

Head 24 — AUDIT COMMISSION

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

Estimate 2017–18 **\$169.2m**

Establishment ceiling 2017–18 (notional annual mid-point salary value) representing an estimated 181 non-directorate posts as at 31 March 2017 reducing by one post to 180 posts as at 31 March 2018..... **\$124.2m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2017 and as at 31 March 2018.

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

	2015–16 (Actual)	2016–17 (Original)	2016–17 (Revised)	2017–18 (Estimate)
Financial provision (\$m)	52.2	55.5	55.3 (–0.4%)	57.5 (+4.0%)
				(or +3.6% on 2016–17 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 82 accounts were certified in 2015–16, and the number of accounts to be certified in 2016–17 and 2017–18 will be 82 and 83 respectively. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 33 per cent in 2015–16. It is expected to be maintained at about 34 per cent each in 2016–17 and 2017–18.

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

Targets

	Target	2015–16 (Actual)	2016–17 (Revised Estimate)	2017–18 (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

	2015–16 (Actual)	2016–17 (Revised Estimate)	2017–18 (Estimate)
accounts certified	82	82	83
man-hours spent	90 303	95 137	97 766
provision for regularity audit as percentage of total government expenditure (%)	0.012	0.012	0.012
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	1 157	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2017–18

5 During 2017–18, 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

	2015–16 (Actual)	2016–17 (Original)	2016–17 (Revised)	2017–18 (Estimate)
Financial provision (\$m)	106.2	105.6	109.6 (+3.8%)	111.7 (+1.9%)
				(or +5.8% on 2016–17 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 67 per cent in 2015–16. It is expected to be maintained at about 66 per cent each in 2016–17 and 2017–18.

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

Targets

	Target	2015–16 (Actual)	2016–17 (Revised Estimate)	2017–18 (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

	2015–16 (Actual)	2016–17 (Revised Estimate)	2017–18 (Estimate)
man-hours spent	162 624	172 786	172 130
provision for value for money audit as percentage of total government expenditure (%)	0.024	0.023	0.023
actual no. of recommendations accepted for implementation	570	N.A.#	N.A.#

Not possible to estimate.

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Matters Requiring Special Attention in 2017–18

9 During 2017–18, 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

	2015–16 (Actual) (\$m)	2016–17 (Original) (\$m)	2016–17 (Revised) (\$m)	2017–18 (Estimate) (\$m)
Programme				
(1) Regularity Audit.....	52.2	55.5	55.3	57.5
(2) Value for Money Audit.....	106.2	105.6	109.6	111.7
	158.4	161.1	164.9 (+2.4%)	169.2 (+2.6%)
				(or +5.0% on 2016–17 Original)

Analysis of Financial and Staffing Provision

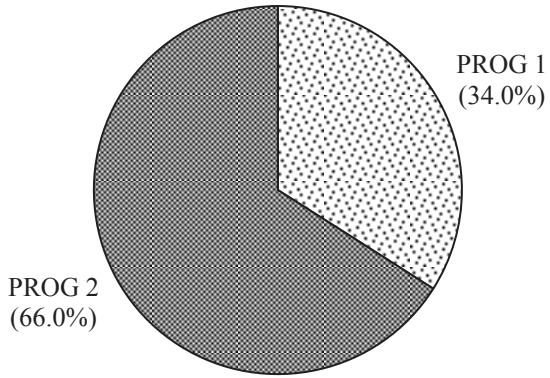
Programme (1)

Provision for 2017–18 is \$2.2 million (4.0%) higher than the revised estimate for 2016–17. This is mainly due to the salary increments for staff, increased requirements for personnel related expenses and departmental expenses, to be partially offset by decrease of one post.

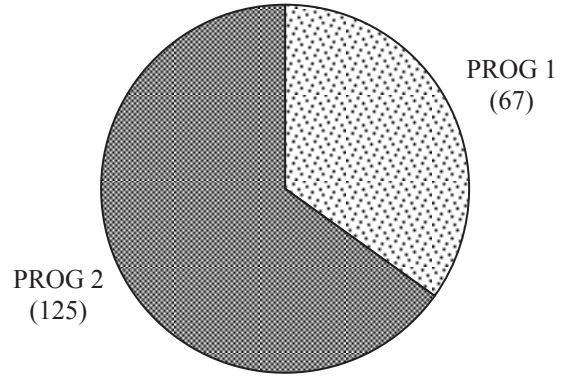
Programme (2)

Provision for 2017–18 is \$2.1 million (1.9%) higher than the revised estimate for 2016–17. This is mainly due to the increased requirements in personnel related expenses and departmental expenses, to be partially offset by reduced requirements in salaries.

