



## Education Development Fund

Financial statements for the year ended 31 August 2020

# Report of the Director of Audit



**Audit Commission**

The Government of the Hong Kong Special Administrative Region

## **Independent Auditor's Report To the Permanent Secretary for Education Incorporated**

### *Opinion*

I certify that I have audited the financial statements of the Education Development Fund set out on pages 4 to 11, which comprise the statement of financial position as at 31 August 2020, and the statement of comprehensive income, 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 Development Fund as at 31 August 2020, 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 8(3) of the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098).

### *Basis for opinion*

I conducted my audit in accordance with section 8(5) of the Permanent Secretary for Education Incorporation 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 Development 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 Incorporated for the financial statements*

The Permanent Secretary for Education 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 8(3) of the Permanent Secretary for Education Incorporation Ordinance, and for such internal control as the Permanent Secretary for Education 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 Permanent Secretary for Education Incorporated is responsible for assessing the Education Development 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 Development 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 Incorporated;
- conclude on the appropriateness of the Permanent Secretary for Education 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 Education Development 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 Development 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.



Ms Hildy Chan  
Assistant Director of Audit  
for Director of Audit

25 February 2021

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

**EDUCATION DEVELOPMENT FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 AUGUST 2020**

*(Expressed in thousands of Hong Kong dollars)*

	<b>2020</b>	2019
<b>INCOME</b>		
Interest income	1	1,156
<b>EXPENDITURE</b>		
Refund of unused grants / (Expenses for implementing school-based professional support programmes)	<u>1,086</u>	<u>(117,380)</u>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>1,087</b>	<b>(116,224)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<u>—</u>	<u>—</u>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	<u><b>1,087</b></u>	<u><b>(116,224)</b></u>

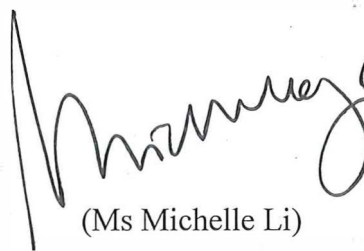
The accompanying notes 1 to 3 form part of these financial statements.

**EDUCATION DEVELOPMENT FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2020**  
*(Expressed in thousands of Hong Kong dollars)*

	2020	2019
<b>CURRENT ASSETS</b>		
Other receivables and prepayments	—	455
Cash at bank	—	1,200
	—	1,655
<b>CURRENT LIABILITIES</b>		
Payables and accruals	—	(1,150)
	—	505
<b>NET ASSETS</b>	—	505
Representing:		
<b>FUND BALANCE</b>		
Accumulated surplus	—	505

The accompanying notes 1 to 3 form part of these financial statements.

Permanent Secretary for Education Incorporated  
Trustee of the Education Development Fund



(Ms Michelle Li)

Permanent Secretary for Education  
25 February 2021

**EDUCATION DEVELOPMENT FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2020**  
*(Expressed in thousands of Hong Kong dollars)*

	Note	2020	2019
<b>ACCUMULATED SURPLUS</b>			
Balance at beginning of year		505	136,071
Total comprehensive income / (loss) for the year		1,087	(116,224)
Return of fund balance	3	<u>(1,592)</u>	<u>(19,342)</u>
Balance at end of year		<u>—</u>	<u>505</u>

The accompanying notes 1 to 3 form part of these financial statements.

**EDUCATION DEVELOPMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2020**  
*(Expressed in thousands of Hong Kong dollars)*

	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		1	1,559
Unused grants refunded / (Expenses paid for implementing school-based professional support programmes)		391	(112,379)
Decrease in bank deposits with maturities over three months		—	68,000
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>392</b>	<b>(42,820)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Return of fund balance	3	(1,592)	(19,342)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(1,592)</b>	<b>(19,342)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,200)</b>	<b>(62,162)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,200</b>	<b>63,362</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>—</b>	<b>1,200</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank		—	1,200

The accompanying notes 1 to 3 form part of these financial statements.



## EDUCATION DEVELOPMENT FUND

### Notes to the financial statements

*(Amounts expressed in thousands of Hong Kong dollars, unless otherwise stated.)*

#### 1. General

The Education Development Fund (the Fund) was established by a declaration of trust made on 10 September 2004 by the Permanent Secretary for Education Incorporated (the Trustee). The Fund supports improvements and advances in education in schools in Hong Kong at all levels by implementing school-based professional support programmes. The Fund and its programmes had been implemented for fifteen years starting from the 2004/05 school year and ceased to operate after the 2018/19 school year.

#### 2. Significant accounting policies

##### (a) Statement of compliance

The financial statements have been prepared in accordance with section 8(3) of the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098), accounting principles generally accepted in Hong Kong, and all applicable Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) 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.

The HKICPA has issued certain new or 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 the changes, if any, 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 of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical 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.

(c) Changes in accounting policies

The HKICPA has issued certain new or revised HKFRSs that are first effective for the current accounting period of the Fund. 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 applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Financial assets and financial liabilities

(i) Initial recognition and measurement

The Fund's financial assets comprise other receivables and prepayments, and cash at bank.

The Fund's financial liabilities comprise payables and accruals.

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial assets or the issue of the financial liabilities.

(ii) Classification and subsequent measurement

The Fund classifies all financial assets as subsequently measured at amortised cost using the effective interest method, on the basis that they are held within a business model whose objective is to hold them for collection of contractual cash flows and the contractual cash flows represent solely payments of principal and interest. The measurement of loss allowances for financial assets is based on the expected credit loss model as described in 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 the expected 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.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest method.

The Fund reclassifies a financial asset when and only when it changes its business model for managing the asset. A financial liability is not reclassified.

(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, cancelled or when it expires.

(iv) Impairment of financial assets

For financial assets measured at amortised cost, 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 instruments.

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.

(e) Revenue recognition

Interest income is recognised in surplus or deficit on an accrual basis, using the effective interest method.

(f) Expenses for implementing school-based professional support programmes

Expenses for implementing school-based professional support programmes are recognised when they are incurred.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank.

**3. Return of fund balance**

In April 2016, the Education Bureau informed the Legislative Council that the Fund and its school-based professional support programmes would cease to operate after the 2018/19 school year. During the year, a total sum of HK\$1.6 million (2019: HK\$19.3 million) was returned to the Government.