

Head 24 — AUDIT COMMISSION

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

Estimate 2012–13..... **\$129.6m**

Establishment ceiling 2012–13 (notional annual mid-point salary value) representing an estimated 173 non-directorate posts as at 31 March 2012 rising by two posts to 175 posts as at 31 March 2013 **\$95.2m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2012 and as at 31 March 2013.

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

	2010–11 (Actual)	2011–12 (Original)	2011–12 (Revised)	2012–13 (Estimate)
Financial provision (\$m)	37.4	37.8	38.8 (+2.6%)	41.2 (+6.2%)
				(or +9.0% on 2011–12 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 (Cap. 2). The Commission also audits non-government fund accounts and subvention expenditure. A total of 82 and 81 accounts were certified in 2010–11 and 2011–12 respectively, and the number of accounts to be certified in 2012–13 will be 81. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 31 per cent in 2010–11 and 2011–12, and will be slightly adjusted to 32 per cent in 2012–13.

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

Targets

	Target	2010–11 (Actual)	2011–12 (Revised Estimate)	2012–13 (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

	2010–11 (Actual)	2011–12 (Revised Estimate)	2012–13 (Estimate)
accounts certified	82	81	81
man-hours spent	85 367	84 039	90 358
provision for regularity audit as percentage of total government expenditure (%)	0.012	0.011	0.010
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion)	832	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2012–13

5 During 2012–13, 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

	2010–11 (Actual)	2011–12 (Original)	2011–12 (Revised)	2012–13 (Estimate)
Financial provision (\$m)	82.5	83.3	86.8 (+4.2%)	88.4 (+1.8%)
				(or +6.1% on 2011–12 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 69 per cent in 2010–11 and 2011–12, and will be slightly adjusted to 68 per cent in 2012–13.

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

Targets

	Target	2010–11 (Actual)	2011–12 (Revised Estimate)	2012–13 (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	19	19	19

Indicators

	2010–11 (Actual)	2011–12 (Revised Estimate)	2012–13 (Estimate)
man-hours spent	163 955	163 808	167 795
provision for value for money audit as percentage of total government expenditure (%)	0.027	0.024	0.022
actual number of recommendations accepted for implementation	717	N.A.#	N.A.#

Not possible to estimate.

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Matters Requiring Special Attention in 2012–13

9 During 2012–13, 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	2010–11 (Actual) (\$m)	2011–12 (Original) (\$m)	2011–12 (Revised) (\$m)	2012–13 (Estimate) (\$m)
(1) Regularity Audit.....	37.4	37.8	38.8	41.2
(2) Value for Money Audit.....	82.5	83.3	86.8	88.4
	119.9	121.1	125.6 (+3.7%)	129.6 (+3.2%)
				(or +7.0% on 2011–12 Original)

Analysis of Financial and Staffing Provision

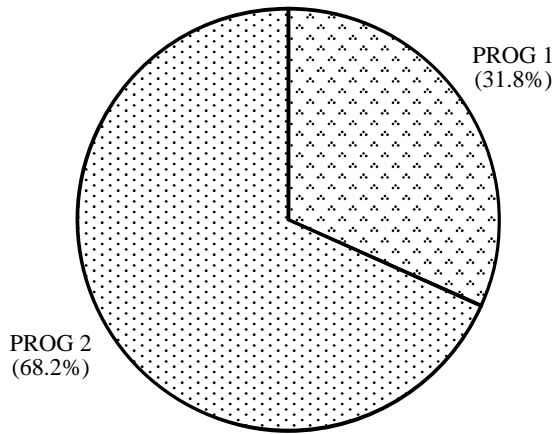
Programme (1)

Provision for 2012–13 is \$2.4 million (6.2%) higher than the revised estimate for 2011–12. This is mainly due to increased requirements for salary payment arising from staff changes, creation of one post, salary increments and departmental expenses.

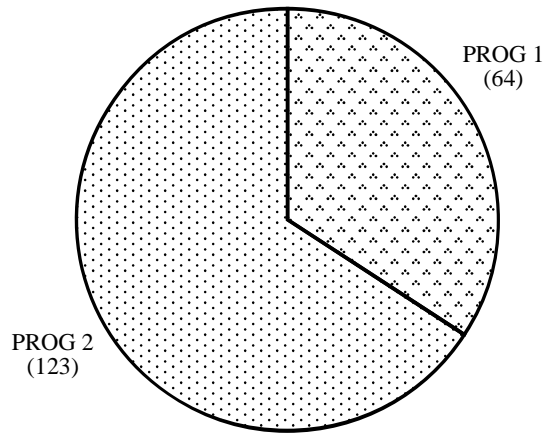
Programme (2)

Provision for 2012–13 is \$1.6 million (1.8%) higher than the revised estimate for 2011–12. This is mainly due to the increased requirements for personnel related expenses and departmental expenses. There is a net increase of one post.

