

Head 24 — AUDIT COMMISSION

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

Estimate 2004–05 **\$123.2m**

Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 181 non-directorate posts as at 31 March 2004 reducing by nine posts to 172 posts as at 31 March 2005..... **\$84.2m**

In addition there will be an estimated 12 directorate posts as at 31 March 2004 and as at 31 March 2005.

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

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	37.0	39.7	38.7 (–2.5%)	38.9 (+0.5%)
				(or –2.0% on 2003–04 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 61 non-government fund accounts and subvention expenditure. A total of 75 accounts were certified in 2003–04, and the same number of accounts will be certified in 2004–05. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 29% in 2002–03, 30% in 2003–04, and will increase to 32% in 2004–05.

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

Targets

	Target	2002–03 (Actual)	2003–04 (Revised Estimate)	2004–05 (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

Head 24 — AUDIT COMMISSION

Indicators

	2002–03 (Actual)	2003–04 (Revised Estimate)	2004–05 (Estimate)
accounts certified.....	75	75	75
man-hours spent	98 028	98 137	102 129
provision for regularity audit as % of total government spending.....	0.015%	0.015%	0.015%

Matters Requiring Special Attention in 2004–05

5 During 2004–05, 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

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	92.7	92.2	89.4 (–3.0%)	84.3 (–5.7%)
				(or –8.6% on 2003–04 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 71% in 2002–03, 70% in 2003–04, and will decrease slightly to 68% in 2004–05.

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

Targets

	Target	2002–03 (Actual)	2003–04 (Revised Estimate)	2004–05 (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	18	21	19	18

Indicators

	2002–03 (Actual)	2003–04 (Revised Estimate)	2004–05 (Estimate)
man-hours spent	187 530	178 137	166 989
provision for value for money audit as % of total government spending	0.039%	0.035%	0.032%

Matters Requiring Special Attention in 2004–05

9 During 2004–05, 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.

Head 24 — AUDIT COMMISSION

ANALYSIS OF FINANCIAL PROVISION

Programme	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
(1) Regularity Audit	37.0	39.7	38.7	38.9
(2) Value for Money Audit.....	92.7	92.2	89.4	84.3
	129.7	131.9	128.1 (-2.9%)	123.2 (-3.8%)
				(or -6.6% on 2003-04 Original)

Analysis of Financial and Staffing Provision

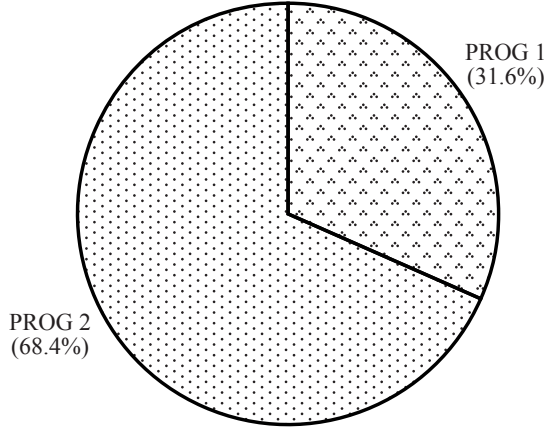
Programme (1)

Provision for 2004-05 is \$0.2 million (0.5%) higher than the revised estimate for 2003-04. This is mainly due to the deployment of resources to enhance the core services in this programme and salary increments for existing staff, partly offset by the effect of the 2004 and 2005 civil service pay cut and the full-year effect of the deletion of three posts in 2003-04. In addition, four posts will be deleted in 2004-05.

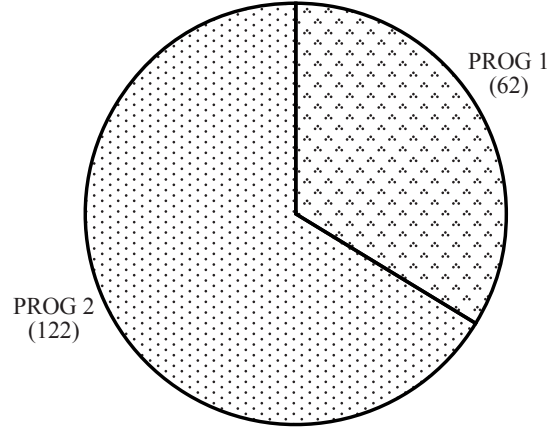
Programme (2)

Provision for 2004-05 is \$5.1 million (5.7%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut and the full-year effect of the deletion of six posts in 2003-04, partly offset by salary increments for existing staff. In addition, five posts will be deleted in 2004-05.

