

## Head 24 — AUDIT COMMISSION

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

**Estimate 2007–08** ..... **\$113.1m**

**Establishment ceiling 2007–08** (notional annual mid-point salary value) representing an estimated 167 non-directorate posts as at 31 March 2007 rising by five posts to 172 posts as at 31 March 2008..... **\$77.1m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2007 and as at 31 March 2008.

### Controlling Officer's Report

#### Programmes

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

<b>Programme (1) Regularity Audit</b>	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).
<b>Programme (2) Value for Money Audit</b>	

#### Detail

##### Programme (1): Regularity Audit

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	36.5	34.0	32.6 (–4.1%)	<b>33.3</b> (+2.1%)
				(or –2.1% on 2006–07 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 66 non-government fund accounts and subvention expenditure. A total of 79 accounts were certified in 2006–07, and 82 accounts will be certified in 2007–08. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 33% in 2005–06, 29% in 2006–07, and will be maintained at 29% in 2007–08.

**4** The key performance measures in respect of regularity audit are:

#### Targets

	Target	2005–06 (Actual)	2006–07 (Revised Estimate)	2007–08 (Plan)
Director of Audit's Reports submitted to the Legislative Council.....	1	1	1	<b>1</b>
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	<b>7</b>

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### *Indicators*

	2005–06 (Actual)	2006–07 (Revised Estimate)	2007–08 (Estimate)
accounts certified.....	77	79	82
man-hours spent .....	96 685	87 603	88 964
provision for regularity audit as % of total government spending (%).....	0.016	0.014	0.013
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion) .....	635	N.A.	N.A.

### *Matters Requiring Special Attention in 2007–08*

5 During 2007–08, 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**

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	74.3	81.9	78.2 (–4.5%)	79.8 (+2.0%)
				(or –2.6% on 2006–07 Original)

### *Aim*

6 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*

7 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 67% in 2005–06, 71% in 2006–07, and will be maintained at 71% in 2007–08.

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

### *Targets*

	Target	2005–06 (Actual)	2006–07 (Revised Estimate)	2007–08 (Plan)
Director of Audit's Reports submitted to the Legislative Council.....	2	2	2	2
value for money audit reports issued to audited bodies .....	19	18	19	19

### *Indicators*

	2005–06 (Actual)	2006–07 (Revised Estimate)	2007–08 (Estimate)
man-hours spent .....	152 267	162 281	162 852
provision for value for money audit as % of total government spending (%).....	0.032	0.034	0.032
actual number of recommendations accepted for implementation .....	497	N.A.	N.A.

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### *Matters Requiring Special Attention in 2007–08*

9 During 2007–08, 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	2005-06 (Actual) (\$m)	2006-07 (Original) (\$m)	2006-07 (Revised) (\$m)	2007-08 (Estimate) (\$m)
(1) Regularity Audit .....	36.5	34.0	32.6	33.3
(2) Value for Money Audit.....	74.3	81.9	78.2	79.8
	110.8	115.9	110.8 (-4.4%)	113.1 (+2.1%)
				(or -2.4% on 2006-07 Original)

#### Analysis of Financial and Staffing Provision

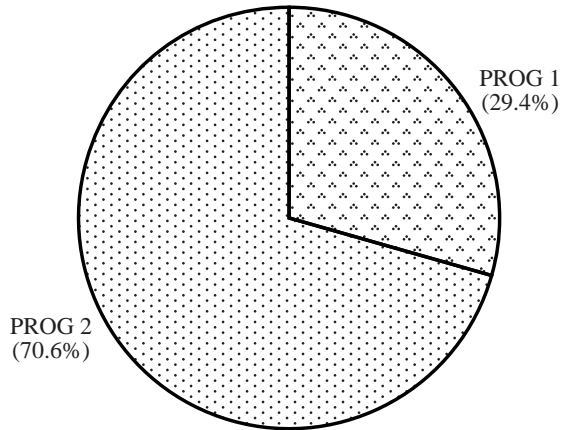
##### Programme (1)

Provision for 2007-08 is \$0.7 million (2.1%) higher than the revised estimate for 2006-07. This is mainly due to salary increments for existing staff and creation of four posts in 2007-08, partly offset by the reduced requirement for general departmental expenses.

