

Head 24 — AUDIT COMMISSION

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

Estimate 2006–07 **\$115.9m**

Establishment ceiling 2006–07 (notional annual mid-point salary value) representing an estimated 168 non-directorate posts as at 31 March 2006 reducing by one post to 167 posts as at 31 March 2007 **\$74.7m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2006 and as at 31 March 2007.

Controlling Officer's Report

Programmes

The Commission operates independently from the Administration. Its programmes are:

<p>Programme (1) Regularity Audit Programme (2) Value for Money Audit</p>	<p>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).</p>
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Detail

Programme (1): Regularity Audit

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	37.7	37.8	37.3 (–1.3%)	34.0 (–8.8%)
				(or –10.1% on 2005–06 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 63 non-government fund accounts and subvention expenditure. Accounts certified will be 77 in 2005–06 and 79 in 2006–07. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 32% in 2004–05, 33% in 2005–06, and will decrease moderately to 29% in 2006–07.

4 All performance targets were achieved in 2005–06.

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

Targets

	Target	2004–05 (Actual)	2005–06 (Revised Estimate)	2006–07 (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

	2004–05 (Actual)	2005–06 (Revised Estimate)	2006–07 (Estimate)
accounts certified.....	76	77	79
man-hours spent.....	94 366	98 993	88 506
provision for regularity audit as % of total government spending.....	0.016%	0.016%	0.014%
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	598	N.A.	N.A.

Matters Requiring Special Attention in 2006–07

6 During 2006–07, 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

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	79.7	77.6	76.2 (–1.8%)	81.9 (+7.5%)
				(or +5.5% on 2005–06 Original)

Aim

7 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

8 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% in 2004–05, 67% in 2005–06, and will increase moderately to 71% in 2006–07.

9 All performance targets were achieved in 2005–06.

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

Targets

	Target	2004–05 (Actual)	2005–06 (Revised Estimate)	2006–07 (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	17	19

Indicators

	2004–05 (Actual)	2005–06 (Revised Estimate)	2006–07 (Estimate)
man-hours spent.....	156 474	153 544	164 455
provision for value for money audit as % of total government spending.....	0.033%	0.032%	0.033%
actual number of recommendations accepted for implementation.....	444	N.A.	N.A.

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Matters Requiring Special Attention in 2006–07

11 During 2006–07, 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	2004–05 (Actual) (\$m)	2005–06 (Original) (\$m)	2005–06 (Revised) (\$m)	2006–07 (Estimate) (\$m)
(1) Regularity Audit.....	37.7	37.8	37.3	34.0
(2) Value for Money Audit.....	79.7	77.6	76.2	81.9
	117.4	115.4	113.5 (–1.6%)	115.9 (+2.1%)
				(or +0.4% on 2005–06 Original)

Analysis of Financial and Staffing Provision

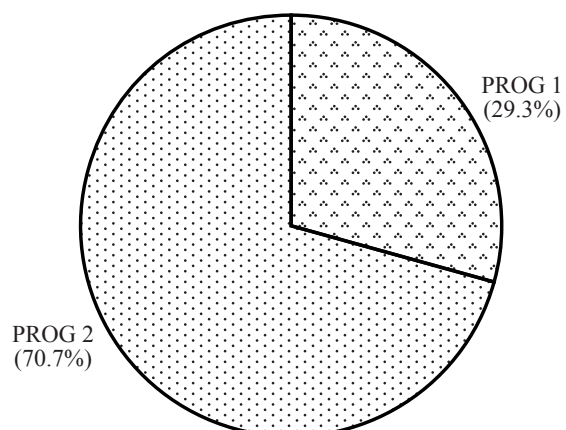
Programme (1)

Provision for 2006–07 is \$3.3 million (8.8%) lower than the revised estimate for 2005–06. This is mainly due to the reduced operating expenses and full-year effect of deletion of a post in 2005–06, partly offset by salary increments for existing staff.

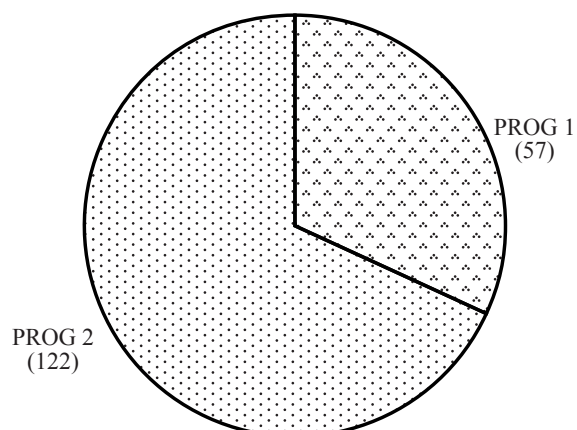
Programme (2)

Provision for 2006–07 is \$5.7 million (7.5%) higher than the revised estimate for 2005–06. This is mainly due to the additional provision for enhancing the core services in this programme and salary increments for existing staff, partly offset by the full-year effect of deletion of posts in 2005–06. One post will be deleted in 2006–07.

