

Bureau Serial No.

AUD002

Question Serial No.

0559

**Examination of draft Estimates of Expenditure 2000-01
CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : Head 24 - Audit Commission

Programme : Regularity Audit

Controlling Officer : Director of Audit

Question : Please advise the Council the number of vacancies to be filled and the provision for filling such vacancies for 2000-01.

Asked by : The Honourable Emily LAU Wai-hing, J.P.

Reply : Please see answer to Question Serial No. 0558. In the event, the Commission has been able to recruit only two non-civil service contract staff, one each at the Auditor and Senior Auditor levels. The total annual expenditure of employing these two staff is \$1.38 million which is more than offset by funds released from the freezing of existing vacancies.

Signature : _____

Name in block letters : _____ CHAN YIN TAT _____

Post Title : _____ Director of Audit _____

Date : _____ 20 March 2000 _____

Appendix 2

Bureau Serial No.

AUD003

Question Serial No.

0560

**Examination of draft Estimates of Expenditure 2000-01
CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION****Head :** Head 24 - Audit Commission**Programme :** Value for Money Audit**Controlling Officer :** Director of Audit

- Question :**
1. Please advise the Council why the number of man-hours to be spent is 1606 man-hours more and the provision for the value for money audit programme for 2000-01 is \$1.0 million higher than the revised estimate for 1999-2000, but the number of value for money audit subjects to be conducted would be decreased by one when compared with the previous financial year.
 2. Please advise the Council the number of vacancy to be filled and the provision for filling such vacancies for 2000-01.

Asked by : The Honourable Emily LAU Wai-hing, J.P.

- Reply :**
1. The increase in provision of \$1 million in Programme (2) of the draft Estimates of Expenditure 2000-01 is mainly due to salary increments for existing staff and provision for the filling of vacant posts in 2000-01. To meet increasing public expectations, the Audit Commission needs to strengthen staff training to enhance their skills to ensure that they are capable of producing high quality audit reports which add value to both the Government and the public. The Commission also needs to conduct more broad-based value for money audits which are more complex. This explains why, although there is a reduction of value for money audits by one subject, the number of manhours will increase slightly by 1,606 manhours (i.e. a small increase of 0.8%).
 2. Originally, the Commission intended to fill one existing Examiner vacancy. However, given the recent government-wide decision to freeze the recruitment of civil servants for another year, the Commission will not fill this vacancy. As a temporary measure, the work of this post, which is mainly to provide support in the running of staff training and development programmes, will be shared among the existing staff.

Signature : _____

Name in block letters : CHAN YIN TAT Post Title : Director of Audit Date : 20 March 2000

Appendix 2

Bureau Serial No.

AUD004

Question Serial No.

0561

**Examination of draft Estimates of Expenditure 2000-01
CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : Head 24 - Audit Commission**Programme :** Value for Money Audit**Controlling Officer :** Director of Audit**Question :** In prior years, responses to questions regarding expenditures on consultants and outside contractors have resulted in vague responses such as :

“while we do not anticipate any immediate savings through contracting out services, the employment of contractors permits greater flexibility in varying the number of staff employed on the various types of services according to demand. We anticipate that this will result in savings in costs in the longer term, though it is difficult to quantify these savings.” (11 March 1999 response by the Director of Lands to question on consultants and contractors, Bureau Serial Number PEL173).

This year, there has been \$5,200,000 included in the approved commitments and estimated 1999-2000 expenditures for various consultations by just the Audit Commission alone.

In light of the stated difficulty in quantifying savings through contracting out services, what criteria are established to ensure that the government and taxpayers are getting value for money?

Subhead (Code)	Item (Code)	Approved commitment \$'000
700	010	1,000
	011	1,000
	012	500
	013	700
	014	800
	015	600
	016	600
		————— 5,200 —————

Asked by : The Honourable Christine LOH**Reply :** The Audit Commission has seven consultancy projects in the draft Estimates of Expenditure 2000-01. However, four of the projects are in fact brought forward from

the last two financial years (i.e. items 010 to 013). The approved commitment for the three new projects (i.e. items 014 to 016) in 2000-01 is only \$2 million.

