

**Replies to initial written questions raised by Finance  
Committee Members in examining the Estimates of Expenditure 2005-06**

**Controlling Officer : Director of Audit  
Session No. : 8 File name : AUD-e1.doc**

<b>Reply Serial No.*</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">AUD001</a>	0107	TAM Heung-man	24	(2) Value for Money Audit
<a href="#">AUD002</a>	0140	CHAN Kam-lam	24	(1) Regularity Audit
<a href="#">AUD003</a>	0141	CHAN Kam-lam	24	(2) Value for Money Audit
<a href="#">AUD004</a>	0142	CHAN Kam-lam	24	(1) Regularity Audit
<a href="#">AUD005</a>	0143	CHAN Kam-lam	24	(2) Value for Money Audit
<a href="#">AUD006</a>	0406	CHAN Kam-lam	24	(1) Regularity Audit (2) Value for Money Audit
<a href="#">AUD007</a>	0926	TO Kun-sun, James	24	(2) Value for Money Audit
<a href="#">AUD008</a>	0927	TO Kun-sun, James	24	(2) Value for Money Audit
<a href="#">AUD009</a>	1065	LEUNG LAU Yau-fun, Sophie	24	(1) Regularity Audit

Examination of Estimates of Expenditure 2005-06

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD001**

Question Serial No.

0107

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please give details of the proposed deletion of three posts in 2005-06 under Programme (2). How will the quantity and quality of audit study be affected as a result of the deletion?

Asked by: Hon. TAM Heung-man

Reply:

The Audit Commission is also subject to the civil service pay cuts, reduction of civil service establishment and other cost-savings initiatives, which apply across-the-board to Government bureaux and departments in order to reduce the fiscal deficit. To achieve efficiency savings, the Commission will delete one Auditor and two Senior Examiner posts under Programme (2) through natural wastage in 2005-06.

The target number of value for money (VFM) audit reports issued to audited bodies are set and adjusted from time to time, having regard to the resources available, the scope and complexity of the audits. With growing demand for public accountability, the Commission considers it increasingly important to conduct more in-depth and broad-based audit reviews that would have far-reaching impact and greater enhancement in public sector efficiency. The Commission has therefore reduced the target number of VFM reports to 17 in 2005-06.

Notwithstanding the decrease in resources for VFM audits, the Commission is committed to conducting high quality audits which add value to both the Government and the public. The Commission will, for example, make continued efforts to improve its audit efficiency by increasing the use of information technology in audit work, streamlining the auditing and reporting procedures, and enhancing the professional knowledge and skills of audit staff.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005

Examination of Estimates of Expenditure 2005-06

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD002**

Question Serial No.

0140

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

The indicator of the estimated number of accounts certified in 2005-06 is the same as that of the previous year, i.e. 77. However, the estimated number of man-hours spent has increased from 98 906 to 101 699. What is the reason for this?

Asked by: Hon. CHAN Kam-lam

Reply:

The increase in man-hours required for Programme (1) in 2005-06 is mainly attributable to the increased complexity and widened scope of regularity audit work.

Regularity audit is a statutory duty of the Director of Audit. It consists of two main components, namely certification audit and risk audit. In auditing the 77 government accounts, the Commission also conducts risk audits to supplement the certification work and to fulfil the Director of Audit's responsibilities under section 8(2) of the Audit Ordinance. The objective of risk audit is to ensure that the relevant and applicable laws and regulations governing the management of public funds are complied with by public officers and that public funds are spent for the purposes voted by the Legislative Council. In 2005-06, risk audits will be conducted to examine whether there are potential risks to regularity, propriety and financial controls in the management of public funds.

The public has a high expectation on the quality of our audit services. In 2005-06, the Commission will continue to strengthen the quality of the regularity audit work as well as research and development activities. The Commission will deploy more resources to monitor the developments of the relevant professional standards and practices, the government's accrual-based accounts and its key accounting and financial management system.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005

Examination of Estimates of Expenditure 2005-06

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD003**

Question Serial No.

0141

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

The estimated number of value for money audit reports issued to audited bodies has slightly decreased from 19 in the past two years to 17 in 2005-06. What is the reason for this?

