

**Replies to initial written questions raised by Finance  
Committee Members in examining the Estimates of Expenditure 2007-08**

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

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
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<a href="#">AUD004</a>	0633	TO Kun-sun, James	24	(2) Value for Money Audit
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<a href="#">AUD008</a>	0637	TO Kun-sun, James	24	(2) Value for Money Audit
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Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD001**

Question Serial No.

0119

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

As the value for money audits conducted by the Audit Commission help audited departments enhance their efficiency, will the Administration consider allocating more resources to the Commission so that more departments could be selected for value for money audits?

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. We take into account a number of such factors as timeliness, risk, materiality, impact and public interest in conducting VFM audits. We conduct a VFM audit when the situation warrants an in-depth review. Availability of resources is one of the factors taken into account in determining whether or not to conduct a VFM audit on a particular subject. We will continue to make the best deployment of our existing resources to provide independent, professional and quality audit services to the Government and public sector organisations to help enhance public sector performance and accountability in Hong Kong.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 9 March 2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD002**

Question Serial No.

0120

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

The Administration estimates that the provision for value for money audit as a percentage of the total government spending is 0.032%. Could the Administration provide this Council with the percentage of provision spent in this respect in overseas countries? As compared with the international level, does the Administration consider our provision for value for money audit to be high or low?

Asked by: Hon. TAM Heung-man

Reply:

For the year 2005-06, our provision for value for money audit as a percentage of the total government spending was 0.032%. We have not been able to find out corresponding figures from overseas countries, such as Australia, Canada, New Zealand, the United Kingdom and the United States. It should be noted that even if such information is available, it might not be entirely appropriate to make direct comparison in the light of different circumstances in different places.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 9 March 2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD003**

Question Serial No.

0632

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 :

The estimate of the provision for "Mandatory Provident Fund contribution" under "Personnel Related Expenses" in 2007-08 is \$78,000. Why is it higher than the expenses incurred in 2005-06 and 2006-07? Besides, have "Personnel Related Expenses" all along been excluding the expenses for "Civil Service Provident Fund contribution"?

Asked by: Hon. CHAN Kam-lam

Reply:

The increase in the provision for "Mandatory Provident Fund contribution" under "Personnel Related Expenses" in 2007-08 is mainly due to the anticipated increase in the requirement for Mandatory Provident Fund contribution for new recruits appointed to fill vacancies in the Audit Commission.

"Civil Service Provident Fund contribution" is a separate item of expenditure under "Personnel Related Expenses". We do not need to include provision for this item under Head 24- Audit Commission because no serving officers in the Commission will be eligible for civil service provident fund benefits in 2007-08.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 13 March 2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD004**

Question Serial No.

0633

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 audits on the Complaints Against Police Office under the Hong Kong Police Force in 2006-07? 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 2006-07. 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 2006-07.

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 \_\_\_\_\_

**BENJAMIN TANG**

Post Title \_\_\_\_\_

Director of Audit

Date \_\_\_\_\_

14 March 2007

Examination of Estimates of Expenditure 2007-08

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

Reply Serial No.

**AUD005**

Question Serial No

0634

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

In deciding whether to conduct value for money audits of government departments, does the Audit Commission take into account the opinions of members of the public, various bodies, etc. and factors such as opinion polls? If yes, who are they and what opinion polls have the Commission taken into account? If not, what are the reasons for not doing so?

Asked by: Hon. TO Kun-sun, James

Reply:

In deciding whether to conduct value for money audits of government departments, the Audit Commission takes into account factors including the timeliness, risks associated with the audit, materiality, likely benefits brought about by the audit, public interest and whether the subjects are auditable. We will also take into account the nature of the issue, the frequency of the mistakes being committed, the length of time the weaknesses has existed and public expectations. As public opinions may reflect public expectations and public interest, the Audit Commission takes them into consideration in determining the priority of value for money audit subjects.

Signature \_\_\_\_\_

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 14 March 2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD006**

Question Serial No.

0635

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise whether the Audit Commission has identified any exceptional cases during the audit of the expenditures 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 in 2006-07, for example, some individuals have been given rewards or special services monies frequently every year, or have been rewarded anomalously high amounts.

Asked by: Hon. TO Kun-sun, James

Reply:

The Audit Commission has not identified exceptional cases during the audit of the expenditures of the ICAC, the HKPF and the C&ED on rewards and special services in 2006-07.

Signature

Name in block letters

Post Title

Date

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BENJAMIN TANG

\_\_\_\_\_  
Director of Audit

\_\_\_\_\_  
14 March 2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD007**

Question Serial No.

0636

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise whether the Audit Commission has carried out value for money audits on the expenditures 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. If yes, what are the results? If not, how can it be ensured that expenditures on rewards and special services (R&SS) have achieved a reasonable standard of efficiency and effectiveness? How can the economy with which these departments have used their resources be examined?

Asked by: Hon. TO Kun-sun, James

Reply:

The Audit Commission has not carried out any value for money audits on the R&SS expenditures of the ICAC, the HKPF and the C&ED. Nevertheless, in carrying out the regularity audit of R&SS expenditures, officers of the Commission have obtained assurance that the internal controls of these three departments have been operating effectively to prevent misuse of R&SS funds. The Commission will keep in view the need for carrying out a value for money audit on R&SS expenditures having regard to factors such as materiality, risk, auditability, timeliness and value-added.

Signature

Name in block letters

Post Title

Date

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BENJAMIN TANG

\_\_\_\_\_  
Director of Audit

\_\_\_\_\_  
14 March 2007



Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD008**

Question Serial No.

0637

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Has the Audit Commission examined the rules and procedures established by the Independent Commission Against Corruption (ICAC), the Hong Kong Police Force (HKPF), and the Customs and Excise Department (C&ED) for making payments for rewards and special services to ensure that expenditures incurred under the mechanism are reasonable? If yes, what are the results? If not, what are the reasons for not doing so?

Asked by: Hon. TO Kun-sun, James

Reply:

The Audit Commission has reviewed the rules and procedures established by the ICAC, the HKPF and the C&ED for making payments for rewards and special services. The Commission is satisfied that the laid down rules and procedures have been complied with and that the payments made are reasonable.

Signature

Name in block letters

Post Title

Date

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**BENJAMIN TANG**

\_\_\_\_\_  
Director of Audit

\_\_\_\_\_  
14 March 2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD009**

Question Serial No.

0638

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise what are the grounds for the Audit Commission being satisfied that the Independent Commission Against Corruption (ICAC), the Hong Kong Police Force (HKPF), and the Customs and Excise Department (C&ED) have exercised sufficient internal control over expenditures for rewards and special services?

Asked by: Hon. TO Kun-sun, James

Reply:

The Audit Commission has reviewed the established rules and procedures of the ICAC, the HKPF and the C&ED to obtain assurance that sufficient internal controls have been put in place over the expenditures for rewards and special services. The Commission has also performed compliance tests to ensure that the laid down internal controls have been operating satisfactorily. Based on these test results, the Commission is satisfied that the three departments have exercised sufficient internal control over expenditures for rewards and special services.

Signature

Name in block letters

Post Title

Date

BENJAMIN TANG

Director of Audit

14 March 2007