Value for money audits cover a wide range of government activities. Outside expert assistance in the form of consultancy is often necessary to enable value for money audits in specific professional areas to be conducted effectively. With the broadening of the scope of value for money audits conducted by the Audit Commission, the auditors often come across issues where value for money investigations are considered worth embarking on, but which require professional knowledge or expertise currently not available within the Commission. Use of consultants is also in line with best international audit practices in the national audit offices of advanced countries.

In planning to engage consultants, one of the major factors taken into consideration by the Audit Commission is that the outcome of the consultancy will bring maximum benefits and savings to the Government. It is not possible to forecast precisely at the planning stage the benefits. However, the Commission's past experiences indicate that the use of consultants in value for money audits has brought about significant benefits to the Government and the public. For example, in Chapter 7 of the Director of Audit's Report No. 31 on the management of electricity consumption by the Government, with the technical input of consultants, the Audit Commission was able to identify substantial long-term annual potential savings of about \$50 million in electricity consumption by government department. In addition to monetary savings, the audit recommendations will also result in significant environmental benefits to Hong Kong. The actual cost of the consultancy was only \$430,000.

Procedurally, the Commission exercises stringent controls on the work of the consultants to ensure that value for money is obtained. The use of consultancy service in value for money audits is subject to the following controls :

- in the annual value for money audit strategic planning exercise, the senior management of the Audit Commission assesses the priorities of the audit subjects to be conducted in the next few years, having regard to factors such as materiality, risk, auditability and added value of the audit subjects. At this stage, proposals for using consultancy service, if any, are rigorously assessed by the senior management to ensure that there is a real need for the service and that it will add good value to the audit;
- justifications for the use of consultancy service are also subject to the vetting of the Finance Bureau in the resources allocation exercise on a case-by-case basis;
- consultants are selected in strict accordance with the tender procedures stated in the Stores and Procurement Regulations in order to ensure that the most competitive fees are obtained for the service;
- throughout the consultancy, the performance of the consultants is closely monitored by the subject Audit Division to ensure that the consultants' work meets the time schedule and the standards of quality required; and
- results of value for money audits are published in the Director of Audit's Reports which are subject to the scrutiny of the Legislative Council and the general public. The amount of additional revenue or savings in expenditure brought about by the audits is stated in the Director of Audits Reports.

The Audit Commission's use of consultants has in the past given, and will continue to give value for money to the Government and taxpayers.

Signature : _____

Name in block letters : CHAN YIN TAT

Post Title : Director of Audit

Date : 20 March 2000

Appendix 2

Bureau Serial No.

AUD005

Question Serial No.

1160

**Examination of draft Estimates of Expenditure 2000-01
CONTROLLING OFFICER'S REPLY TO
WRITTEN/SUPPLEMENTARY WRITTEN QUESTION**

Head : Head 24 - Audit Commission**Programme :** Value for Money Audit**Controlling Officer :** Director of Audit

Question : Despite the sustained annual real growth of both the government and public expenditure in recent years, the number of man-hours spent in conducting value for money audits by the Audit Commission and the provision for the programme only show a slight increase. Please advise the Council how the Audit Commission secures adequate resources in order to assure whether the expenditure of all government departments and public organisations are in compliance with the value for money standards.

Asked by : The Honourable LAU Chin-shek, J.P.

Reply : It is the aim of the Audit Commission to constantly improve its efficiency and cost-effectiveness in performing its duties. The audit approach and methodology are regularly reviewed so as to streamline the audit process and to utilise more productively the limited resources of the Commission. Information technology has been, and will continue to be, used to enhance staff productivity. Furthermore, the Commission also provides continuous training to enhance the skills of its staff to ensure that they are capable of producing high quality audit reports which add value to both the Government and the public.

As a result of the improvement in productivity and efficiency of the Audit Commission, notwithstanding that there has been a considerable increase in government expenditure in recent years, the Commission only needs to seek a small increase in financial provision in the draft Estimates of Expenditure 2000-01, mainly to provide for salary increments. The Commission considers that the financial provision sought in 2000-01 is adequate to continue to effectively discharge its duties.

Signature : _____

Name in block letters : CHAN YIN TAT Post Title : Director of Audit Date : 20 March 2000