

Head 24 — AUDIT COMMISSION

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

Estimate 2000–01	\$132.0m
Establishment ceiling 2000–01 (notional annual mid-point salary value) representing an estimated 211 non-directorate posts at 31 March 2000 reducing by three posts to 208 posts at 31 March 2001	\$101.6m
In addition there will be an estimated 12 directorate posts at 31 March 2000 and at 31 March 2001.	
Capital Account commitment balance	\$3.1m

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 the Treasury).
Programme (2) Value for Money Audit	

Detail

Programme (1): Regularity Audit

	1998–99 (Actual)	1999–2000 (Approved)	1999–2000 (Revised)	2000–01 (Estimate)
Financial provision (\$m)	34.8	37.6 (+8.0%)	37.8 (+0.5%)	40.4 (+6.9%)

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 Provisional Urban Council, the Provisional Regional Council, the Housing Authority, the trading funds, and the funds established under section 29 of the Public Finance Ordinance. The Commission also audits 62 non-government fund accounts and subvention expenditure. A total of 79 accounts were certified in 1999–2000, and 78 accounts will be certified in 2000–01. The provision spent on regularity audit, as a percentage of the total provision for the Commission, remained at about 30% in 1998–99 and 1999–2000, and will increase slightly to 31% in 2000–01.

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

Targets

	Target	1998–99 (Actual)	1999–2000 (Estimate)	2000–01 (Plan)
to submit regularity audit report 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

Indicators

	1998–99 (Actual)	1999–2000 (Estimate)	2000–01 (Estimate)
no. of accounts certified	82	79	78
no. of man-hours spent	108 910	113 756	110 875
provision for regularity audit as % of total government spending	0.015%	0.016%	0.017%

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Matters Requiring Special Attention in 2000–01

5 In recent years, with the adoption of modern methodology, the Commission has achieved increased productivity in conducting regularity audits. During 2000–01, the Commission will use the resources released from these audits to strengthen staff training and research work on industry practice and audit methodology.

Programme (2): Value for Money Audit

	1998–99 (Actual)	1999–2000 (Approved)	1999–2000 (Revised)	2000–01 (Estimate)
Financial provision (\$m)	88.0	93.5 (+6.3%)	90.6 (–3.1%)	91.6 (+1.1%)

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, remained at about 70% in 1998–99 and 1999–2000, and will decrease slightly to 69% in 2000–01.

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

Targets

	Target	1998–99 (Actual)	1999–2000 (Estimate)	2000–01 (Plan)
to submit value for money audit reports to the Legislative Council.....	2	2	3†	2
no. of value for money audit subjects included in the reports	22	23	22	21

† including a special audit report on the former Commissioner of Inland Revenue.

Indicators

	1998–99 (Actual)	1999–2000 (Estimate)	2000–01 (Estimate)
no. of man-hours spent.....	194 179	192 516	194 122
provision for value for money audit as % of total government spending	0.037%	0.038%	0.037%

Matters Requiring Special Attention in 2000–01

9 During 2000–01, the Commission will continue to conduct broad-based value for money studies which are more complex and which entail the coverage of many bureaux, departments and agencies. To this end, the Commission will continue to enhance the skills of its staff to ensure that they are capable of producing high quality audit reports which add value to both the Government and the public.

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ANALYSIS OF FINANCIAL PROVISION

Programme	1998–99 (Actual) (\$m)	1999–2000 (Approved) (\$m)	1999–2000 (Revised) (\$m)	2000–01 (Estimate) (\$m)
(1) Regularity Audit.....	34.8	37.6	37.8	40.4
(2) Value for Money Audit	88.0	93.5	90.6	91.6
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	122.8	131.1 (+6.8%)	128.4 (–2.1%)	132.0 (+2.8%)

Analysis of Financial and Staffing Provision

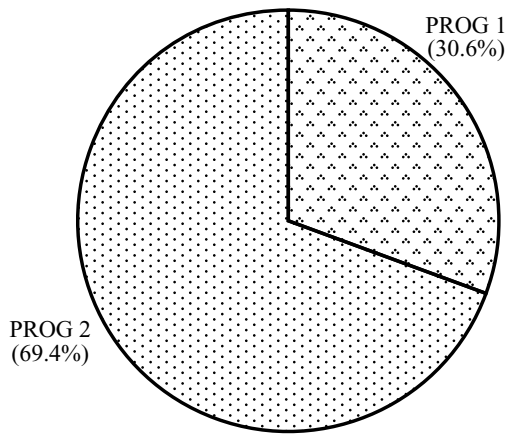
Programme (1)

Provision for 2000–01 is \$2.6 million (6.9%) higher than the revised estimate for 1999–2000. This is mainly due to salary increments for existing staff and provision for the filling of vacant posts in 2000–01, partly offset by the reduction of two posts under the Enhanced Productivity Programme.

