

Head 24 — AUDIT COMMISSION

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

Estimate 2003–04 **\$131.9m**

Establishment ceiling 2003–04 (notional annual mid-point salary value) representing an estimated 190 non-directorate posts as at 31 March 2003 reducing by one post to 189 posts as at 31 March 2004..... **\$92.2m**

In addition there will be an estimated 12 directorate posts as at 31 March 2003 and as at 31 March 2004.

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

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	40.8	42.8 (+4.9%)	38.3 (–10.5%)	39.7 (+3.7%)

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 61 non-government fund accounts and subvention expenditure. A total of 75 accounts were certified in 2002–03, and the same number of accounts will be certified in 2003–04. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 31% in 2001–02, 29% in 2002–03, and will increase slightly to 30% in 2003–04.

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

Targets

	Target	2001–02 (Actual)	2002–03 (Revised Estimate)	2003–04 (Plan)
number of 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

	2001–02 (Actual)	2002–03 (Revised Estimate)	2003–04 (Estimate)
no. of accounts certified	76	75	75
no. of man-hours spent	101 612	104 526	104 752
provision for regularity audit as % of total government spending.....	0.017%	0.016%	0.015%

Matters Requiring Special Attention in 2003–04

5 During 2003–04, the Commission will continue to deploy resources to strengthen staff training and research work on industry practice and audit methodology.

Programme (2): Value for Money Audit

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	92.6	92.9 (+0.3%)	93.6 (+0.8%)	92.2 (–1.5%)

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% in 2001–02, 71% in 2002–03, and will decrease slightly to 70% in 2003–04.

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

Targets

	Target	2001–02 (Actual)	2002–03 (Revised Estimate)	2003–04 (Plan)
number of Director of Audit's Reports submitted to the Legislative Council	2	2	2	2
number of value for money audit reports issued to audited bodies	20	20	21	20

Indicators

	2001–02 (Actual)	2002–03 (Revised Estimate)	2003–04 (Estimate)
no. of man-hours spent	174 784	189 258	190 791
provision for value for money audit as % of total government spending	0.039%	0.039%	0.036%

Matters Requiring Special Attention in 2003–04

9 During 2003–04, 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	2001-02 (Actual) (\$m)	2002-03 (Approved) (\$m)	2002-03 (Revised) (\$m)	2003-04 (Estimate) (\$m)
(1) Regularity Audit	40.8	42.8	38.3	39.7
(2) Value for Money Audit.....	92.6	92.9	93.6	92.2
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	133.4	135.7 (+1.7%)	131.9 (-2.8%)	131.9 (0.0%)

Analysis of Financial and Staffing Provision

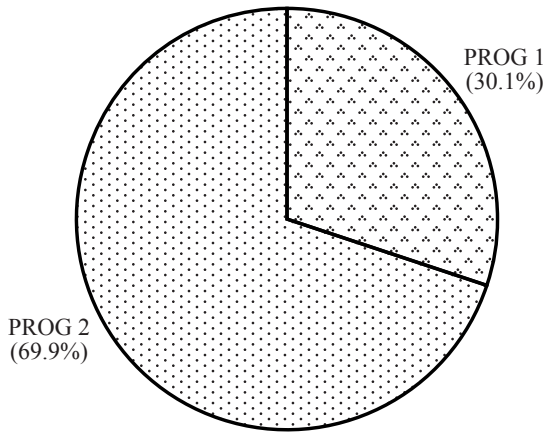
Programme (1)

Provision for 2003-04 is \$1.4 million (3.7%) higher than the revised estimate for 2002-03. This is mainly due to salary increments for existing staff and reversion to this Programme some of the resources temporarily redeployed to Programme 2 in 2002-03, partly offset by the full-year effect of the civil service pay cut in 2002. In addition, one post will be deleted in 2003-04.

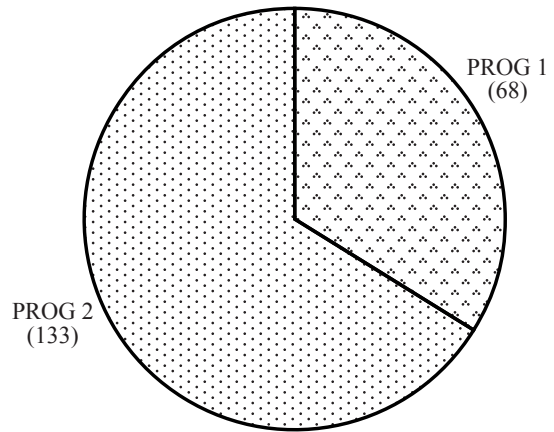
Programme (2)

Provision for 2003-04 is \$1.4 million (1.5%) lower than the revised estimate for 2002-03. This is mainly due to the full-year effect of the civil service pay cut in 2002 and reversion to Programme 1 some of the resources temporarily redeployed to this Programme in 2002-03, partly offset by salary increments for existing staff.

