

HONG KONG SPECIAL ADMINISTRATIVE REGION

Audit Commission

Annual Report 2011-12

**Audit Commission
Hong Kong
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AUDIT COMMISSION

ANNUAL REPORT 2011-12

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DIRECTOR'S MESSAGE

I am pleased to present the Annual Report of the Audit Commission for the financial year 2011-12 and would like to use it — my last as Director of Audit — to reflect on some examples of progress and also to underscore the challenges that remain of particular concern to me as my term comes to a close.

The year under review

2. As the Head of the Audit Commission, I am the external auditor of the Government. Our mission is to help the Government enhance public sector performance and accountability. We achieve this mission by conducting value for money (VFM) audit and regularity audit.

3. VFM audit aims at making value-added recommendations to help the auditees achieve better VFM, e.g. by enhancing their governance, accountability and cost-effectiveness. Our objective is to help them improve and learn lessons, and not just for the sake of raising criticisms. In 2011-12, we issued a number of VFM audit reports which attracted a great deal of public interest, notably the reviews of food labelling, nutrition labelling of infant and special dietary foods, Hong Kong 2009 East Asian Games, management of commercial properties of the Hong Kong Housing Authority, and water losses from unauthorised consumption and inaccurate metering. In all these reviews, we attempted to help the auditees identify lessons learnt and achieve better VFM. Our recommendations were accepted by the auditees. Details about these reviews are covered in Chapter 3.

4. Regularity audit is similar to financial audit in the private sector. It examines the financial propriety of the accounts of the Government and the auditees. Apart from providing an overall assurance on the propriety of Government accounts, we assess the Government's internal control environment and recommend improvement measures on areas with potential significant risks to regularity, propriety and controls. In 2011-12, a total of 81 accounts were audited and certified, including the General Revenue Account, the five Trading Funds, the Exchange Fund, and the accounts of the Hong Kong Housing Authority. The implementation of accrual reporting is a key initiative of the Government for improving its financial accountability and transparency. We have been keeping a close watch on the development of accrual accounting in the Government, with a view to assessing its impact on our regularity audit work. In addition, the increase in government spending and new government initiatives in recent years poses a challenge to our regularity audit work. Chapter 2 gives more details about our regularity audit work.

5. We have made enormous stride in building up our reputation and earning respect from stakeholders. The media and general public are very supportive of our work which is something we cherish. To keep abreast of the latest developments and best practices of the accounting and auditing professions, we have continued to attend international conferences and share experience with professional bodies in these fields. For instance, from late February to early March 2012, I attended the 12th Assembly and the 5th Symposium of the

Asian Organisation of Supreme Audit Institutions in Jaipur, India as a member of the People's Republic of China Delegation. In mid-March 2012, at the invitation of the Auditor-General of New South Wales of Australia, I attended the 3rd ACAG-CCOLA (the Australasian Council of Auditors-General and the Canadian Council of Legislative Auditors) Public Sector Audit Forum in Sydney, Australia. I met the Auditors-General of various state audit offices of Australia, Canada, Fiji, Papua New Guinea, Spain and the United Kingdom to exchange views on public sector auditing and took this opportunity to explore collaborative training opportunities for our staff. I also participated in various functions of professional bodies to exchange experience and knowledge about public sector auditing, and delivered presentations on subjects related to our work to various organisations. Our staff also received visitors from the Mainland and overseas, and shared with them our audit experience. One of our Auditors attended a training attachment programme at an overseas state audit office. In exchange, we also organised similar training attachment programmes for Auditors from overseas state audit offices. This helps strengthen our ties with overseas state audit offices and enhance our audit exposure. Details are set out in Chapter 4.

The way ahead

6. In terms of future challenges, the Audit Commission needs to continue to uphold a high standard of professionalism in our audit work and deliver independent and quality public sector audit services. It is also imperative that we invest rigorously in our manpower through training to enable a smooth succession. The skills and expertise of our staff are vital to the success of the Commission. As the Commission is a people-oriented organisation, we are committed to helping our staff meet their full potential by enriching their skills and expertise. For example, in May 2011, we held the second Audit Commission Job Shadow Day in which our staff served as workplace mentors to share their work experience with 20 senior secondary school students. Through participating in this event, our colleagues not only developed their own leadership and mentorship skills, but also helped young people of our community prepare for the future. In the same month, a delegation of four audit staff participated in the "Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2011" in Taipei. In June 2011, a delegation of five audit staff participated in the "Guangdong-Hong Kong-Macao Environmental Audit Conference 2011" in Dongguan. Chapter 4 contains more information on our staff training and development.

7. The growth of e-business in the Government poses a challenge to the Commission. We need to ensure that e-transactions are properly authorised and e-records are complete, accurate and valid. We will continue to review our audit methodology and make good use of our resource to meet this challenge. Publicly-funded non-governmental organisations (NGOs) are accountable for the use of public resources in their provision of services. VFM audits of NGOs may be likened to "health checks", aiming at helping them "prevent long-term illness through early diagnosis and treatment". In conducting health checks for a NGO, we examine its corporate governance. "Corporate governance" of an organisation is similar to the "immune system" of a human being that safeguards stakeholders' interests, prevents corporate failures, and ensures long-term corporate health and sustainability. Problems with the immune system will inevitably lead to infections and illnesses. A collapse of the immune system is very often fatal. Similarly, for an organisation, while achieving good corporate governance may not guarantee success, without it, failure is almost certain. Similar to the past few years, our recent audits of NGOs have revealed various problems of corporate governance. The corporate governance of these NGOs will continue

to be an important area of concern in our future VFM audits. In particular, priority should be given to the audit of those NGOs which have not been subject to a VFM audit for an extended period of time.

8. One of the most satisfying aspects of my work has been the opportunity to point to good practices and make real progress in improving the economy, efficiency and effectiveness in government bureaux/departments and NGOs. Taken together, our audit reports have included many examples of efforts made in the public sector leading to changes that will be of lasting benefit to Hong Kong.

9. I believe that Hong Kong has a strong and highly capable civil service. In more than eight years of serving as the Director of Audit, I have observed many things it does well, an important factor in why most of us enjoy an enviable standard of living. I encourage the Heads of Bureaux/Departments and NGOs, in providing their services, to publish longer term forecasts and to engage stakeholders in early discussions about choices that will have to be made.

10. I will continue my service as the Director of Audit up to 30 June 2012. As this is my last annual report, I would like to take this opportunity to acknowledge and thank the people I have been fortunate to work with. I thank my colleagues in the Audit Commission for their enthusiasm and commitment, and their ability to deal with the many challenges we have faced together. I feel privileged to have worked with people who are so competent and dedicated to serving the public. I also acknowledge the excellent cooperation and assistance we received from the government bureaux/departments and NGOs we audited, sometimes under trying circumstances. Finally, I wish to express appreciation for the support and guidance of the Chairman and Members of the Legislative Council Public Accounts Committee who considered our reports.

11. As I leave this position, I will take many fond memories with me. I am grateful and honoured to have the privilege of serving the Public Accounts Committee and the general public. I extend my very best wishes to all staff in the Commission and look forward to their continued support for my successor's work in contributing to improving the economy, efficiency and effectiveness of the public service.

Benjamin Tang, JP
Director of Audit
May 2012



CHAPTER 1: ROLE OF THE AUDIT COMMISSION

Independence

The Basic Law and the establishment of the Audit Commission

1.1 Since 1 July 1997, Hong Kong has become a special administrative region of the People's Republic of China. According to [Article 58 of the Basic Law of the Hong Kong Special Administrative Region](#), a Commission of Audit shall be established in the Hong Kong Special Administrative Region (HKSAR), which shall function independently and be accountable to the Chief Executive of the HKSAR. The former Audit Department (“核數署”) was renamed the Audit Commission (“審計署”) with effect from 1 July 1997. The post title of the Director of Audit in Chinese was also changed from “核數署署長” to “審計署署長” with effect from the same date.

The Audit Ordinance

1.2 A key milestone in the development of government auditing in Hong Kong was the enactment of the [Audit Ordinance \(Cap. 122\)](#) in December 1971. The Ordinance provides for the duties and powers of the Director of Audit and for the auditing of and reporting on the public accounts. The enactment of the Ordinance established the statutory framework for the audit and certification of the accounts of the Government. The Ordinance confers wide powers on the Director in carrying out his statutory duties. He has wide powers of access to the records of departments and he can require any public officer to give an explanation and to furnish such information as he thinks fit to enable him to discharge his duties. In the performance of his duties and the exercise of his powers under the Ordinance, the Director is not subject to the direction or control of any other person or authority. The audit work carried out in accordance with the Ordinance is generally known as regularity audit.

The Public Accounts Committee and the Value for Money Audit Guidelines

1.3 Prior to the enactment of the Audit Ordinance in December 1971, audit examination was predominantly a “regularity” type audit, designed primarily to give the assurances that the accounts were correct. Few value for money (VFM) audits were conducted. Initially, developments in VFM audit focused on the examination of capital works contracts. This was because, by reason of their nature, size, escalation in costs, cancellation or curtailment, these projects might involve waste, extravagance or even fraud. In the mid-1970s, VFM audit was extended to cover organisations in receipt of government grants.

1.4 In 1978, the [Public Accounts Committee](#) (PAC) was established as a standing committee of the [Legislative Council](#) (LegCo). The PAC considers the reports of the Director of Audit on the accounts of the Government, on such other accounts required to be laid before LegCo as the PAC may think fit, and on any matter incidental to the performance of the Director's duties or the exercise of his powers as the PAC may think fit. The PAC

also considers VFM audit reports of the Director laid on the table of LegCo. It may invite Government officials and senior staff of public organisations to attend public hearings to give explanation, evidence or information, or any other person to assist it in relation to such explanation, evidence or information if deemed necessary. The establishment of the PAC was an important milestone in the development of public accountability in Hong Kong.