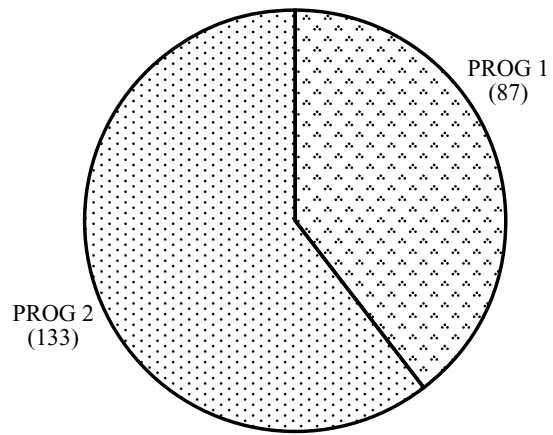
Programme (2)

Provision for 2000–01 is \$1.0 million (1.1%) higher than the revised estimate for 1999–2000. This is mainly due to salary increments for existing staff and provision for the filling of vacant posts in 2000–01, partly offset by the reduction of one post under the Enhanced Productivity Programme.

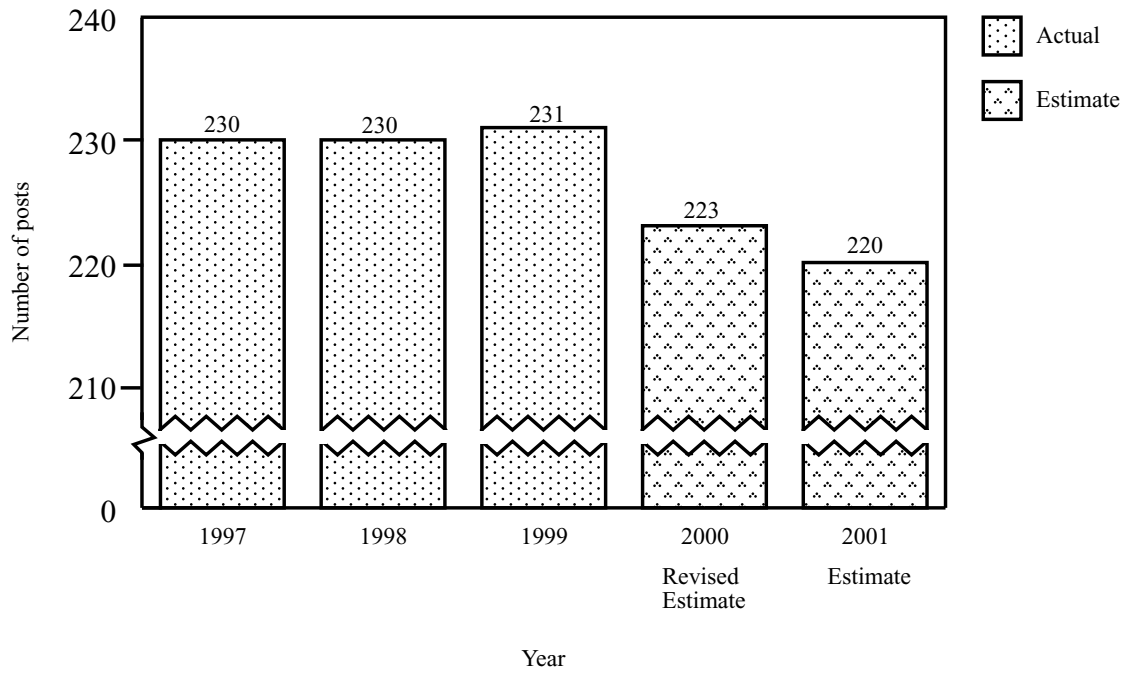
Allocation of provision to programmes (2000-01)



