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本署檔號 Our Ref.: **UB/BAR/PAC/55 Vol 4**

來函檔號 Your Ref.:

10 January 2011

Ms Miranda HON
Clerk, Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Ms HON,

Accounts of the Government for the year ended 31 March 2010

I refer to the two written questions of the Honourable CHAN Mo-po tabled at the Public Accounts Committee meeting held on 6 January 2011 on the above subject. The information requested is set out below.

Question 1:

Consistent with the practice in the private sector, the Audit Commission has issued management letters (in the form of memorandum) to the Administration on the audit of the government accounts. A specimen of one management letter issued in 2009-10 (with the names of the auditees concealed) is attached at Annex for your reference.

Question 2:

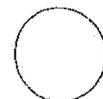
The amount of \$131 million (shown as estimated revenue in the 2009-10 accounts of the Capital Works Reserve Fund) was the estimated amount receivable from the MTR Corporation Limited in respect of construction works carried out by the Government on its behalf. Up to 2009-10, no payments had been received from the MTR Corporation because the Administration and the Corporation had not yet agreed on the outstanding amount payable by the Corporation. According to the Administration, \$131 million represents the Government's best estimation of the amount that can be received from the Corporation.

A Chinese translation of this letter will be forwarded to you shortly.

Yours sincerely,

A handwritten signature in black ink, consisting of several fluid, connected strokes. The signature is positioned below the text "Yours sincerely," and above the printed name and title.

(Philip LAU)
for Director of Audit



MEMO

<p><i>From</i> <u>Director of Audit</u></p> <p><i>Ref.</i> <u>(1) in UI/TSY/ASA/09</u></p> <p><i>Tel.</i> <u>[REDACTED]</u></p> <p><i>Fax</i> <u>2824 2087</u></p> <p><i>Date</i> <u>28 January 2010</u></p>	<p><i>To</i> <u>Director of [REDACTED]</u></p> <p><i>(Attn.: [REDACTED])</i></p> <p><i>Your Ref.</i> _____</p> <p><i>Dated</i> _____ <i>Fax</i> _____</p> <p><i>Total Pages</i> <u>2</u></p>
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Annual Return of Arrears of Revenue

We ([REDACTED] and the undersigned) spoke. I should be grateful for your comments on the following audit observations and recommendations by 8 February 2010.

Background

2. According to Standing Accounting Instruction 1020, Controlling Officers are required to produce each year a statement showing all debts and charges which were due but were not paid by 31 March and those that were still outstanding by 30 June. If a demand note has been raised, the due date of the debt or charge is the date specified in the demand note. If it has been agreed that a debt or charge may be collected by instalments, each instalment should be considered as a debt falling due on the date that the instalment is due to be paid.

Audit observations

3. Government bureaux and departments were required to submit the annual return of arrears of revenue for the year ended 31 March 2009 in electronic forms and in the manner specified in Treasury Circular Memorandum No. 6/2009. A general review of the Appendices of this memorandum indicated that, for debts and charges to be collected by instalments, the total amount of instalments which were not due on 31 March 2009 was required to be:

- (a) included in the annual return of arrears of revenue as outstanding as at 31 March 2009; and
- (b) excluded from the annual return of arrears of revenue as still outstanding as at 30 June 2009.

These accounting arrangements have the effect of overstating the total amount of arrears of revenue as at 31 March 2009. For example, in the case of the annual return of arrears of revenue submitted by the [REDACTED] Department, the total amount of arrears of revenue as at 31 March 2009 was overstated by \$144 million as a result of including those instalments which were not due on 31 March 2009.

Audit recommendations

4. Audit recommends that the Director of [REDACTED] should consider:
- (a) including specific guidelines in the Treasury Circular Memorandum for the correct reporting of the amount of arrears of revenue as at 31 March 2010; and
 - (b) revising the format of the annual return of arrears of revenue to eliminate the effect of overstating the amount of arrears of revenue as at 31 March 2010.

[REDACTED]
for Director of Audit

c.c. [REDACTED]
[REDACTED]