

Head 24 — AUDIT COMMISSION

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

Estimate 2009–10 **\$122.4m**

Establishment ceiling 2009–10 (notional annual mid-point salary value) representing an estimated 173 non-directorate posts as at 31 March 2009 and as at 31 March 2010 **\$88.6m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2009 and as at 31 March 2010.

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

	2007–08 (Actual)	2008–09 (Original)	2008–09 (Revised)	2009–10 (Estimate)
Financial provision (\$m)	34.2	34.9	38.5 (+10.3%)	38.1 (–1.0%)
				(or +9.2% on 2008–09 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 2008–09, and the number of accounts to be certified in 2009–10 will be 81. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 30 per cent and 32 per cent in 2007–08 and 2008–09 respectively, and will be slightly adjusted to 31 per cent in 2009–10.

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

Targets

	Target	2007–08 (Actual)	2008–09 (Revised Estimate)	2009–10 (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

	2007–08 (Actual)	2008–09 (Revised Estimate)	2009–10 (Estimate)
accounts certified.....	82	82	81
man-hours spent.....	81 594	84 969	88 084
provision for regularity audit as percentage of total government spending (%).....	0.015	0.012	0.013
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	778	N.A.ϕ	N.A.ϕ

ϕ Not possible to estimate.

Matters Requiring Special Attention in 2009–10

5 During 2009–10, 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

	2007–08 (Actual)	2008–09 (Original)	2008–09 (Revised)	2009–10 (Estimate)
Financial provision (\$m)	80.3	84.4	82.9 (–1.8%)	84.3 (+1.7%)
				(or –0.1% on 2008–09 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 70 per cent and 68 per cent in 2007–08 and 2008–09 respectively, and will be slightly adjusted to 69 per cent in 2009–10.

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

Targets

	Target	2007–08 (Actual)	2008–09 (Revised Estimate)	2009–10 (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

	2007–08 (Actual)	2008–09 (Revised Estimate)	2009–10 (Estimate)
man-hours spent.....	158 916	160 295	164 698
provision for value for money audit as percentage of total government spending (%).....	0.034	0.026	0.028
actual number of recommendations accepted for implementation.....	544	N.A.ϕ	N.A.ϕ

ϕ Not possible to estimate.

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Matters Requiring Special Attention in 2009–10

9 During 2009–10, 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	2007-08 (Actual) (\$m)	2008-09 (Original) (\$m)	2008-09 (Revised) (\$m)	2009-10 (Estimate) (\$m)
(1) Regularity Audit.....	34.2	34.9	38.5	38.1
(2) Value for Money Audit.....	80.3	84.4	82.9	84.3
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	114.5	119.3	121.4 (+1.8%)	122.4 (+0.8%)
				(or +2.6% on 2008-09 Original)

Analysis of Financial and Staffing Provision

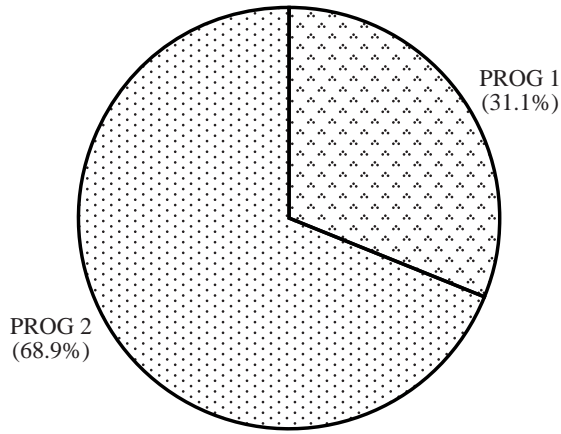
Programme (1)

Provision for 2009-10 is \$0.4 million (1.0%) lower than the revised estimate for 2008-09. This is mainly due to the decreased salary provision arising from staff changes.

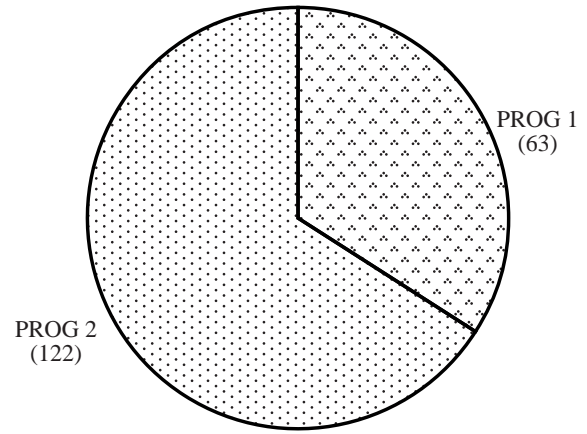
Programme (2)

Provision for 2009-10 is \$1.4 million (1.7%) higher than the revised estimate for 2008-09. This is mainly due to the increased requirement for general departmental expenses.

