

**Report by the Controller, Government Flying Service
on the Administration of the
Government Flying Service Welfare Fund
for the year ended 31 March 2021**

Introduction

The Government Flying Service Welfare Fund (the Fund) was established under section 15 of the Government Flying Service Ordinance (Chapter 322).

2. In accordance with section 16 of the Ordinance, the Fund shall be controlled by the Controller, Government Flying Service. As required by section 12(3) of the Government Flying Service (Welfare Fund) Regulation made under section 17 of the Government Flying Service Ordinance, I take pleasure in presenting to Honourable Members of the Legislative Council a copy of the signed and audited statement of accounts, the Auditor's report and my report on the administration of the Fund for the year ended 31 March 2021.

3. The Fund was established with the purpose of procuring benefits that are not chargeable to the general revenue and making loans and grants to eligible persons as stipulated in section 16 of the Government Flying Service Ordinance. The Fund consists of:-

- (a) any donation or voluntary contribution made to the fund;
- (b) such sums as may be voted by the Legislative Council;
- (c) gift of money required under the notice from time to time given by the Chief Executive for the purposes of section 3 of the Prevention of Bribery Ordinance (Chapter 201) to be disposed of by being paid into the Fund;
and
- (d) such sums as may accrue as dividends or as interest from the investment of the Fund.

Objects of the Fund

4. The Fund, under the control of the Controller, Government Flying Service, is applied for the following purposes :-

(a) to procure benefits that are not chargeable to the general revenue for the following eligible persons :-

- (i) members;
- (ii) former members who have retired;
- (iii) persons currently employed other than as members in the Government Flying Service (whether as public servants or otherwise);
- (iv) where a member, former member or a person currently employed at the time of his death other than as a member in the Government Flying Service (whether as a public servant or otherwise) has died, any person who was wholly or partially dependent on him at the time of his death;
- (v) dependants of members, of former members who have retired and of persons currently employed other than as members in the Government Flying Service (whether as public servants or otherwise);

(b) to make loans to eligible persons; and

(c) to make grants to eligible persons who are in need of financial assistance.

Operating Results

5. The Fund amounted to a total of \$511,233 as at 31 March 2021. During the year under review, a total income of \$13,820 was received. An amount of \$800 came from Refund of Entry Fees for Corporate Games 2020 and an amount of \$13,020 was voted by the Legislative Council.

6. The Fund has been utilized for the benefit of staff with particular attention given to the promotion of recreational activities. The recreational activities have helped enhance staff relations and project the department's image as a young and energetic member of the disciplined services.

Auditor

7. In accordance with section 12(2) of the Government Flying Service (Welfare Fund) Regulation, the Director of Audit was appointed as the Auditor of the Fund.

8. The Auditor's Report and the signed and audited financial statements for the Fund are at Appendices I and II.

Director of Accounting Services

9. In accordance with section 3 of the Government Flying Service (Welfare Fund) Regulation, the maintenance of the Fund is vested with the Director of Accounting Services. All moneys due to the Fund are immediately paid in full to the Director of Accounting Services, who will credit such sum or sums to a deposit account named "Deposits - Government Flying Service Welfare Fund" and render to this Department after the closing of each month's accounts a return showing all transactions of the Fund in the accounts during the previous month. All payments with regard to the fund are made by the Director of Accounting Services on the request of the Department.

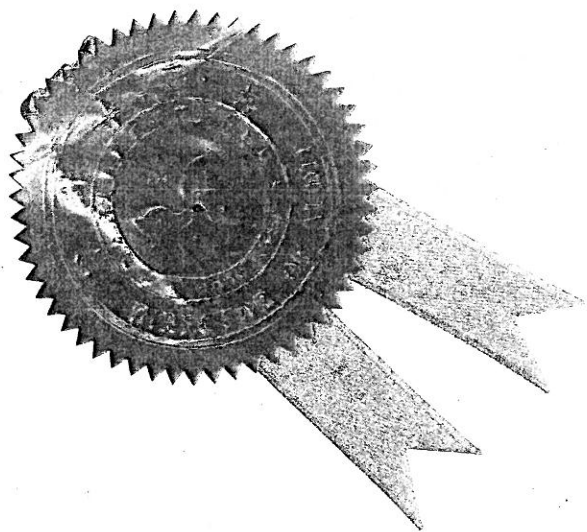
Acknowledgement

10. I take this opportunity to extend my thanks to the Director of Accounting Services, the Director of Audit and all other officers concerned for their assistance in making the Fund function in the best interest of the staff of the Government Flying Service. The Fund will continue to be utilized in the most beneficial way for the greatest number of staff possible.



(Captain West WU)
Controller,
Government Flying Service

Date: 12 August 2021



Government Flying Service Welfare Fund

Financial statements for the year ended 31 March 2021

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 Government Flying Service Welfare Fund set out on pages 4 to 13, which comprise the balance sheet as at 31 March 2021, 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 Government Flying Service Welfare Fund as at 31 March 2021, 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 12(1)(b) of the Government Flying Service (Welfare Fund) Regulation (Cap. 322 sub. leg. C).

