

Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2013-14

**Controlling Officer : Director of Audit
Session No. : 5**

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
AUD001	4236	CHAN Ka-lok, Kenneth	24	(2) Value for Money Audit
AUD002	0510	HO Sau-lan, Cyd	24	
AUD003	3593	TONG Ka-wah, Ronny	24	(1) Regularity Audit
AUD004	3594	TONG Ka-wah, Ronny	24	(2) Value for Money Audit
AUD005	3933	TSE Wai-chun, Paul	24	(2) Value for Money Audit

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

AUD001

Question Serial No.

4236

Head: 24 Audit Commission

Subhead (No. & title):

Programme: (2) Value for Money Audit

Controlling Officer: Director of Audit

Director of Bureau:

Question:

In recent years, there was an increase in the number of chapters included in the Director of Audit's Report. In 2013-14, will the Audit Commission increase the number of chapters to be included in each Report? If yes, what are the details? If no, what are the reasons?

Asked by: Hon. CHAN Ka-lok, Kenneth

Reply:

19 studies were completed in 2012-13 for inclusion in the Director of Audit's Reports. We plan to complete about the same number of studies in 2013-14. The Audit Commission conducts annual strategic planning exercise to identify potential subjects for inclusion in the annual programme of work. 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. In general, we focus more on reviewing systemic issues. A value for money audit is conducted when the situation warrants an in-depth review.

Name in block letters: DAVID SUN

Post Title: Director of Audit

Date: 27.3.2013

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

AUD002

Question Serial No.

0510

Head: 24 Audit Commission

Subhead (No. & title):

Programme:

Controlling Officer: Director of Audit

Director of Bureau:

Question:

Regarding the departmental records management work over the past three years (2010-11, 2011-12, 2012-13):

1. Please provide information on the number and rank of officers designated to perform such work. If there is no officer designated for such work, please provide information on the number of officers and the hours of work involved in records management duties, and the other duties they have to undertake in addition to records management;
2. Please list in the table below information on programme and administrative records which have been closed pending transfer to the Government Records Service (GRS) for appraisal:

Category of records	Years covered by the records	Number and linear meters of records	Retention period approved by GRS	Are they confidential documents

3. Please list in the table below information on programme and administrative records which have been transferred to GRS for retention:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

4. Please list in the table below information on records which have been approved for destruction by GRS:

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

Asked by: Hon. HO Sau-lan, Cyd

Reply:

1. In the Audit Commission, one Chief Executive Officer and one Executive Officer I have been designated as the Departmental Records Manager and Assistant Departmental Records Manager respectively to assist in establishing, implementing and reviewing the records management programme of the Commission. Six officers of the Auditor or Examiner grade also assist in overseeing the records management matters of their respective divisions. The day-to-day work relating to filing, classification, retrieval and storage of records is performed by the clerical grades officers.
2. Information on programme and administrative records which have been closed pending transfer to the Government Records Service (GRS) for appraisal is as follows :

Category of records	Years covered by the records	Number and linear meters of records	Retention period approved by GRS	Are they confidential documents
2010-11				
Administrative files	1993-2011	83 / 6.9 lm	2 – 7 years	3 files contained confidential documents
Programme files	1993-2011	61 / 5.0 lm	7 years	6 files contained confidential documents
2011-12				
Administrative files	2003-2012	130 / 10.8 lm	2 – 7 years	76 files (Note 1) contained confidential documents
Programme files	1993-2012	101 / 8.4 lm	7 years	43 files contained confidential documents
2012-13 (up to 28.2.2013)				
Administrative files	2003-2013	70 / 5.8 lm	2 – 7 years	4 files contained confidential documents
Programme files	1981-2013	87 / 7.3 lm	7 years	17 files contained confidential documents

Note 1 : With the implementation of new records classification scheme for confidential administrative files, the active parts of the confidential administrative files were also closed for re-classification of the files with new file codes in late 2011. The figure has also included the number of confidential administrative files closed for such purpose.

3. No administrative files or programme files were transferred to GRS for retention in the years of 2010-11, 2011-12 and 2012-13.
4. Information on records which have been approved for destruction by GRS is as follows :

Category of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
2010-11					
Administrative files	1964-2008	52 / 4.0 lm	2010	2 – 7 years	No
Programme files	Nil				
2011-12					
Administrative files	Nil				
Programme files	1981-2003	49 / 7.0 lm	2011	7 years	No

2012-13 (up to 28.2.2013)					
Administrative files	1991-2004	545 (Note 2) / 43.4 lm	2012	2 – 7 years	No
Programme files	Nil				

Note 2 : A large number of administrative files were opened with new file codes in 2003 due to the implementation of new records classification scheme for administrative files. The retention period for these files expired in 2011 and GRS's approval for destruction of some of these files was obtained in 2012.

