

Head 24 — AUDIT COMMISSION

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

Estimate 2016–17 **\$161.1m**

Establishment ceiling 2016–17 (notional annual mid-point salary value) representing an estimated 180 non-directorate posts as at 31 March 2016 rising by one post to 181 posts as at 31 March 2017 ... **\$119.9m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2016 and as at 31 March 2017.

Controlling Officer's Report

Programmes

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

<p>Programme (1) Regularity Audit Programme (2) Value for Money Audit</p>	<p>These programmes provide an independent check on the Government 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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	46.8	49.3	52.6 (+6.7%)	55.5 (+5.5%)
				(or +12.6% on 2015–16 Original)

Aim

2 The aim is to provide the Legislative Council (LegCo) 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 Commission audits the accounts of all government departments and offices, and the accounts of the Hong Kong Housing Authority, the Exchange Fund, the trading funds, 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 2014–15 and 2015–16 respectively, and the number of accounts to be certified in 2016–17 will be 82. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 32 per cent and 33 per cent in 2014–15 and 2015–16 respectively and will be 34 per cent in 2016–17.

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

Targets

	Target	2014–15 (Actual)	2015–16 (Revised Estimate)	2016–17 (Plan)
Director of Audit's Reports submitted to the LegCo	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

	2014–15 (Actual)	2015–16 (Revised Estimate)	2016–17 (Estimate)
accounts certified	81	82	82
man-hours spent	87 612	92 904	100 434
provision for regularity audit as percentage of total government expenditure (%)	0.012	0.012	0.011
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	1 197	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2016–17

5 During 2016–17, 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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	101.8	103.3	106.9 (+3.5%)	105.6 (–1.2%)
				(or +2.2% on 2015–16 Original)

Aim

6 The aim is to provide the LegCo 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 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 LegCo twice a year. The provision spent on value for money audit, as a percentage of the total provision for the Commission, was about 68 per cent and 67 per cent in 2014–15 and 2015–16 respectively and will be 66 per cent in 2016–17.

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

Targets

	Target	2014–15 (Actual)	2015–16 (Revised Estimate)	2016–17 (Plan)
Director of Audit's Reports submitted to the LegCo	2	2	2	2
value for money audit reports issued to audited bodies	18	18	18	18

Indicators

	2014–15 (Actual)	2015–16 (Revised Estimate)	2016–17 (Estimate)
man-hours spent	167 686	170 216	171 617
provision for value for money audit as percentage of total government expenditure (%)	0.026	0.025	0.022
actual number of recommendations accepted for implementation	481	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2016–17

9 During 2016–17, 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

	2014–15 (Actual) (\$m)	2015–16 (Original) (\$m)	2015–16 (Revised) (\$m)	2016–17 (Estimate) (\$m)
Programme				
(1) Regularity Audit.....	46.8	49.3	52.6	55.5
(2) Value for Money Audit.....	101.8	103.3	106.9	105.6
	148.6	152.6	159.5 (+4.5%)	161.1 (+1.0%)
				(or +5.6% on 2015–16 Original)

Analysis of Financial and Staffing Provision

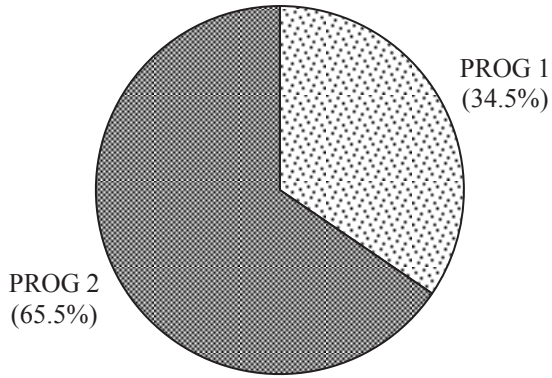
Programme (1)

Provision for 2016–17 is \$2.9 million (5.5%) higher than the revised estimate for 2015–16. This is mainly due to the creation of one new post, salary increments for staff and increased requirements for personnel related expenses, to be partially offset by the reduced requirement in departmental expenses.

