

## Head 24 — AUDIT COMMISSION

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

**Estimate 2011–12**..... **\$121.1m**

**Establishment ceiling 2011–12** (notional annual mid-point salary value) representing an estimated 173 non-directorate posts as at 31 March 2011 and as at 31 March 2012..... **\$87.4m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2011 and as at 31 March 2012.

### Controlling Officer's Report

#### Programmes

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

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

#### Detail

##### Programme (1): Regularity Audit

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	<b>2011–12 (Estimate)</b>
Financial provision (\$m)	36.7	37.3	36.8 (–1.3%)	<b>37.8</b> (+2.7%)
				(or +1.3% on 2010–11 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 (Cap. 2). The Commission also audits non-government fund accounts and subvention expenditure. A total of 81 and 82 accounts were certified in 2009–10 and 2010–11 respectively, and the number of accounts to be certified in 2011–12 will be 81. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 31 per cent in 2009–10 and 2010–11, and is expected to be maintained at about 31 per cent in 2011–12.

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

#### Targets

	Target	2009–10 (Actual)	2010–11 (Revised Estimate)	<b>2011–12 (Plan)</b>
Director of Audit's Reports submitted to the Legislative Council .....	1	1	1	<b>1</b>
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	<b>7</b>

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### *Indicators*

	2009–10 (Actual)	2010–11 (Revised Estimate)	<b>2011–12 (Estimate)</b>
accounts certified .....	81	82	<b>81</b>
man-hours spent .....	84 200	83 801	<b>88 297</b>
provision for regularity audit as percentage of total government expenditure (%) .....	0.013	0.012	<b>0.010</b>
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	874	N.A.#	<b>N.A.#</b>

# Not possible to estimate.

### *Matters Requiring Special Attention in 2011–12*

5 During 2011–12, 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**

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	<b>2011–12 (Estimate)</b>
Financial provision (\$m)	81.7	84.3	82.7 (–1.9%)	<b>83.3</b> (+0.7%)
				(or –1.2% on 2010–11 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 69 per cent in 2009–10 and 2010–11, and is expected to be maintained at about 69 per cent in 2011–12.

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

### *Targets*

	Target	2009–10 (Actual)	2010–11 (Revised Estimate)	<b>2011–12 (Plan)</b>
Director of Audit's Reports submitted to the Legislative Council .....	2	2	2	<b>2</b>
value for money audit reports issued to audited bodies .....	19	19	19	<b>19</b>

### *Indicators*

	2009–10 (Actual)	2010–11 (Revised Estimate)	<b>2011–12 (Estimate)</b>
man-hours spent .....	164 330	165 753	<b>166 685</b>
provision for value for money audit as percentage of total government expenditure (%) .....	0.028	0.027	<b>0.022</b>
actual number of recommendations accepted for implementation .....	607	N.A.#	<b>N.A.#</b>

# Not possible to estimate.

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### *Matters Requiring Special Attention in 2011–12*

9 During 2011–12, 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**

<b>Programme</b>	2009–10 (Actual) (\$m)	2010–11 (Original) (\$m)	2010–11 (Revised) (\$m)	<b>2011–12 (Estimate) (\$m)</b>
(1) Regularity Audit .....	36.7	37.3	36.8	<b>37.8</b>
(2) Value for Money Audit .....	81.7	84.3	82.7	<b>83.3</b>
	118.4	121.6	119.5 (-1.7%)	<b>121.1</b> <b>(+1.3%)</b>
				<b>(or -0.4% on 2010–11 Original)</b>

**Analysis of Financial and Staffing Provision**

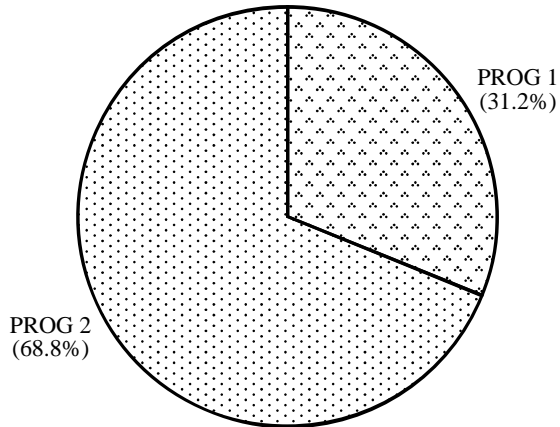
**Programme (1)**

Provision for 2011–12 is \$1 million (2.7%) higher than the revised estimate for 2010–11. This is mainly due to the increased requirement for general departmental expenses.

