

Head 24 — AUDIT COMMISSION

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

Estimate 2018–19 **\$173.7m**

Establishment ceiling 2018–19 (notional annual mid-point salary value) representing an estimated 180 non-directorate posts as at 31 March 2018 rising by five posts to 185 posts as at 31 March 2019..... **\$130.0m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2018 and as at 31 March 2019.

Controlling Officer's Report

Programmes

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

Programme (1) Regularity Audit	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).
Programme (2) Value for Money Audit	

Detail

Programme (1): Regularity Audit

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	2018–19 (Estimate)
Financial provision (\$m)	56.0	57.5	57.6 (+0.2%)	62.9 (+9.2%)
				(or +9.4% on 2017–18 Original)

Aim

2 The aim is to provide the Legislative Council (LegCo) 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 Commission audits the accounts of all government bureaux, departments and offices, and the accounts of the Hong Kong Housing Authority, the Exchange Fund, the trading funds and 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 accounts were certified in 2016–17, and the number of accounts to be certified in 2017–18 and 2018–19 will be 83 and 85 respectively. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 34 per cent in 2016–17. It is expected to be maintained at about 34 per cent in 2017–18 while in 2018–19 it is expected to increase to about 36 per cent.

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

Targets

	Target	2016–17 (Actual)	2017–18 (Revised Estimate)	2018–19 (Plan)
Director of Audit's Reports submitted to the LegCo.....	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

	2016–17 (Actual)	2017–18 (Revised Estimate)	2018–19 (Estimate)
accounts certified	82	83	85
man-hours spent	94 994	93 976	105 252
provision for regularity audit as percentage of total government expenditure (%)	0.012	0.012	0.012
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	1,182	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2018–19

5 During 2018–19, 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

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	2018–19 (Estimate)
Financial provision (\$m)	108.4	111.7	113.0 (+1.2%)	110.8 (–1.9%)
				(or –0.8% on 2017–18 Original)

Aim

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

Brief Description

7 The 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 LegCo twice a year. The provision spent on value for money audit, as a percentage of the total provision for the Commission, was about 66 per cent in 2016–17. It is expected to be maintained at about 66 per cent in 2017–18 while in 2018–19, it is expected to decrease to 64 per cent.

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

Targets

	Target	2016–17 (Actual)	2017–18 (Revised Estimate)	2018–19 (Plan)
Director of Audit's Reports submitted to the LegCo	2	2	2	2
value for money audit reports issued to audited bodies	18	18	17Ω	18

Ω Two related subjects were merged into one report in the Director of Audit's Report No. 69 released in November 2017.

Indicators

	2016–17 (Actual)	2017–18 (Revised Estimate)	2018–19 (Estimate)
man-hours spent	165 976	165 999	168 623
provision for value for money audit as percentage of total government expenditure (%)	0.023	0.024	0.020

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	2016–17 (Actual)	2017–18 (Revised Estimate)	2018–19 (Estimate)
actual no. of recommendations accepted for implementation	520	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2018–19

9 During 2018–19, 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

	2016–17 (Actual) (\$m)	2017–18 (Original) (\$m)	2017–18 (Revised) (\$m)	2018–19 (Estimate) (\$m)
Programme				
(1) Regularity Audit.....	56.0	57.5	57.6	62.9
(2) Value for Money Audit.....	108.4	111.7	113.0	110.8
	<hr/> 164.4	<hr/> 169.2	<hr/> 170.6 (+0.8%)	<hr/> 173.7 (+1.8%)
				(or +2.7% on 2017–18 Original)

Analysis of Financial and Staffing Provision

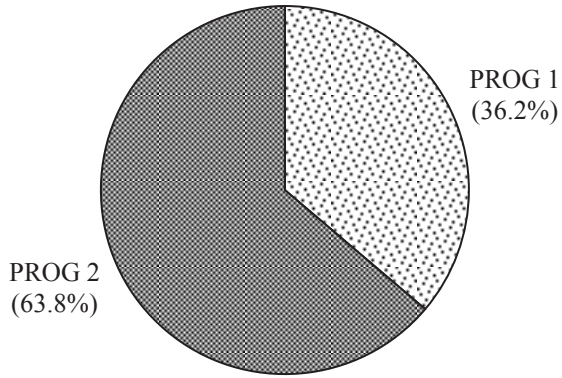
Programme (1)

Provision for 2018–19 is \$5.3 million (9.2%) higher than the revised estimate for 2017–18. This is mainly due to the creation of new posts, salary increments for staff and an increased requirement for personnel related expenses.

