

Qualifications Framework Fund

Financial statements for the period from
31 July 2014 to 31 August 2015

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Qualifications Framework Fund

Independent Audit Report

To the Permanent Secretary for Education Incorporated

I certify that I have audited the financial statements of the Qualifications Framework Fund (which was established by a declaration of trust made on 31 July 2014) set out on pages 3 to 10, which comprise the statement of financial position as at 31 August 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 31 July 2014 to 31 August 2015, and a summary of significant accounting policies and other explanatory information.

Permanent Secretary for Education Incorporated's Responsibility for the Financial Statements

The Permanent Secretary for Education Incorporated is responsible for the preparation of financial statements that give a true and fair view in accordance with section 8(3) of the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098) and Hong Kong Financial Reporting Standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 8(5) of the Permanent Secretary for Education Incorporation Ordinance and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Permanent Secretary for Education Incorporated, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Qualifications Framework Fund as at 31 August 2015, and of its financial performance and cash flows for the period from 31 July 2014 to 31 August 2015 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 8(3) of the Permanent Secretary for Education Incorporation Ordinance.

LAU Sun-wo
Assistant Director of Audit
for Director of Audit

25 February 2016

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

QUALIFICATIONS FRAMEWORK FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 31 JULY 2014
TO 31 AUGUST 2015
(Expressed in thousands of Hong Kong dollars)

	Note	
INCOME		
Government grant	3	1,000,000
		1,000,000
SURPLUS FOR THE PERIOD		1,000,000
OTHER COMPREHENSIVE INCOME		—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,000,000

The accompanying notes 1 to 4 form part of these financial statements.

QUALIFICATIONS FRAMEWORK FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2015
(Expressed in thousands of Hong Kong dollars)

	Note	
ASSETS		
Grant receivable	3	1,000,000
		<hr/>
NET ASSETS		1,000,000
		<hr/> <hr/>
Representing :		
FUND BALANCE		
Accumulated surplus		1,000,000
		<hr/> <hr/>

The accompanying notes 1 to 4 form part of these financial statements.

Permanent Secretary for Education Incorporated
Trustee of the Qualifications Framework Fund

(Mrs Marion Lai)
Permanent Secretary for Education
25 February 2016

**QUALIFICATIONS FRAMEWORK FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 31 JULY 2014
TO 31 AUGUST 2015**
(Expressed in thousands of Hong Kong dollars)

ACCUMULATED SURPLUS

Balance at beginning of period	—
Total comprehensive income for the period	<u>1,000,000</u>
Balance at end of period	<u>1,000,000</u>

The accompanying notes 1 to 4 form part of these financial statements.

QUALIFICATIONS FRAMEWORK FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 31 JULY 2014
TO 31 AUGUST 2015
(Expressed in thousands of Hong Kong dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	
Surplus for the period	1,000,000
Adjustment for:	
Increase in grant receivable	(1,000,000)
NET CASH FROM OPERATING ACTIVITIES	<hr/> —
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	—
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	<hr/> <hr/> —

The accompanying notes 1 to 4 form part of these financial statements.

QUALIFICATIONS FRAMEWORK FUND

Notes to the financial statements

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

1. General

The Qualifications Framework Fund (the Fund) was established by a declaration of trust made on 31 July 2014 by the Permanent Secretary for Education Incorporated (the Trustee) to support schemes, initiatives and activities that aim to support the sustainable development and implementation of the platform known as the Qualifications Framework launched by the Government covering qualifications in the academic, vocational and continuing education sectors to promote lifelong learning.

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.

(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. There are also no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next accounting period.

(c) Financial assets and financial liabilities

(i) Initial recognition

The Fund classifies its financial assets and financial liabilities into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The Fund's financial assets and financial liabilities as at 31 August 2015 comprised one category: loans and receivables.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets or the issue of the financial liabilities.

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

(ii) Categorisation and subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Fund has no intention of trading. This category includes grant receivable.

Loans and receivables are carried at amortised cost using the effective interest method less impairment losses, if any (note 2(c)(iv)).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating 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 instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future 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.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or when it expires.

(iv) Impairment of financial assets

The carrying amounts of loans and receivables are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is 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 decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through surplus or deficit. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(d) Revenue recognition

Government grant is recognised as income in the period in which it is receivable.

3. Government grant / Grant receivable

On 12 July 2014, the Finance Committee of the Legislative Council approved the Government to inject HK\$1.0 billion to the Fund, which has not yet been transferred to the Fund up to the end of the reporting period. The Fund has arranged to place the sum of HK\$1.0 billion, upon receipt from the Government, with the Exchange Fund in March 2016.

4. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period

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 period and which have not been early adopted in the financial

statements. These include the following which may be relevant to the Fund:

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

HKFRS 9, *Financial Instruments*

1 January 2018

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.