

Head 24 — AUDIT COMMISSION

Controlling officer: the Director of Audit will account for expenditure under this Head.

Estimate 2015–16 **\$152.6m**

Establishment ceiling 2015–16 (notional annual mid-point salary value) representing an estimated 179 non-directorate posts as at 31 March 2015 rising by one post to 180 posts as at 31 March 2016 **\$113.1m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2015 and as at 31 March 2016.

Controlling Officer's Report

Programmes

The Commission operates independently from the Government. Its programmes are:

<p>Programme (1) Regularity Audit Programme (2) Value for Money Audit</p>	<p>These programmes provide an independent check on the Government and complement the programmes in Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).</p>
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Detail

Programme (1): Regularity Audit

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	2015–16 (Estimate)
Financial provision (\$m)	44.8	46.9	47.0 (+0.2%)	49.3 (+4.9%)
				(or +5.1% on 2014–15 Original)

Aim

2 The aim is to provide the Legislative Council with an overall assurance that the Government's financial and accounting transactions and those of funds of a public or quasi-public nature are proper and that they conform to accepted accounting standards.

Brief Description

3 The Audit Commission audits the accounts of all government departments and offices, and the accounts of the Hong Kong Housing Authority, the Exchange Fund, the trading funds, the funds established under section 29 of the Public Finance Ordinance (Cap. 2). The Commission also audits non-government fund accounts and subvention expenditure. A total of 82 and 81 accounts were certified in 2013–14 and 2014–15 respectively, and the number of accounts to be certified in 2015–16 will be 82. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 32 per cent in 2013–14. It is expected to be maintained at about 32 per cent in 2014–15 and 2015–16.

4 The key performance measures in respect of regularity audit are:

Targets

	Target	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Plan)
Director of Audit's Reports submitted to the Legislative Council	1	1	1	1
time required to certify the statements of accounts of the Government of the Hong Kong Special Administrative Region after the end of each financial year (months)	7	7	7	7

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Indicators

	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Estimate)
accounts certified	82	81	82
man-hours spent	87 034	88 693	94 056
provision for regularity audit as percentage of total government expenditure (%)	0.010	0.012	0.011
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	1 092	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2015–16

5 During 2015–16, the Commission will continue to enhance the research work on industry practice and audit methodology in line with latest international standards.

Programme (2): Value for Money Audit

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	2015–16 (Estimate)
Financial provision (\$m)	93.5	97.5	102.2 (+4.8%)	103.3 (+1.1%)
				(or +5.9% on 2014–15 Original)

Aim

6 The aim is to provide the Legislative Council with independent information, advice and assurance about the economy, efficiency and effectiveness with which any bureau/department of the Government, agency, other public body, public office or audited organisation has discharged its functions.

Brief Description

7 The Audit Commission conducts value for money audit on the performance of the audited bodies to ensure that their functions are discharged economically, efficiently and effectively, with reports submitted to the Legislative Council twice a year. The provision spent on value for money audit, as a percentage of the total provision for the Commission, was about 68 per cent in 2013–14. It is expected to be maintained at about 68 per cent in 2014–15 and 2015–16.

8 The key performance measures in respect of value for money audit are:

Targets

	Target	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Plan)
Director of Audit's Reports submitted to the Legislative Council	2	2	2	2
value for money audit reports issued to audited bodies	18	18	18	18

Indicators

	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Estimate)
man-hours spent	159 396	173 204	176 467
provision for value for money audit as percentage of total government expenditure (%)	0.022	0.026	0.023
actual number of recommendations accepted for implementation	506	N.A.#	N.A.#

Not possible to estimate.

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Matters Requiring Special Attention in 2015–16

9 During 2015–16, the Commission will continue to monitor closely the development of various government programmes and keep in view the need to conduct value for money studies which help enhance public sector performance and accountability. To ensure resources are allocated to audit areas which are worth pursuing, the Commission will continue to select subjects for review based on established audit criteria such as materiality and timeliness.

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ANALYSIS OF FINANCIAL PROVISION

	2013–14 (Actual) (\$m)	2014–15 (Original) (\$m)	2014–15 (Revised) (\$m)	2015–16 (Estimate) (\$m)
Programme				
(1) Regularity Audit.....	44.8	46.9	47.0	49.3
(2) Value for Money Audit.....	93.5	97.5	102.2	103.3
	138.3	144.4	149.2 (+3.3%)	152.6 (+2.3%)
				(or +5.7% on 2014–15 Original)

Analysis of Financial and Staffing Provision

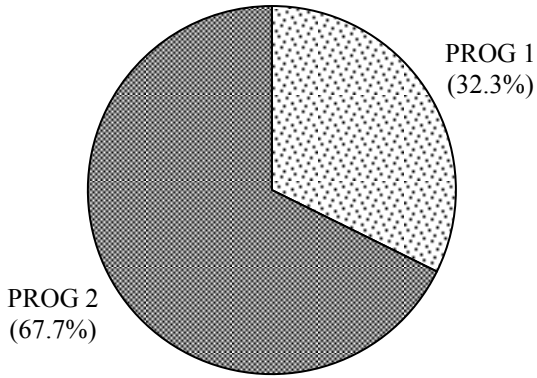
Programme (1)

Provision for 2015–16 is \$2.3 million (4.9%) higher than the revised estimate for 2014–15. This is mainly due to the creation of one new post, salary increments for staff and increased requirements for personnel related expenses, to be partially offset by the reduced requirement in departmental expenses.

