

**Replies to initial written questions raised by Finance  
Committee Members in examining the Estimates of Expenditure 2003-04**

**Controlling Officer : Director of Audit  
Session No. : 13 File name : AUD-e1.doc**

<b>Reply Serial No.*</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">AUD001</a>	0129	HO Sau-lan, Cyd	24	(2) Value for Money Audit
<a href="#">AUD002</a>	0687	TIEN Pei-chun James	24	(1) Regularity Audit
<a href="#">AUD003</a>	0688	TIEN Pei-chun James	24	(2) Value for Money Audit
<a href="#">AUD004</a>	0826	LEE Chu-ming, Martin	24	(2) Value for Money Audit
<a href="#">AUD005</a>	1132	TO Kun-sun, James	24	(2) Value for Money Audit
<a href="#">AUD006</a>	1167	TO Kun-sun, James	24	(1) Regularity Audit
<a href="#">AUD007</a>	1268	LEE Cheuk-yan	24	(1) Regularity Audit and (2) Value for Money Audit

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
 INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD001

Question Serial No.

0129

Head: 24 – Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question : Regarding consultancy studies for policy making and assessment (if any) commissioned by your Commission, please provide details in the following format:

- (1) Please provide the following details on the consultancy studies for which financial provision has been allocated respectively in 2001-02 and 2002-03:

Name of consultants (if available)	Description	Consultancy fees	Progress on consultancy studies (planning/ in progress / completed)	The Administration's follow-up action on the study reports and the progress made	Reasons for no follow-up action on the study reports and whether other measures are available to deal with the subjects under study

- (2) Please provide the following details on the consultancy studies for which financial provision has not been allocated respectively in 2001-02 and 2002-03, though consultancy studies have been made during the year:

Name of consultants (if available)	Description	Consultancy fees	Progress on consultancy studies (planning/ in progress / completed)	The Administration's follow-up action on the study reports and the progress made	Reasons for no follow-up action on the study reports and whether other measures are available to deal with the subjects under study

- (3) Has financial provision been allocated for commissioning consultancy studies in 2003-04?  
If yes, please provide the following details:

Name of consultants (if available)	Description	Consultancy fees	Status of consultancy studies (planning/ in progress / completed)

Asked by: Hon. HO Sau-lan, Cyd

Reply:

- (1) The Audit Commission did not allocate any financial provision for commissioning consultancy studies on policy making and assessment in 2001-02 and 2002-03.
- (2) The Commission did not commission any consultancy studies on policy making and assessment in 2001-02 and 2002-03.
- (3) The Audit Commission has no plan to allocate any financial provision for commissioning consultancy studies on policy making and assessment in 2003-04.

Signature \_\_\_\_\_

Name in block letters Dominic Y T CHAN

Post Title Director of Audit

Date 21 March 2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD002

Question Serial No.

0687

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise the Council of the reasons for the continuous increase in the number of man-hours spent under the Programme "Regularity Audit" since 2001-02 and the expenditure involved in the past three years.

Asked by: Hon. TIEN Pei-chun James

Reply:

In comparison with the total manhours of 101 612 spent on regularity audits in 2001-02, it is estimated that the total manhours to be spent on regularity audits in 2002-03 will increase by 2.87% to 104 526, and in 2003-04 will increase very slightly by 0.22% to 104 752. The increase in manhours is mainly attributable to the increased complexity and widened scope of the regularity audit assignments which require more resources to complete. The increase is also partly due to audit work relating to the implementation of various e-government projects (e.g. the web-enabled Treasury Systems and the Electronic Service Delivery Systems). The Audit Commission aims to achieve further productivity gains through re-engineering work procedures and re-organising the staffing structure. As a result of enhanced productivity and efficiency, the Commission has been able to reduce its establishment from 223 posts in 1999-2000, by 9.4%, to 202 posts in 2002-03. The Commission will continue to work on further cost saving initiatives.

The financial provisions for regularity audits in the past three years are as follows:

Regularity audit	2000-01 (\$m)	2001-02 (\$m)	2002-03 (\$m)
Financial provision	38.2 (actual)	40.8 (actual)	38.3 (estimate)
Percentage change		+6.81% (Note)	-6.13%

**Note:** This was due mainly to the civil service salary adjustment in 2001 and salary increments for existing staff.

Signature \_\_\_\_\_

Name in block letters  Dominic Y T CHAN

Post Title  Director of Audit

Date  21 March 2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD003

Question Serial No.

0688

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise the Council of the reasons for the continuous increase in the number of man-hours spent under the Programme "Value for Money Audit" since 2001-02 and the expenditure involved in the past three years.

Asked by: Hon. TIEN Pei-chun James

Reply:

In comparison with the total manhours of 174 784 spent on value for money audits in 2001-02, it is estimated that the total manhours to be spent on value for money audits in 2002-03 will increase by 8.28% to 189 258, and in 2003-04 will further increase by a marginal 0.81% to 190 791. The increase in manhours is mainly attributable to the increased complexity and widened scope of the value for money audit assignments which require more resources to complete. For example, in 2002, among other complicated value for money audits, the Audit Commission conducted a broad-based audit on primary education in Hong Kong. The Audit Commission aims to achieve further productivity gains through re-engineering work procedures and re-organising the staffing structure. As a result of enhanced productivity and efficiency, the Commission has been able to reduce its establishment from 223 posts in 1999-2000 by 9.4% to 202 posts in 2002-03. The Commission will continue to work on further cost saving initiatives.