Name in block letters: DAVID SUN

Post Title: Director of Audit

Date: 27.3.2013

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

AUD003

Question Serial No.

3593

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 2013-14, 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 2012-13?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

- (a) An estimated total cost of \$43.8 million will be required for the certification of 82 accounts in 2013-14. 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 audits 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 2012-13 are included in the cost for the certification of the accounts for the year.

Name in block letters: DAVID SUN

Post Title: Director of Audit

Date: 27.3.2013

Estimated audit cost for certification of 82 accounts in 2013-14

	Audit Cost (\$)
Accounts of the Government	
1	General Revenue Account 17,162,182
2	Bond Fund 132,409
3	Capital Investment Fund 405,112
4	Capital Works Reserve Fund 2,387,867
5	Civil Service Pension Reserve Fund 36,253
6	Disaster Relief Fund 70,365
7	Innovation and Technology Fund 228,347
8	Land Fund 43,101
9	Loan Fund 1,006,083
10	Lotteries Fund 357,414
Trading Funds	
11	Companies Registry Trading Fund 400,350
12	Electrical and Mechanical Services Trading Fund 604,710
13	Land Registry Trading Fund 426,758
14	Office of the Communications Authority Trading Fund 379,440
15	Post Office Trading Fund 1,359,538
Other Funds	
16	AIDS Trust Fund 159,353
17	Bankruptcy Estates Account 25,829
18	Brewin Trust Fund 99,960
19	Chinese Temples Fund 264,395
20	Companies Liquidation Account 364,717
21	Correctional Services Children's Education Trust 49,443
22	Correctional Services Department Welfare Fund 81,053
23	Customs and Excise Service Children's Education Trust Fund 40,116
24	Customs and Excise Service Welfare Fund 43,603
25	Director of Social Welfare Incorporated Accounts 361,153
26	District Court Suitors' Funds 314,739
27	Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers 158,857
28	Education Development Fund 147,781
29	Education Scholarships Fund 56,136
30	Emergency Relief Fund 60,599
31	Environment and Conservation Fund 59,032

	Audit Cost
	(\$)
32 Exchange Fund	3,342,004
33 Financial Reporting Council	165,648
34 Fire Services Department Welfare Fund	179,971
35 Fisheries Development Loan Fund	44,863
36 General Chinese Charities Fund	168,323
37 Government Flying Service Welfare Fund	17,205
38 Grant Schools Provident Fund	344,855
39 Grantham Scholarships Fund	99,324
40 High Court Suitors' Funds	491,255
41 Hong Kong Housing Authority	4,900,290
42 Hong Kong Rotary Club Students' Loan Fund	36,850
43 HKSAR Government Scholarship Fund	388,979
44 Immigration Service Welfare Fund	36,054
45 Independent Commission Against Corruption Welfare Fund	22,982
46 J. E. Joseph Trust Fund	83,851
47 Kadoorie Agricultural Aid Loan Fund	115,722
48 Labour Tribunal Suitors' Funds	136,457
49 Language Fund	154,717
50 Legal Aid Services Council	49,501
51 Li Po Chun Charitable Trust Fund	136,098
52 MacLehose Fund	123,015
53 Master in Lunacy Account	37,211
54 Minor Employment Claims Adjudication Board Suitors' Funds	46,727
55 Official Administrator's Account	148,457
56 Official Receiver in Bankruptcy Account	244,061
57 Official Receiver in Voluntary Arrangement Account	52,629
58 Official Solicitor's Accounts	313,096
59 Pneumoconiosis Ex Gratia Fund	53,526
60 Police Children's Education Trust	94,405
61 Police Education and Welfare Trust	94,405
62 Police Welfare Fund	211,151
63 Prisoners' Education Trust Fund	57,497
64 Prisoners' Welfare Fund	39,321
65 Quality Education Fund	424,975
66 Queen Elizabeth Foundation for the Mentally Handicapped	144,650
67 Research Endowment Fund	237,607
68 Samaritan Fund	66,181
69 Secretary for Home Affairs Incorporated Accounts	817,271
70 Self-financing Post-secondary Education Fund	154,711
71 Sing Tao Charitable Foundation Students' Loan Fund	46,391
72 Sir David Trench Fund for Recreation	262,324