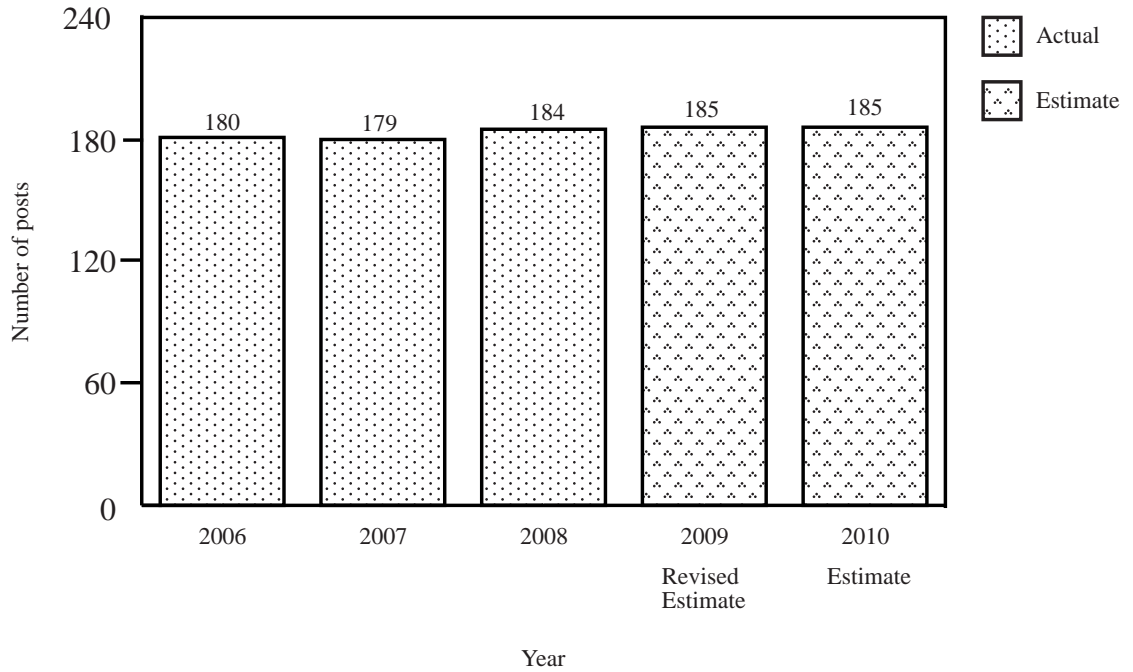
*Allocation of provision
to programmes
(2009-10)*



*Staff by programme
(as at 31 March 2010)*



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



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Sub-head (Code)	Actual expenditure 2007-08	Approved estimate 2008-09	Revised estimate 2008-09	Estimate 2009-10	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	114,522	119,263	121,397	122,364
	Total, Recurrent	114,522	119,263	121,397	122,364
	Total, Operating Account	114,522	119,263	121,397	122,364
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	Total Expenditure	114,522	119,263	121,397	122,364

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Details of Expenditure by Subhead

The estimate of the amount required in 2009–10 for the salaries and expenses of the Audit Commission is \$122,364,000. This represents an increase of \$967,000 over the revised estimate for 2008–09 and of \$7,842,000 over actual expenditure in 2007–08.

Operating Account

Recurrent

2 Provision of \$122,364,000 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 2009 will be 185 permanent posts. No change in establishment is expected in 2009–10. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2009–10, but the notional annual mid-point salary value of all such posts must not exceed \$88,642,000.

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

	2007–08 (Actual) (\$'000)	2008–09 (Original) (\$'000)	2008–09 (Revised) (\$'000)	2009–10 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	109,072	110,689	115,086	114,560
- Allowances	254	300	476	400
Personnel Related Expenses				
- Mandatory Provident Fund contribution	57	127	124	192
- Civil Service Provident Fund contribution	21	139	74	78
Departmental Expenses				
- Remuneration for special appointments ...	2,089	2,090	2,221	2,221
- General departmental expenses	3,029	5,918	3,416	4,913
	<u>114,522</u>	<u>119,263</u>	<u>121,397</u>	<u>122,364</u>