

**Replies to initial written questions raised by Finance
Committee Members in examining the Estimates of Expenditure 2011-12**

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

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
AUD001	0601	Hon. TONG Ka-wah, Ronny	24	(1) Regularity Audit
AUD002	1357	Hon. CHAN Tanya	24	(2) Value for Money Audit
AUD003	2870	Hon. TO Kun-sun, James	24	(2) Value for Money Audit
AUD004	3188	Hon. TAM Wai-ho, Samson	24	

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD001

Question Serial No.

0601

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

It is stated in Programme (1) that a total of 81 accounts will be certified in 2011-12. Please list out these 81 accounts and provide the estimated expenses and man-hours to be involved for these accounts.

Asked by: Hon. TONG Ka-wah, Ronny

Reply :

An estimated total of 88,297 man-hours at a cost of \$37.8 million will be required for the certification of the 81 accounts in 2011-12. Details are given at the Appendix.

Signature _____

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 15.3.2011

Appendix

Estimated man-hours and audit cost for certification of 81 accounts in 2011-12

		Man-hours (Number)	Audit Cost (\$)
Accounts of the Government			
1	General Revenue Account	34,951	15,642,299
2	Bond Fund	185	91,875
3	Capital Investment Fund	856	363,633
4	Capital Works Reserve Fund	5,193	2,050,115
5	Civil Service Pension Reserve Fund	55	34,067
6	Disaster Relief Fund	130	63,289
7	Innovation and Technology Fund	533	202,178
8	Land Fund	64	40,456
9	Loan Fund	1,980	840,689
10	Lotteries Fund	771	287,068
Trading Funds			
11	Companies Registry Trading Fund	980	348,680
12	Electrical and Mechanical Services Trading Fund	1,269	547,841
13	Land Registry Trading Fund	1,020	365,641
14	Office of the Telecommunications Authority Trading Fund	844	298,534
15	Post Office Trading Fund	2,706	1,170,468
Other Funds			
16	AIDS Trust Fund	289	118,989
17	Bankruptcy Estates Account	63	29,246
18	Brewin Trust Fund	201	81,575
19	Chinese Temples Fund	467	225,427
20	Companies Liquidation Account	777	330,295
21	Correctional Services Children's Education Trust	93	35,682

Other Funds (Cont'd)		Man-hours (Number)	Audit Cost (\$)
22	Correctional Services Department Welfare Fund	172	70,146
23	Customs and Excise Service Children's Education Trust Fund	71	29,077
24	Customs and Excise Service Welfare Fund	81	31,968
25	Director of Social Welfare Incorporated Accounts	651	283,882
26	District Court Suitors' Funds	657	264,893
27	Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers	378	143,393
28	Education Development Fund	354	133,292
29	Education Scholarships Fund	119	47,498
30	Emergency Relief Fund	109	44,227
31	Environment and Conservation Fund	123	49,043
32	Exchange Fund	6,252	2,705,622
33	Financial Reporting Council	295	150,125
34	Fire Services Department Welfare Fund	320	153,517
35	Fisheries Development Loan Fund	159	63,853
36	General Chinese Charities Fund	301	116,343
37	Government Flying Service Welfare Fund	32	11,606
38	Grant Schools Provident Fund	731	296,781
39	Grantham Scholarships Fund	212	83,922
40	High Court Suitors' Funds	879	370,505
41	Hong Kong Housing Authority	10,735	4,382,706
42	Hong Kong Rotary Club Students' Loan Fund	70	28,017
43	HKSAR Government Scholarship Fund	590	313,240
44	Immigration Service Welfare Fund	64	25,996
45	Independent Commission Against Corruption Welfare Fund	35	14,382
46	J. E. Joseph Trust Fund	142	55,998
47	Kadoorie Agricultural Aid Loan Fund	230	100,447
48	Labour Tribunal Suitors' Funds	288	114,395
49	Language Fund	354	137,241
50	Legal Aid Services Council	102	43,691
51	Li Po Chun Charitable Trust Fund	283	117,076
52	MacLehose Fund	272	108,452
53	Master in Lunacy Account	72	25,603
54	Minor Employment Claims Adjudication Board Suitors' Funds	72	34,994
55	Official Administrator's Account	329	137,144
56	Official Receiver in Bankruptcy Account	546	218,237
57	Official Receiver in Voluntary Arrangement Account	112	56,583
58	Official Solicitor's Accounts	709	304,120