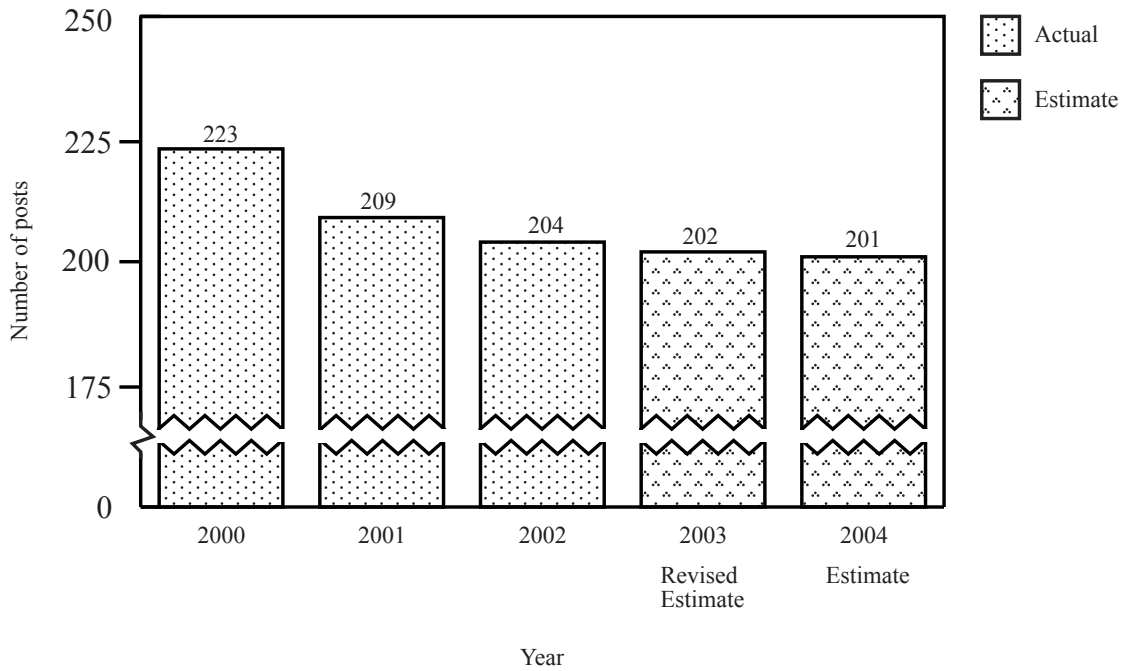
Allocation of provision to programmes (2003-04)



Staff by programme (as at 31 March 2004)



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



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Sub-head (Code)	Actual expenditure 2001-02	Approved estimate 2002-03	Revised estimate 2002-03	Estimate 2003-04
	\$'000	\$'000	\$'000	\$'000
Recurrent Account				
000	Operational expenses.....	—	—	131,854
	Salaries	123,415	124,840	—
	Allowances	474	1,164	—
	Job-related allowances	11	12	—
	Remuneration for special appointments	2,090	2,090	—
	General departmental expenses	5,497	7,521	—
	Total, Recurrent Account	131,487	135,627	131,854
Capital Account				
II — Other Non-Recurrent				
	General other non-recurrent	1,869	74	—
	Total, Other Non-Recurrent	1,869	74	—
	Total, Capital Account	1,869	74	—
	Total Expenditure.....	133,356	135,701	131,854

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Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of the Audit Commission is \$131,854,000. This represents a decrease of \$64,000 against the revised estimate for 2002–03 and of \$1,502,000 against actual expenditure in 2001–02.

Recurrent Account

2 Provision of \$131,854,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Audit Commission and its other expenses.

3 The establishment as at 31 March 2003 will be 202 permanent posts. It is expected that one permanent post will be deleted in 2003–04. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$92,248,000.

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

	2001–02 (Actual) (\$'000)	2002–03 (Original Estimate) (\$'000)	2002–03 (Revised Estimate) (\$'000)	2003–04 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	123,415	124,840	121,059	120,752
- Allowances.....	474	1,164	920	1,050
- Job-related allowances	11	12	—	—
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	60
Departmental Expenses				
- Remuneration for special appointments ...	2,090	2,090	2,044	1,998
- General departmental expenses.....	5,497	7,521	7,821	7,994
	131,487	135,627	131,844	131,854