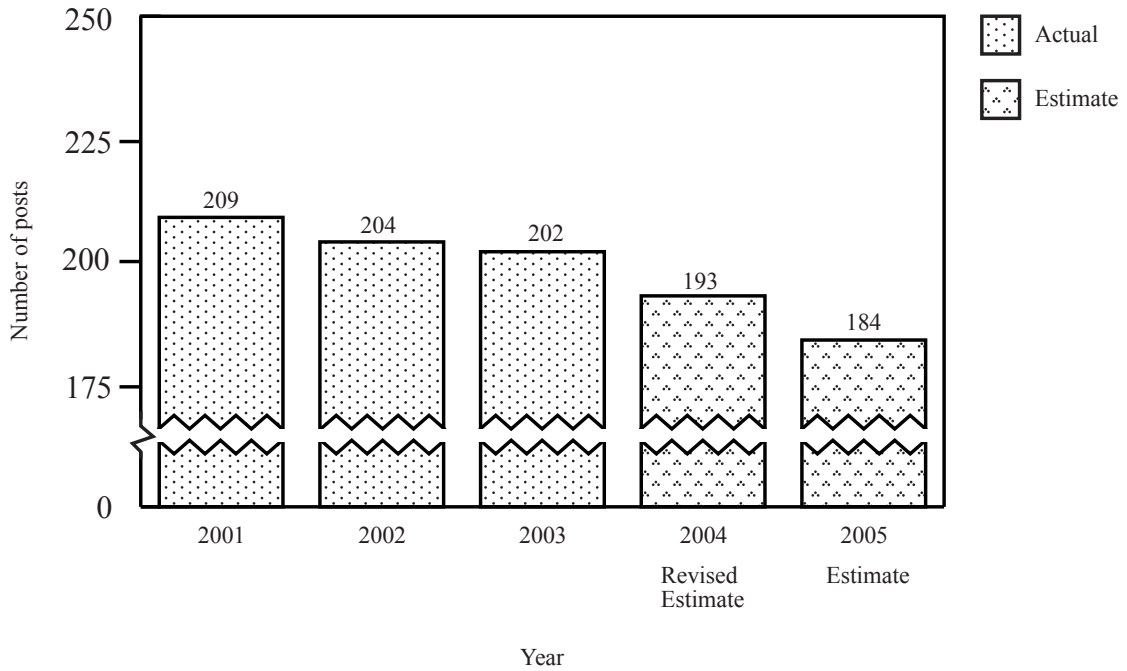
*Allocation of provision
to programmes
(2004-05)*



*Staff by programme
(as at 31 March 2005)*



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



Head 24 — AUDIT COMMISSION

Sub-head (Code)	Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	Estimate 2004-05	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	—	131,854	128,066	123,206
	Salaries	121,003	—	—	—
	Allowances	367	—	—	—
	Remuneration for special appointments	2,044	—	—	—
	General departmental expenses	6,257	—	—	—
	Total, Recurrent	<u>129,671</u>	<u>131,854</u>	<u>128,066</u>	<u>123,206</u>
Non-Recurrent					
	General non-recurrent.....	73	—	—	—
	Total, Non-Recurrent	<u>73</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Total, Operating Account.....	<u>129,744</u>	<u>131,854</u>	<u>128,066</u>	<u>123,206</u>
<hr/>					
	Total Expenditure.....	<u><u>129,744</u></u>	<u><u>131,854</u></u>	<u><u>128,066</u></u>	<u><u>123,206</u></u>

Head 24 — AUDIT COMMISSION

Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Audit Commission is \$123,206,000. This represents a decrease of \$4,860,000 against the revised estimate for 2003–04 and of \$6,538,000 against actual expenditure in 2002–03.

Operating Account

Recurrent

2 Provision of \$123,206,000 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 2004 will be 193 permanent posts. It is expected that nine permanent posts will be deleted in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$84,152,000.

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

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	121,003	120,752	116,317	110,327
- Allowances.....	367	1,050	1,042	1,011
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	60	53	60
Departmental Expenses				
- Remuneration for special appointments ...	2,044	1,998	2,660	2,920
- General departmental expenses.....	6,257	7,994	7,994	8,888
	129,671	131,854	128,066	123,206