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25 March 2009

The Honourable Albert CHAN
Chairman to Panel on Welfare Services
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Mr Chan,

Panel on Welfare Services

**Use of the additional subvention to subvented non-governmental organisations (NGOs)
for the 2008-09 salary adjustment**

Thank you for your letter of 18 March 2009 addressed to the Director of Audit, the content of which has been noted.

Paragraph 4.13 of the Lump Sum Grant Manual has provided that "the Director of Audit may carry out such examination as he thinks fit into the economy, efficiency and effectiveness with which the NGOs have used public resources in discharging their function." The use of the additional subventions by the NGOs mentioned in your letter falls within the remit of our value for money audits.

We note Panel Members' concern about the use by certain NGOs of the additional subventions for purposes other than salary adjustment. We also note the advice of the Legal Service Division of the Legislative Council Secretariat on the use of the additional subventions (vide LC Paper No. LS42/08-09).

The Audit Commission adopts a selective approach for conducting value for money audits. Within the resources available, the Commission has to take into account factors such as materiality, risk and auditability in selecting and prioritising audit subjects for detailed investigation. We will keep in view the use of the additional subventions by the NGOs and consider conducting a value for money audit when the situation so warrants.

Thank you again for bringing the Panel's concern to our attention.

Yours sincerely,

(Mrs Josephine NG)
for Director of Audit