

## Head 24 — AUDIT COMMISSION

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

**Estimate 2021–22** ..... **\$196.2m**

**Establishment ceiling 2021–22** (notional annual mid-point salary value) representing an estimated 185 non-directorate posts as at 31 March 2021 rising by one post to 186 posts as at 31 March 2022 ... **\$143.0m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2021 and as at 31 March 2022.

### Controlling Officer's Report

#### Programmes

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

<b>Programme (1) Regularity Audit</b>	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).
<b>Programme (2) Value for Money Audit</b>	

#### Detail

##### Programme (1): Regularity Audit

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	<b>2021–22 (Estimate)</b>
Financial provision (\$m)	66.2	68.9	70.1 (+1.7%)	<b>75.5</b> (+7.7%)
				(or +9.6% on 2020–21 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 86 accounts were certified in 2019–20, and the number of accounts to be certified in both 2020–21 and 2021–22 will be 86<sup>^</sup>. The provision spent on regularity audit, as a percentage of the total provision for the Commission, was about 35 per cent in 2019–20. It is expected to increase to about 36 per cent in 2020–21 and increase to about 38 per cent in 2021–22.

<sup>^</sup> The Commission plans to certify the first accounts of the Anti-epidemic Fund (AEF) in 2021–22. The additional workload (arising in 2020–21 and 2021–22) will be absorbed by re-deployment of internal resources across programme areas.

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

#### Targets

	Target	2019–20 (Actual)	2020–21 (Revised Estimate)	<b>2021–22 (Plan)</b>
Director of Audit's Reports submitted to LegCo.....	1	1	1	<b>1</b>
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	<b>7</b>

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### *Indicators*

	2019–20 (Actual)	2020–21 (Revised Estimate)	<b>2021–22 (Estimate)</b>
accounts certified .....	86	86	<b>86</b>
man-hours spent .....	104 414	107 974	<b>113 997</b>
provision for regularity audit as percentage of total government expenditure (%) .....	0.011	0.009	<b>0.010</b>
providing assurance on combined actual expenditure and revenue in accounts audited (\$ billion).....	1,896	N.A.#	<b>N.A.#</b>

# Not possible to estimate.

### *Matters Requiring Special Attention in 2021–22*

5 During 2021–22, 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**

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	<b>2021–22 (Estimate)</b>
Financial provision (\$m)	120.3	123.8	122.3 (–1.2%)	<b>120.7</b> (–1.3%)
				(or –2.5% on 2020–21 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 65 per cent in 2019–20. It is expected to decrease to about 64 per cent in 2020–21 and decrease to about 62 per cent in 2021–22.

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

### *Targets*

	Target	2019–20 (Actual)	2020–21 (Revised Estimate)	<b>2021–22 (Plan)</b>
Director of Audit’s Reports submitted to LegCo.....	2	2	2	<b>2</b>
value for money audit reports issued to audited bodies .....	18	18	17Ω	<b>17Ω</b>

Ω Due to internal re-deployment of resources across programme areas to meet the additional workload (arising in 2020–21 and 2021–22) for certifying the first accounts of AEF and the impact of the outbreak of COVID-19, it is estimated that the number of value for money audit reports to be issued in 2020–21 and 2021–22 will be reduced by one from 18 to 17.

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*Indicators*

	2019–20 (Actual)	2020–21 (Revised Estimate)	<b>2021–22 (Estimate)</b>
man-hours spent .....	164 966	165 836	<b>163 204</b>
provision for value for money audit as percentage of total government expenditure (%) .....	0.020	0.015	<b>0.017</b>
actual no. of recommendations accepted for implementation .....	517	N.A.#	<b>N.A.#</b>

# Not possible to estimate.

***Matters Requiring Special Attention in 2021–22***

9 During 2021–22, 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

	2019–20 (Actual) (\$m)	2020–21 (Original) (\$m)	2020–21 (Revised) (\$m)	2021–22 (Estimate) (\$m)
<b>Programme</b>				
(1) Regularity Audit.....	66.2	68.9	70.1	75.5
(2) Value for Money Audit.....	120.3	123.8	122.3	120.7
	186.5	192.7	192.4 (–0.2%)	196.2 (+2.0%)
				(or +1.8% on 2020–21 Original)

#### Analysis of Financial and Staffing Provision

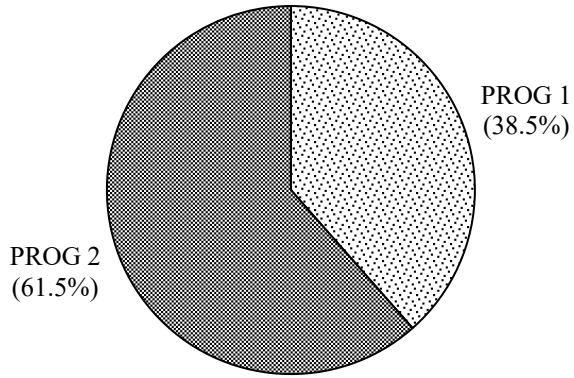
##### Programme (1)

Provision for 2021–22 is \$5.4 million (7.7%) higher than the revised estimate for 2020–21. This is mainly due to the increased requirement for salaries and personnel related expenses as well as departmental expenses.