Basis for opinion

I conducted my audit in accordance with section 12(2) of the Government Flying 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 Government Flying 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 Controller of the Government Flying Service for the financial statements

The Controller of the Government Flying Service 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 12(1)(b) of the Government Flying Service (Welfare Fund) Regulation, and for such internal control as the Controller of the Government Flying Service 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 Controller of the Government Flying Service is responsible for assessing the Government Flying 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 Government Flying 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 Controller of the Government Flying Service;
- conclude on the appropriateness of the Controller of the Government Flying Service'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 Government Flying 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 Government Flying 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.



S. M. CHOI
Principal Auditor
for Director of Audit

12 July 2021

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

Government Flying Service Welfare Fund
Balance Sheet as at 31 March 2021

	Note	2021 HK\$	2020 HK\$
Current Assets			
Cash and cash equivalents	3	<u>511,233</u>	<u>502,668</u>
Accumulated Fund		<u>511,233</u>	<u>502,668</u>

The accompanying notes 1 to 6 form part of these financial statements.



(Captain West WU)

Controller

Government Flying Service

Date: 12 July 2021

Government Flying Service Welfare Fund
Income and Expenditure Account for the year ended 31 March 2021

	2021	2020
	HK\$	HK\$
Income		
Government grant	13,020	11,640
Donation	-	3,000
Other income	800	-
	13,820	14,640
Expenditure		
Sports and recreational activities	(3,200)	(25,420)
Stores	(1,375)	(2,868)
Other staff welfare	(680)	(2,399)
	(5,255)	(30,687)
Surplus/(Deficit) for the year	8,565	(16,047)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	8,565	(16,047)

The accompanying notes 1 to 6 form part of these financial statements.

Government Flying Service Welfare Fund
Statement of Changes in Equity
for the year ended 31 March 2021

Accumulated Fund	2021 HK\$	2020 HK\$
Balance at beginning of year	502,668	518,715
Total comprehensive income/(loss) for the year	8,565	(16,047)
Balance at end of year	<u>511,233</u>	<u>502,668</u>

The accompanying notes 1 to 6 form part of these financial statements.

Government Flying Service Welfare Fund
Statement of Cash Flows for the year ended 31 March 2021

	Note	2021 HK\$	2020 HK\$
Cash flows from operating activities			
Surplus/(Deficit) for the year		8,565	(16,047)
Decrease in accrued expenses		-	(33,299)
Net cash from/(used in) operating activities		<u>8,565</u>	<u>(49,346)</u>
Net increase/(decrease) in cash and cash equivalents		8,565	(49,346)
Cash and cash equivalents at beginning of year		<u>502,668</u>	<u>552,014</u>
Cash and cash equivalents at end of year	3	<u>511,233</u>	<u>502,668</u>

The accompanying notes 1 to 6 form part of these financial statements.

Government Flying Service Welfare Fund
Notes to the Financial Statements

1. General

The Government Flying Service Welfare Fund (the Fund) was established for the purpose of procuring benefits that are not chargeable to the general revenue and making loans and grants to eligible persons as stipulated in section 16 of the Government Flying Service Ordinance (Cap. 322). The Fund's principal place of business is 18 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong.

2. Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with section 12(1)(b) of the Government Flying Service (Welfare Fund) Regulation (Cap. 322 sub. leg. C) and all applicable Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards 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.

(b) Basis of preparation of the financial statements

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 reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Impact of new and revised HKFRSs

The HKICPA has issued certain new or revised HKFRSs which are first effective for the current accounting period. 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 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) Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

Financial assets measured at amortised cost

These comprise 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 using the effective interest method. The measurement of loss allowances for these 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 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.

(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.

(iv) Impairment of financial assets

For 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; or

- 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.

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

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

(e) Revenue recognition

Government grant is recognised in the income and expenditure account over the period necessary to match with the costs it is intended to compensate.

Donation income is recognised once cash is received and approval for acceptance is obtained.

(f) Cash and cash equivalents

Cash and cash equivalents include cash with the Director of Accounting Services.

3. Cash and cash equivalents

	2021	2020
	HK\$	HK\$
Cash with the Director of Accounting Services	<u>511,233</u>	<u>502,668</u>

4. Financial risk management

The Fund's major financial assets are cash and cash equivalents. The major risk associated with these financial assets is 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 at the reporting date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

The Fund's financial assets consist solely of cash with the Director of Accounting Services, the credit risk of which is considered to be low.

While the financial assets measured at amortised cost are subject to the impairment requirements, the Fund has estimated that their expected credit losses on these financial assets are immaterial and considers that no loss allowance is required.

5. Capital management

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

- to comply with the Government Flying Service Ordinance; and
- to maintain a 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 expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

6. 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.