

Head 24 — AUDIT COMMISSION

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

Estimate 2019–20 **\$182.9m**

Establishment ceiling 2019–20 (notional annual mid-point salary value) representing an estimated 185 non-directorate posts as at 31 March 2019 and as at 31 March 2020..... **\$136.0m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2019 and as at 31 March 2020.

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

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	57.2	62.9	62.3 (–1.0%)	65.2 (+4.7%)
				(or +3.7% on 2018–19 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 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 83 accounts were certified in 2017–18, and the number of accounts to be certified in both 2018–19 and 2019–20 will be 85. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 34 per cent in 2017–18. It is expected to increase to about 35 per cent and about 36 per cent in 2018–19 and 2019–20 respectively.

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

Targets

	Target	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Plan)
Director of Audit's Reports submitted to 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

	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
accounts certified	83	85	85
man-hours spent	94 352	96 837	103 415
provision for regularity audit as percentage of total government expenditure (%)	0.012	0.012	0.010
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	1,562	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2019–20

5 During 2019–20, 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

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	112.3	110.8	116.6 (+5.2%)	117.7 (+0.9%)
				(or +6.2% on 2018–19 Original)

Aim

6 The aim is to provide 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 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 2017–18. It is expected to decrease to about 65 per cent and about 64 per cent in 2018–19 and 2019–20 respectively.

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

Targets

	Target	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Plan)
Director of Audit's Reports submitted to LegCo.....	2	2	2	2
value for money audit reports issued to audited bodies	18	17Ω	18	18

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

Indicators

	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
man-hours spent	162 819	165 981	170 937
provision for value for money audit as percentage of total government expenditure (%)	0.024	0.022	0.019

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	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
actual no. of recommendations accepted for implementation	482	N.A.#	N.A.#

Not possible to estimate.

Matters Requiring Special Attention in 2019–20

9 During 2019–20, 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

	2017–18 (Actual) (\$m)	2018–19 (Original) (\$m)	2018–19 (Revised) (\$m)	2019–20 (Estimate) (\$m)
Programme				
(1) Regularity Audit.....	57.2	62.9	62.3	65.2
(2) Value for Money Audit.....	112.3	110.8	116.6	117.7
	<hr/> 169.5	<hr/> 173.7	<hr/> 178.9 (+3.0%)	<hr/> 182.9 (+2.2%)
				(or +5.3% on 2018–19 Original)

Analysis of Financial and Staffing Provision

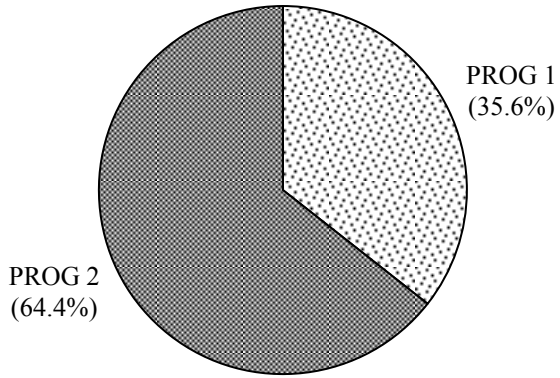
Programme (1)

Provision for 2019–20 is \$2.9 million (4.7%) higher than the revised estimate for 2018–19. This is mainly due to the salary increments for staff and an increased requirement for personnel related expenses and departmental expenses.

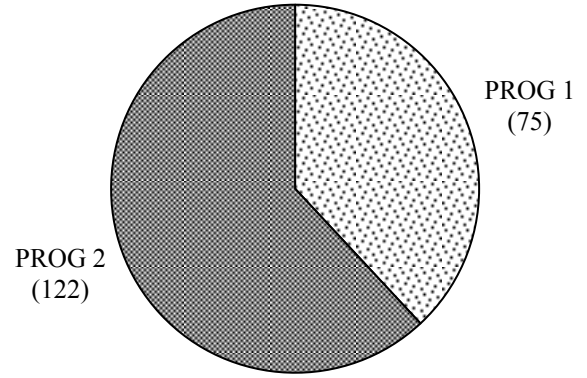
Programme (2)

Provision for 2019–20 is \$1.1 million (0.9%) higher than the revised estimate for 2018–19. This is mainly due to the salary increments for staff and an increased requirement for personnel related expenses and departmental expenses.