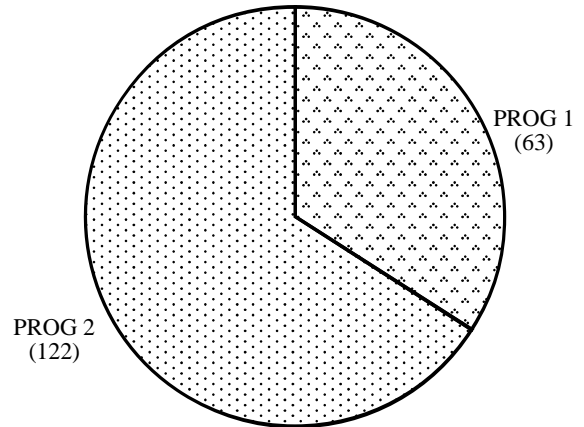
**Programme (2)**

Provision for 2011–12 is \$0.6 million (0.7%) higher than the revised estimate for 2010–11. This is mainly due to the increased requirement for general departmental expenses, partly offset by the reduced requirement for salaries.

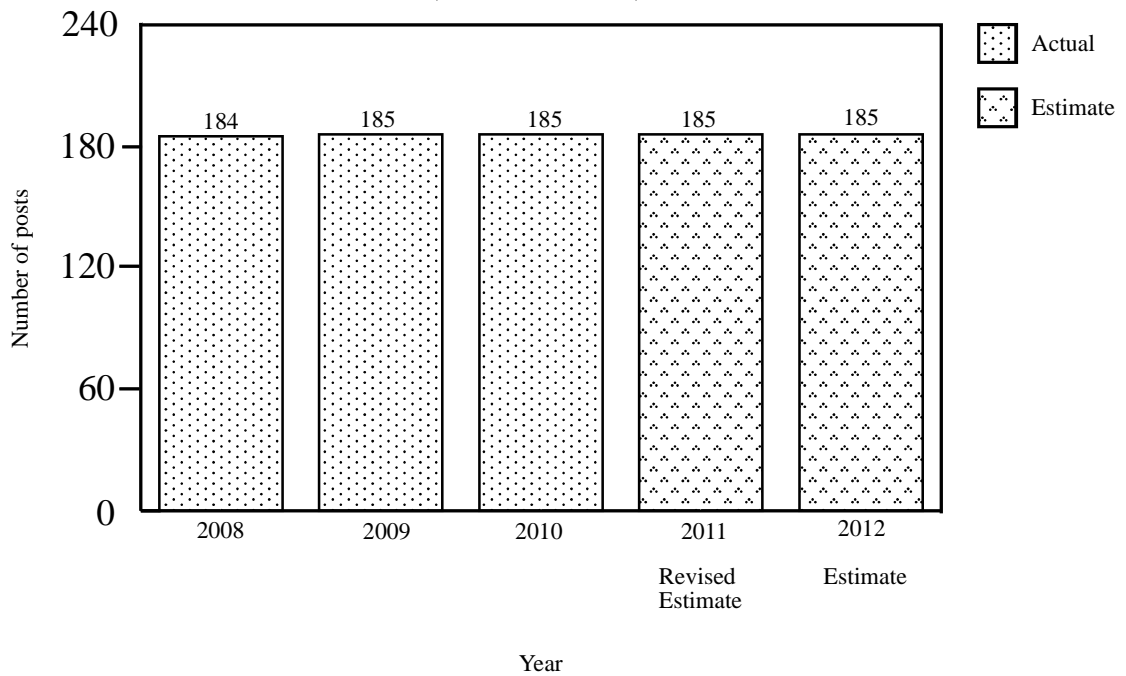
*Allocation of provision to programmes (2011-12)*



*Staff by programme (as at 31 March 2012)*



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



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Sub-head (Code)	Actual expenditure 2009-10	Approved estimate 2010-11	Revised estimate 2010-11	<b>Estimate 2011-12</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	118,358	121,638	119,504	<b>121,132</b>
	Total, Recurrent .....	118,358	121,638	119,504	<b>121,132</b>
	Total, Operating Account.....	118,358	121,638	119,504	<b>121,132</b>
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	Total Expenditure .....	<u>118,358</u>	<u>121,638</u>	<u>119,504</u>	<u><b>121,132</b></u>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2011–12 for the salaries and expenses of the Audit Commission is \$121,132,000. This represents an increase of \$1,628,000 over the revised estimate for 2010–11 and of \$2,774,000 over actual expenditure in 2009–10.

#### *Operating Account*

#### Recurrent

**2** Provision of \$121,132,000 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 2011 will be 185 permanent posts. No change in establishment is expected in 2011–12. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2011–12, but the notional annual mid-point salary value of all such posts must not exceed \$87,384,000.

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

	2009–10 (Actual) (\$'000)	2010–11 (Original) (\$'000)	2010–11 (Revised) (\$'000)	2011–12 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	112,961	113,133	113,867	<b>111,012</b>
- Allowances .....	403	470	311	<b>400</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	184	244	210	<b>197</b>
- Civil Service Provident Fund contribution .....	78	85	348	<b>769</b>
Departmental Expenses				
- Remuneration for special appointments...	2,191	2,221	2,352	<b>2,978</b>
- General departmental expenses.....	2,541	5,485	2,416	<b>5,776</b>
	118,358	121,638	119,504	<b>121,132</b>