

Head 24 — AUDIT COMMISSION

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

Estimate 2013–14..... **\$137.4m**

Establishment ceiling 2013–14 (notional annual mid-point salary value) representing an estimated 175 non-directorate posts as at 31 March 2013 and as at 31 March 2014 **\$100.7m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2013 and as at 31 March 2014.

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

	2011–12 (Actual)	2012–13 (Original)	2012–13 (Revised)	2013–14 (Estimate)
Financial provision (\$m)	40.0	41.2	42.0 (+1.9%)	43.8 (+4.3%)
				(or +6.3% on 2012–13 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 Hong Kong Housing Authority, the Exchange Fund, the trading funds, 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 81 and 82 accounts were certified in 2011–12 and 2012–13 respectively, and the number of accounts to be certified in 2013–14 will be 82. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 32 per cent and 31 per cent in 2011–12 and 2012–13 respectively, and will be 32 per cent in 2013–14.

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

Targets

	Target	2011–12 (Actual)	2012–13 (Revised Estimate)	2013–14 (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

	2011–12 (Actual)	2012–13 (Revised Estimate)	2013–14 (Estimate)
accounts certified	81	82	82
man-hours spent	85 165	83 723	90 652
provision for regularity audit as percentage of total government expenditure (%)	0.011	0.011	0.010
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion)	860	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2013–14

5 During 2013–14, 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

	2011–12 (Actual)	2012–13 (Original)	2012–13 (Revised)	2013–14 (Estimate)
Financial provision (\$m)	84.8	88.4	92.5 (+4.6%)	93.6 (+1.2%)
				(or +5.9% on 2012–13 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 68 per cent and 69 per cent in 2011–12 and 2012–13 respectively, and will be 68 per cent in 2013–14.

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

Targets

	Target	2011–12 (Actual)	2012–13 (Revised Estimate)	2013–14 (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	20	19 [^]	19

[^] including a special report on the hotel accommodation arrangements for the former Chief Executive's duty visits outside Hong Kong.

Indicators

	2011–12 (Actual)	2012–13 (Revised Estimate)	2013–14 (Estimate)
man-hours spent	156 427	161 482	167 936
provision for value for money audit as percentage of total government expenditure (%)	0.023	0.024	0.021
actual number of recommendations accepted for implementation	687	N.A.#	N.A.#

Not possible to estimate.

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Matters Requiring Special Attention in 2013–14

9 During 2013–14, 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	2011-12 (Actual) (\$m)	2012-13 (Original) (\$m)	2012-13 (Revised) (\$m)	2013-14 (Estimate) (\$m)
(1) Regularity Audit.....	40.0	41.2	42.0	43.8
(2) Value for Money Audit	84.8	88.4	92.5	93.6
	124.8	129.6	134.5 (+3.8%)	137.4 (+2.2%)
				(or +6.0% on 2012-13 Original)

Analysis of Financial and Staffing Provision

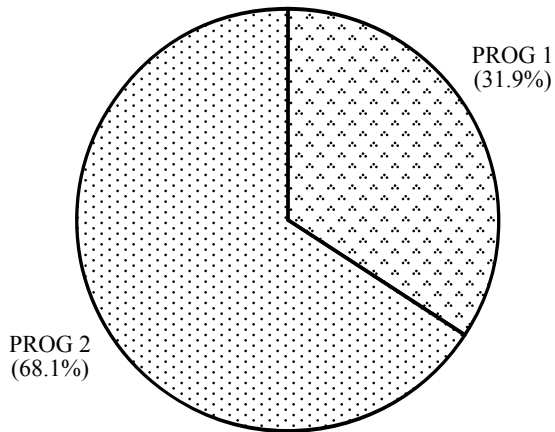
Programme (1)

Provision for 2013-14 is \$1.8 million (4.3%) higher than the revised estimate for 2012-13. This is mainly due to the salary increments for staff and increased requirements for general departmental expenses.

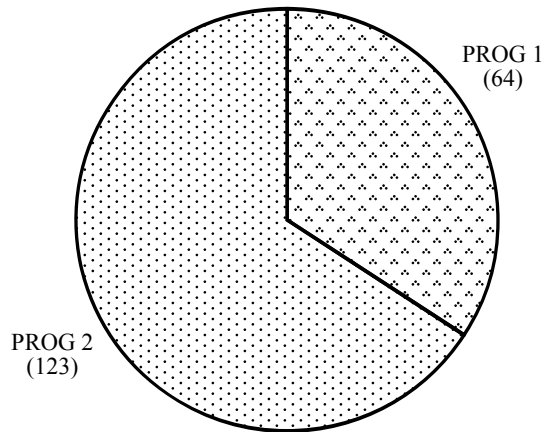
Programme (2)

Provision for 2013-14 is \$1.1 million (1.2%) higher than the revised estimate for 2012-13. This is mainly due to the salary increments for staff, increased requirements for personnel related expenses and general departmental expenses.

