

## Head 24 — AUDIT COMMISSION

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

<b>Estimate 2002–03</b> .....	<b>\$135.7m</b>
<b>Establishment ceiling 2002–03</b> (notional annual mid-point salary value) representing an estimated 192 non-directorate posts at 31 March 2002 reducing by two posts to 190 posts at 31 March 2003 .....	<b>\$95.5m</b>
In addition there will be an estimated 12 directorate posts at 31 March 2002 and at 31 March 2003.	
<b>Capital Account commitment balance</b> .....	<b>\$0.4m</b>

### 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 the Treasury).
<b>Programme (2) Value for Money Audit</b>	

#### Detail

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

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	38.2	41.0 (+7.3%)	42.2 (+2.9%)	<b>42.8</b> <b>(+1.4%)</b>

#### 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 61 non-government fund accounts and subvention expenditure. A total of 75 accounts were certified in 2001–02, and the same number of accounts will be certified in 2002–03. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 30% in 2000–01, 31% in 2001–02, and will increase slightly to 32% in 2002–03.

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

#### Targets

	Target	2000–01 (Actual)	2001–02 (Estimate)	2002–03 (Plan)
number of 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>

#### Indicators

	2000–01 (Actual)	2001–02 (Estimate)	2002–03 (Estimate)
no. of accounts certified .....	78	75	<b>75</b>
no. of man-hours spent .....	108 617	107 546	<b>109 731</b>
provision for regularity audit as % of total government spending .....	0.016%	0.016%	<b>0.017%</b>

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### *Matters Requiring Special Attention in 2002–03*

5 During 2002–03, the Commission will continue to deploy resources to strengthen staff training and research work on industry practice and audit methodology.

#### **Programme (2): Value for Money Audit**

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	<b>2002–03 (Estimate)</b>
Financial provision (\$m)	87.8	92.1 (+4.9%)	94.1 (+2.2%)	<b>92.9 (–1.3%)</b>

#### **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% in 2000–01, 69% in 2001–02, and will decrease slightly to 68% in 2002–03.

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

#### **Targets**

	Target	2000–01 (Actual)	2001–02 (Estimate)	<b>2002–03 (Plan)</b>
number of Director of Audit's Reports submitted to the Legislative Council .....	2	2	2	<b>2</b>
number of value for money audit reports issued to audited bodies.....	20	22	20	<b>20</b>

#### **Indicators**

	2000–01 (Actual)	2001–02 (Estimate)	<b>2002–03 (Estimate)</b>
no. of man-hours spent.....	181 066	179 036	<b>180 760</b>
provision for value for money audit as % of total government spending .....	0.038%	0.036%	<b>0.037%</b>

### *Matters Requiring Special Attention in 2002–03*

9 During 2002–03, the Commission will continue to conduct broad-based value for money studies which are more complex and which entail the coverage of many bureaux, departments and agencies. To this end, the Commission will continue to enhance the skills of its staff to ensure that they are capable of producing high quality audit reports which add value to both the Government and the public.

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### ANALYSIS OF FINANCIAL PROVISION

<b>Programme</b>	2000-01 (Actual) (\$m)	2001-02 (Approved) (\$m)	2001-02 (Revised) (\$m)	2002-03 (Estimate) (\$m)
(1) Regularity Audit .....	38.2	41.0	42.2	<b>42.8</b>
(2) Value for Money Audit .....	87.8	92.1	94.1	<b>92.9</b>
	<u>126.0</u>	<u>133.1</u> (+5.6%)	<u>136.3</u> (+2.4%)	<u><b>135.7</b></u> (-0.4%)