Asked by: Hon. CHAN Kam-lam

Reply:

The target number of value for money (VFM) audit reports issued to audited bodies are set and adjusted from time to time, having regard to the resources available, the scope and complexity of the audits. With growing demand for public accountability, the Audit Commission considers it increasingly important to conduct more in-depth and broad-based audit reviews that would have far-reaching impact and greater enhancement in public sector efficiency. The Commission has therefore reduced the target number of VFM reports to 17 in 2005-06.

Besides, the reduction is also attributable to the need to deploy more resources for the increased complexity and widened scope of regularity audit work under Programme (1) in 2005-06.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005

Examination of Estimates of Expenditure 2005-06

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD004**

Question Serial No.

0142

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

What is the title of the post to be deleted in 2005-06 and what is the reason for the deletion? How much expenditure can be reduced in the whole year as a result of the deletion and what is the percentage of this saving in terms of the estimated overall decrease of \$4.5 million in the provision required by the Audit Commission in 2005-06 (against the revised estimate for 2004-05)?

Asked by: Hon. CHAN Kam-lam

Reply:

The Audit Commission is also subject to the civil service pay cuts, reduction of civil service establishment and other cost-savings initiatives, which apply across-the-board to Government bureaux and departments in order to reduce the fiscal deficit. To achieve efficiency savings, the Commission will delete one Senior Examiner post under Programme (1) through natural wastage in 2005-06.

The estimated savings in salaries arising from the deletion of the post is about \$344,000, or 7.6% of the total estimated reduced provision of \$4,555,000 in 2005-06.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005

Examination of Estimates of Expenditure 2005-06

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD005**

Question Serial No.

0143

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

What are the titles of the three posts to be deleted in 2005-06 and what is the reason for the deletion? How much expenditure can be reduced in the whole year as a result of the deletion and what is the percentage of this saving in terms of the estimated overall decrease of \$4.5 million in the provision required by the Audit Commission in 2005-06 (against the revised estimate for 2004-05)?

Asked by: Hon. CHAN Kam-lam

Reply:

The Audit Commission is also subject to the civil service pay cuts, reduction of civil service establishment and other cost-savings initiatives, which apply across-the-board to Government bureaux and departments in order to reduce the fiscal deficit. To achieve efficiency savings, the Commission will delete one Auditor and two Senior Examiner posts under Programme (2) through natural wastage in 2005-06.

The estimated savings in salaries arising from the deletion of the three posts is about \$1,226,000, or 26.9% of the total estimated reduced provision of \$4,555,000 in 2005-06.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005



Examination of Estimates of Expenditure 2005-06

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD006**

Question Serial No.

0406

Head: 24-Audit Commission

Subhead (No. & title): 000 Operational Expenses

Programme:

(1) Regularity Audit

(2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

1. The estimate of the allowances under the item "Personal Emoluments" in 2005-06 has increased by 39% when compared to the revised estimate in 2004-05. What is the reason for this?
2. The amount required in 2005-06 for the "Remuneration for special appointments" under the item "Departmental Expenses" is less than that in 2004-05 and 2003-04. What is the reason for this?
3. The revised estimate of the item "General departmental expenses" in 2004-05 is \$7.2 million while in 2005-06, the estimate of this item has increased to \$8.44 million. What is the reason for this?

Asked by: Hon. CHAN Kam-lam

Reply:

1. The increase of \$276,000 in the provision for "Allowances" under the item "Personal Emoluments" is mainly due to the anticipated increase in the requirement for paying acting allowance.
2. The provision for "Remuneration for special appointments" is for the salary of the Director of Audit. The decrease in the provision in 2005-06 is mainly due to the cessation of salary payment to the former Director of Audit whose pre-retirement leave ended in September 2004.

3. The increase of \$1,259,000 in the provision for “General departmental expenses” is mainly due to increased requirements for new and replacement equipment and IT facilities, anticipated increase in commissioning consultancy services and staff training.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD007**

Question Serial No.