1.5 On 13 November 1984, the PAC held its first public hearing on the Director of Audit's report. Since then, members of the press and of the public have been admitted as spectators at meetings of the PAC. The opening up of PAC hearing is another important milestone in the development of public accountability in Hong Kong.

1.6 In January 1986, the PAC noted that the boundaries of the Director of Audit's remit to examine and report on policy implementation, particularly in relation to VFM studies, had not been clearly defined. A set of VFM Audit Guidelines was agreed between the PAC and the Director and accepted by the Government. In November 1986, a paper (*"Scope of Government Audit in Hong Kong — 'Value for Money' Studies"*) was presented to LegCo by the Chairman of the PAC. This paper covered the scope of work and guidelines for VFM audits. The VFM Audit Guidelines set out the authority and boundaries within which the Director might conduct VFM audits. The promulgation of the Guidelines set an important milestone in the development of VFM audit and public accountability in Hong Kong.

1.7 In February 1998, a paper (*"Scope of Government Audit in the Hong Kong Special Administrative Region — 'Value for Money Audits'"*) was presented to the Provisional Legislative Council by the Chairman of the PAC. This paper covered the scope of work, guidelines and procedures for VFM audits. This new set of [VFM Audit Guidelines](#) was agreed between the PAC and the Director of Audit and accepted by the Government of the HKSAR.

Reporting to the Legislative Council

1.8 ***Requirements of the Audit Ordinance.*** Section 12 of the Audit Ordinance provides that:

- (a) the Director of Audit shall, within a period of seven months after the close of the financial year (i.e. in October), prepare and submit to the President of LegCo a report in respect of his examination and audit of the accounts of the Government;
- (b) within a period of one month after the receipt of the report and certified statements from the Director, a copy of the report and certified statements shall be laid before LegCo; and
- (c) within a period of three months after the laying of the report and certified statements from the Director, a copy of the PAC's report shall be laid before LegCo.

1.9 According to the VFM Audit Guidelines presented in February 1998 (see para. 1.7), the Director of Audit shall report his findings on VFM audits in LegCo twice each year:

- (a) the first report shall be submitted to the President of LegCo within seven months of the end of the financial year. Within one month, copies of the report shall be laid before LegCo; and
- (b) the second report shall be submitted to the President of LegCo by the 7th of April each year. By the 30th of April, copies of the report shall be laid before LegCo.

The Director's report shall be referred to the PAC for consideration when it is laid on the table of LegCo. The PAC shall follow the rules governing the procedures of LegCo in considering the Director's reports (i.e. [Rule 72 of the Rules of Procedure of LegCo](#); and [PAC's Procedure](#), as determined by the PAC in accordance with Rule 72).

The Government Minute

1.10 In 1978, when the PAC was established, the Government agreed to prepare a Government Minute, after considering the comments and recommendations contained in the PAC's report, within three months of the tabling of the PAC's report.

1.11 The Government's response to the PAC's report is contained in the Government Minute, which comments as appropriate on the PAC's conclusions and recommendations, indicates what action the Government proposes to take to rectify any irregularities which have been brought to notice by the PAC or by the Director of Audit and, if necessary, explains why it does not intend to take action. It is the Government's stated intention that the Government Minute should be laid on the table of LegCo within three months of the laying of the PAC's report to which it relates.

Annual Progress Report

1.12 Each year in September, the Administration reports progress to the PAC through submission of annual progress reports which includes all outstanding matters covered in previous Government Minutes.

Follow-up actions of the Audit Commission

1.13 For subjects selected for investigation by the PAC, the Director of Audit conducts an annual clearance exercise to inform the PAC of the latest developments of issues raised in the PAC's Reports. For subjects not selected for investigation by the PAC, the Director of Audit calls for separate progress reports from the auditees concerned directly on a half-yearly basis, and reviews the latest developments.

Organisation of the Audit Commission

1.14 The Audit Commission (Audit) is made up of six Divisions, namely one Regularity Audit Division, four VFM Audit Divisions, and one Corporate Services Division. The six Divisions specialise in different areas: the Regularity Audit Division in regularity audit; each VFM Audit Division in VFM audit of a set of government policy areas; and the Corporate Services Division in corporate services, including departmental administration, the Director of Audit's report production work, and other support services.

1.15 The specialisation brings a lot of benefits to the Commission's staff and management. For the staff, specialisation of work helps them better focus their efforts and develop their expertise in the respective audit areas. For the management, more specialisation and increased professionalism enable Audit to better meet the challenges ahead.

Grade structure of the Audit Commission

1.16 As at 31 March 2012, Audit had an establishment of 185 posts. There were 61 posts (33%) in the Auditor grade, 85 posts (46%) in the Examiner grade and 39 posts (21%) in the general and common grades.

Looking ahead

1.17 The year 2011 marked Audit's 167th anniversary. Over the past years, the Commission has evolved from a small colonial audit unit to a well administered and efficient audit office, providing a full range of quality audit services. We are committed to upholding a high standard of integrity and conduct in discharging our audit responsibilities. We have built an office culture that embraces quality and achievements as its core value and promotes commitment to professional and ethical excellence. Our staff share our culture and are delighted and honoured to have joined the Commission. Their dedication and commitment to perform their best have contributed to the standing of the Commission. We will continue to enhance our audit methodology and technology, upkeep our independent role, and help enhance public sector performance and accountability to achieve our vision of "excellence in public sector auditing".

CHAPTER 2: REGULARITY AUDIT

Introduction

2.1 The aim of regularity audits is to provide 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.

2.2 Regularity audit is carried out mainly under the Audit Ordinance which, among other things, provides for the submission of annual statements by the Director of Accounting Services, the examination and audit of those statements by the Director of Audit, and the submission of his report thereon to the President of LegCo. The statements required to be rendered by the Director of Accounting Services are the Statement of Assets and Liabilities and the Statement of Receipts and Payments of:

- (a) ***General Revenue Account (GRA).*** The Government's financial activities are undertaken through a variety of accounts and funds. The GRA acts as the central funding device with resources transferred as necessary to and from a number of purpose-specific funds; and
- (b) ***Funds established under section 29 of the Public Finance Ordinance (Cap. 2).*** There are nine funds, namely Bond Fund, Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund. Financial reporting requirements of the first eight Funds are laid down in the Audit Ordinance, while those of the Lotteries Fund are laid down in the Government Lotteries Ordinance (Cap. 334).

2.3 The Director of Audit examines and audits the financial statements of the GRA and the nine funds mentioned in paragraph 2.2(b) in accordance with the Audit Commission auditing standards. These auditing standards are in line with those issued by the International Organisation of Supreme Audit Institutions and the Hong Kong Institute of Certified Public Accountants (HKICPA).

2.4 Regularity audit is conducted in accordance with a programme of work (POW), which is determined annually by the Director of Audit. Audit adopts a risk-based approach to the planning and conduct of regularity audit. It emphasises on risk assessment and focuses audit tests on areas with risk of significant errors and irregularities. It is not the intention of regularity audit to disclose each and every accounting error or financial irregularity. With the considerable volume and variety of government revenue and expenditure, this examination of accounts is of necessity carried out by means of selective test checks and in-depth reviews designed to indicate possible areas of weakness. In making risk assessment and selecting transactions for detailed checks, consideration is given to the relevant systems of internal control operated by the audited departments.

2.5 Regularity audit is similar to financial audit in the private sector. Compared with private-sector auditors, we put more emphasis on the regularity and probity aspects. This is because under section 8 of the Audit Ordinance, the Director of Audit shall satisfy himself, among other things, that adequate directions have been given to ensure the due collection of moneys; all issues and payments of moneys were made in accordance with proper authority; all payments were properly chargeable and are supported by sufficient vouchers; the rules and procedures applied to the issue and payment of moneys have been duly observed; and moneys appropriated by LegCo for a specified purpose have been expended in the due application of that purpose.

2.6 To discharge the wider responsibilities of the Director of Audit under section 8 of the Audit Ordinance, we supplement our normal certification audit work with a programme of risk audit, which examines risks related to regularity, propriety and financial control. In conducting risk audit work, Audit periodically reviews the Government's activities to identify areas where there are significant risks of irregularity, impropriety or failure in financial control. The aim is to ensure that all significant risks are identified, examined and, if necessary, reported.

The year under review

Accounts certified in 2011-12

2.7 On 28 October 2011, the Director of Audit submitted the Report of the Director of Audit on the Accounts of the Government of the HKSAR for the year ended 31 March 2011 to the President of LegCo.

2.8 In 2011-12, a total of 81 accounts were audited and certified, i.e. the GRA, the nine funds mentioned in paragraph 2.2 (b), five Trading Funds, the Exchange Fund, the Hong Kong Housing Authority, and 64 other funds. Appendix A is a list of these 81 accounts. The resources deployed to regularity audits represented 31% of Audit's available resources. The amount involved constituted only a very small percentage (i.e. 0.011%) of the Government's total expenditure.

Increasing workload

2.9 Our regularity audit workload has been increasing because:

- (a) high-profile corporate failures and frauds have aroused interest in how far the auditors should go in carrying out financial audits. There is increasing demand for reducing the risk of major frauds in the use of public funds. As a result, our regularity audit work has become more demanding; and
- (b) Audit has to cope with additional and complex workload arising from the Government's adoption of accrual accounting (see paras. 2.10 and 2.11), the implementation of the Government Financial Management Information System (GFMIS — see paras. 2.12 and 2.13), the increase in government spending and

new government initiatives (see paras. 2.14 and 2.15), and new accounting and auditing standards (see para. 2.16).

Implementation of accrual reporting in the Government

2.10 At present, the Government publishes two separate sets of annual accounts, one under the existing cash accounting convention and another on the accrual basis. The implementation of accrual reporting is a key initiative of the Government for improving its financial accountability and transparency.