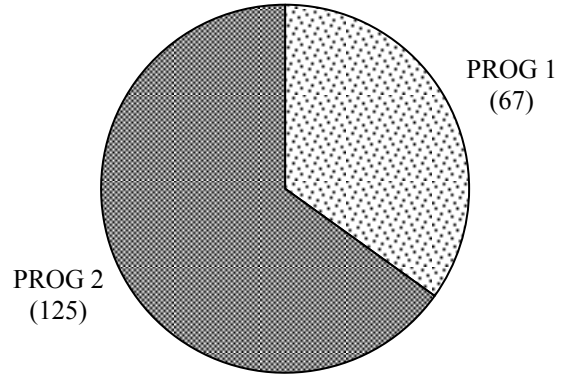
Programme (2)

Provision for 2015–16 is \$1.1 million (1.1%) higher than the revised estimate for 2014–15. This is mainly due to the salary increments for staff and increased requirements for personnel related expenses, to be partially offset by the reduced requirement in departmental expenses.

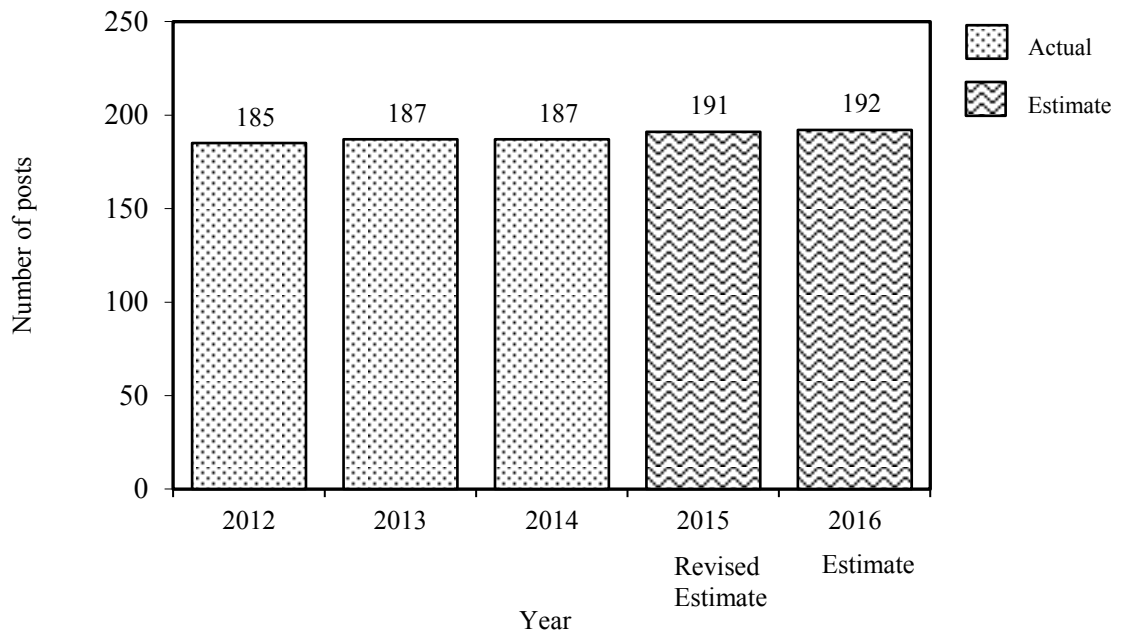
Allocation of provision to programmes (2015-16)



Staff by programme (as at 31 March 2016)



Changes in the size of the establishment (as at 31 March)



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Sub-head (Code)	Actual expenditure 2013-14	Approved estimate 2014-15	Revised estimate 2014-15	Estimate 2015-16	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	138,253	144,428	149,187	152,589
	Total, Recurrent	138,253	144,428	149,187	152,589
	Total, Operating Account	138,253	144,428	149,187	152,589
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	Total Expenditure	138,253	144,428	149,187	152,589
		<u>138,253</u>	<u>144,428</u>	<u>149,187</u>	<u>152,589</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2015–16 for the salaries and expenses of the Audit Commission is \$152,589,000. This represents an increase of \$3,402,000 over the revised estimate for 2014–15 and of \$14,336,000 over the actual expenditure in 2013–14.

Operating Account

Recurrent

2 Provision of \$152,589,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Audit Commission.

3 The establishment as at 31 March 2015 will be 191 permanent posts. It is expected that there will be an increase of one non-directorate post in 2015–16. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2015–16, but the notional annual mid-point salary value of all such posts must not exceed \$113,079,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2013–14 (Actual) (\$'000)	2014–15 (Original) (\$'000)	2014–15 (Revised) (\$'000)	2015–16 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	128,197	133,187	137,914	141,457
- Allowances.....	364	405	410	411
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	202	324	310	350
- Civil Service Provident Fund contribution.....	2,014	2,467	2,644	3,239
Departmental Expenses				
- Remuneration for special appointments	3,897	3,256	3,409	3,423
- General departmental expenses	3,579	4,789	4,500	3,709
	138,253	144,428	149,187	152,589