

**Replies to initial written questions raised by Finance  
Committee Members in examining the Estimates of Expenditure 2008-09**

**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="#">AUD002</a>	1714	TO Kun-sun, James	24	(2) Value for Money Audit
<a href="#">AUD003</a>	1715	TO Kun-sun, James	24	(2) Value for Money Audit
<a href="#">AUD004</a>	1716	TO Kun-sun, James	24	(2) Value for Money Audit
<a href="#">AUD005</a>	2164	WONG Ting-kwong	24	(1) Regularity Audit
<a href="#">AUD006</a>	2165	WONG Ting-kwong	24	(2) Value for Money Audit
<a href="#">AUD007</a>	2167	CHAN Kam-lam	24	(1) Regularity Audit (2) Value for Money Audit
<a href="#">AUD008</a>	2168	CHAN Kam-lam	24	(1) Regularity Audit (2) Value for Money Audit
<a href="#">AUD009</a>	2609	TAM Heung-man	24	(2) Value for Money Audit
<a href="#">AUD010</a>	2610	TAM Heung-man	24	(1) Regularity Audit (2) Value for Money Audit
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Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD001**

Question Serial No.

1713

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 carried out any value for money audits on the Complaints Against Police Office (CAPO) under the Hong Kong Police Force in 2007-08. If yes, whether the expenditure of the CAPO 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.
- (b) Last year, the Audit Commission expressed that it would take into account the opinions of members of the public and public expectations in deciding to conduct value for money audits of government departments. In this regard, please advise this Council whether the Audit Commission knows that members of the public, various bodies and the Legislative Council are concerned about the work of the CAPO for years, and hopes that the Audit Commission would carry out value for money audits on the CAPO. If yes, what are the reasons for not conducting value for money audit on the CAPO?

Asked by: Hon. TO Kun-sun, James

Reply:

- (a)(i) The Audit Commission did not conduct any value for money audit on the Complaints Against Police Office (CAPO) in 2007-08. The CAPO is a division of the Hong Kong Police Force. Its revised estimate of \$47.8 million accounted for about 0.4% of the total revised estimate of the Hong Kong Police Force in 2007-08.
- (ii) 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 materiality, risk, timeliness, auditability, public interest and value-added in selecting and prioritising value for money audit subjects for detailed investigation.

- (b) The Audit Commission notes that members of the public, various bodies and the Legislative Council are concerned about the work of the CAPO. Given the wide spectrum of the activities of the Government, the Commission will continue to select subjects for review based on established audit criteria within the resources available. The Commission will keep in view the CAPO's activities and the concerns about its work on an ongoing basis, and conduct a value for money audit on the CAPO when the situation so warrants.

Signature	_____
Name in block letters	<u>BENJAMIN TANG</u>
Post Title	<u>Director of Audit</u>
Date	<u>25.3.2008</u>

Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD002**

Question Serial No.

1714

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 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 2007-08, 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 2007-08.

Signature	_____
Name in block letters	<b>BENJAMIN TANG</b>
Post Title	Director of Audit
Date	25.3.2008

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

Reply Serial No.

**AUD003**

Question Serial No.

1715

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 (R&SS). If yes, what are the results? If not, how can it be ensured that expenditures on 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

BENJAMIN TANG

Post Title

Director of Audit

Date

25.3.2008

Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD004**

Question Serial No.

1716

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 whether the payments for rewards and special services (R&SS) made by the Independent Commission Against Corruption (ICAC), the Hong Kong Police Force (HKPC), and the Customs and Excise Department (C&ED) are in compliance with their established rules and procedures 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? What are the grounds for the Audit Commission being satisfied that the three departments have exercised sufficient internal control on expenditures for R&SS?

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 R&SS, and has conducted audit tests on selected transactions. Based on the audit evidence and our professional judgement, the Commission is satisfied that sufficient internal control has been exercised, the laid down rules and procedures have been complied with and that the payments made are reasonable.

Signature	_____
Name in block letters	BENJAMIN TANG
Post Title	Director of Audit
Date	25.3.2008

Examination of Estimates of Expenditure 2008-09

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

Reply Serial No.

**AUD005**

Question Serial No

2164

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

While the targets and indicators under Programme (1): Regularity Audit remain the same in 2007-08 and 2008-09, the estimated number of man-hours spent has increased in 2008-09. What is the reason for this?

Asked by: Hon. WONG Ting-kwong

Reply:

The public has a high expectation on the quality of our audit services. The estimated number of man-hours spent under Programme (1): Regularity Audit will slightly increase by 4 776 hours (5.6%), from 84 563 hours in 2007-08 to 89 339 hours in 2008-09. This is attributable to the increasing complexity of regularity audit work as a result of the continued development and implementation of new auditing and financial reporting standards, the Government's accrual-based accounts, and the Government Financial Management and Information System.