2.11 The Government's accrual-based [Consolidated Statement of Financial Position as at 31 March 2011](#) reported a number of assets and liabilities, e.g. net assets of the Exchange Fund (\$603 billion), fixed assets (\$315 billion), investments in government business enterprises (\$260 billion), provision for pensions (\$534 billion) and provision for untaken leave (\$22 billion). In order to better reflect the Government's financial performance and position, the Administration has been making improvements to the accrual accounting policies. For example, the Government's fixed assets have been reported in these accrual-based financial statements since 2004-05, and accruals are made for its major revenue and expense items starting from 2010-11. The Government's adoption of accrual accounting will have wide ramifications on our regularity audit work.

Implementation of the GFMIS

2.12 In December 2007, the Treasury implemented Phase 1 of the GFMIS and the system was rolled out for production use. Phase 2 of the GFMIS comprises four streams. The first stream was implemented in March 2009. The other three streams were rolled out in 2009.

2.13 The GFMIS involves bureaux and departments and users spread around different geographical locations in Hong Kong. The design of this complex system is based on government business processes and integration requirements. It is a large-scale system implementation taking into account a wide range of requirements and expectations of many different stakeholders. The implementation of the GFMIS has a significant impact on our regularity audit. We have taken necessary measures to deal with the impact of the GFMIS on our audit work. We will continue to keep in view further development of this large-scale information technology (IT) project so as to properly plan our audit work.

Increase in government spending and new government initiatives

2.14 There has been a significant rise in government spending (from \$233 billion in 2005-06 to \$366 billion in 2011-12 (an increase of 57%). Moreover, the Government has, over the years, launched a number of new initiatives (e.g. the Youth Pre-employment Training Programme) and provided various subsidies to eligible recipients (e.g. the Human Swine Influenza Vaccination Subsidy Scheme).

2.15 In view of the significant increase in scope, complexity and coverage of the government spending and the launch of new government initiatives in recent years, it has been necessary for Audit to carry out in-depth reviews or risk audits to ensure that the programmes are operated within the approved ambit and that the funds are expensed in accordance with laid-down policy objectives and conditions.

New accounting and auditing standards

2.16 As part of the international standards convergence project, the HKICPA continues to issue new and revised accounting and auditing standards from time to time. We have to deploy substantial resources to implement the new auditing requirements, and to ensure compliance with the new and revised accounting standards by the auditees in preparing their financial statements.

Looking ahead

2.17 Audit is facing a number of major challenges in its regularity audit work, including the expectation of an expanding role for public auditors, the changes brought about by the implementation of Government accrual accounts reporting, the growing use of e-business (e.g. replacement of the existing computer systems and processes by the GFMIS), the increase in government spending and new government initiatives, and the adoption of new auditing and accounting standards. To meet these challenges and to further improve our efficiency and cost-effectiveness, we will continue to keep our audit methodology and technology under review and align them with best professional practices.

CHAPTER 3: VALUE FOR MONEY AUDIT

Introduction

3.1 VFM audits play an important role in enhancing public sector performance and accountability. In other administrations, such as the Mainland, Australia, Canada, the UK, the USA and the Macao Special Administrative Region, their audit offices attach much importance to VFM audits. VFM audits may be referred to as performance audits or operational audits by other audit offices. These audits, similar to ours, focus on three main aspects of performance which are commonly known as the “three E’s” as explained in paragraph 3.3.

3.2 The aim of VFM audits is to provide LegCo with independent information, advice and assurance about the economy, efficiency and effectiveness (the three E’s of VFM) with which any audited body (i.e. bureau/department of the Government, agency, other public body, public office or audited organisation) has discharged its functions.

3.3 The three E’s of VFM can be interpreted as follows:

- (a) ***Economy.*** It is concerned with minimising the cost of inputs used for an activity having regard to appropriate quality;
- (b) ***Efficiency.*** It is concerned with improving productivity. It is the relationship between outputs (in terms of goods, services or other results) and inputs used to produce them; and
- (c) ***Effectiveness.*** It is concerned with the extent to which objectives have been achieved. It is the relationship between objectives (or intended impacts) and outcomes (actual impacts) of an activity.

3.4 VFM audits are carried out under the VFM Audit Guidelines tabled in the Provisional Legislative Council in 1998 (see para. 1.7). The Guidelines also provide for the submission of the Director of Audit’s reports on the results of VFM audits to the President of LegCo, the tabling of these reports, the consideration of these reports by the PAC, and the tabling of the Government Minutes (see paras. 1.9 to 1.11). Like regularity audits, VFM audits are conducted in accordance with the Audit Commission auditing standards (see para. 2.3) and a POW determined annually by the Director of Audit (see para. 2.4).

3.5 VFM audits are performed using a structured approach. Basically the audit consists of three stages, i.e. the planning stage, the investigation stage and the reporting stage. At the end of the review, we produce a report to the audited body for comment. This report is subject to stringent quality checks and reviews to ensure that the report contents are accurate, complete, fair and constructive.

3.6 In conducting VFM audit under the VFM Audit Guidelines, the Director of Audit is entitled to exercise the powers given to him under the Audit Ordinance. However, he is not entitled to question the merits of the policy objectives, though he may question the economy, efficiency and effectiveness of the means used to achieve them.

The year under review

3.7 In 2011-12, two Director of Audit's Reports on the results of VFM audits were submitted to the President of LegCo in April (Report No. 56) and October 2011 (Report No. 57), covering a total of 20 audit subjects. The [Director of Audit's Report No. 56](#) has eight subjects while the [Director of Audit's Report No. 57](#) has twelve subjects. The resources deployed to VFM audits represented 69% of Audit's available resources. The amount involved constituted only a very small percentage (i.e. 0.024%) of the Government's total expenditure.

3.8 The PAC continued to express keen interest in the audit subjects in these two reports, and selected five subjects for public hearing.

Subjects in the Director of Audit's Report Nos. 56 and 57 selected for PAC hearing

Subject	Report No.	Chapter No.
Hong Kong 2009 East Asian Games	56	5
Hong Kong Housing Authority: Management of commercial properties	56	7
Food labelling	57	3
Nutrition labelling of infant and special dietary foods	57	4
Water losses from unauthorised consumption and inaccurate metering	57	12

The PAC examined at length a number of issues raised in the audit reports. For example, regarding the chapters on "Food labelling" and "Nutrition labelling of infant and special dietary foods", the PAC considered that the Administration had failed to effectively discharge its role as the food safety authority in overseeing and regulating the nutritional composition and labelling of infant and special dietary foods marketed in Hong Kong, and hence public health had not been adequately safeguarded. The PAC expressed deep regret in this regard and found it unacceptable. The PAC also considered that the Secretary for Food and Health had been inordinately slow in considering the introduction of appropriate ordinances or regulations to govern nutritional composition and labelling of infant and special dietary foods marketed in Hong Kong, and that Hong Kong was lagging behind many countries in regulating the various aspects of infant and follow-up formulae. The audit conclusions and recommendations of Report Nos. 56 and 57 were generally accepted by the PAC and the auditees. Like the VFM audit reports issued in past years, some audit subjects

in these two reports hit the headlines of newspapers and were widely reported. In general, the comments from the media and the public were supportive of Audit's findings. The above audit subjects are briefly described in paragraphs 3.9 to 3.17.

Report No. 56 Chapter 5: Hong Kong 2009 East Asian Games

3.9 Background. The East Asian Games (EAG) is an international sports event held every four years in one of the EAG Association's member countries/places. Members of the EAG Association comprise the National Olympic Committees of nine countries/places in East Asia, including Hong Kong. In April 2001, the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) indicated an interest in bidding for the hosting right of the fifth EAG to be held in 2009 (2009 EAG). In July 2003, the Finance Committee (FC) of the LegCo accepted in principle the provision of a government subsidy for hosting the 2009 EAG in Hong Kong. In November 2003, the SF&OC won the bid for hosting the event. In June 2004, the Secretary for Home Affairs appointed the EAG Planning Committee to oversee the planning and preparation of the 2009 EAG. In March 2005, the 2009 East Asian Games (Hong Kong) Limited (the EAG Company) was incorporated to act as the executive arm and the agent for implementation and delivery of the 2009 EAG. In January 2006, the FC approved funding of \$123 million under the Leisure and Cultural Services Department to provide financial support for the event. In June 2006, the Government (represented by the Secretary for Home Affairs), the SF&OC and the EAG Company entered into a Tripartite Agreement which set out the detailed arrangements and the roles and responsibilities of the three parties in the organisation, implementation and delivery of the 2009 EAG. The 2009 EAG was held between 5 and 13 December 2009. About 2,100 athletes competed in 22 sports items.

3.10 Audit review. The audit review focused on the following areas: post-implementation review (PIR), operating cost and revenue, reduction in number of shooting competition events, conversion of squash courts into office accommodation, admission ticketing arrangements and audit survey. The audit recommendations were accepted by the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) **PIR.** The Tripartite Agreement of June 2006 did not specify any requirement for the conduct of a PIR of the 2009 EAG. In February 2009, the Efficiency Unit issued a user guide on PIRs. Audit noted that a wash-up review and a survey on the participating National Sports Associations, conducted after the completion of the 2009 EAG, did not involve formal consultation with key stakeholders, such as the participating National Olympic Committees, sponsors, broadcasters, volunteers and technical officials. Audit has recommended that the Secretary for Home Affairs should: (i) consolidate the experience in hosting the 2009 EAG by compiling a report on good practices and lessons identified; and (ii) consider, in collaboration with the organiser of any similar international multi-sports event in future, the need for conducting a PIR with reference to the Efficiency Unit's user guide; and
- (b) **Operating cost and revenue.** Audit noted that the Administration had not ascertained the full cost implications of hosting the 2009 EAG. As far as Audit could ascertain, apart from the government subsidy of \$123 million, additional

direct expenditures amounting to \$132.8 million had been incurred by various government bureaux/departments to support the hosting of the 2009 EAG. In July 2003, the Administration informed LegCo that the estimated cost of temporary works for the EAG venues was \$6.2 million. In the event, the actual cost of the temporary works, including the provision of thematic facilities and the subsequent dismantling works, amounted to \$48.2 million, representing a sixfold increase. Furthermore, Audit noted that, in seeking funding of \$823.6 million from the FC in 2007 for both the long-term improvement works for the government venues and the temporary works for the 2009 EAG, the Administration did not inform the FC of the estimated cost of the temporary works. Audit has recommended that, in implementing a similar sports event in future, the Secretary for Home Affairs should: (i) provide the FC with an accurate estimate of the direct expenditures as far as possible; and (ii) inform the FC of the estimated costs of all necessary temporary works.

