

**Replies to initial written questions raised by Finance
Committee Members in examining the Estimates of Expenditure 2006-07**

**Controlling Officer : Director of Audit
Session No. : 7**

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
AUD001	0174	TAM Heung-man	24	(2) Value for Money Audit
AUD002	0175	TAM Heung-man	24	(2) Value for Money Audit
AUD003	0471	LEUNG Yiu-chung	24	(2) Value for Money Audit
AUD004	0814	SIN Chung-kai	24	(1) Regularity Audit (2) Value for Money Audit
AUD005	2022	TO Kun-sun, James	24	(2) Value for Money Audit
AUD006	2082	TO Kun-sun, James	24	(2) Value for Money Audit

Examination of Estimates of Expenditure 2006-07
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD001

Question Serial No.

0174

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

The value for money audit conducted by the Audit Commission helps the Government achieve long term savings and improve services. Please advise this Council whether the Commission will consider increasing the number of subjects selected for conducting value for money audit.

Asked by: Hon. TAM Heung-man

Reply:

With growing demand for public accountability, the Audit Commission considers it increasingly important to conduct value for money (VFM) audit reviews that would enhance public sector economy, efficiency and effectiveness. The Commission has to take into account factors such as auditability, materiality, risk, timeliness and value-added in selecting VFM audit subjects for study. The VFM audit reports to be issued will have regard to the resources available, the scope and complexity of the audits.

Signature _____

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 7 March 2006

Examination of Estimates of Expenditure 2006-07
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD002

Question Serial No.

0175

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

It is estimated that the number of man-hours spent in value for money audit will increase in 2006-07. However, there is no increase in the number of staff in the Audit Commission. Please advise this Council how the Audit Commission can increase the number of man-hours without any increase in the number of staff.

Asked by: Hon. TAM Heung-man

Reply:

The Audit Commission has been reorganised since September 2005 with a view to achieving specialisation of work. A dedicated Division has been set up to enhance greater efficiency and productivity in regularity audit work under Programme (1). As a result, staff resources could be redeployed to value for money audit work under Programme (2).

Signature _____

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 7 March 2006

Examination of Estimates of Expenditure 2006-07
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD003

Question Serial No.

0471

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 the details of a permanent post proposed to be deleted under this Programme in 2006-07 and how much expenditure can be reduced.

Asked by: Hon. LEUNG Yiu-chung

Reply:

To achieve efficiency savings, the Commission will delete one Auditor post through natural wastage under Programme (2) in 2006-07. The estimated saving in salaries arising from the deletion of the post is about \$835,000.

Signature _____

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 7 March 2006

Examination of Estimates of Expenditure 2006-07
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD004

Question Serial No.

0814

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 :

Please advise why the revised estimate of the provision for "Allowances" under the item "Personal Emoluments" in 2005-06 has drastically reduced from the original estimate of \$987,000 to \$419,000, and this is close to the actual expenditure in 2004-05. What are the items that have been reduced in the original estimated provision for allowances? Having regard to the actual expenditure in 2004-05 and the revised estimate in 2005-06, is the estimated provision for allowances in 2006-07 too high?

Asked by: Hon. SIN Chung-kai

Reply:

The provision for "Allowances" under the item "Personal Emoluments" is for paying overtime allowance, typhoon allowance and acting allowance. The decrease in the revised estimate for 2005-06 is mainly due to the reduced requirement for paying acting allowance to officers promoted to higher ranks in 2005 and for acting appointments covering temporary absence (e.g. leave) of substantive post holders. The increase in the estimated provision in 2006-07 is to meet the anticipated increase in the requirement for paying acting allowance to officers appointed to undertake duties of vacant posts arising from natural wastage.

Signature _____

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 7 March 2006

Examination of Estimates of Expenditure 2006-07

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

Reply Serial No.

AUD005

Question Serial No

2022

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 2005-06, 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 2005-06.

- (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 authorization, 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 9 March 2006

Examination of Estimates of Expenditure 2006-07
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD006

Question Serial No.

2082

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 whether the Audit Commission has carried out any value for money audit on the Complaints Against Police Office under the Hong Kong Police Force in 2005-06. If yes, whether the expenditure of the Complaints Against Police Office under the Hong Kong Police Force is in compliance with the value for money standards? If not, please explain in detail the standards adopted by the Audit Commission in deciding whether to conduct value for money audits of government departments.

Asked by: Hon. TO Kun-sun, James

Reply:

The Audit Commission did not conduct any value for money audit on the Complaints Against Police Office (CAPO) in 2005-06. The CAPO is a division of the Hong Kong Police Force. Its revised estimate of \$45.2 million accounted for about 0.4% of the total revised estimate of the Hong Kong Police Force in 2005-06.

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 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

9 March 2006