based on 12-month expected credit losses.

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

	2019 HK\$	2018 HK\$
Bank deposits, by credit rating A1 to A3	<u>1,440,264</u>	<u>1,814,306</u>

The Fund has estimated that 12-month expected credit losses on these financial assets 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 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:

	2019 HK\$	2018 HK\$
Balance at beginning of year	200,189	199,490
Interest income for the year	700	699
	<hr/>	<hr/>
Balance at end of year	<u>200,889</u>	<u>200,189</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.

8. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been early adopted in the financial statements. The Fund is in the process of making an assessment of the impact expected of these amendments, new standards and interpretations in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial performance and financial position.