Signature	_____
Name in block letters	<u>BENJAMIN TANG</u>
Post Title	<u>Director of Audit</u>
Date	<u>25.3.2008</u>

Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD006**

Question Serial No.

2165

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

While the targets under Programme (2): Value for Money Audit remain the same in 2007-08 and 2008-09, the estimated number of man-hours spent has increased. What is the reason for this?

Asked by: Hon. WONG Ting-kwong

Reply:

The Audit Commission carries out a strategic planning exercise to determine the priority and timing of value for money (VFM) audits to be conducted annually. The target number of 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 and the time required for conducting public hearings to consider VFM reports recommended for investigation by the Public Accounts Committee of the Legislative Council.

Taking into account the increasing complexity of planned VFM audits to be conducted in 2008-09, the estimated number of man-hours spent under Programme (2): Value for Money Audit will slightly increase by 3 472 hours (2.1%), from 162 157 hours in 2007-08 to 165 629 hours in 2008-09. We will continue to make the best deployment of our resources to provide independent, professional and quality audit services to the Government and public organisations to help enhance public sector performance and accountability in Hong Kong.

Signature

Name in block letters

Post Title

Date

BENJAMIN TANG

Director of Audit

25.3.2008



Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD007**

Question Serial No.

2167

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 estimates of the provision for “Mandatory Provident Fund contribution” and “Civil Service Provident Fund contribution” under “Personnel Related Expenses” in 2008-09 increase significantly by 1.3 times and 4.1 times respectively as compared with that of the revised estimate in 2007-08. What are the reasons for the increase?

Asked by:      Hon. CHAN Kam-lam

Reply:

The increase in the provision for “Mandatory Provident Fund contribution” under “Personnel Related Expenses” in 2008-09 is mainly due to the recruitment of more officers to fill the vacancies in the Audit Commission. As for the “Civil Service Provident Fund (CSPF) contribution”, increased provision is required in 2008-09 as more officers, who joined the civil service on or after 1 June 2000 and were subsequently offered permanent terms of appointment, will become eligible to join the CSPF Scheme.

Signature

Name in block letters

Post Title

Date

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BENJAMIN TANG

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Director of Audit

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25.3.2008

Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD008**

Question Serial No.

2168

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 "General departmental expenses" in 2008-09 is more than \$5.9 million, which is the double of the revised estimate in 2007-08. What are the reasons for the increase?

Asked by: Hon. CHAN Kam-lam

Reply:

The increase in the provision for "General departmental expenses" in 2008-09 is mainly due to the increased requirements for new and replacement equipment and information technology facilities, commissioning of consultancy service and staff training.

Signature

Name in block letters

Post Title

Date

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BENJAMIN TANG

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Director of Audit

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25.3.2008

Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD009**

Question Serial No.

2609

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

The Audit Commission proposes to increase its establishment by one post in 2008-09. Please advise this Council of the details of the post and the expenditure to be incurred.

Asked by: Hon. TAM Heung-man

Reply:

One Auditor post will be created to oversee the Commission's information technology activities and to conduct system reviews on government accounting and financial management systems in 2008-09. The estimated annual salary provision for the additional post is \$0.7 million.

Signature

Name in block letters

Post Title

Date

BENJAMIN TANG

Director of Audit

25.3.2008

Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD010**

Question Serial No.

2610

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit  
(2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

At present, the accountancy sector is facing a shortage of manpower. Will the Audit Commission consider allocating more resources and making additional provision to attract and retain accounting staff? If yes, what will be the staffing requirements and the expenses involved?

Asked by: Hon. TAM Heung-man

Reply:

To ensure that civil service pay stays broadly comparable with that in the private sector, the Civil Service Bureau has an established mechanism to adjust civil service pay having regard to the outcome of pay trend, pay level and starting salaries surveys conducted at regular intervals. Following the 2007-08 Civil Service Pay Adjustment and implementation of the 2006 Starting Salaries Survey findings, the salaries of serving staff and the starting salaries of new recruits appointed by the Audit Commission have been revised in 2007. The necessary provision arising from the above adjustments has been included in the 2008-09 draft Estimates.

Signature

Name in block letters

Post Title

Date

BENJAMIN TANG

Director of Audit

25.3.2008

Examination of Estimates of Expenditure 2008-09  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**AUD011**

Question Serial No.

2611

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Value for money audits play an important role in enhancing the proper use of public funds. Will the Administration consider increasing the expenses in this respect in 2008-09 to enhance the effectiveness in the use of public funds? If yes, what will be the expenses involved?

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 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

25.3.2008