Report No. 56 Chapter 7: Hong Kong Housing Authority: Management of commercial properties

3.11 ***Background.*** The Hong Kong Housing Authority (HA) is a statutory body established under the Housing Ordinance (Cap. 283), with the Housing Department (HD) acting as its executive arm. In November 2005, the HA divested 180 retail and carpark facilities to a Real Estate Investment Trust which was listed on the Stock Exchange of Hong Kong. Following the divestment, the HA has continued to manage the non-divested commercial properties and those provided under new public housing developments. As at December 2010, the commercial and non-domestic properties under the HA's management comprised 168,600 square metres of retail areas and 27,000 carparking spaces, as well as factory, welfare and other miscellaneous premises. In 2009-10, HA commercial operations generated an operating surplus of \$461 million. The HA's Commercial Properties Committee advises the HA on policies concerning its commercial, industrial and other non-domestic facilities, and optimising the financial return on its investment.

3.12 ***Audit review.*** The audit review focused on the following areas: management of retail premises, management of car parks, management of factory estates, performance measurement and reporting, and the way forward. The audit recommendations were accepted by the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) ***Management of retail premises.*** Audit visited 12 HA major retail facilities between October 2010 and January 2011 and found that: (i) some storerooms had been altered by tenants for other uses without the HD's approval; (ii) suspected gambling activities appeared prevalent in some retail facilities; (iii) some let-out retail premises were not open for business (i.e. non-trading) during normal business hours; and (iv) there were areas where improvements could be made in the implementation of the HA marking scheme. Audit has recommended that the Director of Housing should: (i) request HD staff and contractors to step up their daily patrol work and unit-to-unit inspections to prevent unauthorised use and alteration of retail premises (including storerooms); (ii) step up measures to combat suspected gambling activities in HA retail facilities; (iii) ascertain the reasons for the prevalence of non-trading in some retail facilities and take actions

to address them; and (iv) remind HD staff and contractors to strictly follow the established procedures in enforcing the HA marking scheme; and

- (b) **Management of car parks.** In recent years, the HD has taken various measures to improve the utilisation of parking spaces, including conversion of surplus carpark facilities into other beneficial uses and letting of parking spaces to non-residents. In 2010, the HD conducted strength-weakness-opportunity-threat analysis of 38 car parks (with occupancy rate below 70% and with more than 20 parking spaces) and categorised them into different groups for follow-up actions. Given that many of the 38 car parks had a consistently low occupancy rate for many years, Audit has recommended that the Director of Housing should expedite efforts to implement the recommendations arising from the strength-weakness-opportunity-threat analysis.

Report No. 57 Chapters 3 and 4:

Food labelling

Nutrition labelling of infant and special dietary

3.13 **Background.** Food labelling provides an important channel of communication between manufacturers and consumers on information about individual food products. It is governed by the Food and Drugs (Composition and Labelling) Regulations (the Regulations — Cap. 132W) made under the Public Health and Municipal Services Ordinance (PHMSO — Cap. 132). The Regulations require that all prepackaged foods (including infant and special dietary foods) should be legibly marked or labelled with information such as name of food, list of ingredients, indication of durability, and count, weight or volume. In 2008, the Regulations were amended to introduce a mandatory nutrition labelling scheme for prepackaged foods. The scheme, which came into operation in July 2010, covers nutrition labelling and nutrition claims. It aims to assist consumers in making informed food choices, and to regulate misleading or deceptive labels and claims. However, the scheme does not apply to infant and special dietary foods, namely: (a) formula intended to be consumed by children under the age of 36 months; (b) food intended to be consumed principally by children under the age of 36 months; and (c) other food for special dietary uses. The Centre for Food Safety (CFS), under the Food and Environmental Hygiene Department (FEHD), is the food safety authority in Hong Kong. It is responsible for enforcing food-related legislations, including overseeing the implementation of the food-labelling-related law and regulations.

3.14 **Audit review.** The results of the audit review of the CFS's work in the regulatory control of food labelling and the adequacy of the nutrition labelling of infant and special dietary foods are reported in two separate chapters: Food labelling (Chapter 3 of Report No. 57) and Nutrition labelling of infant and special dietary foods (Chapter 4 of Report No. 57).

3.15 Chapter 3 focused on the following areas: accuracy and legibility of food labels, nutrition and health claims, exemptions from nutrition labelling, surveillance and enforcement work, and publicity and education. Chapter 4 focused on the following areas: infant and special dietary foods not covered by the 2008 Amendment Regulation, regulation of nutrition information, development of a Hong Kong Code of Marketing of Breast-milk

Substitutes, and the way forward. The audit recommendations in these two chapters were accepted by the Administration. Four examples of areas for improvement identified by Audit are given below:

- (a) ***Accuracy and legibility of food labels.*** The nutrition labelling scheme requires all prepackaged foods to label “1+7”, including energy plus seven core nutrients (i.e. protein, carbohydrates, total fat, saturated fat, trans fat, sodium and sugars), and any other nutrient for which a claim is made. The CFS conducts visual checking of nutrition labels and chemical analysis of declared nutrients on labels in selected prepackaged food products to ensure the trade’s compliance with the scheme. For the first year of implementation of the scheme, the CFS checked 16,245 food labels, with 111 found not complying with the scheme (e.g. no nutrition label or inappropriate nutrition claims). The overall compliance rate was 99.3%. Audit however found that the CFS’s compliance tests conducted were subject to limitations, including: (i) most of the food samples selected for visual checking were chosen from large chain supermarkets, which generally had a lower risk of non-compliance; (ii) of the 505 food samples chosen for chemical analysis, only 30 had been tested for “1+7”, with 70% tested for only one nutrient; (iii) the nutrients selected for chemical analysis were not necessarily the most essential ones or of higher risk of non-compliance; and (iv) the fact that the tolerance limits for considering enforcement action was used in assessing whether a food product had complied with the scheme was not disclosed in reporting the compliance rate. Audit conducted independent tests to evaluate the trade’s compliance with the nutrition labelling scheme. Audit’s visual checking of nutrition labels in 55 retail outlets in three districts showed that 46 of them were suspected to have committed one or more non-compliances in their food products. Audit also commissioned a local university to provide accredited laboratory services for testing selected food samples purchased from the market. Of the 70 samples tested, 42 (60%) were suspected to be non-compliant. Audit has recommended that the Director of Food and Environmental Hygiene should: (i) improve the CFS’s compliance tests for both visual checking and chemical analysis; (ii) adopt a more risk-based approach in selecting food samples and nutrients to be tested; (iii) disclose the tolerance limits adopted when reporting the compliance rate; and (iv) take appropriate follow-up actions on the suspected non-compliant cases identified by Audit;
- (b) ***Exemptions from nutrition labelling.*** To facilitate the food trade, the 2008 Amendment Regulation provides for the introduction of the small volume exemption (SVE) scheme under which the FEHD may exempt any prepackaged food from the nutrition labelling requirements if it is satisfied that the annual sales volume of the food in Hong Kong would not exceed 30,000 units. A food trader may apply to the CFS for SVE of a food product. If an application is in order, the CFS issues an approval-in-principle letter, together with an exemption number and the validity period of exemption. A formal approval letter is issued upon payment of exemption fee. Up to June 2011, 35,301 applications had been approved in principle or formally approved. Audit identified various problems in the implementation of the SVE scheme, including: (i) there was delay by some food traders in reporting the monthly sales volumes of their SVE products, rendering it difficult for the CFS to monitor whether the level of 30,000 units a year had been exceeded; (ii) the CFS had not conducted any checking to verify the accuracy of the sales volumes reported by food traders; and (iii) there was delay

by some food traders in paying the exemption fees, and some products were put on the market without obtaining the CFS's formal approval. Audit has recommended that the Director of Food and Environmental Hygiene should conduct a PIR of the SVE scheme to evaluate its effectiveness, and take actions to improve the CFS's regulatory control over the scheme;

