

REPORT OF THE DIRECTOR OF AUDIT TO THE FINANCIAL SECRETARY

I have audited the statement of the accounts on pages 66 to 77 which has been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF THE MONETARY AUTHORITY AND THE DIRECTOR OF AUDIT**

The directive of the Governor made under section 7 of the Exchange Fund Ordinance (Cap. 66) requires the Monetary Authority to sign the statement of the accounts of the Exchange Fund. In preparing the statement of the accounts, the Monetary Authority has to select appropriate accounting policies and to apply them consistently.

It is my responsibility to form an independent opinion, based on my audit, on that statement of the accounts and to report my opinion to you.

**BASIS OF OPINION**

I certify that I have audited the statement of the accounts referred to above in accordance with the directive of the Governor made under section 7 of the Exchange Fund Ordinance and the Audit Department auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of the accounts.

It also includes an assessment of the significant estimates and judgments made by the Monetary Authority in the preparation of the statement of the accounts, and of whether the accounting policies are appropriate to the Exchange Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance as to whether the statement of the accounts is free from material misstatement. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the statement of the accounts. I believe that my audit provides a reasonable basis for my opinion.

**OPINION**

In my opinion the statement of the accounts gives a true and fair view, in all material respects, of the state of affairs of the Exchange Fund as at 31 December 1995 and of its surplus for the year then ended and has been properly prepared in accordance with the directive of the Governor made under section 7 of the Exchange Fund Ordinance.

Audit Department  
Hong Kong  
12 April 1996

**Dominic Y T Chan**  
Director of Audit