

**Report by the Commissioner of Correctional Services
on the administration of the Prisoners' Welfare Fund
for the year ended 31 March 2025**

Introduction

The Prisoners' Welfare Fund (the Fund) was established under section 21A of the Prisons (Amendment) Ordinance (No. 42 of 1986) which was passed into law by the Legislative Council on 9 July 1986 and enacted on 11 July 1986.

2. In accordance with section 21A(3) of the Prisons Ordinance, the Fund is controlled by the Commissioner of Correctional Services, and as required by rule 272(4) of the Prison Rules, I take pleasure in presenting to the President and Honourable Members of the Legislative Council a copy of the signed and audited financial statements, the Director of Audit's Report and my report on the administration of the Fund for the year ended 31 March 2025.

3. The Fund was established on 11 July 1986 by transferring a sum of HK\$245,205 from the Prisoners' Welfare Donation Fund administered under the Financial and Accounting Regulations.

Purpose of the Fund

4. In accordance with section 21A(3) of the Ordinance, the Fund shall be applied for the benefit of prisoners in such ways as the Commissioner may determine, including:

- (a) procuring for prisoners while in prison comforts, convenience or other advantages;
- (b) meeting expenses of prisoners and providing services for prisoners or items not chargeable to the general revenue; and
- (c) assisting prisoners after discharge from prison.

Progress and Results

5. During the year under review, the Fund received donations totalling HK\$8,124,640. After taking into account expenses incurred in providing prizes and refreshments for prisoners, refund of course fees to rehabilitated offenders and other prisoners' expenses not chargeable to the general revenue, the excess of income over expenditure for the year amounted to HK\$2,106,585.

6. The accumulated fund has increased by HK\$2,106,585, i.e. from HK\$5,999,093 as at 1 April 2024 to HK\$8,105,678 as at 31 March 2025. The stock of sales items amounting to HK\$196,232 include the cost of radios, radio earphones, photo albums, carrier bags, sports shoes, hand fans, eye masks and cooling towel which were acquired for re-sale to the prisoners.

Auditor

7. In accordance with rule 272(3) of the Prison Rules, the Director of Audit was appointed as the Auditor of the Fund.

8. The audited financial statements of the Fund have been prepared and the Director of Audit's report and signed financial statements are attached at the Appendix.


(WONG Kwok-hing)
Commissioner of Correctional Services
30 June 2025



Prisoners' Welfare Fund

Financial statements for the year ended 31 March 2025

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 Prisoners' Welfare Fund set out on pages 4 to 14, which comprise the balance sheet as at 31 March 2025, 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 material accounting policy information.

In my opinion, the financial statements give a true and fair view of the financial position of the Prisoners' Welfare Fund as at 31 March 2025, and of its financial performance and cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with rules 272(1) and 272(2) of the Prison Rules (Cap. 234A).

Basis for opinion

I conducted my audit in accordance with rule 272(3) of the Prison Rules 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 Prisoners' 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.

Other information

The Commissioner of Correctional Services is responsible for the other information. The other information comprises all the information included in the Report by the Commissioner of Correctional Services on the administration of the Prisoners' Welfare Fund, other than the

financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Commissioner of Correctional Services for the financial statements

The Commissioner of Correctional Services is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and rules 272(1) and 272(2) of the Prison Rules, and for such internal control as the Commissioner of Correctional Services 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 Correctional Services is responsible for assessing the Prisoners' 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 Prisoners' 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 Correctional Services;
- conclude on the appropriateness of the Commissioner of Correctional Services' 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 Prisoners' 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 Prisoners' 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.

I communicate with the Commissioner of Correctional Services regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Ms. Elaine Chang
Principal Auditor (Acting)
for Director of Audit

30 June 2025

Audit Commission
6th Floor, High Block
Queensway Government Offices
66 Queensway
Hong Kong

Prisoners' Welfare Fund
Balance Sheet as at 31 March 2025

	Note	2025 HK\$	2024 HK\$
Current Assets			
Stock items		196,232	137,524
Accounts receivable		77,495	41,096
Accrued interest		34,398	38,272
Cash and cash equivalents	3	7,932,857	5,868,854
		<u>8,240,982</u>	<u>6,085,746</u>
Current Liabilities			
Advance receipts		(816)	(381)
Accounts payable		(134,488)	(86,272)
		<u>(135,304)</u>	<u>(86,653)</u>
Net Current Assets		<u>8,105,678</u>	<u>5,999,093</u>
Accumulated Fund			
Accumulated surplus		<u>8,105,678</u>	<u>5,999,093</u>

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


 (WONG Kwok-hing)
 Commissioner of Correctional Services
 30 June 2025

Prisoners' Welfare Fund
Income and Expenditure Account for the year ended 31 March 2025

	2025 HK\$	2024 HK\$
Income		
Donations	8,124,640	4,750,000
Confiscated money	1,360	3,600
Bank interest income	163,420	145,678
	<u>8,289,420</u>	<u>4,899,278</u>
Expenditure		
Prisoners' welfare expenses	(88,627)	(80,644)
Prisoners' expenses not chargeable to the general revenue	(6,091,208)	(4,525,719)
Education assistance for rehabilitated offenders	(3,000)	(6,000)
	<u>(6,182,835)</u>	<u>(4,612,363)</u>
Surplus for the year	2,106,585	286,915
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>2,106,585</u></u>	<u><u>286,915</u></u>

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

Prisoners' Welfare Fund
Statement of Changes in Equity for the year ended 31 March 2025

Accumulated Surplus	2025 HK\$	2024 HK\$
Balance at beginning of year	5,999,093	5,712,178
Total comprehensive income for the year	<u>2,106,585</u>	<u>286,915</u>
Balance at end of year	<u><u>8,105,678</u></u>	<u><u>5,999,093</u></u>

