

Head 24 — AUDIT COMMISSION

Controlling officer: the Director of Audit will account for expenditure under this Head.

Estimate 2005–06..... **\$115.4m**

Establishment ceiling 2005–06 (notional annual mid-point salary value) representing an estimated 172 non-directorate posts as at 31 March 2005 reducing by four posts to 168 posts as at 31 March 2006 **\$76.8m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2005 and as at 31 March 2006.

Controlling Officer's Report

Programmes

The Commission operates independently from the Administration. Its programmes are:

Programme (1) Regularity Audit	These programmes provide an independent check on the Administration and complement the programmes in Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).
Programme (2) Value for Money Audit	

Detail

Programme (1): Regularity Audit

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	38.1	38.9	38.5 (-1.0%)	37.8 (-1.8%)
				(or -2.8% on 2004–05 Original)

Aim

2 The aim is to provide the Legislative Council with an overall assurance that the Government's financial and accounting transactions and those of funds of a public or quasi-public nature are proper and that they conform to accepted accounting standards.

Brief Description

3 The Audit Commission audits the accounts of all government departments and offices, and the accounts of the Housing Authority, the trading funds, and the funds established under section 29 of the Public Finance Ordinance. The Commission also audits 63 non-government fund accounts and subvention expenditure. A total of 77 accounts were certified in 2004–05, and the same number of accounts will be certified in 2005–06. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 30% in 2003–04, 32% in 2004–05, and will increase slightly to 33% in 2005–06.

4 All performance targets were achieved in 2004–05.

5 The key performance measures in respect of regularity audit are:

Targets

	Target	2003–04 (Actual)	2004–05 (Revised Estimate)	2005–06 (Plan)
Director of Audit's Reports submitted to the Legislative Council	1	1	1	1
time required to certify the statements of accounts of the Government of the Hong Kong Special Administrative Region after the end of each financial year (months).....	7	7	7	7

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Indicators

	2003–04 (Actual)	2004–05 (Revised Estimate)	2005–06 (Estimate)
accounts certified	75	77	77
man-hours spent	97 837	98 906	101 699
provision for regularity audit as % of total government spending	0.015%	0.015%	0.015%
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion)§	646	N.A.	N.A.

§ New indicator as from 2005–06.

Matters Requiring Special Attention in 2005–06

6 During 2005–06, the Commission will continue to enhance the research work on industry practice and audit methodology in line with latest international standards.

Programme (2): Value for Money Audit

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	87.0	84.3	81.4 (–3.4%)	77.6 (–4.7%)
				(or –7.9% on 2004–05 Original)

Aim

7 The aim is to provide the Legislative Council with independent information, advice and assurance about the economy, efficiency and effectiveness with which any bureau/department of the Government, agency, other public body, public office, or audited organisation has discharged its functions.

Brief Description

8 The Audit Commission conducts value for money audit on the performance of the audited bodies to ensure that their functions are discharged economically, efficiently and effectively, with reports submitted to the Legislative Council twice a year. The provision spent on value for money audit, as a percentage of the total provision for the Commission, was about 70% in 2003–04, 68% in 2004–05, and will decrease slightly to 67% in 2005–06.

9 All performance targets were achieved with one more value for money report issued to audited bodies in 2004–05, compared to the target of 18 reports for the year.

10 The key performance measures in respect of value for money audit are:

Targets

	Target	2003–04 (Actual)	2004–05 (Revised Estimate)	2005–06 (Plan)
Director of Audit's Reports submitted to the Legislative Council	2	2	2	2
value for money audit reports issued to audited bodies	17	19	19	17

Indicators

	2003–04 (Actual)	2004–05 (Revised Estimate)	2005–06 (Estimate)
man-hours spent	172 579	157 370	153 390
provision for value for money audit as % of total government spending	0.035%	0.033%	0.031%
actual number of recommendations accepted for implementation§	394	N.A.	N.A.

§ New indicator as from 2005–06.

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Matters Requiring Special Attention in 2005–06

11 During 2005–06, the Commission will continue to monitor closely the development of various government programmes and keep in view the need to conduct value for money studies which help enhance public sector performance and accountability. To ensure resources are allocated to audit areas which are worth pursuing, the Commission will continue to select subjects for review based on established audit criteria such as materiality and timeliness.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
(1) Regularity Audit.....	38.1	38.9	38.5	37.8
(2) Value for Money Audit.....	87.0	84.3	81.4	77.6
	125.1	123.2	119.9 (-2.7%)	115.4 (-3.8%)
				(or -6.3% on 2004-05 Original)

Analysis of Financial and Staffing Provision

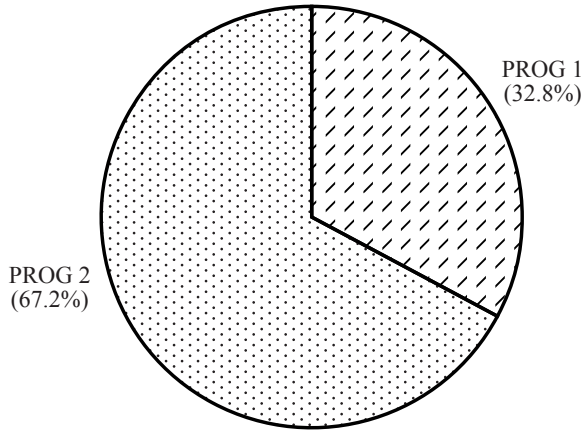
Programme (1)

Provision for 2005-06 is \$0.7 million (1.8%) lower than the revised estimate for 2004-05. This is mainly due to the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004-05, partly offset by the deployment of resources to enhance the core services in this programme and salary increments for existing staff. In addition, one post will be deleted in 2005-06.

