



# Watchdog Limited

Annual Financial Report  
31 March 2023



## Independent auditor's assurance report to the Executive Committee of Watchdog Limited

We have audited the financial statements of Watchdog Limited ("the Company") for the year ended 31 March 2023 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unmodified auditor's report thereon dated 30 October 2023.

Pursuant to the Lump Sum Grant ("LSG") Manual issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD"), we have been requested to issue this assurance report in connection with the Annual Financial Report ("AFR") of the Company for the year ended 31 March 2023.

### **Responsibilities of the Executive Committee Members**

In relation to this report, the Executive Committee Members are responsible for ensuring the AFR of the Company for the year ended 31 March 2023 is properly prepared in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD; and the use of the funds from the LSG by the Company has complied with the purposes as specified in the LSG Manual and other instructions issued by the SWD.

### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Auditor's Responsibility**

Our responsibility is to form a conclusion, based on our engagement, and to report our conclusion to you.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note ("PN") 851 (Revised), *Reporting on the Annual Financial Reports of Non-governmental Organisations* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving conclusion 1 and obtain limited assurance for giving conclusion 2 below.

The work undertaken in connection with this engagement is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independent auditor's assurance report to the Executive Committee of Watchdog Limited (continued)

### Auditor's Responsibility (continued)

In relation to our conclusion 1 below, we have planned and performed such procedures as we considered necessary with reference to the procedures recommended in PN 851 (Revised), to satisfy ourselves that the AFR has been properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.

In relation to our conclusion 2 below, we have obtained an understanding in respect of the purposes of the use of the funds as specified in the LSG Manual and other instructions issued by the SWD and obtaining an understanding of the control procedures. We are not required to perform any procedures to search for instances of the use of funds from the LSG by the Company being non-complied with the specified purposes. Our work was limited to reporting non-compliances identified as a result of the procedures performed in relation to conclusion 2 and during the normal course of our work relating to conclusion 1. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Conclusion

1. In our opinion, the AFR of the Company for the year ended 31 March 2023 is properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.
2. Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the use of the funds from the LSG by the Company has not complied, in all material respects, with the purposes as specified in the LSG Manual and other instructions issued by the SWD.

### Intended Users and Purpose

This report is intended solely for submission by the Company to the SWD and is not intended to be, and should not be, used for any other purpose. We agree that a copy of this report may be provided to the SWD without further comment from us.



Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 OCT 2023

## Income and expenditure account for the year ended 31 March 2023 (Expressed in Hong Kong dollars)

	Note	2023 \$	2022 \$
<b>Income</b>			
Lump Sum Grant			
- Lump Sum Grant (excluding Provident Fund)	1(b)	18,092,563	17,245,619
- Provident Fund	1(c)	1,296,582	1,272,077
Fee income	2	3,489,945	3,582,316
Central items	3(a)	656,066	2,055,611
Rent and rates	4	1,030,891	1,823,491
Other income	5	1,074,566	1,046,700
Interest received		14,567	72
<b>Total income</b>		<u>25,655,180</u>	<u>27,025,886</u>
<b>Expenditure</b>			
Personal emoluments	6	20,464,904	18,785,105
- Salaries		19,072,478	17,966,526
- Provident Fund	1(c)	1,342,746	762,333
- Allowances		49,680	56,246
Other charges	7	821,777	605,231
Central items	3(b)	1,527,799	1,252,823
Rent and rates	4	833,657	797,075
<b>Total expenditure</b>		<u>23,648,137</u>	<u>21,440,234</u>
<b>Surplus for the year</b>	8	<u>2,007,043</u>	<u>5,585,652</u>

The Annual Financial Report from pages 3 to 10 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

  
Chairperson  
Date: 30 OCT 2023

  
Chief executive  
Date: 30 OCT 2023

The notes on pages 4 to 10 form part of the annual financial report.



# Notes on the annual financial report

(Expressed in Hong Kong dollars)

## 1 Lump Sum Grant ("LSG")

### (a) Basis of preparation

The Annual Financial Report ("AFR") is prepared in respect of all Funding and Service Agreement ("FSA") activities (including support services to FSA activities) funded by the Social Welfare Department ("SWD") under the Lump Sum Grant Subvention System. AFR is prepared on cash basis, that is, income is recognised upon receipt of cash and expenditure is recognised when expenses are paid. Non-cash items such as depreciation, provisions and accruals have not been included in the AFR.