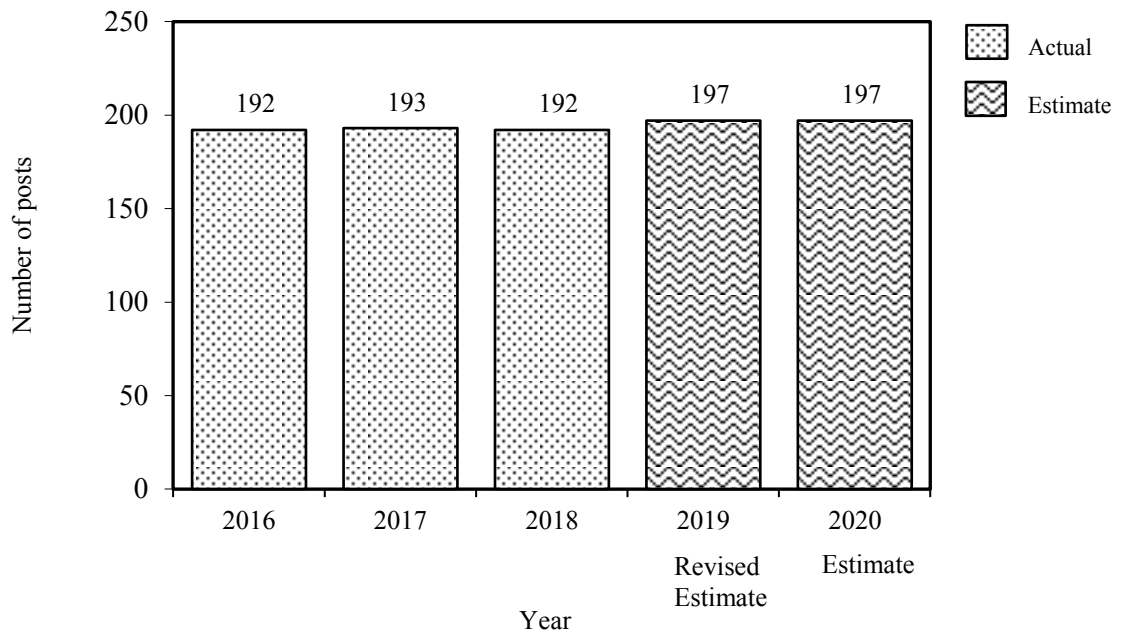
Allocation of provision to programmes (2019-20)



Staff by programme (as at 31 March 2020)



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



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Sub-head (Code)	Actual expenditure 2017-18	Approved estimate 2018-19	Revised estimate 2018-19	Estimate 2019-20	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	169,548	173,725	178,870	182,882
	Total, Recurrent	169,548	173,725	178,870	182,882
	Total, Operating Account	169,548	173,725	178,870	182,882
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	Total Expenditure	169,548	173,725	178,870	182,882
		<u>169,548</u>	<u>173,725</u>	<u>178,870</u>	<u>182,882</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2019–20 for the salaries and expenses of the Audit Commission is \$182,882,000. This represents an increase of \$4,012,000 over the revised estimate for 2018–19 and \$13,334,000 over the actual expenditure in 2017–18.

Operating Account

Recurrent

2 Provision of \$182,882,000 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 2019 will be 197 permanent posts. No change in establishment is expected in 2019–20. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2019–20, but the notional annual mid-point salary value of all such posts must not exceed \$135,974,000.

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

	2017–18 (Actual) (\$'000)	2018–19 (Original) (\$'000)	2018–19 (Revised) (\$'000)	2019–20 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	152,607	159,177	163,845	166,165
- Allowances.....	1,064	513	799	605
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	366	503	414	491
- Civil Service Provident Fund contribution.....	5,264	6,270	6,454	7,721
Departmental Expenses				
- Remuneration for special appointments	7,217	3,796	3,892	3,892
- General departmental expenses	3,030	3,466	3,466	4,008
	169,548	173,725	178,870	182,882