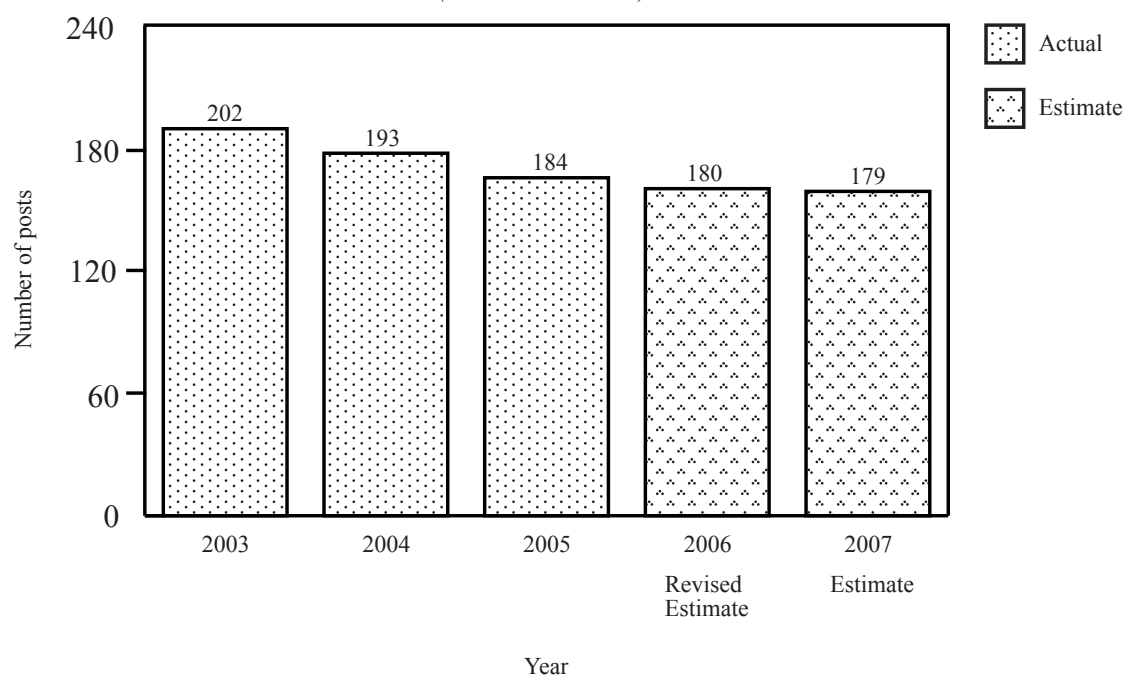
*Allocation of provision
to programmes
(2006-07)*



*Staff by programme
(as at 31 March 2007)*



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



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Sub-head (Code)	Actual expenditure 2004–05	Approved estimate 2005–06	Revised estimate 2005–06	Estimate 2006–07
	\$'000	\$'000	\$'000	\$'000
Operating Account				
Recurrent				
000 Operational expenses	117,441	115,379	113,471	115,872
Total, Recurrent.....	117,441	115,379	113,471	115,872
Total, Operating Account.....	117,441	115,379	113,471	115,872
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Total Expenditure	117,441	115,379	113,471	115,872

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Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the Audit Commission is \$115,872,000. This represents an increase of \$2,401,000 over the revised estimate for 2005–06 and a decrease of \$1,569,000 against actual expenditure in 2004–05.

Operating Account

Recurrent

2 Provision of \$115,872,000 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 2006 will be 180 permanent posts. It is expected that one permanent post will be deleted in 2006–07. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$74,731,000.

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

	2004–05 (Actual) (\$'000)	2005–06 (Original) (\$'000)	2005–06 (Revised) (\$'000)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	108,875	103,922	103,840	105,431
- Allowances	375	987	419	700
Personnel Related Expenses				
- Mandatory Provident Fund contribution	58	32	22	12
Departmental Expenses				
- Remuneration for special appointments ...	2,915	1,991	1,991	1,991
- General departmental expenses	5,218	8,447	7,199	7,738
	<u>117,441</u>	<u>115,379</u>	<u>113,471</u>	<u>115,872</u>