### (b) LSG (excluding Provident Fund)

This represents LSG (excluding Provident Fund) received for the year.

### (c) Provident Fund

This is Provident Fund received and contributed during the year. Snapshot staff is defined as those staff occupying recognised or holding against subvented posts as at 1 April 2000. 6.8% posts represent those staff that are employed after 1 April 2000. The Provident Fund received and contributed for staff under the Central Items have been shown under note 3.

Details are analysed below:

<i>Provident Fund Contribution</i>	<i>Snapshot staff</i> \$	<i>6.8% posts</i> \$	<i>Total</i> \$
Subvention received	159,819	1,136,763	1,296,582
Provident Fund Contribution paid during the year	(157,398)	(1,185,348)	(1,342,746)
Surplus for the year	2,421	(48,585)	(46,164)
Surplus brought forward	55,050	1,404,009	1,459,059
Less: Refund to Government	(12,785)	-	(12,785)
Surplus carried forward	44,686	1,355,424	1,400,110

## 2 Fee income

This represents social welfare fee income received for the year in respect of the fees and charges recognised for the purpose of subvention as set out in the LSG Manual.

### 3 Central items

These are subvented service activities which are not included in LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with the Non-governmental Organisations ("NGOs"). Any surplus, which is not allowed to be offset by any deficit of another item, is subject to claw-back by SWD according to the terms and conditions of individual central items. The Provident Fund received and contributed for staff under the Central Items have been separately included as part of the income and expenditure of the relevant items (paragraph 3.14 of the LSG Manual). The income and expenditure of each of the Central Items are as follows:

	2023 \$	2022 \$
<b>(a) Income</b>		
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	566,066	1,415,611
Training scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	90,000	-
Training sponsorship scheme for two-year Master in Occupational Therapy ("MOT") programme of The Hong Kong Polytechnic University ("PolyU")	-	640,000
	<u>656,066</u>	<u>2,055,611</u>
<b>(b) Expenditure</b>		
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	1,047,799	932,823
Training scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	-	-
Training sponsorship scheme for two-year MPT and MOT programmes of PolyU	480,000	320,000
	<u>1,527,799</u>	<u>1,252,823</u>

### 4 Rent and rates

These represent the amount paid by SWD in respect of premises recognised by SWD. Expenditures on rent and rates in respect of premises not recognised by SWD have not been included in AFR.

### 5 Other income

This represents income other than recognised social welfare fee income received during the year. Non-SWD subventions and donations received have not been included as other income in AFR.



## 5 Other income (continued)

The breakdown on other income is as follows:

	2023	2022
	\$	\$
Donations from The Community Chest	1,041,100	1,041,100
Membership and application fees	5,700	5,600
Reimbursement of Maternity Leave Scheme	27,766	-
	<hr/>	<hr/>
Total	<u>1,074,566</u>	<u>1,046,700</u>

## 6 Personal emoluments

Personal emoluments include salary, provident fund and salary-related allowances.

The analysis on number of posts with annual Personal Emoluments over \$700,000 each paid under LSG during the year ended 31 March 2023 is appended below:

<b>Analysis of Personal Emoluments paid under LSG</b>	<i>No of Posts</i>	\$
\$700,001- \$800,000 p.a.	1	738,300
\$800,001- \$900,000 p.a.	1	827,700
\$900,001- \$1,000,000 p.a.	3	2,740,268
\$1,000,001- \$1,100,000 p.a.	-	-
\$1,100,001- \$1,200,000 p.a.	1	1,101,918
> \$1,200,000 p.a.	-	-
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## 7 Other charges

The breakdown on other charges is as follows:

	2023	2022
	\$	\$
Utilities	103,762	81,699
Food	15,809	13,688
Administrative expenses	126,427	115,136
Stores and equipment	111,661	146,698
Repairs and maintenance	147,112	51,705
Transportation and travelling	19,055	28,360
Motor Vehicle for MTC expenses	7,057	-
Insurance	93,445	62,115
Training materials	66,743	11,536
IT expense	22,518	18,340
Miscellaneous	108,188	75,954
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Total	<u>821,777</u>	<u>605,231</u>