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

Prisoners' Welfare Fund
Statement of Cash Flows for the year ended 31 March 2025

	Note	2025 HK\$	2024 HK\$
Cash flows from operating activities			
Surplus for the year		2,106,585	286,915
Adjustments for:			
Bank interest income		(163,420)	(145,678)
(Increase)/Decrease in stock items		(58,708)	44,678
Increase in accounts receivable		(36,399)	(21,078)
Increase in advance receipts		435	381
Increase in accounts payable		48,216	50,233
Net cash from operating activities		<u>1,896,709</u>	<u>215,451</u>
Cash flows from investing activities			
Bank interest income received		167,294	131,594
Net cash from investing activities		<u>167,294</u>	<u>131,594</u>
Net increase in cash and cash equivalents		2,064,003	347,045
Cash and cash equivalents at beginning of year		5,868,854	5,521,809
Cash and cash equivalents at end of year	3	<u><u>7,932,857</u></u>	<u><u>5,868,854</u></u>

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

Prisoners' Welfare Fund
Notes to the Financial Statements

1. General

The Prisoners' Welfare Fund (the Fund) was established in accordance with section 21A of the Prisons Ordinance (Cap. 234) for the benefit of prisoners in such ways as the Commissioner of Correctional Services may determine, including:

- (a) procuring for prisoners while in prison comforts, convenience or other advantages;
- (b) meeting expenses of prisoners and providing services for prisoners or items not chargeable to the general revenue; and
- (c) assisting prisoners after discharge from prison.

The address of the Fund's principal place of business is 24/F, Wanchai Tower, 12 Harbour Road, Hong Kong.

2. Material accounting policies

- (a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with rules 272(1) and 272(2) of the Prison Rules (Cap. 234A) and all applicable HKFRS Accounting Standards, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). Material accounting policies adopted by the Fund are 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 HKFRS Accounting Standards 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 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. 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 HKFRS Accounting Standards

The HKICPA has issued certain new or revised HKFRS Accounting Standards which are first effective or available for early adoption 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 early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. These include the following which may be relevant to the Fund.

**Effective for accounting
periods beginning
on or after**

HKFRS 18 "Presentation and Disclosure in
Financial Statements"

1 January 2027

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 financial statements.

(d) Financial assets and financial liabilities

(i) Initial recognition and subsequent measurement

The Fund's financial assets and financial liabilities include accounts receivable, accrued interest, cash and cash equivalents and accounts payable. They are recognised when the Fund becomes a party to the contractual provisions of the instrument, and are initially 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. Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method, net of loss allowance (see note 2(d)(iii)), if any. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

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.

(ii) 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, is cancelled or expires.

(iii) 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; 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 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.

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) Stock items

Stock items are measured at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Foreign currency translation

Hong Kong dollar is the currency of the primary economic environment in which the Fund operates. Foreign currency transactions during the year are translated into Hong Kong dollars using the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the closing exchange rates at the reporting date. Exchange gains and losses are dealt with in the income and expenditure account.

(g) Revenue recognition

(i) Donations are recognised once the amounts are received and approval for acceptance is obtained.

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

(iii) Sales of stock items are recognised when the Fund satisfies a performance obligation by transferring a promised good to a customer.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash with the Director of Accounting Services and time deposit with original maturities within three months.

3. Cash and cash equivalents

	2025 HK\$	2024 HK\$
Time deposits with original maturities within three months	4,691,462	3,974,168
Cash with the Director of Accounting Services	3,241,387	1,894,678
Cash on hand	8	8
	<u>7,932,857</u>	<u>5,868,854</u>

4. Financial risk management

The Fund's financial instruments include time deposits and cash with the Director of Accounting Services. 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 maximum exposure to credit risk of the financial assets of the Fund at the reporting date is equal to their carrying amounts. The Fund limits its exposure to credit risk by transacting with reputable licensed banks in Hong Kong and investing in short-term deposits only. The credit risk in respect of cash with the Director of Accounting Services is considered minimal.

The credit quality of time deposits, analysed by the ratings designated by Moody's, at the reporting date is shown below.

	2025 HK\$	2024 HK\$
Time deposits, by credit rating		
Aa1 to Aa3	1,903,545	1,593,659
A1 to A3	<u>2,787,917</u>	<u>2,380,509</u>
	<u>4,691,462</u>	<u>3,974,168</u>

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 fair value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's time deposits bear interest at fixed rates, their fair values 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/deficit for the year.

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 financial instruments bearing interest at a floating rate.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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 effect of fluctuations in cash flows. Hence, the Fund does not have significant exposures to liquidity risk.

As at 31 March 2025, the remaining contractual maturities of all financial liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were one month or less (2024: one month or less).

5. Capital management

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

- (a) to comply with the Prisons Ordinance and the Prison Rules; and
- (b) to maintain a strong capital base for the provision of benefits to prisoners 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.

6. Commitments

As at 31 March 2025, there were commitments of:

- (a) HK\$1,000 (2024: HK\$1,000) being the unspent portion of approved education assistance to pay for course fees to rehabilitated offenders who are undergoing statutory supervision by the Rehabilitation Section of Correctional Services Department for pursuing education programmes and employment-related courses; and
- (b) HK\$216,282 (2024: HK\$147,280) being the unspent portion of approved grants to the needy prisoners/inmates to pay for vocational training courses/public examinations/course enrolments and the procurement of learning aids/equipment in their educational pursuits.

7. Cost of administering the Fund

The cost of administering the Fund was borne by the Government of the Hong Kong Special Administrative Region in accordance with section 21A(4) of the Prisons Ordinance.

8. 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.