

**Replies to initial written questions raised by Finance Committee Members
in examining the Estimates of Expenditure 2012-13**

Controlling Officer : Director of Audit

Session No. : 8

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
AUD001	1314	CHAN Mo-po, Paul	24	(2) Value for Money Audit
AUD002	1670	HO Sau-lan, Cyd	24	
AUD003	0051	IP LAU Suk-yee, Regina	24	
AUD004	1869	NG Margaret	24	(2) Value for Money Audit
AUD005	1943	TO Kun-sun, James	24	(2) Value for Money Audit
AUD006	1784	TONG Ka-wah, Ronny	24	(1) Regularity Audit

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

AUD001

Question Serial No.

1314

Head: 24 Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question:

- (a) Please list, by nature, the name of bureau/departments of the Government, agencies, public bodies and organisations on which value for money audit has been carried out since July 1997.
- (b) Please list, by nature, the name of bureaux/departments of the Government, agencies, public bodies and organisations that are subject to value for money audit but such audit has not been carried out.
- (c) What are the criteria and methodology that the Director of Audit has adopted in selecting cases for carrying out value for money audit and in according priorities in this regard?
- (d) Are existing resources sufficient?

Asked by: Hon. CHAN Mo-po, Paul

Reply:

- (a) Details of government bureaux/departments and audited organisations for which value for money audits had been carried out since July 1997 are given at Appendix 1.
- (b) Details of government bureaux/departments and audited organisations for which no value for money audits had been carried out are given at Appendix 2.
- (c) The Audit Commission conducts annual strategic planning exercise to identify potential subjects for inclusion in the annual programme of work for value for money audits. A number of factors such as timeliness, materiality, risk, auditability and value-added are taken into account in selecting subjects for value for money audit. Among these factors, timeliness is the most important and overriding one.
- (d) As mentioned in (c), the Audit Commission takes into account a number of factors in selecting subjects for conducting value for money audits. A value for money audit is conducted 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 value for money audit on a particular subject. The Commission will continue to make the best deployment of its available resources to provide independent, professional and quality audit services to the Government and public sector organisations to help enhance public sector performance and accountability. The Commission will keep the adequacy of resources under regular review.

Signature: _____

Name in block letters: BENJAMIN TANG

Post Title: Director of Audit

Date: 24 February 2012

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**Government bureaux/departments and audited organisations for which
value for money audits had been carried out since July 1997**

No.	Nature	Bureau/department/audited organisation
1	-	Chief Secretary for Administration's Office
2	Anti-corruption	Independent Commission Against Corruption
3	Civil Service	Civil Service Bureau
4	Commerce and Economic Development	Applied Research Council Commerce and Economic Development Bureau Consumer Council CreateHK Hong Kong Applied Science and Technology Research Institute Company Limited Hong Kong Design Centre Hong Kong Export Credit Insurance Corporation Hong Kong Observatory Hong Kong Productivity Council Hong Kong Tourism Board Hongkong Post Innovation and Technology Commission Intellectual Property Department Invest Hong Kong Office of the Government Chief Information Officer Office of the Telecommunications Authority Radio Television Hong Kong Television and Entertainment Licensing Authority Trade and Industry Department
5	Constitutional and Mainland Affairs	Constitutional and Mainland Affairs Bureau Equal Opportunities Commission Office of the Privacy Commissioner for Personal Data Registration and Electoral Office

No.	Nature	Bureau/department/audited organisation
6	Development	Architectural Services Department Buildings Department Civil Engineering and Development Department Development Bureau Drainage Services Department Electrical and Mechanical Services Department Lands Department Lands Registry Planning Department Water Supplies Department
7	Education	Education Bureau English Schools Foundation Student Financial Assistance Agency University Grants Committee Secretariat Vocational Training Council
8	Environment	Environment Bureau Environmental Protection Department
9	Financial Services and the Treasury	Census and Statistics Department Companies Registry Financial Services and the Treasury Bureau Government Logistics Department Government Property Agency Hong Kong Monetary Authority Inland Revenue Department Legislative Council Commission Official Receiver's Office Rating and Valuation Department Treasury
10	Food and Health	Agriculture, Fisheries and Conservation Department Department of Health Food and Environmental Hygiene Department Food and Health Bureau Government Laboratory Hospital Authority The Society for the Aid and Rehabilitation of Drug Abusers

