



Watchdog Limited

Annual Financial Report
31 March 2024



Independent auditor's assurance report to the Executive Committee of Watchdog Limited ("the Company")

We have audited the financial statements of the Company for the year ended 31 March 2024 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 2024.

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 2024.

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 2024 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 ("the Company") (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.

Conclusions

- (1) In our opinion, the AFR of the Company for the year ended 31 March 2024 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 2024

Income and expenditure account for the year ended 31 March 2024 (Expressed in Hong Kong dollars)

	Note	2024 \$	2023 \$
Income			
Lump Sum Grant			
- Lump Sum Grant (excluding Provident Fund)	1(b)	21,205,023	18,092,563
- Provident Fund	1(c)	1,500,548	1,296,582
Fee income	2	2,984,290	3,489,945
Central items	3(a)	1,416,791	656,066
Rent and rates	4	916,788	1,030,891
Other income	5	1,149,810	1,074,566
Interest received		55,993	14,567
Total income		<u>29,229,243</u>	<u>25,655,180</u>
Expenditure			
Personal emoluments	6	24,865,778	20,464,904
- Salaries		23,231,533	19,072,478
- Provident Fund	1(c)	1,582,225	1,342,746
- Allowances		52,020	49,680
Other charges	7	1,547,143	821,777
Central items	3(b)	1,324,807	1,527,799
Rent and rates	4	923,705	833,657
Total expenditure		<u>28,661,433</u>	<u>23,648,137</u>
Surplus for the year	8	<u>567,810</u>	<u>2,007,043</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 2024


Chief executive
Date: 30 OCT 2024

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	163,490	1,337,058	1,500,548
Provident Fund Contribution paid during the year	(163,490)	(1,418,735)	(1,582,225)
Surplus/(deficit) for the year	-	(81,677)	(81,677)
Surplus brought forward	44,686	1,355,424	1,400,110
Add: Additional Provident Fund for 6.8% Posts for 2019-20 before arising from departure of snapshot staff	-	14,578	14,578
Add: Additional Provident Fund for 6.8% Posts for 2021-22 before arising from departure of snapshot staff	-	13,343	13,343
Less: Refund to Government	(42,265)	-	(42,265)
Surplus carried forward	2,421	1,301,668	1,304,089

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:

	2024 \$	2023 \$
(a) Income		
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	766,791	566,066
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")	650,000	-
	<u>1,416,791</u>	<u>656,066</u>
(b) Expenditure		
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	799,807	1,047,799
Training scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	45,000	-
Training sponsorship scheme for two-year MPT and MOT programmes of PolyU	480,000	480,000
	<u>1,324,807</u>	<u>1,527,799</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:

	2024 \$	2023 \$
Donations from The Community Chest	1,145,210	1,041,100
Membership and application fees	4,600	5,700
Reimbursement of Maternity Leave Scheme	-	27,766
Total	<u>1,149,810</u>	<u>1,074,566</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 2024 is appended below:

<i>Analysis of Personal Emoluments paid under LSG</i>	<i>No of Posts</i>	\$
\$700,001- \$800,000 p.a.	2	1,462,685
\$800,001- \$900,000 p.a.	2	1,712,339
\$900,001- \$1,000,000 p.a.	2	1,954,320
\$1,000,001- \$1,100,000 p.a.	-	-
\$1,100,001- \$1,200,000 p.a.	-	-
> \$1,200,000 p.a.	<u>1</u>	<u>1,307,343</u>

7 Other charges

The breakdown on other charges is as follows:

	2024 \$	2023 \$
Utilities	125,632	103,762
Food	35,699	15,809
Administrative expenses	188,488	126,427
Stores and equipment	357,850	111,661
Repairs and maintenance	221,141	147,112
Transportation and travelling	22,103	19,055
Motor Vehicle for MTC expenses	37,306	7,057
Insurance	227,723	93,445
Training materials	64,631	66,743
IT expense	51,587	22,518
Miscellaneous	<u>214,983</u>	<u>108,188</u>
Total	<u>1,547,143</u>	<u>821,777</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>	
	\$	\$	\$	\$
Income				
LSG	22,705,571	-	-	22,705,571
Fee income	2,984,290	-	-	2,984,290
Other income	1,149,810	-	-	1,149,810
Interest received	55,993	-	-	55,993
Rent and rates	-	916,788	-	916,788
Central items	-	-	1,416,791	1,416,791
Total income	<u>26,895,664</u>	<u>916,788</u>	<u>1,416,791</u>	<u>29,229,243</u>
Expenditure				
Personal emoluments	24,865,778	-	-	24,865,778
Other charges	1,547,143	-	-	1,547,143
Rent and rates	-	923,705	-	923,705
Central items	-	-	1,324,807	1,324,807
Total expenditure	<u>26,412,921</u>	<u>923,705</u>	<u>1,324,807</u>	<u>28,661,433</u>
Surplus for the year	482,743	(6,917)	91,984	567,810
Add: Deficit of Provident Fund	81,677	-	-	81,677
	564,420	(6,917)	91,984	649,487
Surplus brought forward (Note (1))	<u>7,384,707</u>	<u>11,249</u>	<u>193,036</u>	<u>7,588,992</u>
	7,949,127	4,332	285,020	8,238,479
Less: Refund to Government	(2,398,723)	(15,627)	-	(2,414,350)
Adjustment for rent and rates in previous years	424	-	-	424
Surplus carried forward	<u>5,550,828</u>	<u>(11,295)</u>	<u>285,020</u>	<u>5,824,553</u>

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)	\$	
	LSG	Fee income	Central items	Rent and rates	Other income	Interest received	Total income (1)	Personal emoluments	Other charges	Central items			Rent and rates
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Programme area 4													
Service units 3786, 5725, 6587, 6613 and AC 52	22,705,571	2,984,290	1,416,791	916,788	1,149,810	55,993	29,229,243	24,865,778	1,547,143	1,324,807	923,704	28,661,433	567,810

Analysis of subvention and expenditure - schedule for rent and rates for the year ended 31 March 2024

<i>Unit code and name</i>	<i>Subvented element</i>	<i>Subvention released (note 1) \$</i>	<i>Actual expenditure \$</i>	<i>Surplus/ (deficit) (note 2) \$</i>
Unit 5725 - Early Education & Training Centre	Rates	15,470	19,000	(3,530)
Unit 3786 - On-site Pre- school Rehabilitation Services (OPRS) - LCK & Jordan Centre	Private Renal	716,220	643,102	73,118
	Other Rental Items	146,358	217,408	(71,050)
	Rates	21,100	27,145	(6,045)
	Government Rent	17,640	17,050	590
	Total	<u>916,788</u>	<u>923,705</u>	<u>(6,917)</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 2024

<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	766,791	799,807	(33,016)
Unit 6587 - Training Sponsorship Scheme	MOT Two-year Programmes of PolyU	650,000	480,000	170,000
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	-	45,000	(45,000)
	Total	1,416,791	1,324,807	91,984

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.