	Audit Cost (\$)
73 Sir Edward Youde Memorial Fund	180,170
74 Sir Robert Black Trust Fund	77,878
75 Small Claims Tribunal Suitors' Funds	112,225
76 Social Work Training Fund	62,721
77 Statement of Deposits required pursuant to sections 35 and 35A of the Insurance Companies Ordinance	52,961
78 Subsidized Schools Provident Fund	871,781
79 Supplementary Legal Aid Fund	98,272
80 The Legislative Council Commission	236,857
81 Traffic Accident Victims Assistance Fund	188,369
82 World Refugee Year Loan Fund	19,976
	<hr/>
Total	43,772,465
	<hr/> <hr/>

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

AUD004

Question Serial No.

3594

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 bureaux/departments of the Government, agencies, public bodies and organisations on which value for money audit has been carried out by the Audit Commission 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. What are the reasons? In 2013-14, will the Audit Commission consider including more bureaux/departments of the Government, agencies, public bodies and organisations for conducting value for money audit?

Asked by: Hon. TONG Ka-wah, Ronny

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.

At present, all government bureaux/departments are subject to value for money audit. According to the paper tabled in the Provisional Legislative Council on 11 February 1998 on the Scope of Government Audit in the Hong Kong Special Administrative Region — “Value for Money Audits”, audited organisations shall include:

- (i) any person, body corporate or other body whose accounts the Director is empowered under any Ordinance to audit;
- (ii) any organisation which receives more than half of its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half of its income from public moneys by virtue of an agreement made as a condition of subvention); and
- (iii) any organisation the accounts and records of which the Director is authorised in writing to audit by the Chief Executive in the public interest under section 15 of the Audit Ordinance (Cap. 122).

Whether a public body/organisation should become an audited organisation is a policy matter for the Administration.

The Audit Commission conducts annual strategic planning exercise to identify potential subjects for inclusion in the annual programme of work. 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. In general, we focus more on reviewing systemic issues. We also consider whether an audit had been carried out on the subject or the audited body previously. A value for money audit is conducted when the situation warrants an in-depth review. Since last year, we have conducted value for money audits on three audited bodies for the first time.

Name in block letters: DAVID SUN
Post Title: Director of Audit
Date: 27.3.2013

**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 Executive's Office (Note) 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 Hong Kong Council for Accreditation of Academic and Vocational Qualifications 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	Duty Lawyer Service 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

Note: A special report on the hotel accommodation arrangements for the former Chief Executive's duty visits outside Hong Kong was issued in May 2012.

**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 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	Financial Services and the Treasury	Economic Analysis and Business Facilitation Unit Financial Reporting Council Office of the Commissioner of Insurance Securities and Futures Commission
5	Food and Health	Hong Kong Council on Smoking and Health
6	Home Affairs	Community Care Fund 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
7	Labour and Welfare	Employees Compensation Assistance Fund Board Employees' Compensation Insurance Levies Management Board Occupational Deafness Compensation Board
8	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**

AUD005

Question Serial No.

3933

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 and subvented organisations on which will the Audit Commission plan to conduct audit in financial year 2013-14?

The Audit Commission is the only body empowered to perform value for money audits on the accounts of government departments. Over the years, cases concerning abnormalities and abuse of public funds of various departments were revealed. To enhance public confidence in the Administration's governance and administrative efficiency, will the Administration consider allocating more resources to the Audit Commission to strengthen its work?

Asked by: Hon. TSE Wai-chun, Paul

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 2013-14.

With growing demand for public accountability, the Audit Commission considers it increasingly important to strike a balance between the number, coverage and depth of the audits when planning audit studies. The Director of Audit's Report No. 59 tabled in the Legislative Council in November 2012 contained ten audits on a total of 14 government bureaux/departments.

Availability of resources is only one of the factors in determining whether or not it is appropriate to conduct a value for money audit on a particular subject. We take into account other factors such as timeliness, materiality, risk, auditability and valued-added in selecting subjects for value for money audit. In general, we focus more on reviewing systemic issues. We conduct a value for money audit when the situation warrants an in-depth review. We will monitor our resources requirements closely and seek additional resources from the Administration when there is a need to do so.

Name in block letters: DAVID SUN

Post Title: Director of Audit

Date: 27.3.2013