

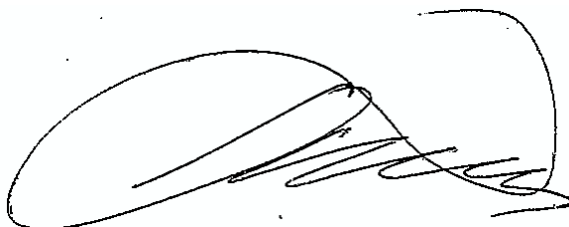
# **Customs and Excise Service Welfare Fund**

Financial Statements for the year ended 31 March 2017



**Summary of the Financial Statements of the  
Customs and Excise Service Welfare Fund  
Customs and Excise Service Ordinance, Cap. 342  
Customs and Excise Service (Welfare Fund) Regulation**

1. The financial statements cover the year from 1 April 2016 to 31 March 2017.
2. Total receipts of \$950,022 included bank interest of \$1,537, contribution from the Government of the Hong Kong Special Administrative Region of \$290,220 (calculated on the basis of \$60 per disciplined officer per annum for the actual strength of 4 837 disciplined officers as at 1 April 2016), donation of \$600,000 and rental income for holiday houses of \$58,265. The total receipts for the year showed an increase of \$347,024 over last year's total receipts of \$602,998, which was mainly due to the increase in donation during the year.
3. Total expenditure of \$653,078 showed a decrease of \$95,050 against last year's total expenditure of \$748,128. The decrease was mainly due to the decrease in the grants to Customs and Excise Department Sports and Recreation Club and subsidies to Football Club.
4. The fixed deposits placed with the Bank of China (Hong Kong) Limited as at 31 March 2017 was \$762,704.
5. The accumulated balance of the Fund at the beginning of the year was \$458,377. The accumulated balance of the Fund was \$755,321 as at 31 March 2017 after adding the total comprehensive gain of \$296,944 for the year.
6. The Balance Sheet as at 31 March 2017, the Income and Expenditure Account for the year ended 31 March 2017, the Statement of Changes in Equity for the year ended 31 March 2017 and the Statement of Cash Flows for the year ended 31 March 2017 are attached.



(Hermes TANG)  
Commissioner of Customs and Excise Incorporated  
28 September 2017





# 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 Customs and Excise Service Welfare Fund set out on pages 4 to 12, which comprise the balance sheet as at 31 March 2017, 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 Customs and Excise Service Welfare Fund as at 31 March 2017, 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 Customs and Excise Service (Welfare Fund) Regulation (Cap. 342 sub. leg. C).

### *Basis for opinion*

I conducted my audit in accordance with section 11(3) of the Customs and Excise 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 Customs and Excise 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 Commissioner of Customs and Excise Incorporated for the financial statements***

The Commissioner of Customs and Excise 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 Customs and Excise Service (Welfare Fund) Regulation, and for such internal control as the Commissioner of Customs and Excise 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 Commissioner of Customs and Excise Incorporated is responsible for assessing the Customs and Excise 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 Customs and Excise 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 Commissioner of Customs and Excise Incorporated;
- conclude on the appropriateness of the Commissioner of Customs and Excise 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 Customs and Excise 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 Customs and Excise 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  
Acting Principal Auditor  
for Director of Audit

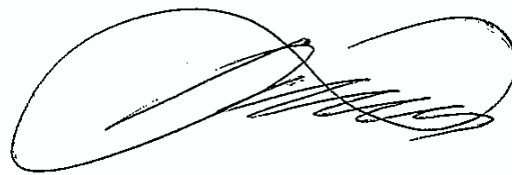
28 September 2017

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

**Customs and Excise Service Welfare Fund  
Balance Sheet as at 31 March 2017**

	Note	2017 HK\$	2016 HK\$
<b>Current assets</b>			
Accounts receivable		60	11
Prepayments		671	668
Cash and cash equivalents	3	<u>765,863</u>	<u>468,728</u>
		<u>766,594</u>	<u>469,407</u>
 <b>Current liabilities</b>			
Accounts payable		(7,618)	(8,020)
Rental income collected in advance		<u>(3,655)</u>	<u>(3,010)</u>
		<u>(11,273)</u>	<u>(11,030)</u>
 <b>Net current assets</b>		 <u><u>755,321</u></u>	 <u><u>458,377</u></u>
 <b>Accumulated fund</b>		 <u><u>755,321</u></u>	 <u><u>458,377</u></u>

The accompanying notes 1 to 7 form part of these financial statements.



(Hermes TANG)  
Commissioner of Customs and Excise Incorporated  
28 September 2017



**Customs and Excise Service Welfare Fund**  
**Income and Expenditure Account**  
**for the year ended 31 March 2017**

	<b>2017</b>	<b>2016</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Income</b>		
Bank interest	1,537	1,183
Government grant	290,220	287,100
Donation	600,000	250,000
Rental income from holiday houses	58,265	64,715
	950,022	602,998
<b>Expenditure</b>		
Entertainment and social gatherings	(133,204)	(133,015)
Running expenses of holiday houses	(94,794)	(97,998)
Stores and equipment	(22,215)	(20,482)
Grants to Customs and Excise Department Sports and Recreation Club	(402,865)	(446,513)
Subsidies to Football Club	–	(50,000)
Miscellaneous charges	–	(120)
	(653,078)	(748,128)
<b>Surplus/(Deficit) for the year</b>	296,944	(145,130)
Other comprehensive income	–	–
<b>Total comprehensive income/(loss) for the year</b>	296,944	(145,130)

The accompanying notes 1 to 7 form part of these financial statements.