No.	Nature	Bureau/department/audited organisation
11	Home Affairs	Home Affairs Bureau Home Affairs Department Hong Kong Arts Development Council Hong Kong Chinese Orchestra Limited Information Services Department Legal Aid Department Leisure and Cultural Services Department
12	Judiciary	Judiciary
13	Labour and Welfare	Employees Retraining Board Fu Hong Society Labour and Welfare Bureau Labour Department Social Welfare Department
14	Legal Administration	Department of Justice
15	Security	Auxiliary Medical Service Civil Aid Service Correctional Services Department Customs and Excise Department Fire Services Department Government Flying Service Hong Kong Police Force Immigration Department Security Bureau
16	Transport and Housing	Hong Kong Housing Authority Housing Department Highways Department Marine Department Transport and Housing Bureau Transport Department

**Government bureaux/departments and audited organisations for which
no value for money audits had been carried out**

No.	Nature	Bureau/department/audited organisation (Note)
1	-	Central Policy Unit Chief Executive's Office Office of The Ombudsman
2	Civil Service	Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service Public Service Commission
3	Commerce and Economic Development	Hong Kong Research and Development Centre for Information and Communications Technologies Hong Kong Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies Travel Industry Compensation Fund Management Board
4	Education	Hong Kong Council for Accreditation of Academic and Vocational Qualifications
5	Financial Services and the Treasury	Economic Analysis and Business Facilitation Unit Financial Reporting Council Office of the Commissioner of Insurance Securities and Futures Commission
6	Food and Health	Hong Kong Council on Smoking and Health
7	Home Affairs	Community Care Fund Duty Lawyer Service Hong Kong Academy for Performing Arts Hong Kong Philharmonic Society Limited Hong Kong Sports Institute Limited Legal Aid Services Council West Kowloon Cultural District Authority
8	Labour and Welfare	Employees Compensation Assistance Fund Board Employees' Compensation Insurance Levies Management Board Occupational Deafness Compensation Board

No.	Nature	Bureau/department/audited organisation (Note)
9	Security	Independent Police Complaints Council Secretariat, Commissioner on Interception of Communications and Surveillance

Note : This is not an exhaustive list. Only examples of audited organisations are listed as there are many audited organisations (e.g. government and subsidised schools under the portfolio of the Education Bureau, and various non-governmental organisations subvented by the Social Welfare Department are not listed).

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

AUD002

Question Serial No.

1670

Head: 24 Audit Commission

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer:

Director of Bureau: Director of Audit

Question:

The Director of Audit is delegated power to create or delete non-directorate posts during 2012-13, but the notional annual mid-point salary value of all such posts must not exceed \$95,209,000. In this connection, will the Government inform this Committee of the following?

1. With increasing experience of such non-directorate post-holders in the ensuing years and their salaries exceeding the above annual mid-point salary value, how will the Director ensure retention of the experienced staff?
2. The establishment of 187 posts in 2013 represents an increase of only 2 posts when compared with 185 posts in 2009. How will the Commission cope with the auditing work arising from the increasing number of funds and statutory organisations?

Asked by: Hon. HO Sau-lan, Cyd

Reply:

1. The total notional annual mid-point salary value of all non-directorate posts that a department cannot exceed in a financial year is used to denote the limit of the size of the permanent non-directorate establishment of the department in that year. The actual staff costs are provided under Personal Emolument and other relevant subheads to meet the salary requirements (including increments) of staff and other staff related expenses. The Audit Commission makes sufficient provision under subheads concerned to meet the necessary staff costs each year. Furthermore, the Audit Commission, with people-oriented as one of its core values, is committed to creating a work environment that values the professionalism, skills, commitment and creativity of staff. It attaches great importance to succession planning and staff's career development. Ample training opportunities and exposure are provided to staff to enhance their professional knowledge and skill and to develop their potential. Staff with the ability, potential and experience required of the next higher ranks will be selected for promotion through established promotion mechanism when there are vacancies.
2. In 2012-13, the Audit Commission will be provided with new staff resources to cope with the additional workload in both regularity audit and value for money audit. To continue with the provision of independent and professional audit services to the Government and public sector organisations and to meet the future challenges and increasing workload, the Audit Commission will make the best deployment of available resources. The Commission will also continue to improve its efficiency and

effectiveness through enhancement of audit methodology and technology as well as streamlining and re-engineering of work processes.

Signature: _____
Name in block letters: BENJAMIN TANG
Post Title: Director of Audit
Date: 17 February 2012

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

AUD003

Question Serial No.

0051

Head: 24 Audit Commission

Subhead (No. & title): 000 Operational expenses

Programme:

Controlling Officer: Director of Audit

Director of Bureau:

Question:

In the financial provision under Subhead 000 Operational expenses, the 2012-13 estimates for Remuneration for special appointments and General departmental expenses under Departmental Expenses are \$4.18 million and \$4.81 million respectively, both being higher than the 2011-12 revised estimates of \$2.4 million and \$3.74 million. What are the details for the increase in expenses?