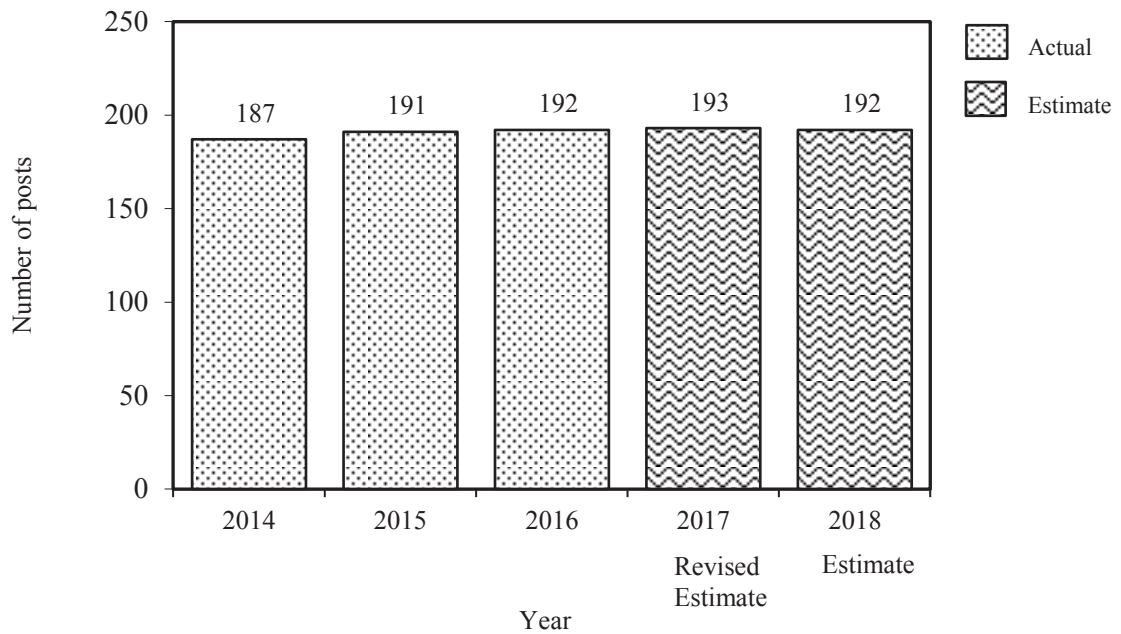
Allocation of provision to programmes (2017-18)



Staff by programme (as at 31 March 2018)



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



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Sub-head (Code)	Actual expenditure 2015-16	Approved estimate 2016-17	Revised estimate 2016-17	Estimate 2017-18	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	158,413	161,137	164,893	169,191
	Total, Recurrent	158,413	161,137	164,893	169,191
	Total, Operating Account	158,413	161,137	164,893	169,191
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	Total Expenditure	158,413	161,137	164,893	169,191
		<u>158,413</u>	<u>161,137</u>	<u>164,893</u>	<u>169,191</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2017–18 for the salaries and expenses of the Audit Commission is \$169,191,000. This represents an increase of \$4,298,000 over the revised estimate for 2016–17 and \$10,778,000 over the actual expenditure in 2015–16.

Operating Account

Recurrent

2 Provision of \$169,191,000 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 2017 will be 193 permanent posts. It is expected that there will be a decrease of one permanent post in 2017–18. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2017–18, but the notional annual mid-point salary value of all such posts must not exceed \$124,231,000.

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

	2015–16 (Actual) (\$'000)	2016–17 (Original) (\$'000)	2016–17 (Revised) (\$'000)	2017–18 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	146,706	149,064	152,407	152,149
- Allowances.....	862	415	626	626
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	307	417	408	399
- Civil Service Provident Fund contribution.....	3,405	4,158	4,255	5,439
Departmental Expenses				
- Remuneration for special appointments	3,639	3,615	3,729	7,171
- General departmental expenses	3,494	3,468	3,468	3,407
	158,413	161,137	164,893	169,191