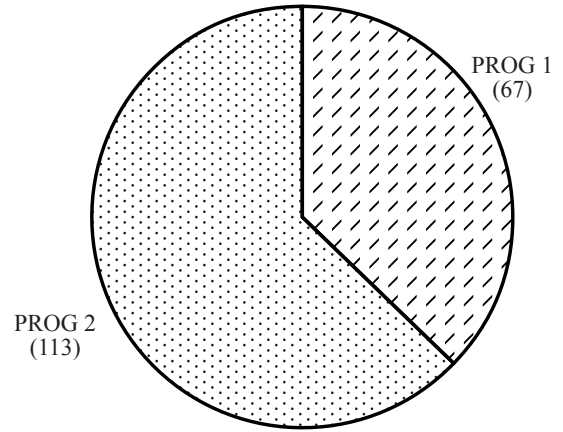
Programme (2)

Provision for 2005-06 is \$3.8 million (4.7%) lower than the revised estimate for 2004-05. This is mainly due to the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004-05, partly offset by salary increments for existing staff. In addition, three posts will be deleted in 2005-06.

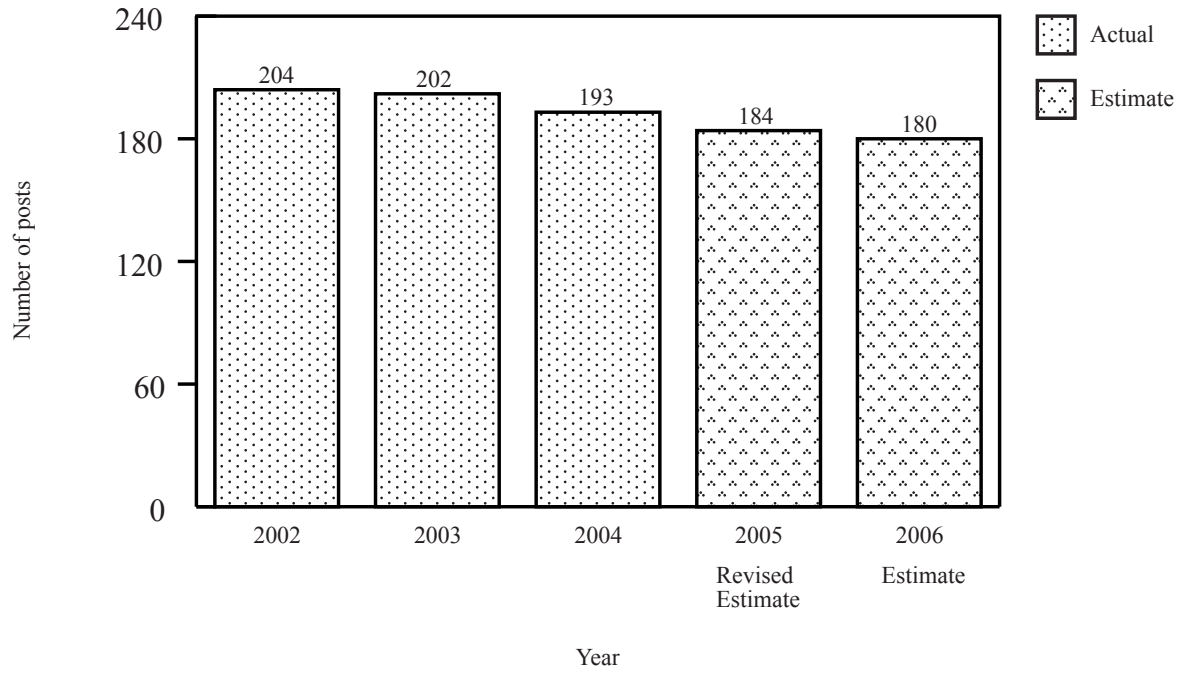
*Allocation of provision
to programmes
(2005-06)*



*Staff by programme
(as at 31 March 2006)*



*Changes in the size of the establishment
(as at 31 March)*



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Sub-head (Code)	Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	Estimate 2005-06	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	125,131	123,206	119,934	115,379
	Total, Recurrent	125,131	123,206	119,934	115,379
	Total, Operating Account	125,131	123,206	119,934	115,379
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	Total Expenditure	125,131	123,206	119,934	115,379

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Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Audit Commission is \$115,379,000. This represents a decrease of \$4,555,000 against the revised estimate for 2004–05 and of \$9,752,000 against actual expenditure in 2003–04.

Operating Account

Recurrent

2 Provision of \$115,379,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Audit Commission.

3 The establishment as at 31 March 2005 will be 184 permanent posts. It is expected that four permanent posts will be deleted in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$76,769,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	116,150	110,327	109,057	103,922
- Allowances	632	1,011	711	987
Personnel Related Expenses				
- Mandatory Provident Fund contribution	52	60	58	32
Departmental Expenses				
- Remuneration for special appointments ...	2,660	2,920	2,920	1,991
- General departmental expenses	5,637	8,888	7,188	8,447
	125,131	123,206	119,934	115,379