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

Provision under Remuneration for special appointments is for the salary requirement in respect of the Director of Audit. The 2012-13 estimate for this subhead is higher than the 2011-12 revised estimate by \$1.78 million. There is an increase because apart from the annual salary requirement for the post, additional provision is needed to meet the salary requirement for the incumbent Director of Audit during his pre-retirement leave period commencing on 1 July 2012.

For General departmental expenses, the 2012-13 estimate is higher than the 2011-12 revised estimate by \$1.07 million. Increased requirements are projected for various general departmental expenses items, including office equipment, consultancy services, training and administration expenses, in order to cater for the expected price rise and ad hoc needs.

Signature: _____

Name in block letters: BENJAMIN TANG

Post Title: Director of Audit

Date: 9 February 2012

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

AUD004

Question Serial No.

1869

Head: 24 Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question:

How many government departments/public sector organisations on which will the Audit Commission carry out audits in 2011-12? At present, what is the number of outstanding cases which cannot be promptly carried out because of manpower shortage or other reasons? Besides, what is the average number of man-hours required for auditing a government department/public sector organisation? And normally when will a government department/public sector organisation be audited again?

Asked by: Hon. NG Margaret

Reply:

In accordance with the Government's requirement, all value for money audit reports are confidential before tabling in the Legislative Council. Owing to this confidentiality requirement, the Audit Commission could not disclose details about value for money audits to be conducted in 2011-12. The Director of Audit's Report No. 57 tabled in the Legislative Council in November 2011 contained audits on a total of 17 government departments and public sector organisations. The Commission conducts value for money audits in accordance with an annual programme of work. The progress of each audit is monitored through a computerised system and so far all audits are on schedule. The number of man-hours required for each value for money audit needs to be justified annually. In general, the direct man-hours (for conducting investigation work and reporting work) for a value for money audit are about 4 000 man-hours. In selecting subjects for value for money audit, the Commission will take into account a number of factors such as timeliness, materiality, risk, auditability and value-added. A value for money audit is conducted when the situation warrants an in-depth review. There is no fixed time frame for auditing the same government department/public sector organisation again.

Signature: _____

Name in block letters: BENJAMIN TANG

Post Title: Director of Audit

Date: 23 February 2012

Session 8 AUD

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

AUD005

Question Serial No.

1943

Head: 24 Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question:

- (a) Did the Audit Commission carry out a value for money audit on the actual utilisation and components of the rewards and special services (R&SS) expenditures of the Hong Kong Police Force (HKPF) (Subhead 103 of Head 122) in 2011-12?
- (b) Will the above item be subject to value for money audit in 2012-13?

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) All value for money audit reports are confidential before tabling in the Legislative Council. Therefore, the Audit Commission cannot disclose whether it had carried out a value for money audit on the R&SS expenditures of the HKPF in 2011-12. Nevertheless, in carrying out the regularity audit of R&SS expenditures, the Commission reviewed the rules and procedures established by the HKPF for making payments for R&SS, and had conducted audit tests on selected transactions. Based on the audit evidence and our professional judgement, the Commission was satisfied that sufficient internal control had been exercised, the laid down rules and procedures had been complied with and the payments made were reasonable.
- (b) Given the wide spectrum of the activities of the Government, the Audit Commission has to take into account factors such as timeliness, materiality, risk, auditability and value-added in selecting and prioritising value for money audit subjects. The Audit Commission will keep in view the need for carrying out a value for money audit on R&SS expenditures having regard to the established audit criteria. Given that all value for money audit reports are confidential before tabling in the Legislative Council, the Commission cannot disclose whether an audit on the R&SS expenditures of the HKPF will be conducted in 2012-13.

Signature: _____

Name in block letters: BENJAMIN TANG

Post Title: Director of Audit

Date: 22 February 2012

Session 8 AUD

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

AUD006

Question Serial No.

1784

Head: 24 Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question:

- (a) Please provide details of the accounts to be audited in 2012-13, and the expenditure for audit of each of these accounts.
- (b) Has the Audit Commission checked whether its recommendations have been implemented following the issue of audit reports? If yes, what are the related expenses incurred in 2011-12?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

- (a) An estimated total cost of \$41.2 million will be required for the certification of 81 accounts in 2012-13. Details are given at the Appendix.
- (b) The Audit Commission has deployed staff to follow up the implementation of its recommendations during the course of the annual audit of the accounts. The Commission reports its work, including the implementation of the recommendations, to the Public Accounts Committee after tabling of the Director of Audit's Report on the Annual Accounts of the Government of the Hong Kong Special Administrative Region. The related expenses incurred in 2011-12 are included in the cost for the certification of the accounts for the year.