Other Funds (Cont'd)		Man-hours (Number)	Audit Cost (\$)
59	Pneumoconiosis Ex Gratia Fund	100	37,391
60	Police Children's Education Trust	208	77,298
61	Police Education and Welfare Trust	208	77,298
62	Police Welfare Fund	461	217,067
63	Prisoners' Education Trust Fund	117	43,515
64	Prisoners' Welfare Fund	88	33,783
65	Quality Education Fund	760	390,883
66	Queen Elizabeth Foundation for the Mentally Handicapped	336	137,267
67	Research Endowment Fund	533	226,939
68	Samaritan Fund	136	48,091
69	Secretary for Home Affairs Incorporated Accounts	425	173,741
70	Sing Tao Charitable Foundation Students' Loan Fund	98	38,102
71	Sir David Trench Fund for Recreation	533	228,714
72	Sir Edward Youde Memorial Fund	407	159,014
73	Sir Robert Black Trust Fund	159	62,864
74	Small Claims Tribunal Suitors' Funds	201	75,337
75	Social Work Training Fund	124	50,146
76	Statement of Deposits required pursuant to sections 35 and 35A of the Insurance Companies Ordinance	124	47,298
77	Subsidized Schools Provident Fund	1,840	741,786
78	Supplementary Legal Aid Fund	203	82,807
79	The Legislative Council Commission	466	229,371
80	Traffic Accident Victims Assistance Fund	398	192,691
81	World Refugee Year Loan Fund	44	16,554
	Total	88,297	37,824,019

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD002

Question Serial No.

1357

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Please provide the following information on value for money audit:

- (a) Regarding the provision for value for money audit as a percentage of total government expenditure, will the Administration inform this Committee of the following?
- (i) In the 2011-12 financial year, the above-mentioned percentage will fall markedly from 0.027% to 0.022%. This illustrates that the provision in this area will not increase in tandem with the increased government expenditure. Will the Administration explain the reasons why auditing resources are not increased when government expenditure is rising?
- (ii) At present, is there a benchmark among developed countries and regions governing the proportion of resources spent on value for money audits against total government expenditure? If yes, what is the benchmark? If not, what are the criteria used by the Administration in coming up with the current estimated percentage of auditing resources in total government expenditure?
- (b) In view of the increasing concern and demand of the community in the efficient utilisation of public resources and in the corporate governance of government departments and public bodies, will the Administration consider allocating more resources to the Audit Commission to perform more value for money audits? If yes, what are the details? If not, what are the reasons?
- (c) Some public bodies are currently not covered by value for money audits of the Audit Commission. In 2011-12, will the Administration allocate more resources to the Audit Commission and review the coverage of public bodies subject to value for money audits by the Audit Commission, with a view to including more public bodies for value for money audits? If yes, what are the details? If not, what are the reasons?

Asked by: Hon. CHAN Tanya

Reply :

- (a) (i) The fall of the provision for value for money (VFM) audit as a percentage of total government expenditure from 0.027% to 0.022% is mainly due to a 0.7% increase in the provision for VFM audit against a 22% increase in the total government expenditure. As about 95% of the Audit Commission's expenditure is on staff salaries and related expenses and the Commission will carry out its VFM audit work with existing staff resources, there is not a corresponding adjustment in the provision for VFM audit. We will continue to make the best deployment of our existing resources to provide independent, professional and quality audit services to the HKSAR Government and public sector organisations to help enhance public sector performance and accountability.
- (ii) We are not aware of any benchmarks among developed countries and regions governing the proportion of resources spent on VFM audits against total government expenditure. The provision for VFM audit is based on the Audit Commission's annual strategic planning exercise which sets the target number of VFM audit reports issued to audited bodies, having regard to the scope and complexity of the audits.
- (b) With growing demand for public accountability, the Audit Commission considers it increasingly important to conduct VFM audits that would enhance public sector economy, efficiency and effectiveness. We take into account a number of factors such as timeliness, risk, materiality, impact and public interest in selecting subjects for VFM audit. We conduct a VFM audit when the situation warrants an in-depth review. Availability of resources is only one of the factors taken into account in determining whether or not to conduct a VFM audit on a particular subject. We will seek additional resources from the Administration when there is a need to do so
- (c) According to the paper tabled in the Provisional Legislative Council on 11 February 1998 on the Scope of Government Audit in the Hong Kong Special Administrative Region — "Value for Money Audits", audited organisations shall include:
- (a) any person, body corporate or other body whose accounts the Director is empowered under any Ordinance to audit;
- (b) any organisation which receives more than half of its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half of its income from public moneys by virtue of an agreement made as a condition of subvention); and
- (c) any organisation the accounts and records of which the Director is authorised in writing to audit by the Chief Executive in the public interest under section 15 of the Audit Ordinance (Cap. 122).

Whether a public organisation should become an audited organisation is a policy matter for the Administration. We will seek additional resources from the Administration when there is a need to conduct VFM audits on the audited organisations concerned.

