

Head 24 — AUDIT COMMISSION

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

Estimate 2008–09..... **\$119.3m**

Establishment ceiling 2008–09 (notional annual mid-point salary value) representing an estimated 172 non-directorate posts as at 31 March 2008 rising by one post to 173 posts as at 31 March 2009.... **\$83.8m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2008 and as at 31 March 2009.

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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	32.0	33.3	33.9 (+1.8%)	34.9 (+2.9%)
				(or +4.8% on 2007–08 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 66 non-government fund accounts and subvention expenditure. A total of 82 accounts were certified in 2007–08, and the same number of accounts will be certified in 2008–09. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 29 per cent in 2006–07 and 2007–08, and will be maintained at 29 per cent in 2008–09.

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

Targets

	Target	2006–07 (Actual)	2007–08 (Revised Estimate)	2008–09 (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

	2006–07 (Actual)	2007–08 (Revised Estimate)	2008–09 (Estimate)
accounts certified	79	82	82
man-hours spent	82 821	84 563	89 339
provision for regularity audit as percentage of total government spending (%).....	0.014	0.014	0.011
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion)	707	N.A.φ	N.A.φ

φ Not possible to estimate.

Matters Requiring Special Attention in 2008–09

5 During 2008–09, 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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	79.4	79.8	81.1 (+1.6%)	84.4 (+4.1%)
				(or +5.8% on 2007–08 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 per cent in 2006–07 and 2007–08, and will be maintained at 71 per cent in 2008–09.

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

Targets

	Target	2006–07 (Actual)	2007–08 (Revised Estimate)	2008–09 (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	19	19

Indicators

	2006–07 (Actual)	2007–08 (Revised Estimate)	2008–09 (Estimate)
man-hours spent	159 848	162 157	165 629
provision for value for money audit as percentage of total government spending (%).....	0.035	0.034	0.027
actual number of recommendations accepted for implementation.....	543	N.A.φ	N.A.φ

φ Not possible to estimate.

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Matters Requiring Special Attention in 2008–09

9 During 2008–09, 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	2006-07 (Actual) (\$m)	2007-08 (Original) (\$m)	2007-08 (Revised) (\$m)	2008-09 (Estimate) (\$m)
(1) Regularity Audit.....	32.0	33.3	33.9	34.9
(2) Value for Money Audit.....	79.4	79.8	81.1	84.4
	111.4	113.1	115.0 (+1.7%)	119.3 (+3.7%)
				(or +5.5% on 2007-08 Original)

Analysis of Financial and Staffing Provision

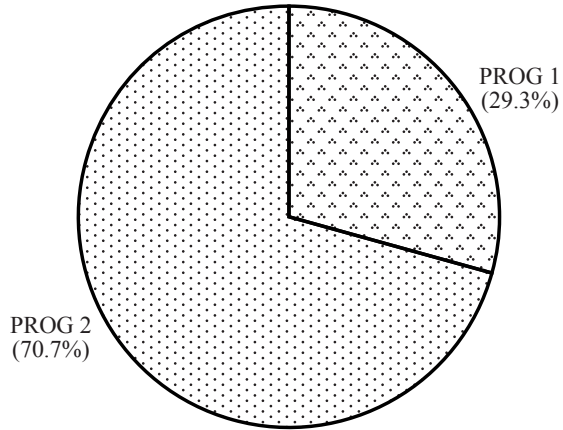
Programme (1)

Provision for 2008-09 is \$1.0 million (2.9%) higher than the revised estimate for 2007-08. This is mainly due to salary increments for existing staff and increased salary provision arising from staff changes.

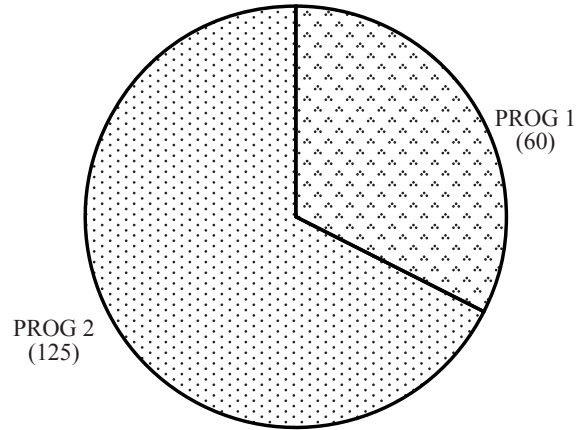
Programme (2)

Provision for 2008-09 is \$3.3 million (4.1%) higher than the revised estimate for 2007-08. This is mainly due to salary increments for existing staff, creation of one post in 2008-09 and increased requirement for general departmental expenses.