**Customs and Excise Service Welfare Fund**  
**Statement of Changes in Equity**  
**for the year ended 31 March 2017**

	<b>Accumulated fund HK\$</b>
Balance at 1 April 2015	603,507
Total comprehensive loss for 2015 – 16	(145,130)
Balance at 31 March 2016	<u>458,377</u>
Total comprehensive income for 2016 – 17	296,944
Balance at 31 March 2017	<u><u>755,321</u></u>

The accompanying notes 1 to 7 form part of these financial statements.

**Customs and Excise Service Welfare Fund**  
**Statement of Cash Flows**  
**for the year ended 31 March 2017**

	Note	2017 HK\$	2016 HK\$
<b>Cash flows from operating activities</b>			
Surplus/(Deficit) for the year		296,944	(145,130)
Bank Interest		(1,537)	(1,183)
Increase in accounts receivable		(42)	(4)
(Increase)/Decrease in prepayments		(3)	3
Decrease in accounts payable		(402)	(97,009)
Increase in rental income collected in advance		645	1,935
		<u>295,605</u>	<u>(241,388)</u>
<b>Cash flows from investing activities</b>			
Bank Interest received		1,530	1,181
		<u>1,530</u>	<u>1,181</u>
<b>Net cash from investing activities</b>		<u>1,530</u>	<u>1,181</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>297,135</b>	<b>(240,207)</b>
<b>Cash and cash equivalents at beginning of year</b>		<u>468,728</u>	<u>708,935</u>
<b>Cash and cash equivalents at end of year</b>	3	<u><u>765,863</u></u>	<u><u>468,728</u></u>

The accompanying notes 1 to 7 form part of these financial statements.

## **Customs and Excise Service Welfare Fund**

### **Notes to the Financial Statements**

#### **1. General**

The Customs and Excise Service Welfare Fund (the Fund) is mainly used for providing and maintaining amenities for the use and enjoyment of and making loans to beneficiaries including members, former members, dependants of deceased members and dependants of deceased former members of the Customs and Excise Service (the Service), and granting financial assistance to dependants of deceased members and deceased former members of the Service, in accordance with section 19D of the Customs and Excise Service Ordinance (Cap. 342). The Fund's principal place of business is 29<sup>th</sup> and 31<sup>st</sup> floors of the Customs Headquarters Building, 222 Java Road, North Point, Hong Kong.

#### **2. Significant accounting policies**

##### **(a) Statement of compliance**

The financial statements of the Fund have been prepared in accordance with section 10(1)(b) of the Customs and Excise Service (Welfare Fund) Regulation (Cap. 342 sub. leg. C) and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

##### **(b) Basis of preparation**

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires 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 balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Adoption of new / revised HKFRSs

The Fund has adopted all new / revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

(d) Revenue recognition

- (i) 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) Rental income from holiday houses are recognised when services are provided.
- (iii) Interest income is recognised as it accrues using the effective interest method.
- (iv) Donation income is recognised once cash is received and the approval for acceptance is obtained.

(e) Financial assets and financial liabilities

The Fund's financial assets and financial liabilities include accounts receivable, cash and cash equivalents and accounts payable. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities. Financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

**3. Cash and cash equivalents**

	<b>2017</b>	<b>2016</b>
	HK\$	HK\$
Bank deposits with original maturity within three months	762,704	461,174
Cash with the Director of Accounting Services	3,159	7,554
	<u>765,863</u>	<u>468,728</u>

**4. Financial risk management**

The Fund's major financial instruments are bank deposits and receivables. 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.

To minimise the credit risks arising from bank deposits, all time deposits are placed with reputable licensed banks in Hong Kong.

The maximum exposure to credit risk as at the balance sheet date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

(b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since 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 as 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. Capital management**

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

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

The Fund manages its capital to ensure that it is adequate to fund expenditure, taking into account the Fund's projected cash flow requirements, future financial obligations and commitments.

## **6. Fixed assets**

Prior to the year 2005 – 06, the Fund had taken advantage of the exemption under paragraph 2 of SSAP 17 "Property, Plant and Equipment" and all property, plant and equipment acquired for use by the Fund were written off to the income and expenditure account in the year of acquisition. The following real estate was owned by the Fund as at the balance sheet date:

<b>Description and location</b>	<b>Cost</b>	<b>Date of Acquisition</b>	<b>Memorial No.</b>
Customs and Excise Service Holiday House DD316 Lot 1085 to 1088 40 Sun Wai Tsuen, G/F Pui O, Lantau Island.	HK\$330,455	8 August 1988	144771

#### **7. 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.