The financial provisions for value for money audits in the past three years are as follows:

Value for money audit	2000-01 (\$m)	2001-02 (\$m)	2002-03 (\$m)
Financial provision	87.8 (actual)	92.6 (actual)	93.6 (estimate)
Percentage change		+5.47% (Note)	+1.08%

**Note:** This was due mainly to the civil service salary adjustment in 2001 and salary increments for existing staff.

Signature \_\_\_\_\_

Name in block letters Dominic Y T CHAN

Post Title Director of Audit

Date 21 March 2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD004

Question Serial No.

0826

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise the Council whether the Audit Commission has any plan to conduct value for money audit on the Hong Kong Monetary Authority in the coming year. If not, what are the reasons?

Asked by: Hon. LEE Chu-ming, Martin

Reply:

To ensure best deployment of resources available, the Audit Commission adopts a selective approach to conducting value for money audits. Every year, the Audit Commission carries out a strategic planning exercise to determine the priority and timing of its value for money audits. The strategic planning exercise covers various audit areas such as government bureaux and departments, subvented organisations and some statutory bodies, including the Hong Kong Monetary Authority (HKMA). The Audit Commission takes into account factors such as auditability, materiality, risk, timeliness and value added in prioritising value for money audit topics for detailed investigation.

At present, the Audit Commission has no plan to conduct a value for money audit on the HKMA in 2003-04, based on its assessment of the audit areas in the current strategic planning exercise. The Commission has kept in view the HKMA's activities on an ongoing basis, and will conduct a value for money audit on the HKMA when the situation so warrants.

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Name in block letters Dominic Y T CHAN

Post Title Director of Audit

Date 21 March 2003



Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD005

Question Serial No.

1132

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please advise this Council how the Audit Commission assesses whether the expenditure of the Complaints Against Police Office under the Hong Kong Police Force is in compliance with the cost-effectiveness standard in 2002-03.

Asked by: Hon. TO Kun-sun, James

Reply:

The Complaints Against Police Office (CAPO) is a division of the Hong Kong Police Force. Its operating expenditure of \$60.2M accounted for about 0.5% of the total expenditure of the Police in 2002-03.

With regard to regularity audit on the expenditure of the Police, it is carried out in a manner similar to the audit of other government expenditure, the risks of regularity, propriety and financial control are examined. If any control weaknesses are identified during the audit, the Police will be requested to tighten up its controls.

With regard to value for money audits, a selective approach is adopted. Every year, the Audit Commission carries out a strategic planning exercise to determine the priority and timing of its value for money audits. The strategic planning exercise covers various audit areas such as government bureaux and departments, subvented organisations and some statutory bodies, including the CAPO under the Hong Kong Police Force. The Audit Commission takes into account factors such as auditability, materiality, risk, timeliness and value added in prioritising value for money audit topics for detailed investigation.

In 2002-03, the Audit Commission did not conduct any value for money audit on the CAPO. The Commission has kept in view the CAPO's activities on an ongoing basis, and will conduct a value for money audit on the CAPO when the situation so warrants.

Signature \_\_\_\_\_

Name in block letters  Dominic Y T CHAN

Post Title  Director of Audit

Date  21 March 2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD006

Question Serial No.

1167

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (1) Regularity Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

- (a) Please advise the Council whether since 1997, the Audit Commission has identified any exceptional cases during the audit of the expenditure of the Hong Kong Police Force on rewards and special services, for example some individuals have been given rewards or special services monies frequently every year, or have been rewarded considerably high amounts?
- (b) Please advise the Council how the Audit Commission assesses whether the expenditure of the Hong Kong Police Force on rewards and special services is in compliance with the value for money standards.

Asked by: Hon. TO Kun-sun, James

Reply:

(a) In the audits of the expenditure of the Hong Kong Police Force on rewards and special services (R&SS), officers of Audit Commission have examined the expenditure records to ensure that the rules and procedures established by the Police were fully complied with.

Since 1997, the Audit Commission has not identified any exceptional cases during the audit of the expenditure of the Hong Kong Police Force on R&SS.

(b) The audit of the expenditure of the Hong Kong Police Force on R&SS is carried out in a manner similar to the audit of the expenditure of other government departments. The Audit Commission has reviewed and commented on the rules and procedures established by the Police on what can be spent and at which level the expenditure can be authorised. The Commission has examined the expenditure records to ascertain whether these rules and procedures have been complied with.

The number of transactions charged to the R&SS expenditure vote is large. Each transaction is justified by the responsible police officer on its own merits. Sound systems of internal controls are in place for the disbursement of the expenditure. During the financial audits, if the Audit Commission identifies areas which warrant a value for money audit, similar procedures and evaluation criteria as outlined in the reply to question serial number 1132 will be used to assess the value for money aspects.

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Name in block letters  Dominic Y T CHAN

Post Title  Director of Audit

Date  21 March 2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD007

Question Serial No.

1268

Head: 24-Audit Commission

Subhead (No. & title): 000 Operational Expenses

Programme: (1) Regularity Audit and (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please provide the number of non-civil service contract staff employed and the level of expenditure involved in 2002-03. Are there any plans to employ more or less non-civil service contract staff in 2003-04? If so, what are the reasons? And what will be the number of staff and the level of expenditure involved?

Asked by: Hon. LEE Cheuk-yan

Reply:

The Audit Commission has employed six non-civil service contract staff involving a total expenditure of \$2.75 million in 2002-2003. At present, the Commission has no plan to reduce or increase the number of non-civil service contract staff and the related expenditure in 2003-04. In the employment of these staff, the Commission will continue to follow the policy and guidelines of the Civil Service Bureau to optimise the deployment of resources to meet operational needs.

Signature \_\_\_\_\_

Name in block letters Dominic Y T CHAN

Post Title Director of Audit

Date 21 March 2003