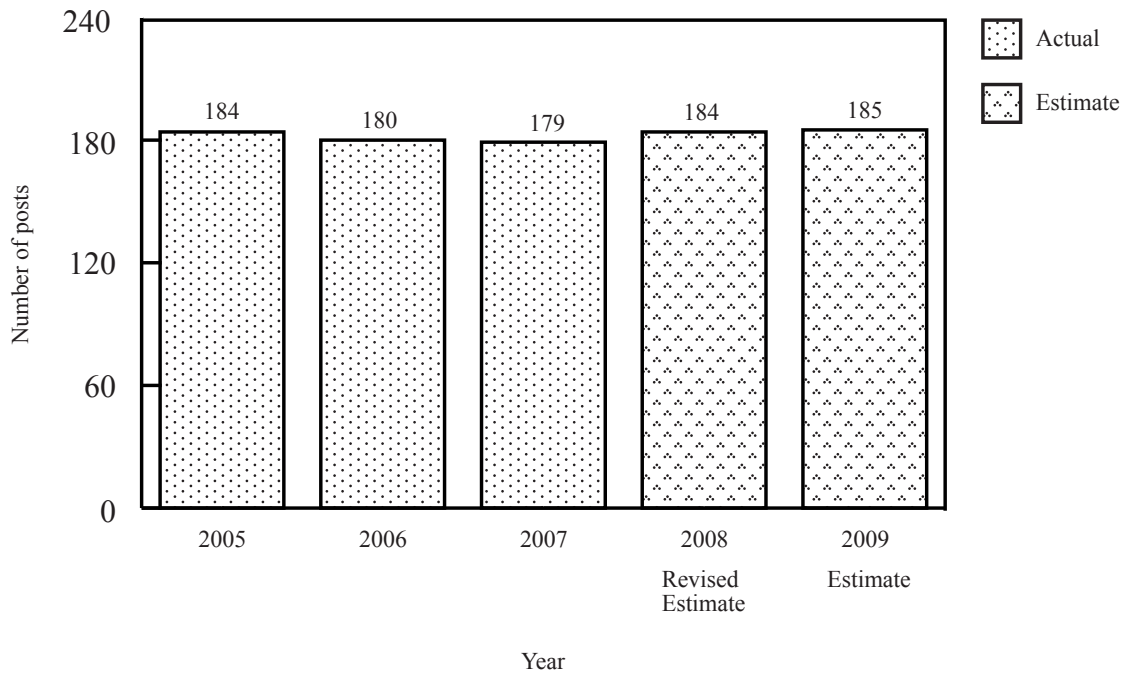
Allocation of provision to programmes (2008-09)



Staff by programme (as at 31 March 2009)



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



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Sub-head (Code)	Actual expenditure 2006-07	Approved estimate 2007-08	Revised estimate 2007-08	Estimate 2008-09	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	111,351	113,092	115,004	119,263
	Total, Recurrent	111,351	113,092	115,004	119,263
	Total, Operating Account	111,351	113,092	115,004	119,263
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	Total Expenditure	111,351	113,092	115,004	119,263

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Details of Expenditure by Subhead

The estimate of the amount required in 2008–09 for the salaries and expenses of the Audit Commission is \$119,263,000. This represents an increase of \$4,259,000 over the revised estimate for 2007–08 and of \$7,912,000 over actual expenditure in 2006–07.

Operating Account

Recurrent

2 Provision of \$119,263,000 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 2008 will be 184 permanent posts. It is expected that one permanent post will be created in 2008–09. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2008–09, but the notional annual mid-point salary value of all such posts must not exceed \$83,785,000.

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

	2006–07 (Actual) (\$'000)	2007–08 (Original) (\$'000)	2007–08 (Revised) (\$'000)	2008–09 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	103,075	105,273	109,674	110,689
- Allowances	441	250	213	300
Personnel Related Expenses				
- Mandatory Provident Fund contribution	8	78	55	127
- Civil Service Provident Fund contribution	—	—	27	139
Departmental Expenses				
- Remuneration for special appointments ...	1,991	1,991	2,090	2,090
- General departmental expenses	5,836	5,500	2,945	5,918
	111,351	113,092	115,004	119,263