- (c) ***Infant and special dietary foods not covered by the 2008 Amendment Regulation.*** The nutrition labelling scheme in Hong Kong was developed with reference to the principles adopted by the Codex Alimentarius Commission (Codex — an international authority to develop food standards and guidelines), local health conditions and international practices. According to the Administration, infant and special dietary foods were not included in the scheme because the consumers of these products had different nutritional requirements and concerns vis-à-vis the general population, and these foods were regulated by different Codex standards and guidelines. Nonetheless, as early as 2005, the Administration undertook to review the need for introducing nutrition labelling requirements covering these foods in future. Good nutrition is very important in every stage of life. Infants, young children and people with special dietary needs are generally more vulnerable and, therefore, foods for them have to be more strictly regulated. Apart from the general standards and guidelines on nutrition labelling that generally apply to infant and special dietary foods, Codex has developed specific additional standards to govern such foods. Taking infant formula as an example, Codex has laid down comprehensive standards on its compositional, quality and safety requirements to ensure its nutritional safety and adequacy to support the growth and development of infants. In particular, Codex has suggested the prohibition of the use of nutrition and health claims for foods for infants and young children, except where specifically provided for in relevant Codex standards or national legislation. Given that compliance with the Codex standards and guidelines is not mandatory, unless compliance is made as a requirement, infant and special dietary foods marketed in Hong Kong cannot be effectively regulated by the Codex standards and guidelines. The Administration has however neither set any separate law or regulations to govern nutrition labelling of such foods, nor required them to comply with relevant Codex standards and guidelines. Audit has recommended that the Secretary for Food and Health should, in collaboration with the Director of Food and Environmental Hygiene and the Director of Health, conduct a review to critically consider introducing appropriate law or regulations to govern nutritional composition and labelling of infant and special dietary foods marketed in Hong Kong; and
- (d) ***Regulation of nutrition information.*** Since its establishment in 2006 and up to mid-2011, the CFS had not conducted any risk assessment studies on nutrition of infant and special dietary foods. In its food surveillance, the CFS had also not selected any such foods for verifying the correctness of the nutrition information declared. In the absence of specific law and regulations, the Administration mainly relies on the general provisions of the PHMSO to regulate infant and special dietary foods marketed in Hong Kong. Section 61 of the PHMSO, which disallows a label or advertisement that falsely describes the food or misleads as to the nutritional or dietary value of the food, can be invoked against malpractices identified in relation to infant and special dietary foods. However, the CFS had so far not invoked section 61 in any case in relation to such foods. Codex has prohibited the use of nutrition and health claims for foods for infants and young

children. The World Health Organization in its International Code of Marketing of Breast-milk Substitutes issued in 1981 has also recommended no advertisement or other form of promotion of breast-milk substitutes (which include infant formula). Audit however notes that the use of claims to promote foods for infants and young children is common in Hong Kong. There was no evidence that the CFS had taken proactive actions to verify the validity of claims by seeking scientific evidence from the food traders, or to stop them from using the claims. The possible use of misleading or exaggerated claims in foods for infant and young children, particularly infant and follow-up formulae, is a cause for concern. Audit has recommended that the Secretary for Food and Health should, in collaboration with the Director of Food and Environmental Hygiene and the Director of Health: (i) step up the regulation of nutrition information on infant and special dietary foods marketed in Hong Kong, including enhancing the CFS food surveillance programme to cover laboratory tests of more infant and follow-up formulae to ensure their nutritional safety and adequacy; and (ii) urge the CFS to, before specific law or regulations recommended in (c) above is/are introduced, encourage food traders to comply with the Codex standards and guidelines, verify the validity of claims used by food traders to promote their foods and, where necessary, take appropriate action under section 61 of the PHMSO.

Report No. 57 Chapter 12: Water losses from unauthorised consumption and inaccurate metering

3.16 ***Background.*** The Water Supplies Department (WSD) is responsible for supplying fresh water and salt water (seawater for flushing) in Hong Kong. In 2010, the estimated loss of fresh water arising from unauthorised water consumption and inaccurate metering totalled 34.94 million cubic metres, representing 4% of the total fresh water supply in the year. Such water losses result in under-collection of water charges, water wastage and water contamination. The Prosecution Unit of the WSD is responsible for taking enforcement action under the Waterworks Ordinance (Cap. 102) against unlawful water taking. Suspected cases of unlawful water taking are referred to the Unit for investigation. In 2010, the Unit took prosecution action in 92 cases, of which 91 resulted in convictions.

3.17 ***Audit review.*** The audit review focused on the following areas: enforcement action against unlawful water taking, inspection of unauthorised water consumption, management of water meter accuracy and performance reporting. The audit recommendations were accepted by the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) ***Enforcement action against unlawful water taking.*** Audit examination revealed that, from 2008 to 2010, 25 conviction cases of unlawful water taking took place at seven FEHD markets, and the number of such cases increased from 4 in 2008 to 18 in 2010. Audit also noted that the WSD did not inform the FEHD of such offences for the latter to take follow-up action. Audit has recommended that the Director of Water Supplies should: (i) inform the Director of Food and Environmental Hygiene about substantiated unlawful water taking cases at FEHD markets; and (ii) provide training to FEHD officers on detecting unlawful water taking activities at FEHD markets. Audit has also recommended that the Director of Food and Environmental Hygiene should take necessary

enforcement action under the market-stall tenancy agreements on tenants who have been convicted of unlawful water taking offences at FEHD markets; and

- (b) ***Inspection of unauthorised water consumption.*** According the WSD's guidelines, any WSD officer who discovers contraventions to the Waterworks Ordinance should attempt to collect evidence as far as possible so that the Prosecution Unit may take follow-up action without undue difficulties. However, Audit examination revealed that some WSD officers did not comply with this requirement, resulting in insufficient evidence for taking prosecution action. Audit has recommended that the Director of Water Supplies should consider implementing a regular training programme for WSD officers on handling suspected unlawful water taking cases, particularly on evidence collection and experience sharing of conviction cases.

Looking ahead

3.18 The public has a legitimate interest in knowing whether public moneys have been used in a way that provides good VFM. Audit, as the guardian of the public purse, plays an important role in addressing the public demand on this matter. Our VFM audit aims at making value-added recommendations to help the auditees achieve better VFM, e.g. by enhancing their governance, accountability and cost-effectiveness. As our audits have revealed various governance problems with publicly-funded non-governmental organisations (NGOs), the public are very concerned about the corporate governance of such organisations. The corporate governance of these NGOs will continue to be an important area of concern in our future VFM audits. Our priority will be given to those publicly-funded NGOs which have not been subject to a VFM audit for an extended period of time.

CHAPTER 4: CORPORATE SERVICES

Introduction

4.1 The Corporate Services Division of the Commission is responsible for the provision of corporate services, which include departmental administration, the Director of Audit's Report production work, translation services, technical audit, quality assurance, external and press relations, executive support, training, grade and personnel management, local area network administration, IT support, and other support services.

4.2 These corporate and support services are provided, among other things, to facilitate smooth operation of the Commission, as well as to keep its stakeholders informed and engaged.

The year under review

4.3 For 2011-12, it was a busy but fruitful year for everybody involved in the delivery of corporate services. We stepped up efforts to enhance our relationship with our stakeholders through participation in international seminars and duty visits. More training opportunities were provided to our staff to increase their capability. Our corporate services work included:

- (a) the Director of Audit's Report production work — Reports No. 56 and 57, and Report on the Accounts of the Government of the HKSAR for the year ended 31 March 2011;
- (b) support services:
 - (i) Corporate Plan;
 - (ii) Environmental Report;
 - (iii) media research; and
 - (iv) IT support;
- (c) external and press relations:
 - (i) public relations work;
 - (ii) presentations by the Director of Audit;
 - (iii) participation in the 12th Assembly and the 5th Symposium of the Asian Organisation of Supreme Audit Institutions (ASOSAI);
 - (iv) participation in the 3rd ACAG-CCOLA (Australasian Council of Auditors-General and the Canadian Council of Legislative Auditors) Public Sector Audit Forum;

- (v) participation in the “Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2011”;
 - (vi) participation in the “Guangdong – Hong Kong – Macao Environmental Audit Conference 2011”;
 - (vii) receiving visitors from the Mainland and overseas;
 - (viii) training attachments for staff from overseas state audit offices; and
 - (ix) Audit Commission Job Shadow Day; and
- (d) training and development programmes.

The Director of Audit’s Report production work

— Reports No. 56 and 57, and Report on the Accounts of the Government of the HKSAR

4.4 The Director of Audit’s Reports No. 56 and 57 were issued in March and October 2011. They include the results of VFM audits completed during the period October 2010 to February 2011 and the period March to September 2011 respectively. Together with Report No. 57, the Report of the Director of Audit on the Accounts of the Government of the HKSAR for the year ended 31 March 2011 was also issued in October 2011.

4.5 Report No. 56 was tabled in LegCo on 13 April 2011. It contains eight subjects, two of which were considered by the PAC during their public hearings held in May 2011. The Report on the Accounts of the Government of the HKSAR for the year ended 31 March 2011 and Report No. 57 were tabled in LegCo on 16 November 2011. Report No. 57 contains twelve subjects, three of which were considered by the PAC during their public hearings held in December 2011. The audit recommendations were generally accepted by the Administration and the audited bodies. The Director of Audit’s Reports are available on our website at http://www.aud.gov.hk/eng/pubpr_arpt/rpt.htm.

Corporate Plan

4.6 The Corporate Plan providing an overarching strategic planning framework for the Commission covering the three-year period 2010-11 to 2012-13 was issued in July 2010. It outlines the Vision, Mission and Values of the Commission (see Appendix B). In order to convey a clear message that the Commission is a people-oriented organisation, additional core values of “people-oriented”, “teamwork”, and “nurturing talent and creativity” are added. The Corporate Plan also sets out five Key Result Areas, which serve as the focus of our delivery of quality audit services.

4.7 The Corporate Plan is supported by the annual Business Plan and other work plans, including the Five-year VFM Audit Strategic Plan and the annual POW. The Business Plan 2011-12, which was prepared in June 2011, set out the broad directions for conducting our core businesses and the key initiatives planned for the audit year September 2011 to August 2012. The Five-year VFM Audit Strategic Plan and the annual POW were then prepared to

translate the initiatives set out in the Business Plan into detailed work programmes, the completion of which would contribute to the achievement of the key results which we aimed to achieve. Appendix C shows the key targets and indicators of the Commission.

4.8 The Corporate Plan is available on our website at http://www.aud.gov.hk/eng/aboutus/about_corp.htm.

Environmental Report

4.9 Starting from 2001, an annual Environmental Report has been issued to help promote environmental protection. The Environmental Report 2011 was the 11th report we issued. The Commission is committed to ensuring that its operations conform to environmental protection principles and promote environmental protection practices. To help promote environmental protection, the Commission:

- (a) adopts green housekeeping practices; and
- (b) carries out VFM audits on selected government activities which have a significant environmental impact and on related environmental issues, with a view to highlighting areas for improvement in the implementation of the Government's environmental improvement policies.

4.10 The Environmental Report 2011 is available on our website at http://www.aud.gov.hk/eng/otherinfo/info_envrpt.htm.

Media research

4.11 We conducted media research on a daily basis (e.g. newspaper clippings) to keep in view possible audit issues reported in the media. We also collected useful feedback (e.g. media comments and views from the public) on our published VFM audit reports.