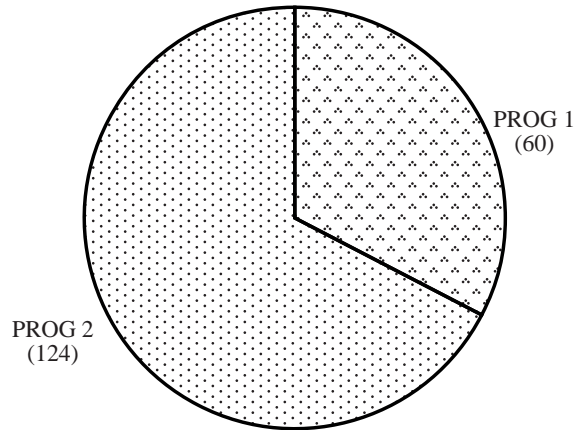
##### Programme (2)

Provision for 2007-08 is \$1.6 million (2.0%) higher than the revised estimate for 2006-07. This is mainly due to salary increments for existing staff, creation of one post in 2007-08 and increased requirement for general departmental expenses.

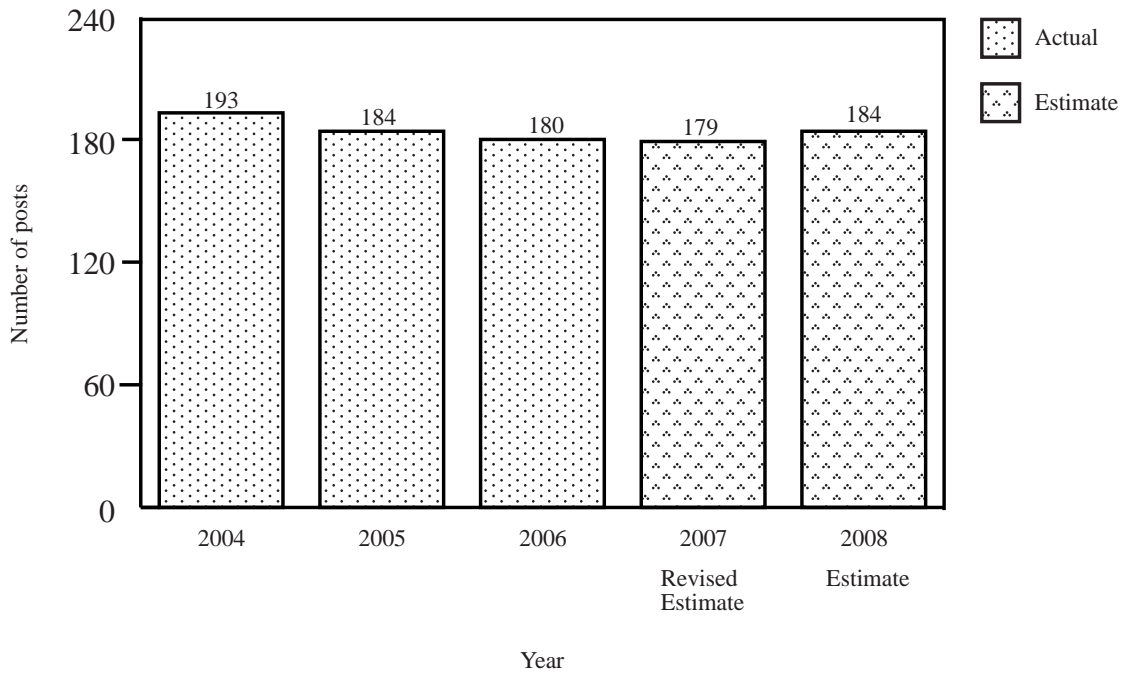
*Allocation of provision  
to programmes  
(2007-08)*



*Staff by programme  
(as at 31 March 2008)*



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



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Sub-head (Code)	Actual expenditure 2005-06	Approved estimate 2006-07	Revised estimate 2006-07	<b>Estimate 2007-08</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	110,775	115,872	110,841	<b>113,092</b>
	Total, Recurrent .....	110,775	115,872	110,841	<b>113,092</b>
	Total, Operating Account.....	110,775	115,872	110,841	<b>113,092</b>
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	Total Expenditure.....	110,775	115,872	110,841	<b>113,092</b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2007–08 for the salaries and expenses of the Audit Commission is \$113,092,000. This represents an increase of \$2,251,000 over the revised estimate for 2006–07 and of \$2,317,000 over actual expenditure in 2005–06.

#### *Operating Account*

#### Recurrent

**2** Provision of \$113,092,000 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 2007 will be 179 permanent posts. It is expected that five permanent posts will be created in 2007–08. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2007–08, but the notional annual mid-point salary value of all such posts must not exceed \$77,109,000.

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

	2005–06 (Actual) (\$'000)	2006–07 (Original) (\$'000)	2006–07 (Revised) (\$'000)	2007–08 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	103,458	105,431	103,082	<b>105,273</b>
- Allowances.....	199	700	406	<b>250</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	22	12	8	<b>78</b>
Departmental Expenses				
- Remuneration for special appointments ...	1,991	1,991	1,991	<b>1,991</b>
- General departmental expenses.....	5,105	7,738	5,354	<b>5,500</b>
	110,775	115,872	110,841	<b>113,092</b>