Signature: _____

Name in block letters: BENJAMIN TANG

Post Title: Director of Audit

Date: 23 February 2012

Estimated audit cost for certification of 81 accounts in 2012-13

	Audit Cost (\$)
Accounts of the Government	
1	General Revenue Account 16,106,794
2	Bond Fund 97,778
3	Capital Investment Fund 386,458
4	Capital Works Reserve Fund 2,210,055
5	Civil Service Pension Reserve Fund 35,481
6	Disaster Relief Fund 67,074
7	Innovation and Technology Fund 216,402
8	Land Fund 42,199
9	Loan Fund 902,758
10	Lotteries Fund 307,505
Trading Funds	
11	Companies Registry Trading Fund 374,938
12	Electrical and Mechanical Services Trading Fund 591,819
13	Land Registry Trading Fund 392,799
14	Office of the Telecommunications Authority Trading Fund 346,220
15	Post Office Trading Fund 1,327,624
Other Funds	
16	AIDS Trust Fund 127,250
17	Bankruptcy Estates Account 24,317
18	Brewin Trust Fund 95,026
19	Chinese Temples Fund 251,300
20	Companies Liquidation Account 348,611
21	Correctional Services Children's Education Trust 46,909
22	Correctional Services Department Welfare Fund 76,785
23	Customs and Excise Service Children's Education Trust Fund 38,177
24	Customs and Excise Service Welfare Fund 41,372
25	Director of Social Welfare Incorporated Accounts 304,028
26	District Court Suitors' Funds 305,631
27	Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers 153,436
28	Education Development Fund 142,830
29	Education Scholarships Fund 52,738
30	Emergency Relief Fund 83,255
31	Environment and Conservation Fund 52,420
32	Exchange Fund 2,922,319

Audit Cost (\$)

33	Financial Reporting Council	159,130
34	Fire Services Department Welfare Fund	168,909
35	Fisheries Development Loan Fund	59,688
36	General Chinese Charities Fund	127,352
37	Government Flying Service Welfare Fund	12,495
38	Grant Schools Provident Fund	320,347
39	Grantham Scholarships Fund	90,588
40	High Court Suitors' Funds	375,694
41	Hong Kong Housing Authority	4,981,855
42	Hong Kong Rotary Club Students' Loan Fund	29,998
43	HKSAR Government Scholarship Fund	387,000
44	Immigration Service Welfare Fund	34,273
45	Independent Commission Against Corruption Welfare Fund	21,932
46	J. E. Joseph Trust Fund	79,491
47	Kadoorie Agricultural Aid Loan Fund	116,191
48	Labour Tribunal Suitors' Funds	131,179
49	Language Fund	146,572
50	Legal Aid Services Council	46,943
51	Li Po Chun Charitable Trust Fund	129,441
52	MacLehose Fund	116,333
53	Master in Lunacy Account	34,145
54	Minor Employment Claims Adjudication Board Suitors' Funds	44,542
55	Official Administrator's Account	148,340
56	Official Receiver in Bankruptcy Account	231,955
57	Official Receiver in Voluntary Arrangement Account	50,138
58	Official Solicitor's Accounts	413,646
59	Pneumoconiosis Ex Gratia Fund	46,849
60	Police Children's Education Trust	89,996
61	Police Education and Welfare Trust	89,996
62	Police Welfare Fund	277,632
63	Prisoners' Education Trust Fund	54,366
64	Prisoners' Welfare Fund	36,577
65	Quality Education Fund	412,955
66	Queen Elizabeth Foundation for the Mentally Handicapped	149,714
67	Research Endowment Fund	231,867
68	Samaritan Fund	58,615
69	Secretary for Home Affairs Incorporated Accounts	758,421
70	Sing Tao Charitable Foundation Students' Loan Fund	40,833
71	Sir David Trench Fund for Recreation	242,425
72	Sir Edward Youde Memorial Fund	170,118
73	Sir Robert Black Trust Fund	73,695

Audit Cost (\$)

74	Small Claims Tribunal Suitors' Funds	84,739
75	Social Work Training Fund	54,718
76	Statement of Deposits required pursuant to sections 35 and 35A of the Insurance Companies Ordinance	50,854
77	Subsidized Schools Provident Fund	799,344
78	Supplementary Legal Aid Fund	90,241
79	The Legislative Council Commission	245,894
80	Traffic Accident Victims Assistance Fund	209,240
81	World Refugee Year Loan Fund	18,829
	Total	<u>41,218,403</u>