IT support

4.12 Our Departmental IT Plan for the two-year period 2011-12 to 2012-13 was prepared in August 2011. The IT Plan:

- (a) takes stock of our IT facilities and of our progress in implementing IT tasks identified;
- (b) identifies areas where IT potential can be further exploited to enhance efficiency; and
- (c) sets out the IT tasks to be implemented in the period covered by the Plan.

4.13 Two of our servers were upgraded. Sixteen multi-function colour printers were

installed to strengthen our capability to handle graphic information. Ten office application software licenses were acquired to enhance our ability to perform data analysis.

Public relations work

4.14 The following are some of the key events attended by the Director of Audit and other senior officers of the Commission in the past year:

- (a) a Senior Auditor attended the Association of Chartered Certified Accountants Annual Conference on 14 May 2011;
- (b) the Director of Audit attended the 125th Anniversary Cocktail Reception of CPA Australia – Hong Kong China Division on 14 July 2011;



**Director of Audit,
officials and guests of
CPA Australia – Hong
Kong China Division**

- (c) the Director of Audit attended the luncheon of the Hong Kong Institute of Directors on 15 July 2011;
- (d) a Senior Auditor attended the Financial Reporting Forum 2011 organised by the HKICPA on 29 July 2011;
- (e) the Deputy Director of Audit attended the 62nd National Day Celebration Dinner organised jointly by the HKICPA and the Society of Chinese Accountants and Auditors on 21 September 2011;
- (f) the Director of Audit attended the “CPA Congress – Strength Through Experience” organised by CPA Australia – Hong Kong China Division on 14 October 2011;
- (g) a Principal Auditor attended the Annual Dinner of the Canadian Certified General Accountants Association of Hong Kong on 24 October 2011;
- (h) the Director of Audit attended CPA Australia – Hong Kong China Division appreciation lunch on 17 November 2011;
- (i) the Director of Audit attended the 10th Anniversary Dinner of the Hong Kong Coalition of Professional Services on 21 November 2011;

- (j) the Director of Audit took part in the following media interviews:
 - (i) a telephone interview by Ming Pao on 25 November 2011; and
 - (ii) a telephone interview by Radio Television Hong Kong on 29 November 2011; and
- (k) the Director of Audit addressed the Public Sector Cocktail Reception of CPA Australia – Hong Kong China Division on 23 March 2012.

Presentations by the Director of Audit

4.15 In 2011-12, the Director delivered a number of presentations on subjects related to our work to various organisations. Key events included:

- (a) a presentation on “Health checks for non-governmental organisations” in a seminar on NGO corporate governance and findings organised by CPA Australia – Hong Kong China Division on 3 June 2011;
- (b) a presentation on “Performance auditing: Health checks for public sector organisations” at the Institute of Internal Auditors’ Annual Conference 2011 on 13 June 2011;



Director of Audit gave a presentation at the Institute of Internal Auditors’ Annual Conference 2011

- (c) a presentation on “Health checks for public sector organisations” in a seminar organised by the Society of Chinese Accountants and Auditors on 13 June 2011;



Director of Audit gave a presentation in a seminar organised by the Society of Chinese Accountants and Auditors

- (d) a presentation on “Performance auditing: Health checks for public sector organisations” to the senior management of the Hospital Authority on 24 June 2011;



Director of Audit gave a presentation to the senior management of the Hospital Authority

- (e) a presentation on “Health checks for public sector organisations” in a seminar organised by the Scout Association of Hong Kong on 28 June 2011;
- (f) a presentation on “Performance auditing: Health checks for public sector organisations” at the Asia Pacific Public Sector Conference organised by the Institute of Internal Auditors – Australia on 4 August 2011; and
- (g) a presentation on “Health checks for public sector organisations” at the Joint Meeting of Rotary Clubs on 31 August 2011.

Participation in the 12th Assembly and the 5th Symposium of the ASOSAI

4.16 At the invitation of the National Audit Office of the People's Republic of China (CNAO), the Director of Audit and a Principal Auditor (Teo Wing-on) attended the 12th

Assembly and the 5th Symposium of the ASOSAI as members of the People's Republic of China Delegation. The Delegation was led by Mr Dong Dasheng, Deputy Auditor General of the CNAO. The Assembly and the Symposium were held in Jaipur, India, from 27 February to 3 March 2012.



Director of Audit and Mr Dong Dasheng, Deputy Auditor General of the CNAO (left) attending the Assembly



Director of Audit and Mr Dong Dasheng at the Assembly venue



People's Republic of China Delegation

4.17 The Audit Commission's participation in the Assembly and the Symposium was very useful in helping us keep abreast of the developments in public sector auditing. It also provided a good opportunity for us to exchange views and share good practices with our Mainland and other Asian counterparts.

Participation in the 3rd ACAG-CCOLA (Australasian Council of Auditors-General and the Canadian Council of Legislative Auditors) Public Sector Audit Forum

4.18 From 12 to 15 March 2012, at the invitation of Mr Peter Achterstraat, the Auditor-General of New South Wales, the Director of Audit and a Principal Auditor (Andrew Chang) attended the 3rd ACAG-CCOLA Public Sector Audit Forum. The Forum was held mainly in the Parliament of New South Wales (Australia's first and oldest parliament) in Sydney with participants coming from various state audit offices of Australia, Canada, Fiji, Hong Kong, Papua New Guinea, Spain and the United Kingdom.

4.19 The Forum provided great insights into the future directions in public sector audit and allowed participants to exchange enlightening ideas and share good practices. It also created opportunities for international networking including possible training attachments of staff among different audit jurisdictions to enhance their professional knowledge and experiences.



**Director of Audit and other Auditors-General
(with Forum Host, Mr Peter Achterstraat,
Auditor-General of New South Wales at centre of front row)**



Participants of the Forum



Attending the Forum in the Parliament of New South Wales

Participation in the “Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2011”

4.20 On 31 May 2011, a delegation of four staff members of the Audit Commission attended the "Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2011" in Taipei organised by the China Audit Society and the Department of Accounting of the National Chengchi University of Taiwan. The Audit delegation presented three papers at the Conference: "Staff training and development of the Hong Kong Audit Commission", "Case studies of information system audit", and "Managing and reducing water main bursts and leaks". At the Conference, the Audit delegation had thorough discussions on the relevant topics with other participants of the Conference.



Audit delegation

Participation in the “Guangdong – Hong Kong – Macao Environmental Audit Conference 2011”

4.21 At the invitation of the Audit Office of Guangdong Province, Albert Wong, Assistant Director of Audit, led four staff members of the Audit Commission to attend the

"Guangdong-Hong Kong-Macao Environmental Audit Conference 2011" in Dongguan from 15 to 17 June 2011. Our delegation submitted two papers for the Audit Conference: "Reduction and recovery of municipal solid waste" and "Government initiatives to improve indoor air quality". The Conference provided a very good opportunity for our delegation to exchange views and ideas on the recent development of environmental audits in Guangdong, Hong Kong and Macao.



Group photo of all participants

Receiving visitors from the Mainland and overseas

4.22 In 2011-12, the Commission held a number of seminars for visitors from the Mainland and overseas. Our staff gave presentations on our work. Their visits strengthened the ties with our Mainland and overseas counterparts. Key visits included:

- (a) delegation of four officials from the government of Botswana on 19 April 2011;



Group photo with the delegation from the government of Botswana

- (b) delegation of 40 officials from the Audit Office of Guangdong Province on 25 May 2011;
- (c) delegation of 34 officials from the Audit Office of Shenzhen on 30 May 2011;



Group photo with the delegation from the Audit Office of Shenzhen

- (d) delegation of 28 officials from the Foshan Finance Bureau on 8 June 2011;
- (e) delegation of six officials from the Beijing Municipal Audit Bureau on 22 August 2011;



Director of Audit, Mr Li Yingjin (Director of the Beijing Municipal Audit Bureau – centre) and Deputy Director of Audit

- (f) delegation of 39 officials from Tianjin on 24 October 2011;

- (g) delegation of 27 officials from overseas anti-corruption and law enforcement agencies on 15 November 2011;



**Group photo with
the delegation
from overseas
anti-corruption and
law enforcement
agencies**

- (h) delegation of 36 officials from the Audit Office of Shenzhen on 22 November 2011;



**Group photo with
the delegation
from the Audit
Office of Shenzhen**

- (i) delegation of 30 officials from Jiangsu Province on 2 December 2011;



**Group photo with
the delegation from
Jiangsu Province**

- (j) Ms Ee-Ling Then of the UK National Audit Office visited the Audit Commission from 19 to 23 December 2011. Our senior staff had meetings with Ms Then to share professional knowledge and experience on public sector auditing and exchange views on areas of mutual interests; and



**Director of Audit
presenting a
souvenir to
Ms Then**

- (k) on 15 February 2012, Mr Peter Achterstraat, Auditor-General of New South Wales of Australia, visited the Audit Commission. Our Director, Deputy Director and two Principal Auditors (Andrew Chang and Teo Wing-on) had a meeting with Mr Achterstraat to exchange views and discuss issues of mutual interests about public sector auditing.



**Director of Audit and
Mr Achterstraat (left)**

Training attachments for staff from overseas state audit offices

- 4.23 In 2011-12, the Commission organised two training attachment programmes for

staff from overseas state audit offices to strengthen our ties with them:

- (a) ***Training attachment for staff from the Audit Office of New South Wales.*** Mr Raymond Bailey, Senior Auditor of the Audit Office of New South Wales of Australia, attended a six-week training attachment programme at the Audit Commission from 31 October to 9 December 2011. During his attachment, which was mainly to the Regularity Audit Division, various presentations about the work of the Commission and regularity audit assignments were given to him; and
- (b) ***Training attachment for staff from the Victorian Auditor-General's Office.*** Ms Ivy Ly, Senior Financial Auditor of the Victorian Auditor-General's Office (VAGO) of Australia, attended a three-month training attachment programme at the Audit Commission starting from 1 February 2012. She was given various presentations about the work of the Commission, and mainly attached to the Regularity Audit Division.

