

**Replies to initial written questions raised by Finance  
Committee Members in examining the Estimates of Expenditure 2004-05**

**Controlling Officer : Director of Audit  
Session No. : 7    File name : AUD-e1.doc**

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<a href="#">AUD002</a>	0491	TO Kun-sun, James	24	(2) Value for Money Audit
<a href="#">AUD003</a>	1012	LEUNG LAU Yau-fun, Sophie	24	(2) Value for Money Audit
<a href="#">AUD004</a>	1311	TSANG Yok-sing, Jasper	24	(2) Value for Money Audit
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Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD001

Question Serial No.

0485

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 value for money standards in 2003-04.

Asked by: Hon. TO Kun-sun, James

Reply:

The Complaints Against Police Office (CAPO) is a division of the Hong Kong Police Force. Its expenditure of \$57.2M accounted for about 0.5% of the total expenditure of the Hong Kong Police Force in 2003-04.

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 2003-04, 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 Benjamin Tang

Post Title Director of Audit

Date 25 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD002

Question Serial No.

0491

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

- (a) Please advise this Council whether the Audit Commission has identified any exceptional cases during the audit of the expenditure of the Independent Commission Against Corruption, the Hong Kong Police Force, and the Customs and Excise Department on rewards and special services in 2003-04, 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 this Council how the Audit Commission assesses whether the expenditures of the above departments on rewards and special services are in compliance with the value for money standards, including whether they have a set of comprehensive rules to regulate the use of provision for "rewards and special services"? Please also advise this Council whether the Audit Commission is satisfied with these rules?

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) The Audit Commission has not identified any exceptional cases during the audit of the expenditure 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 2003-04.

- (b) In carrying out the audit of the expenditure on R&SS, officers of the Audit Commission examined the expenditure records to ensure that the rules and procedures established by the ICAC, HKPF and C&ED were fully complied with. Officers of the Audit Commission have to satisfy themselves that there are adequate internal controls for the disbursement of the R&SS expenditure, and that the expenditures are incurred legitimately and with proper authorisation, having regard to the established rules and procedures.

Apart from the annual financial audit inspections, the Audit Commission has not conducted value for money audits on the R&SS expenditure of the concerned departments since we assumed the auditing role for this item in the mid 1990's.

Signature \_\_\_\_\_

Name in block letters Benjamin Tang

Post Title Director of Audit

Date 25 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD003

Question Serial No.

1012

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

The Audit Commission provides an independent check on the Administration. During 2004-05, "the Commission will continue to conduct broad-based value for money studies which are more complex and which entail the coverage of many bureaux. To this end, the Commission will continue 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."

The performance of the Commission is affected by the quality of its staff and their basic auditing knowledge and skills. As such, please give details of the training programmes to be arranged by the Commission for its staff in 2004-05, including the ranks and number of staff who will receive training, the qualifications of the trainers, the content of the courses, the expenditure involved, the expected effectiveness and the standards for assessing the effectiveness of the training.

Asked by: Hon. LEUNG LAU Yau-fun Sophie

Reply:

**Training policy**

The Audit Commission places heavy emphasis on training and development in order to keep its staff abreast of modern auditing trends and techniques. All audit staff are provided with the opportunity, through continuous training programmes, to update and upgrade their skills and knowledge. They are encouraged to undertake training courses relevant to their work to further develop their potential and improve their work performance.

## Planned 2004-05 Training Programme

### (a) Local training

Type of training	Course details	Target staff	Organiser (speakers)
Value for money (VFM) audit	<ul style="list-style-type: none"> <li>• Experience sharing sessions on VFM audit work</li> <li>• Seminars on VFM audit skills used by overseas audit offices</li> </ul>	Auditor and Examiner grade staff (about 150 staff)	Audit Commission (experienced senior staff)
Regularity audit	Courses on latest development in accounting and auditing practices	- do -	<ul style="list-style-type: none"> <li>• Audit Commission (technical support staff)</li> <li>• Hong Kong Society of Accountants (professional accountants)</li> </ul>
Information technology (IT)	User training on IT skills and application systems.	- do -	<ul style="list-style-type: none"> <li>• Audit Commission (IT staff)</li> <li>• Civil Service Bureau (CSB) (Training Officers)</li> <li>• IT organisations (IT professionals)</li> </ul>
Executive Development	Civil Service Advanced Management Programme	One Directorate staff	CSB/University of Hong Kong (university teaching staff)
	Leadership Enhancement and Development Programme	One Directorate staff	CSB/Harvard University (university teaching staff)
	Leadership in Action Programme	One Senior Auditor	CSB (consultants and guest speakers from the private sector and public organisations)

Additionally, the Audit Commission plans to invite renowned speakers to conduct talks to its professional and Directorate staff to enhance their professional knowledge in specific areas.