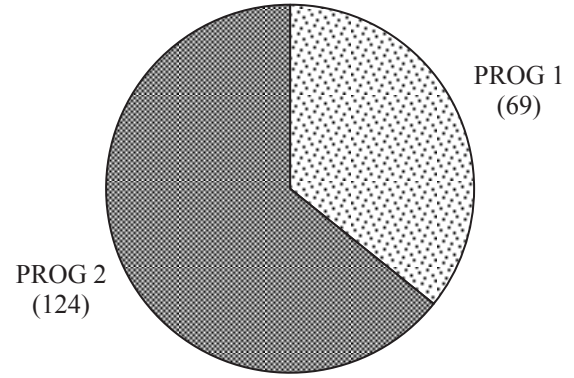
Programme (2)

Provision for 2016–17 is \$1.3 million (1.2%) lower than the revised estimate for 2015–16. This is mainly due to the reduced requirements in salaries, to be partially offset by the increased requirements in personnel related expenses and departmental expenses.

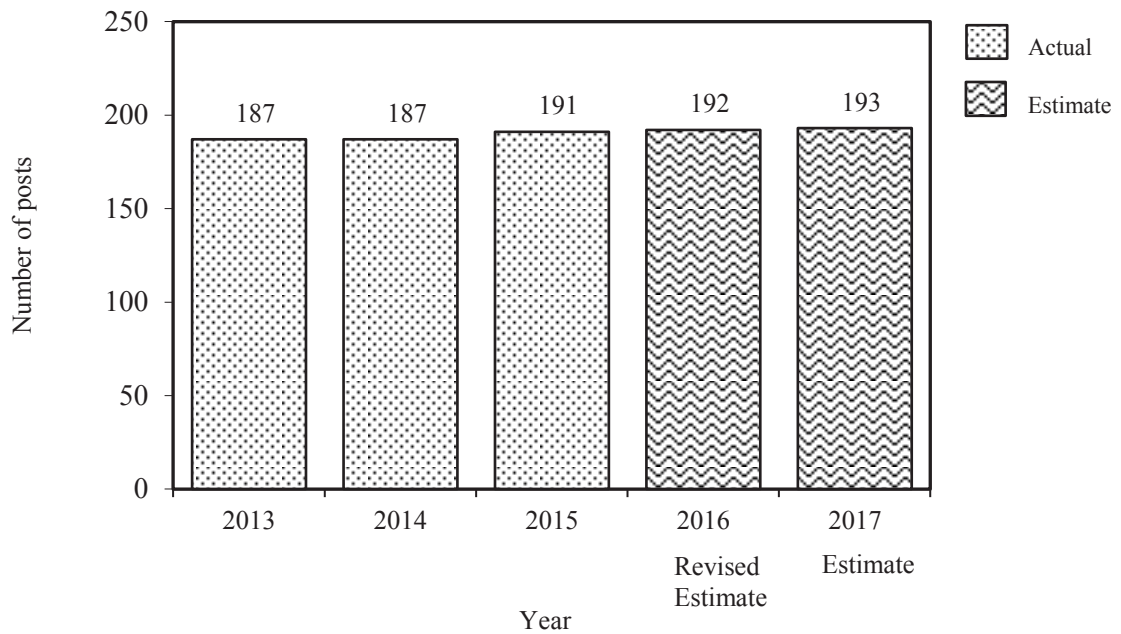
*Allocation of provision
to programmes
(2016-17)*



*Staff by programme
(as at 31 March 2017)*



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



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Sub-head (Code)	Actual expenditure 2014-15	Approved estimate 2015-16	Revised estimate 2015-16	Estimate 2016-17	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	148,645	152,589	159,545	161,137
	Total, Recurrent	148,645	152,589	159,545	161,137
	Total, Operating Account	148,645	152,589	159,545	161,137
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	Total Expenditure	148,645	152,589	159,545	161,137
		<u>148,645</u>	<u>152,589</u>	<u>159,545</u>	<u>161,137</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Audit Commission is \$161,137,000. This represents an increase of \$1,592,000 over the revised estimate for 2015–16 and \$12,492,000 over the actual expenditure in 2014–15.

Operating Account

Recurrent

2 Provision of \$161,137,000 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 2016 will be 192 permanent posts. It is expected that there will be an increase of one permanent post in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$119,873,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	2016–17 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	137,556	141,457	147,634	149,064
- Allowances.....	495	411	795	415
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	302	350	302	417
- Civil Service Provident Fund contribution.....	2,644	3,239	3,465	4,158
Departmental Expenses				
- Remuneration for special appointments	3,409	3,423	3,640	3,615
- General departmental expenses	4,239	3,709	3,709	3,468
	148,645	152,589	159,545	161,137