Signature _____

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD003

Question Serial No.

2870

Head: 24 - Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question:

- (a) 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 (R&SS) in 2010-11, for example, whether some individuals have been given rewards or special services monies frequently every year, or have been rewarded anomalously high amounts?
- (b) Please advise whether the Audit Commission has carried out value for money audits on the expenditures of above-mentioned departments on 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 in the use of the resources be examined?
- (c) Has the Audit Commission examined whether the payments for R&SS made by the above-mentioned departments 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?
- (d) What are the grounds for the Audit Commission being satisfied that the above-mentioned departments have exercised sufficient internal control on expenditures for R&SS?

Asked by: Hon. TO Kun-sun, James

Reply :

- (a) The Audit Commission has not identified any exceptional cases during the audit of the expenditures of the ICAC, the HKPF and the C&ED on R&SS in 2010-11.

(b) 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, auditors 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.

(c) & (d)

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 obtained and the professional judgement of our auditors, the Commission is satisfied that sufficient internal control has been exercised, the laid down rules and procedures have been complied with and the payments made are reasonable.

Signature	_____
Name in block letters	_____ BENJAMIN TANG _____
Post Title	_____ Director of Audit _____
Date	_____ 15.3.2011 _____

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD004

Question Serial No.

3188

Head: 24 - Audit Commission

Subhead (No. & title):

Programme:

Controlling Officer: Director of Audit

Director of Bureau:

Question:

Regarding the estimates of expenditure of the information technology management unit (ITMU) of the department:

- (a) What is the estimated expenditure for 2011-12? What is the percentage change compared with the actual expenditure for 2010-11? What account for this percentage change in expenditure?
- (b) What specific initiatives are involved in the estimates of expenditure for 2011-12? Which of them are ongoing and new initiatives respectively? What are the staff number, cost and implementation timetable of each initiative? Among the staff involved, how many of them are civil servants, non-civil service contract staff and staff of outsourced services respectively?
- (c) Whether funds have been reserved for promoting electronic civic participation and public sector information access? If yes, what are the specific details, including the titles and particulars of the initiatives, the manpower and cost involved, and the implementation timetable? If not, what are the reasons and will consideration be given to introducing the initiatives in the future?
- (d) What are the permanent establishment and the number of existing staff and vacancies of the ITMU? Is manpower expected to increase in the coming year? If yes, how many additional posts will be created? What ranks will be involved? Will they be permanent posts? Will they be appointed on civil service terms? If there will be no increase in manpower, what are the reasons?
- (e) Has there been any comprehensive review of the effectiveness of the ITMU? If yes, what are the results and the specific improvement measures involved? If not, what are the reasons and will a review be conducted in the future?

Asked by: Hon. TAM Wai-ho, Samson

Reply :

- (a) The estimated expenditure of the ITMU will be about \$2.88 million in 2011-12. This represents a 24.7% increase when compared to the revised expenditure of \$2.31 million in 2010-11. The increase is mainly due to the procurement of additional information technology (IT) related equipment and services for enhancement of work efficiency.
- (b) In 2011-12, the provision of \$2.88 million for ITMU, apart from meeting the staff cost, will mainly be used for the procurement of new computer and IT equipment to replace malfunctioned/obsolete ones and for the acquisition of IT software, accessories and support services. The procurement is an on-going work as we regularly assess the performance of our IT infrastructure and the need to make good use of IT in supporting the work of the Audit Commission. The procurement work and routine IT support service are undertaken by four civil servants and an IT student trainee.
- (c) With the more popular use of smartphones by the community, we will study the feasibility of launching a mobile phone version of the Director of Audit's reports to enable members of the public to use their smartphones to read the reports. If the initiative is proven to be technically feasible, we will engage an external contractor to implement the project at an estimate of \$0.1 million in 2011-12.
- (d) The establishment of our ITMU comprises four civil service posts and all the posts are filled. Besides, an IT student trainee is also engaged. The current establishment is considered appropriate having regard to the scale and complexity of IT support requirement in the Audit Commission. We will regularly review the workload of the ITMU to ensure that there are proper and sufficient IT support.
- (e) We have set up a Departmental IT Steering Committee to review the manpower and development of the ITMU. Besides, the ITMU prepares an annual IT plan to facilitate the planning and monitoring of the implementation of IT projects. The IT plan takes stock of the implementation progress of IT projects and identifies opportunities for greater and more efficient use of IT in the Audit Commission. So far, the ITMU has been operating smoothly and our IT projects have been implemented effectively.

Signature _____

Name in block letters BENJAMIN TANG

Post Title Director of Audit

Date 15.3.2011