Audit Commission Job Shadow Day

4.24 For the second time, the Audit Commission participated in the Job Shadowing Programme of Junior Achievement Hong Kong on 18 May 2011. Ten young audit staff (Auditors and Examiners) served as workplace mentors to share their work experience with 20 students from Kwok Tak Seng Catholic Secondary School and S.K.H. Bishop Baker Secondary School participating in the Audit Commission Job Shadow Day. Through participating in this event, our colleagues not only developed their own leadership and mentorship skills, but also contributed to a meaningful and worthwhile programme that helps young people of our community prepare for the future.



Group photo with the students participating in the Audit Commission Job Shadow Day

Training and development programmes

4.25 ***Senior Executive Fellows Program.*** From 18 April to 13 May 2011, Mr Philip Lau, Assistant Director of Audit, attended the Senior Executive Fellows Program of the Kennedy School of Government of Harvard University. Participants of the program comprised senior officials of the US Federal Government, the Mainland, the HKSAR Government and Australia. Subjects covered by the program included “Principles of

Persuasion”, “Decision Making & Strategy”, “Leadership in Crisis” and “Political Analysis”. The training program was valuable to Mr Lau in terms of professional and personal development.

4.26 ***Management programmes.*** We have made use of the services provided by the Civil Service Training and Development Institute (CSTDI) to meet the training needs of our staff. The wide varieties of courses/seminars offered by the CSTDI are most useful for our staff to develop their knowledge, skills and potential. Availability of CSTDI courses is circulated promptly to all staff and they are encouraged to apply for courses relevant to their work and personal needs. We also actively nominate our staff to attend management programmes run by the CSTDI to enhance their management skills and personal development. In 2011-12, our staff attended several courses organised by the CSTDI, including the Leadership in Action Programme attended by a Senior Auditor, the Innovative Managers Programme attended by an Auditor, and the Leadership Essentials Programme attended by a Senior Examiner. The management knowledge and skills gained were very useful for their professional growth.

4.27 ***National Studies Course.*** In 2011-12, two Principal Auditors attended the Advanced National Studies Course at the Chinese Academy of Governance in Beijing administered by the CSTDI. Two Senior Auditors attended the Seminar on National Affairs for Hong Kong Professionals in Beijing organised by the Liaison Office of the Central People’s Government in the HKSAR. These training courses provided a good learning opportunity for the participants to enhance their understanding of national affairs.

4.28 ***Training attachment to the VAGO.*** An Auditor (Miss Yvonne Ho) of the Commission attended a three-month training attachment programme at the VAGO from February to April 2012 (a staff from the VAGO also undertook a training attachment programme at the Commission during the same period — see para. 4.23(b)). Miss Ho was mainly attached to the Performance Audit Division of the VAGO.



Miss Ho receiving a certificate from Mr Des Pearson, Auditor-General of the VAGO, for completing the training attachment

4.29 ***Presentations on the work of overseas audit offices.*** Staff of various overseas audit offices gave our staff the following presentations:

- (a) Mr Raymond Bailey, Senior Auditor of the Audit Office of New South Wales of Australia, gave a presentation to our staff about the work of the Audit Office of New South Wales on 18 November 2011. Our staff found the presentation useful and interesting;



**Presentation by Mr
Bailey, Senior
Auditor of the
Audit Office of
New South Wales**

- (b) Ms Ee-Ling Then of the UK National Audit Office gave a presentation to our staff on the work of the UK National Audit Office on 21 December 2011. Our staff found the presentation enlightening and interesting; and



**Presentation by
Ms Then of the
UK National
Audit Office**

- (c) Ms Ivy Ly, Senior Financial Auditor of the VAGO of Australia, gave a presentation to our staff about the work of the VAGO on 9 March 2012. Our staff found the presentation useful and informative.



**Presentation by
Ms Ly, Senior
Financial Auditor
of the VAGO**

Looking ahead

4.30 In 2011-12, we made efforts to strengthen our public relations work, share with our Mainland and overseas counterparts our knowledge and experience in public sector auditing, upgrade our IT infrastructure, and enhance staff training. In the year ahead, we will continue with these efforts. We will continue to update our knowledge and technology in order to be better equipped to meeting the challenges in the years to come.

The 81 accounts certified in 2011-12

Accounts of the Government

- (1) General Revenue Account
- (2) Bond Fund
- (3) Capital Investment Fund
- (4) Capital Works Reserve Fund
- (5) Civil Service Pension Reserve Fund
- (6) Disaster Relief Fund
- (7) Innovation and Technology Fund
- (8) Land Fund
- (9) Loan Fund
- (10) Lotteries Fund

Trading Funds

- (11) Companies Registry Trading Fund
- (12) Electrical and Mechanical Services Trading Fund
- (13) Land Registry Trading Fund
- (14) Office of the Telecommunications Authority Trading Fund
- (15) Post Office Trading Fund

Other Funds

- (16) AIDS Trust Fund
- (17) Bankruptcy Estates Account
- (18) Brewin Trust Fund

- (19) Chinese Temples Fund
- (20) Companies Liquidation Account
- (21) Correctional Services Children's Education Trust
- (22) Correctional Services Department Welfare Fund
- (23) Customs and Excise Service Children's Education Trust Fund
- (24) Customs and Excise Service Welfare Fund
- (25) Director of Social Welfare Incorporated Accounts
- (26) District Court Suitors' Funds
- (27) Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers
- (28) Education Development Fund
- (29) Education Scholarships Fund
- (30) Emergency Relief Fund
- (31) Environment and Conservation Fund
- (32) Exchange Fund
- (33) Financial Reporting Council
- (34) Fire Services Department Welfare Fund
- (35) Fisheries Development Loan Fund
- (36) General Chinese Charities Fund
- (37) Government Flying Service Welfare Fund
- (38) Grant Schools Provident Fund
- (39) Grantham Scholarships Fund
- (40) High Court Suitors' Funds
- (41) HKSAR Government Scholarship Fund

- (42) Hong Kong Housing Authority
- (43) Hong Kong Rotary Club Students' Loan Fund
- (44) Immigration Service Welfare Fund
- (45) Independent Commission Against Corruption Welfare Fund
- (46) J. E. Joseph Trust Fund
- (47) Kadoorie Agricultural Aid Loan Fund
- (48) Labour Tribunal Suitors' Funds
- (49) Language Fund
- (50) Legal Aid Services Council
- (51) Li Po Chun Charitable Trust Fund
- (52) MacLehose Fund
- (53) Master in Lunacy Account
- (54) Minor Employment Claims Adjudication Board Suitors' Funds
- (55) Official Administrator's Account
- (56) Official Receiver in Bankruptcy Account
- (57) Official Receiver in Voluntary Arrangement Account
- (58) Official Solicitor's Accounts
- (59) Pneumoconiosis Ex Gratia Fund
- (60) Police Children's Education Trust
- (61) Police Education and Welfare Trust
- (62) Police Welfare Fund
- (63) Prisoners' Education Trust Fund
- (64) Prisoners' Welfare Fund

- (65) Quality Education Fund
- (66) Queen Elizabeth Foundation for the Mentally Handicapped
- (67) Research Endowment Fund
- (68) Samaritan Fund
- (69) Secretary for Home Affairs Incorporated Accounts
- (70) Sing Tao Charitable Foundation Students' Loan Fund
- (71) Sir David Trench Fund for Recreation
- (72) Sir Edward Youde Memorial Fund
- (73) Sir Robert Black Trust Fund
- (74) Small Claims Tribunal Suitors' Funds
- (75) Social Work Training Fund
- (76) Statement of Deposits required pursuant to sections 35 and 35A of the Insurance Companies Ordinance
- (77) Subsidized Schools Provident Fund
- (78) Supplementary Legal Aid Fund
- (79) The Legislative Council Commission
- (80) Traffic Accident Victims Assistance Fund
- (81) World Refugee Year Loan Fund

Vision, Mission and Values

Vision

Excellence in public sector auditing

We strive for excellence in the provision of independent public sector audit services through commitment to professionalism and innovation.

Mission

To provide independent, professional and quality audit services to the Legislative Council and public sector organisations in order to help the Government enhance public sector performance and accountability in Hong Kong.

The primary objective of our audit services is to contribute to enhancing the performance and accountability of the Government and other public sector organisations in Hong Kong. We achieve our mission by:

- (a) conducting regularity audits which 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; and
- (b) conducting value for money audits which 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.

Values

We are committed to upholding a high standard of integrity and conduct in discharging our audit responsibilities. We share a set of core values including Professionalism, Probity and People-oriented, which underpin all facets of our work including Our services, Our culture and Our people. These core values and their related attributes, as illustrated below, define the way we conduct ourselves in all the work we do.



Professionalism

We seek to achieve excellence by conducting our work with professional competence and expertise, in accord with the highest standards of ethics and proficiency in our professions.

Independence

We strive to be, and be seen to be, objective, unbiased and free from undue influences in the provision of audit services.

Innovation

We strive for continuous improvements by accepting, promoting and sharing creative and innovative ideas.

Commitment

We are committed to adding value to public sector management by delivering quality audit services which serve the best interests of Hong Kong.

Probity

We always act in an open, honest, ethical and professional manner.

Responsiveness

We always understand, acknowledge, and try our best to meet the needs and expectations of our stakeholders.

Objectivity

We are always fair, just and impartial in the conduct of our work.

People-oriented

We are committed to creating a work environment which values the professionalism, skills, commitment and creativity of our staff and helps them meet their full potential.

Teamwork

We work as a team to bring out the best in our staff to realise our vision and achieve our mission.

Nurturing talent and creativity

We are committed to helping our staff develop their talents by continuous learning and encouraging creativity.