0926

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

- (a) Please advise this Council whether the Audit Commission has identified any exceptional cases during the audit of the expenditure of the Independent Commission Against Corruption, the Hong Kong Police Force, and the Customs and Excise Department on rewards and special services in 2004-05, for example, some individuals have been given rewards or special services monies frequently every year, or have been rewarded anomalously high amounts.
- (b) Please advise this Council whether the Audit Commission, in assessing the compliance of the expenditures of the above departments on rewards and special services with the value for money standards, only considers if these departments have observed the established rules and procedures to regulate the use of provision for "rewards and special services". Please also advise this Council whether the Audit Commission is satisfied and agrees with the rationality of these rules and regulations.

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) The Audit Commission has not identified any exceptional cases during the audit of the expenditure of the Independent Commission Against Corruption (ICAC), the Hong Kong Police Force (HKPF) and the Customs and Excise Department (C&ED) on rewards and special services (R&SS) in 2004-05.

- (b) The Audit Commission has not carried out any value for money audits on R&SS expenditure. That said, in carrying out the regularity audit of the expenditure on R&SS, officers of the Audit Commission examined the expenditure records to ensure that the rules and procedures established by the ICAC, HKPF and C&ED were fully complied with. Officers of the Audit Commission have to satisfy themselves that there are adequate internal controls for the disbursement of the R&SS expenditure, and that the expenditures are incurred legitimately and with proper authorisation, having regard to the established rules and procedures. The Audit Commission is satisfied that these rules and procedures are adequate for control purposes.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD008**

Question Serial No.

0927

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise this Council how the Audit Commission assesses whether the expenditure of the Complaints Against Police Office under the Hong Kong Police Force is in compliance with the value for money standards in 2004-05.

Asked by: Hon. TO Kun-sun, James

Reply:

The Complaints Against Police Office (CAPO) is a division of the Hong Kong Police Force. Its revised estimate of \$52.9 million accounted for about 0.5% of the total revised estimate of the Hong Kong Police Force in 2004-05.

The Audit Commission adopts a selective approach for conducting value for money audits of government expenditure. A strategic planning exercise is carried out annually to determine the priority and timing of value for money audits. The strategic planning exercise covers various audit areas such as government bureaux and departments, subvented organisations and some statutory bodies, including the CAPO under the Hong Kong Police Force. With limited resources, the Commission has to take into account factors such as auditability, materiality, risk, timeliness and value added in selecting and prioritising value for money audit topics for detailed investigation.

The Commission did not conduct any value for money audit on the CAPO in 2004-05. The Commission will keep in view the CAPO's activities on an ongoing basis, and conduct a value for money audit on the CAPO when the situation so warrants.

Signature

Name in block letters

Post Title

Date

BENJAMIN TANG

Director of Audit

6 April 2005

Examination of Estimates of Expenditure 2005-06

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD009**

Question Serial No.

1065

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

A new indicator “providing assurance on combined actual expenditure and revenue in accounts audited (\$billion)” has been introduced in 2005 to assess the performance of the Audit Commission. Please give an account as to why this indicator is set, its expected target and details, the expenditure and manpower involved and how the indicator can achieve the target of providing proper audit of accounts.

Asked by: Hon. LEUNG LAU Yau-fun, Sophie

Reply:

The aim of Programme (1) Regularity Audit 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. The new indicator helps to reflect the effectiveness of the Commission's work in meeting this aim. It supplements the existing indicator on the number of “accounts certified” and shows the actual expenditure and revenue in the accounts audited for which we have provided the necessary assurance to the Legislative Council and the public on the propriety of the financial and accounting transactions, and on their conformity with generally accepted accounting standards.

In 2003-04, the Commission audited over \$646 billion of expenditure and revenue relating to 75 accounts, including the General Revenue Account, the Capital Works Reserve Fund, the Capital Investment Fund, the Land Fund, the Hong Kong Housing Authority, the Hong Kong Monetary Authority Exchange Fund and the five Trading Funds. The actual expenditure and man-hours spent on regularity audit were \$38.1 million and 97 837 hours respectively. A total of 77 accounts will be certified in 2004-05 and also in 2005-06. The information on the combined actual expenditure and revenue for 2004-05 and for 2005-06 will be available after we have completed the audit of these accounts.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 6 April 2005