Staff by programme (as at 31 March 2001)



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



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Sub-head (Code)		Actual expenditure 1998-99	Approved estimate 1999-2000	Revised estimate 1999-2000	Estimate 2000-01
		\$'000	\$'000	\$'000	\$'000
Recurrent Account					
I — Personal Emoluments					
001	Salaries	116,423	120,864	118,726	120,035
002	Allowances	1,724	1,990	1,990	1,565
007	Job-related allowances	8	11	11	11
	Total, Personal Emoluments	<u>118,155</u>	<u>122,865</u>	<u>120,727</u>	<u>121,611</u>
III — Departmental Expenses					
108	Remuneration for special appointments	1,991	1,991	1,991	1,991
149	General departmental expenses	2,345	3,047	3,593	5,340
	Total, Departmental Expenses	<u>4,336</u>	<u>5,038</u>	<u>5,584</u>	<u>7,331</u>
	Total, Recurrent Account	<u>122,491</u>	<u>127,903</u>	<u>126,311</u>	<u>128,942</u>
Capital Account					
II — Other Non-Recurrent					
700	General other non-recurrent	350	3,200	2,100	3,100
	Total, Other Non-Recurrent	<u>350</u>	<u>3,200</u>	<u>2,100</u>	<u>3,100</u>
	Total, Capital Account	<u>350</u>	<u>3,200</u>	<u>2,100</u>	<u>3,100</u>
	Total Expenditure	<u><u>122,841</u></u>	<u><u>131,103</u></u>	<u><u>128,411</u></u>	<u><u>132,042</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2000–01 for the salaries and expenses of the Audit Commission is \$132,042,000. This represents an increase of \$3,631,000 over the revised estimate for 1999–2000 and of \$9,201,000 on actual expenditure in 1998–99.

Recurrent Account

Personal Emoluments

2 Provision of \$121,611,000 for personal emoluments represents an increase of \$884,000 over the revised estimate for 1999–2000 and takes into account salary increments for existing staff, provision for the filling of vacant posts and savings arising from the deletion of posts in 2000–01.

3 The establishment at 31 March 2000 will be 223 permanent posts. It is expected that three posts will be deleted in 2000–01.

4 Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2000–01, but the notional annual mid-point salary value of all such posts must not exceed \$101,569,000.

5 Provision of \$1,565,000 under *Subhead 002 Allowances* is for standard allowances. The decrease of \$425,000 (21.4%) against the revised estimate for 1999–2000 is mainly due to reduced requirement for acting allowance.

6 Provision of \$11,000 under *Subhead 007 Job-related allowances* is for standard job-related allowances.

Departmental Expenses

7 Provision of \$1,991,000 under *Subhead 108 Remuneration for special appointments* is for the salary of the Director of Audit. The post of the Director of Audit is not on the Civil Service establishment; his remuneration is specified by the Chief Executive and provided for under Departmental Expenses rather than Personal Emoluments.

8 Provision of \$5,340,000 under *Subhead 149 General departmental expenses* represents an increase of \$1,747,000 (48.6%) over the revised estimate for 1999–2000. This is mainly due to appointment of non-civil service contract staff instead of civil servants.

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Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.99	Revised estimated expenditure for 1999–2000	Balance
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
	010	Consultants to assist in the conduct of a value for money audit on the Trade Effluent Surcharge charging scheme and the operation of sewage disposal facilities	1,000	—	750	250
	011	Consultants to assist in the conduct of a value for money audit on the Government's efforts to implement flood control measures in the urban areas.....	1,000	—	750	250
	012	Consultancy for a value for money audit on the building management of government offices	500	—	—	500
	013	Consultancy for a value for money audit on the Comprehensive Redevelopment Programme of Hong Kong Housing Authority	700	—	600	100
	014	Consultancy for a value for money audit on the Quality Education Fund..	800	—	—	800
	015	Consultancy for a value for money audit on the development of electronic commerce in the Government	600	—	—	600
	016	Consultancy for a value for money audit on Government's efforts in implementing the Landslip Preventive Measures Programmes.....	600	—	—	600
		Total	<u>5,200</u>	<u>—</u>	<u>2,100</u>	<u>3,100</u>