#### Analysis of Financial and Staffing Provision

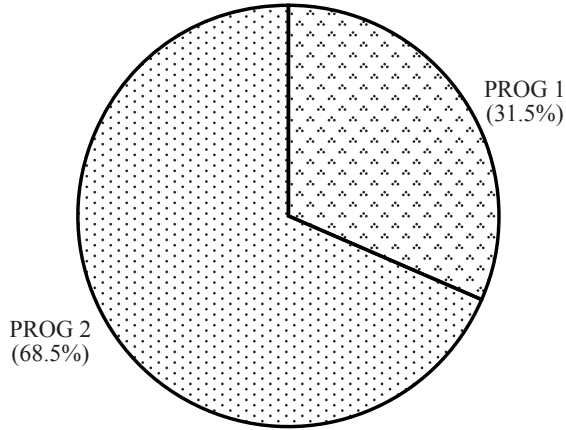
##### Programme (1)

Provision for 2002-03 is \$0.6 million (1.4%) higher than the revised estimate for 2001-02. This is mainly due to salary increments for existing staff, partly offset by the deletion of one post in 2002-03 under the Enhanced Productivity Programme.

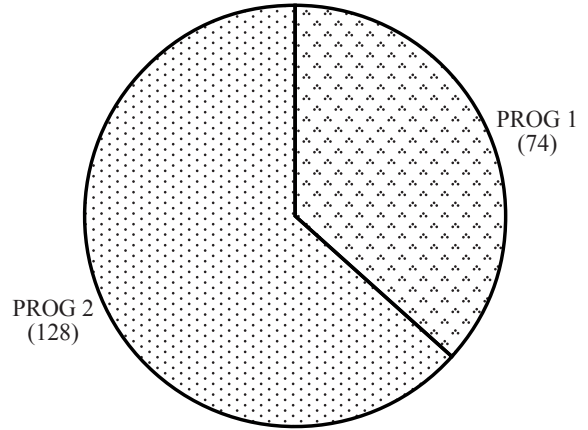
##### Programme (2)

Provision for 2002-03 is \$1.2 million (1.3%) lower than the revised estimate for 2001-02. This is mainly due to full-year effect of two posts deleted in 2001-02 under the Enhanced Productivity Programme, and the completion of most Capital Account items in 2001-02. In addition, one post will be deleted in 2002-03.

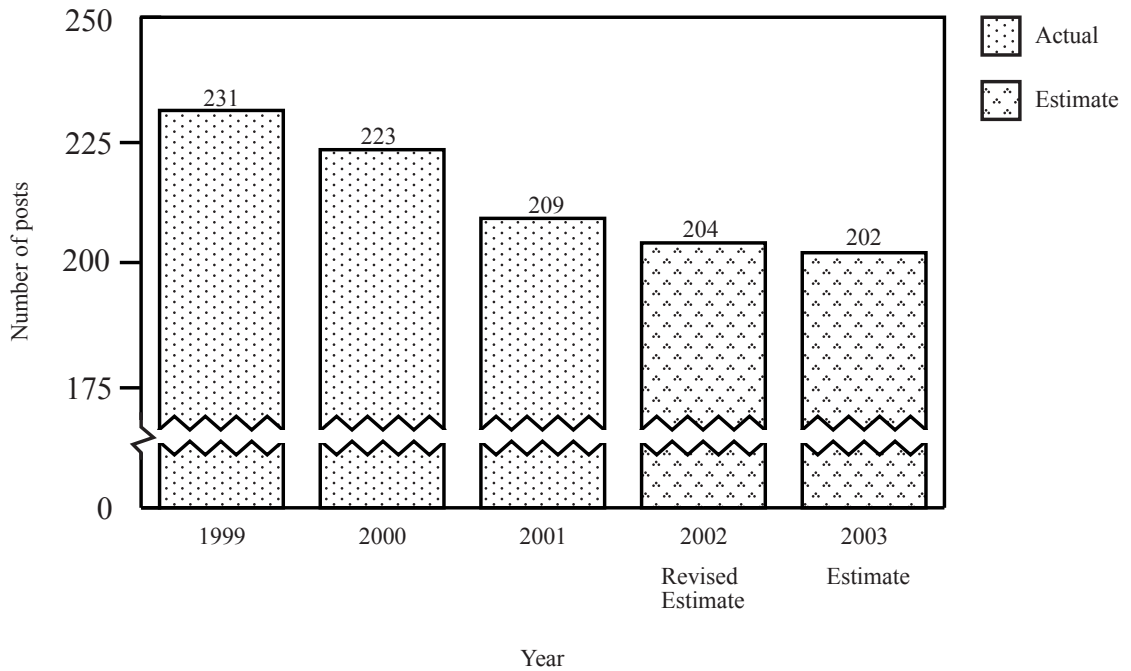
*Allocation of provision to programmes (2002-03)*