Key Targets and Indicators

	Unit	Target	2010-11 (Actual)	2011-12 (Revised Estimate)	2012-13 (Plan)
Regularity Audit					
Targets					
Number of Director of Audit's Reports submitted to LegCo	Report	1	1	1	1
Time required to certify the statements of accounts of the Government of the HKSAR after the end of each financial year	Month	7	7	7	7
Indicators					
Number of accounts certified	Account		82	81	81
Number of man-hours spent	Man-hour		85 367	84 039	90 358
Provision for regularity audit as percentage of total government expenditure	%		0.012	0.011	0.010
Value for Money Audit					
Targets					
Number of Director of Audit's Reports submitted to LegCo	Report	2	2	2	2
Number of VFM audit reports issued to audited bodies	Report	19	19	19	19
Indicators					
Number of man-hours spent	Man-hour		163 955	163 808	167 795
Provision for VFM audit as percentage of total government expenditure	%		0.027	0.024	0.022

Calendar of key events
(1 April 2011 to 31 March 2012)

Date	Event
13 April 2011	The Director of Audit's Report No. 56 was tabled in LegCo.
18 April to 13 May 2011	An Assistant Director of Audit attended the Senior Executive Fellows Program of the Kennedy School of Government of Harvard University.
19 April 2011	A delegation of four officials from the government of Botswana visited the Commission. Our staff gave them a presentation on the work of the Commission.
5 to 23 May 2011	An Auditor attended the Innovative Managers Programme organised by the CSTDI.
14 May 2011	A Senior Auditor attended the Association of Chartered Certified Accountants Annual Conference.
18 May 2011	The Audit Commission Job Shadow Day was held.
21 and 22 May 2011	A delegation of five officials of the Audit Commission attended the "Training Course on National Affairs for Hong Kong Professionals" at the Sun Yan-sen University of Guangzhou.
25 May 2011	Our staff gave presentations on our VFM audit work to Mainland audit staff in the training session organised by the Audit Office of Guangdong Province in Hong Kong.
30 May 2011	A delegation of 34 officials from the Audit Office of Shenzhen visited the Audit Commission. Our staff gave them a presentation on the work of the Commission.
31 May 2011	A delegation of four audit staff participated in the "Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2011" in Taipei. The Conference was organised by the China Audit Society and the Department of Accounting of the National Chengchi University of Taiwan.
3 June 2011	The Director of Audit gave a presentation on "Health checks for non-governmental organisations" in a seminar on NGO corporate governance and findings organised by CPA Australia – Hong Kong China Division.
8 June 2011	A delegation of 28 officials from the Foshan Finance Bureau visited the Audit Commission. Our staff gave them a presentation on the work of the Commission.
13 June 2011	The Director of Audit gave a presentation on "Performance Audit: Health checks for public sector organisations" at the Institute of Internal Auditors' Annual Conference 2011.
13 June 2011	The Director of Audit gave a presentation on "Health checks for public sector organisations" in a seminar organised by the Society of Chinese Accountants and Auditors.

Appendix D
(Cont'd)

15 to 17 June 2011	A delegation of five audit staff participated in the “Guangdong – Hong Kong – Macao Environmental Audit Conference 2011” in Dongguan. The Conference was organised by the Audit Office of Guangdong Province.
15 to 30 June and 14 to 16 September 2011	A Senior Auditor attended the Leadership in Action Programme organised by the CSTDI.
24 June 2011	The Director of Audit gave a presentation on “Performance auditing: Health checks for public sector organisations” to the senior management of the Hospital Authority.
26 June to 8 July 2011	A Principal Auditor attended the Advanced National Studies Course at the Chinese Academy of Governance in Beijing.
28 June 2011	The Director of Audit gave a presentation on “Health checks for public sector organisations” in a seminar organised by the Scout Association of Hong Kong.
3 to 9 July 2011	Two Senior Auditors attended the Seminar on National Affairs for Hong Kong Professionals organised by the Liaison Office of the Central People’s Government in the HKSAR.
14 July 2011	The Director of Audit attended the 125th Anniversary Cocktail Reception of CPA Australia – Hong Kong China Division.
15 July 2011	The Director of Audit attended the luncheon of the Hong Kong Institute of Directors.
29 July 2011	A Senior Auditor attended the Financial Reporting Forum 2011 organised by the HKICPA.
4 August 2011	The Director of Audit gave a presentation on “Performance auditing: Health checks for public sector organisations” at the Asia Pacific Public Sector Conference organised by the Institute of Internal Auditors – Australia.
17 August 2011	The Director of Audit attended the forum on “The National 12th Five-Year Plan and Economic, Trade and Financial Co-operation and Development between the Mainland and Hong Kong”.
22 August 2011	A delegation of six officials from the Beijing Municipal Audit Bureau visited the Audit Commission. Our staff gave them a presentation on the work of the Commission.
31 August 2011	The Director of Audit gave a presentation on “Health checks for public sector organisations” at the Joint Meeting of Rotary Clubs.
21 September 2011	The Deputy Director of Audit attended the 62nd National Day Celebration Dinner organised jointly by the HKICPA and the Society of Chinese Accountants and Auditors.
7 October 2011	Dr Simon Alderson conducted a training course on report writing skills to staff of the Commission.
14 October 2011	The Director of Audit attended the “CPA Congress – Strength Through Experience” organised by CPA Australia – Hong Kong China Division.
16 to 28 October 2011	A Principal Auditor attended the Advanced National Studies Course at the Chinese Academy of Governance in Beijing.
24 October 2011	A delegation of 39 officials from Tianjin visited the Audit Commission. Our staff gave them a presentation on the work of the Commission.
24 October 2011	A Principal Auditor attended the Annual Dinner of the Canadian Certified General Accountants Association of Hong Kong.

Appendix D
(Cont'd)

31 October to 9 December 2011	Mr Raymond Bailey of the Audit Office of New South Wales of Australia attended a training attachment programme at the Audit Commission. During his attachment, he gave a presentation to our staff about the work of the Audit Office of New South Wales.
3 November 2011	Our staff gave a presentation of the work of the Audit Commission to Executive Officer Grade staff in a seminar organised by the CSTDI.
8 November 2011	Hon Kam Nai-wai, Member of the PAC, visited the Audit Commission.
10 and 11 November 2011	The Director of Audit attended the Regional Conference on Civil Service Integrity organised by the Ministry of Supervision of the People's Republic of China, the Independent Commission Against Corruption of Hong Kong, and the Commission Against Corruption of Macao.
15 November 2011	A delegation of 27 officials from overseas anti-corruption and law enforcement agencies visited the Audit Commission. Our staff gave them a presentation on the work of the Commission.
16 November 2011	The Director of Audit's Report No. 57 was tabled in LegCo.
17 November 2011	The Director of Audit attended CPA Australia – Hong Kong China Division appreciation lunch.
21 November 2011	The Director of Audit attended the 10th Anniversary Dinner of the Hong Kong Coalition of Professional Services.
22 November 2011	A delegation of 36 officials from the Audit Office of Shenzhen visited the Audit Commission. Our staff gave them a presentation on the work of the Commission.
25 November 2011	The Director of Audit was interviewed by Ming Pao.
29 November 2011	The Director of Audit was interviewed by Radio Television Hong Kong.
2 December 2011	A delegation of 30 officials from Jiangsu Province visited the Audit Commission. Our staff gave them a presentation on the work of the Commission.
19 to 23 December 2011	Ms Ee-Ling Then of the UK National Audit Office visited the Audit Commission. Ms Then gave a presentation to our staff on the work of the UK National Audit Office. Our senior staff had meetings with Ms Then to share professional knowledge and experience on public sector auditing and exchange views on areas of mutual interests.
1 February to 30 April 2012	An Auditor of the Commission attended a three-month training attachment at the VAGO from February to April 2012. In return, a Senior Financial Auditor (Ms Ivy Ly) of the VAGO undertook a training attachment at the Commission during the same period. Ms Ivy Ly gave a presentation to our staff about the work of the VAGO during her attachment.
15 February 2012	Mr Peter Achterstraat, Auditor-General of New South Wales of Australia, visited the Audit Commission.
27 February to 2 March 2012	A Senior Examiner attended the Leadership Essentials Programme organised by the CSTDI.
27 February to 3 March 2012	The Director of Audit and a Principal Auditor attended the 12th Assembly and the 5th Symposium of the ASOSAI in Jaipur, India, as members of the People's Republic of China Delegation.
12 to 15 March 2012	The Director of Audit and a Principal Auditor attended the 3rd ACAG-CCOLA Public Sector Audit Forum in Sydney.
16 March 2012	The Audit Commission conducted a one-day seminar on VFM audit of public works projects at the office of the Commission of Audit of Macao Special Administrative Region.

Appendix D
(Cont'd)

23 March 2012	The Director of Audit addressed the Public Sector Cocktail Reception of CPA Australia – Hong Kong China Division.
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Acronyms and abbreviations

ASOSAI	Asian Organisation of Supreme Audit Institutions
Audit	Audit Commission
CFS	Centre for Food Safety
CNAO	National Audit Office of the People's Republic of China
CSTDI	Civil Service Training and Development Institute
EAG	East Asian Games
FC	Finance Committee
FEHD	Food and Environmental Hygiene Department
GFMIS	Government Financial Management Information System
GRA	General Revenue Account
HA	Hong Kong Housing Authority
HD	Housing Department
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAR	Hong Kong Special Administrative Region
IT	Information technology
LegCo	Legislative Council
NGOs	Non-governmental organisations
PAC	Public Accounts Committee
PHMSO	Public Health and Municipal Services Ordinance
PIR	Post-implementation review
POW	Programme of work
SF&OC	Sports Federation and Olympic Committee of Hong Kong, China
SVE	Small volume exemption

VAGO	Victorian Auditor-General's Office
VFM	Value for money
WSD	Water Supplies Department