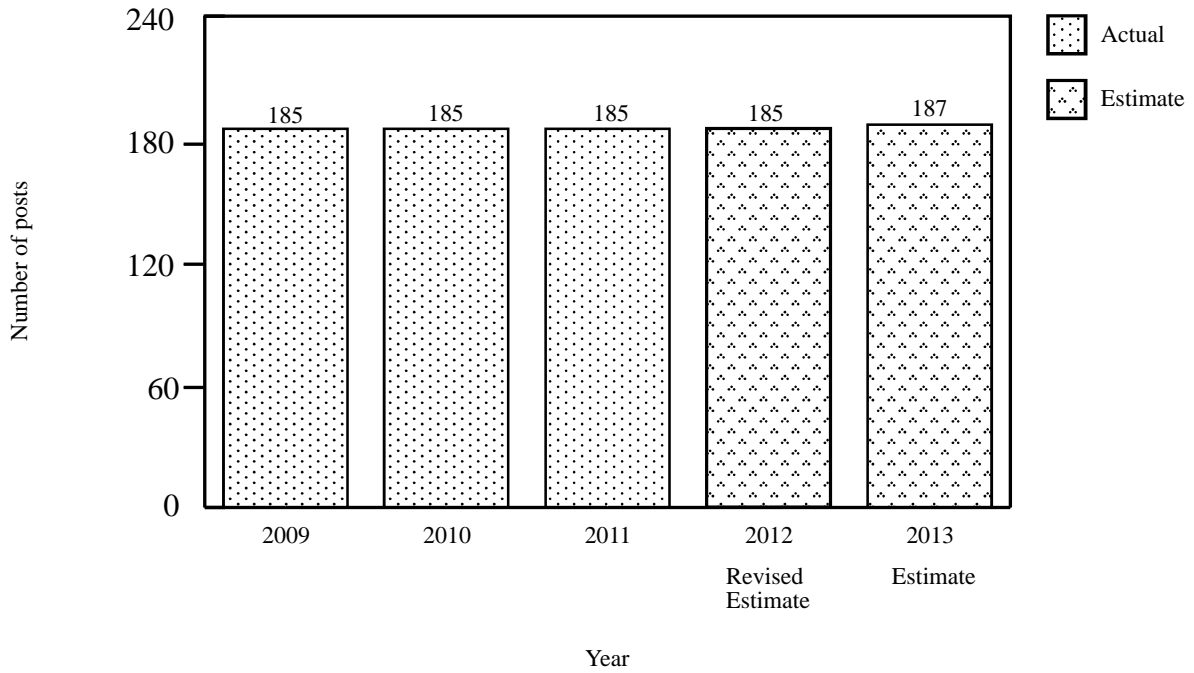
Allocation of provision to programmes (2012-13)



Staff by programme (as at 31 March 2013)



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



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Sub-head (Code)	Actual expenditure 2010–11	Approved estimate 2011–12	Revised estimate 2011–12	Estimate 2012–13	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	119,870	121,132	125,603	129,568
	Total, Recurrent	119,870	121,132	125,603	129,568
	Total, Operating Account	119,870	121,132	125,603	129,568
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	Total Expenditure	<u>119,870</u>	<u>121,132</u>	<u>125,603</u>	<u>129,568</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2012–13 for the salaries and expenses of the Audit Commission is \$129,568,000. This represents an increase of \$3,965,000 over the revised estimate for 2011–12 and of \$9,698,000 over actual expenditure in 2010–11.

Operating Account

Recurrent

2 Provision of \$129,568,000 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 2012 will be 185 permanent posts. It is expected that there will be a net increase of two non-directorate posts in 2012–13. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2012–13, but the notional annual mid-point salary value of all such posts must not exceed \$95,209,000.

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

	2010–11 (Actual) (\$'000)	2011–12 (Original) (\$'000)	2011–12 (Revised) (\$'000)	2012–13 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	113,854	111,012	118,114	118,700
- Allowances	228	400	334	400
Personnel Related Expenses				
- Mandatory Provident Fund contribution	209	197	185	159
- Civil Service Provident Fund contribution	346	769	820	1,313
Departmental Expenses				
- Remuneration for special appointments....	2,352	2,978	2,404	4,180
- General departmental expenses	2,881	5,776	3,746	4,816
	119,870	121,132	125,603	129,568