*Staff by programme (as at 31 March 2003)*



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



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Sub-head (Code)		Actual expenditure 2000-01	Approved estimate 2001-02	Revised estimate 2001-02	<b>Estimate 2002-03</b>
		\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Recurrent Account</b>					
I — Personal Emoluments					
001	Salaries .....	118,543	119,477	124,129	<b>124,840</b>
002	Allowances .....	779	1,365	920	<b>1,164</b>
007	Job-related allowances .....	11	11	12	<b>12</b>
	Total, Personal Emoluments .....	<u>119,333</u>	<u>120,853</u>	<u>125,061</u>	<b><u>126,016</u></b>
III — Departmental Expenses					
108	Remuneration for special appointments .....	1,991	1,991	2,090	<b>2,090</b>
149	General departmental expenses .....	2,972	8,618	7,298	<b>7,521</b>
	Total, Departmental Expenses .....	<u>4,963</u>	<u>10,609</u>	<u>9,388</u>	<b><u>9,611</u></b>
	Total, Recurrent Account .....	<u>124,296</u>	<u>131,462</u>	<u>134,449</u>	<b><u>135,627</u></b>
<b>Capital Account</b>					
II — Other Non-Recurrent					
700	General other non-recurrent .....	1,710	1,649	1,870	<b>74</b>
	Total, Other Non-Recurrent .....	<u>1,710</u>	<u>1,649</u>	<u>1,870</u>	<b><u>74</u></b>
	Total, Capital Account .....	<u>1,710</u>	<u>1,649</u>	<u>1,870</u>	<b><u>74</u></b>
	Total Expenditure .....	<u><u>126,006</u></u>	<u><u>133,111</u></u>	<u><u>136,319</u></u>	<b><u><u>135,701</u></u></b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2002–03 for the salaries and expenses of the Audit Commission is \$135,701,000. This represents a decrease of \$618,000 against the revised estimate for 2001–02 and an increase of \$9,695,000 over actual expenditure in 2000–01.

#### *Recurrent Account*

##### Personal Emoluments

**2** Provision of \$126,016,000 for personal emoluments represents an increase of \$955,000 over the revised estimate for 2001–02.

**3** The establishment at 31 March 2002 will be 204 permanent posts. It is expected that two posts will be deleted in 2002–03.

**4** Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2002–03, but the notional annual mid-point salary value of all such posts must not exceed \$95,478,000.

**5** Provision of \$1,164,000 under *Subhead 002 Allowances* is for standard allowances. The increase of \$244,000 (26.5%) over the revised estimate for 2001–02 is mainly due to the lower than expected requirements for acting allowance in 2001–02 during which many officers cut short their vacation leave to meet work commitments.

**6** Provision of \$12,000 under *Subhead 007 Job-related allowances* is for standard job-related allowances.

##### Departmental Expenses

**7** Provision of \$2,090,000 under *Subhead 108 Remuneration for special appointments* is for the salary of the Director of Audit. The post of the Director of Audit is not on the Civil Service establishment; his remuneration is specified by the Chief Executive and provided for under Departmental Expenses rather than Personal Emoluments.

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### Capital Account

#### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2001	Revised estimated expenditure for 2001-02	Balance
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
	012	Consultancy for a value for money audit on the building management of government offices .....	500	—	414	86
	016	Consultancy for a value for money audit on Government's efforts in implementing the Landslip Preventive Measures Programmes.....	600	—	248	352
		Total .....	<u>1,100</u>	<u>—</u>	<u>662</u>	<u>438</u>