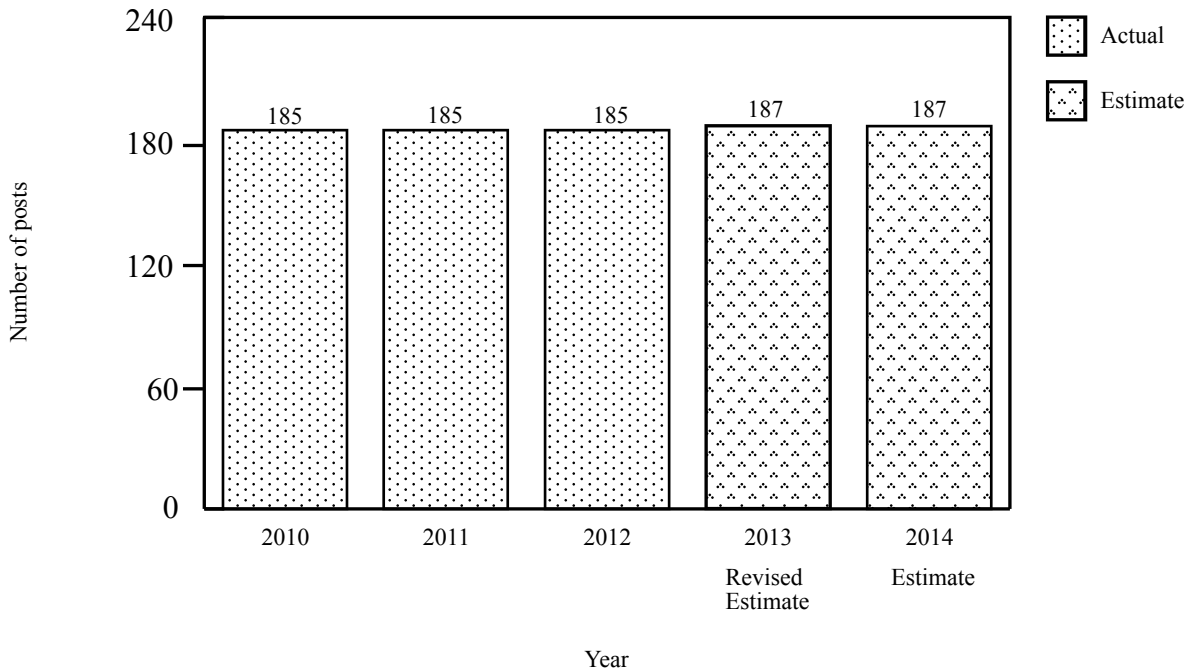
Allocation of provision to programmes (2013-14)



Staff by programme (as at 31 March 2014)



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



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Sub-head (Code)	Actual expenditure 2011-12	Approved estimate 2012-13	Revised estimate 2012-13	Estimate 2013-14	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	124,754	129,568	134,519	137,368
	Total, Recurrent	124,754	129,568	134,519	137,368
	Total, Operating Account.....	124,754	129,568	134,519	137,368
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	Total Expenditure	124,754	129,568	134,519	137,368

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Details of Expenditure by Subhead

The estimate of the amount required in 2013–14 for the salaries and expenses of the Audit Commission is \$137,368,000. This represents an increase of \$2,849,000 over the revised estimate for 2012–13 and of \$12,614,000 over actual expenditure in 2011–12.

Operating Account

Recurrent

2 Provision of \$137,368,000 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 2013 will be 187 permanent posts. No net change in establishment is expected in 2013-14. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2013–14, but the notional annual mid-point salary value of all such posts must not exceed \$100,685,000.

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

	2011–12 (Actual) (\$'000)	2012–13 (Original) (\$'000)	2012–13 (Revised) (\$'000)	2013–14 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	117,919	118,700	123,731	125,512
- Allowances	393	400	377	400
Personnel Related Expenses				
- Mandatory Provident Fund contribution	182	159	209	217
- Civil Service Provident Fund contribution	817	1,313	1,426	1,964
Departmental Expenses				
- Remuneration for special appointments....	2,404	4,180	4,510	3,812
- General departmental expenses	3,039	4,816	4,266	5,463
	124,754	129,568	134,519	137,368