***(b) Overseas training***

<b>Type of training</b>	<b>Course details</b>	<b>Target staff</b>	<b>Organiser (speakers)</b>
General auditing	International Training Programme to be held in Beijing in April 2004	One Auditor	National Audit Office of China (Chinese and overseas guest speakers)
IT audit	IT audit workshop to be held in Beijing in September 2004	Two Auditor grade staff	- do -
Executive Development	Overseas Management Training Sponsorship Programme in Singapore in July 2004	One Senior Auditor	CSB/Stanford University and University of Singapore (university teaching staff)

In addition to the above training programmes in (a) and (b), the Audit Commission keeps in view suitable overseas training courses that may be available from time to time. These include participation in international conferences and seminars on the development of auditing and financial management. The Audit Commission also liaises closely with overseas audit offices to explore opportunities of work attachment for Auditors and Senior Auditors to these offices.

**Training provision in 2004-05**

The Audit Commission has earmarked \$452,000 in 2004-05 for training expenses (including both local and overseas training activities).

**Benefits of training activities**

The Audit Commission expects its staff, through the various training and development programmes, to upkeep and upgrade their professional skills and knowledge, and to further develop their potential. This in turn enables the Commission to produce high quality audit reports efficiently and add value to both the Government and the public. Training programmes will also help improve the relationship between management and staff.

**Evaluation of training activities**

The effectiveness of training provided to our staff will be assessed by the following means:

- (a) post-courses evaluation by the trainees and the Commission after the seminars/workshops;



- (b) observation and evaluation of the performance of the trainees by supervisory staff both before and after the training;
- (c) annual staff performance appraisal exercise for the supervising officers and their subordinate staff to review the effectiveness of training received by the staff concerned, and to assess the extent to which specific skills acquired have been applied to audit assignments; and
- (d) for overseas training/work attachment, the effectiveness will be assessed through the post-course training report prepared by the trainee, and a de-briefing session presented by the trainee to audit staff.

In addition, training surveys will be conducted regularly to collect information about the training needs of audit staff as well as their feedback on the adequacy of the training provided by the Audit Commission.

Signature \_\_\_\_\_

Name in block letters Benjamin Tang

Post Title Director of Audit

Date 25 March 2004

Examination of Estimates of Expenditure 2004-05  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

AUD004

Question Serial No.

1311

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

While the Audit Commission has reduced the percentage of provision for value for money audit in total government spending, it has stated that the value for money studies would be more complex and entail the coverage of many bureaux, departments and agencies. Please explain how the Commission can carry out studies which are more complex when less provision will be allocated for that purpose.

Asked by: Hon. TSANG Yok-sing, Jasper

Reply:

The target number of value for money (VFM) audits are set and adjusted from time to time, having regard to the anticipated audit commitments, the scope and complexity of the audits. With growing demand for public accountability, the Audit Commission considers it increasingly important to conduct more in-depth and broad-based audit reviews. The Audit Commission has therefore reduced slightly the target number of VFM audits in 2004-05. With a slight decrease in the financial provision for VFM audits, there is a reduction in the percentage of provision for VFM audits in total government spending from 0.035% in 2003-04 to 0.032% in 2004-05.

Notwithstanding the decrease in the provision for VFM audits, the Audit Commission is committed to conducting high quality audits which add value to both the Government and the public. The Audit Commission will make continued efforts to improve its audit efficiency by, for example, increasing the use of information technology in audit work, streamlining the auditing and reporting procedures, and enhancing the professional knowledge and skills of audit staff.

Signature \_\_\_\_\_

Name in block letters Benjamin Tang

Post Title Director of Audit

Date 25 March 2004

Examination of Estimates of Expenditure 2004-05

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

Reply Serial No.

AUD005

Question Serial No.

1312

Head: 24-Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question :

Please give reasons for the increase in both the “Remuneration for special appointments” and “General departmental expenses” under “Departmental Expenses”.

Asked by: Hon. TSANG Yok-sing, Jasper

Reply:

The provision for “Remuneration for special appointments” is for the salary of the Director of Audit. The increase of \$260,000 is mainly to cover payment of salary to the former Director of Audit who is on pre-retirement leave.

The increase of \$894,000 in the provision for “General departmental expenses” is mainly due to the increased requirements of new and replacement equipment and IT facilities and the anticipated increase in commissioning consultancy services.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Benjamin TANG

Post Title \_\_\_\_\_ Director of Audit

Date \_\_\_\_\_ 25 March 2004