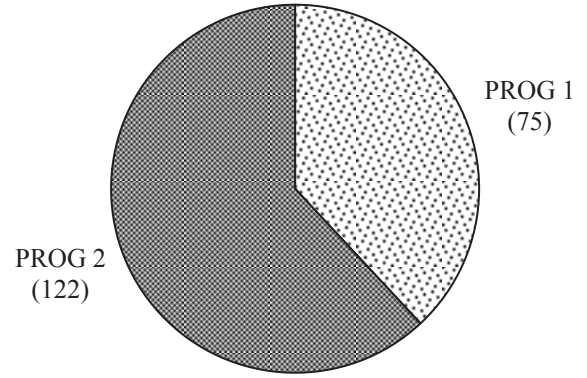
Programme (2)

Provision for 2018–19 is \$2.2 million (1.9%) lower than the revised estimate for 2017–18. This is mainly due to the increased requirements in personnel related expenses to be offset by the reduced requirements in salaries and departmental expenses.

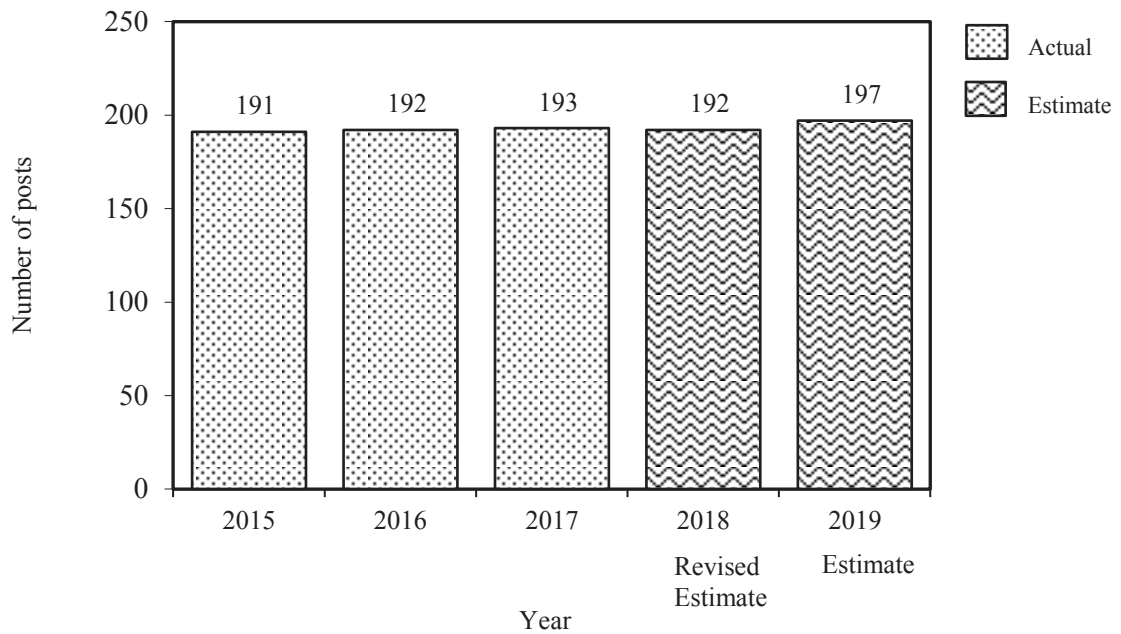
Allocation of provision to programmes (2018-19)



Staff by programme (as at 31 March 2019)



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



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Sub-head (Code)	Actual expenditure 2016-17	Approved estimate 2017-18	Revised estimate 2017-18	Estimate 2018-19	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	164,357	169,191	170,569	173,725
	Total, Recurrent	164,357	169,191	170,569	173,725
	Total, Operating Account	164,357	169,191	170,569	173,725
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	Total Expenditure	164,357	169,191	170,569	173,725
		<u>164,357</u>	<u>169,191</u>	<u>170,569</u>	<u>173,725</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2018–19 for the salaries and expenses of the Audit Commission is \$173,725,000. This represents an increase of \$3,156,000 over the revised estimate for 2017–18 and \$9,368,000 over the actual expenditure in 2016–17.

Operating Account

Recurrent

2 Provision of \$173,725,000 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 2018 will be 192 permanent posts. It is expected that there will be an increase of five permanent posts in 2018–19. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2018–19, but the notional annual mid-point salary value of all such posts must not exceed \$129,984,000.

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

	2016–17 (Actual) (\$'000)	2017–18 (Original) (\$'000)	2017–18 (Revised) (\$'000)	2018–19 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	151,103	152,149	153,938	159,177
- Allowances.....	1,466	626	235	513
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	399	399	380	503
- Civil Service Provident Fund contribution.....	4,249	5,439	5,377	6,270
Departmental Expenses				
- Remuneration for special appointments	3,719	7,171	7,232	3,796
- General departmental expenses	3,421	3,407	3,407	3,466
	164,357	169,191	170,569	173,725