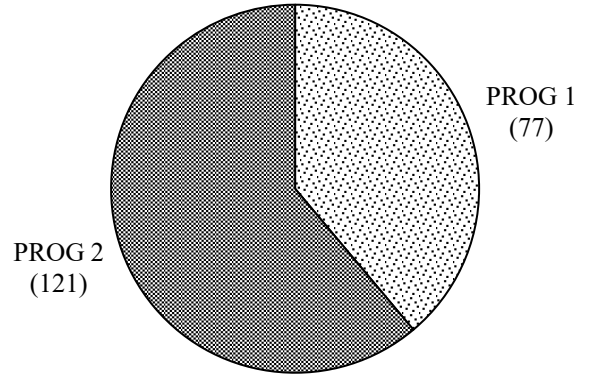
##### Programme (2)

Provision for 2021–22 is \$1.6 million (1.3%) lower than the revised estimate for 2020–21. This is mainly due to the decreased requirement for salaries, partly offset by the increased requirement for personnel related expenses and departmental expenses.

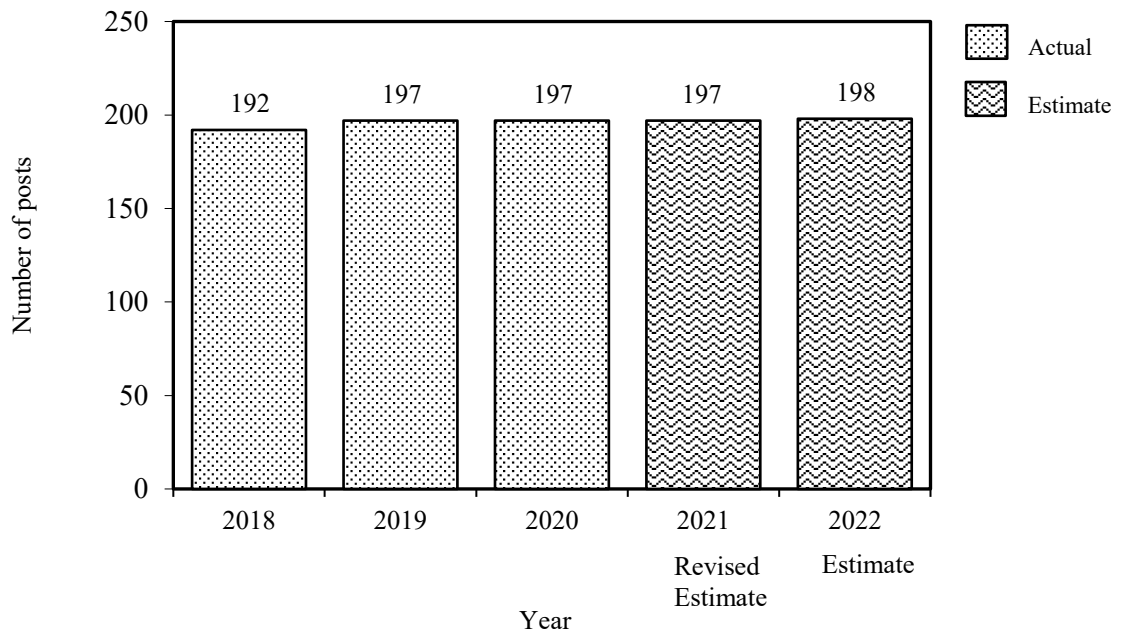
*Allocation of provision to programmes (2021-22)*



*Staff by programme (as at 31 March 2022)*



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



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Sub-head (Code)	Actual expenditure 2019–20	Approved estimate 2020–21	Revised estimate 2020–21	<b>Estimate 2021–22</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	186,468	192,707	192,435	<b>196,158</b>
	Total, Recurrent.....	186,468	192,707	192,435	<b>196,158</b>
	Total, Operating Account .....	186,468	192,707	192,435	<b>196,158</b>
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	Total Expenditure .....	186,468	192,707	192,435	<b>196,158</b>
		<u>186,468</u>	<u>192,707</u>	<u>192,435</u>	<u><b>196,158</b></u>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2021–22 for the salaries and expenses of the Audit Commission is \$196,158,000. This represents an increase of \$3,723,000 over the revised estimate for 2020–21 and \$9,690,000 over the actual expenditure in 2019–20.

#### *Operating Account*

#### Recurrent

**2** Provision of \$196,158,000 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 2021 will be 197 permanent posts. It is expected that there will be an increase of one permanent post in 2021–22. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2021–22, but the notional annual mid-point salary value of all such posts must not exceed \$142,994,000.

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

	2019–20 (Actual) (\$'000)	2020–21 (Original) (\$'000)	2020–21 (Revised) (\$'000)	<b>2021–22 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries.....	167,565	169,439	168,183	<b>169,705</b>
- Allowances.....	2,150	651	1,767	<b>1,400</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	504	545	544	<b>536</b>
- Civil Service Provident Fund contribution.....	7,963	9,179	9,064	<b>10,707</b>
Departmental Expenses				
- Remuneration for special appointments ....	3,407	5,935	5,919	<b>3,510</b>
- General departmental expenses .....	4,879	6,958	6,958	<b>10,300</b>
	186,468	192,707	192,435	<b>196,158</b>