## 8 Analysis of Lump Sum Grant Reserve and Balances of Other SWD Subventions

	<i>Analysis of reserve fund</i>			<i>Total</i>
	<i>LSG</i>	<i>Rent and rates</i>	<i>Central items</i>	
	\$	\$	\$	\$
<b>Income</b>				
LSG	19,389,145	-	-	19,389,145
Fee income	3,489,945	-	-	3,489,945
Other income	1,074,566	-	-	1,074,566
Interest received	14,567	-	-	14,567
Rent and rates	-	1,030,891	-	1,030,891
Central items	-	-	656,066	656,066
Total income	23,968,223	1,030,891	656,066	25,655,180
<b>Expenditure</b>				
Personal emoluments	20,464,904	-	-	20,464,904
Other charges	821,777	-	-	821,777
Rent and rates	-	833,657	-	833,657
Central items	-	-	1,527,799	1,527,799
Total expenditure	21,286,681	833,657	1,527,799	23,648,137
Surplus for the year	2,681,542	197,234	(871,733)	2,007,043
Add: Deficit of Provident Fund	46,164	-	-	46,164
Surplus brought forward (Note (1))	2,727,706	197,234	(871,733)	2,053,207
	7,142,000	76,386	1,064,769	8,283,155
Less: Refund to Government	9,869,706	273,620	193,036	10,336,362
Adjustment for rent and rates in previous years	(2,484,999)	(120,433)	-	(2,605,432)
Adjustment for rental expenses paid for Lai Chi Kok Centre ("LCK Centre") and Jordan Centre in previous years	-	44,047	-	44,047
	-	(185,985)	-	(185,985)
Surplus carried forward	7,384,707	11,249	193,036	7,588,992

Note:

- (1) Accumulated balance Lump Sum Grant Surplus brought forward from previous years (including holding account) and all interest received in previous years should be included in the surplus brought forward under LSG.



9 Analysis of income and expenditure by programme area and funding and service agreements (including support services)

	Income				Expenditure				Surplus (1) - (2)			
	Fee income	Central items	Rent and rates	Other income	Interest received	Total income (1)	Personal emoluments	Other charges		Central items	Rent and rates	Total expenditure (2)
LSG	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Programme area 4												
Service units 3786, 5725, 6587, 6613 and AC 52	19,389,145	3,489,945	656,066	1,030,891	1,074,566	14,567	25,655,180	821,777	1,527,799	833,657	23,648,137	2,007,043

## Analysis of subvention and expenditure - schedule for rent and rates for the year ended 31 March 2023

<i>Unit code and name</i>	<i>Subvented element</i>	<i>Subvention released (note 1) \$</i>	<i>Actual expenditure \$</i>	<i>Adjustment for rental expenses paid for LCK/Jordan Centre in previous years \$</i>	<i>Surplus/ (deficit) (note 2) \$</i>
Unit 5725 - Early Education & Training Centre	Rates	15,470	7,000	-	8,470
Unit 3786 - On-site Pre-school Rehabilitation Services (OPRS) - LCK & Jordan Centre	Private Renal	819,089	635,483	174,751	8,855
	Other Rental Items	146,358	160,183	-	(13,825)
	Rates	28,336	13,943	7,236	7,157
	Government Rent	21,638	17,048	3,998	592
	Total	<u>1,030,891</u>	<u>833,657</u>	<u>185,985</u>	<u>11,249</u>

### Notes:

- (1) The figures are extracted from the payroll for March plus subvention released in late March of the financial year.
- (2) Surplus/(deficit) for each element represents the difference between subvention released and actual expenditure and adjustments for expenses paid in previous years.

## Analysis of subvention and expenditure - schedule for central items for the year ended 31 March 2023

<i>Unit code and name</i>	<i>Subvented element</i>	<i>Subvention released (note 1) \$</i>	<i>Actual expenditure (note 2) \$</i>	<i>(Deficit)/ surplus (note 3) \$</i>
Unit 6613 - Early Education & Training Centre	Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	566,066	1,047,799	(481,733)
Unit 6587 - Training Sponsorship Scheme	MOT Two-year Programmes of PolyU	-	480,000	(480,000)
Unit AC52 – Training Subsidy for CCS/SCCW in Pre- school Rehabilitation Services	Training scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	90,000	-	90,000
	<b>Total</b>	<b>656,066</b>	<b>1,527,799</b>	<b>(871,733)</b>

### Notes:

- (1) The figures are extracted from the payroll for March plus subvention released in late March of the financial year.
- (2) Actual expenditure represents the total expenditure incurred including provident fund.
- (3) (Deficit)/surplus for each element represents the difference between subvention released and actual expenditure.