

HONG KONG SPECIAL ADMINISTRATIVE REGION

Audit Commission

Annual Report 2009-10

**Audit Commission
Hong Kong
July 2010**

AUDIT COMMISSION
ANNUAL REPORT 2009-10

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DIRECTOR'S MESSAGE

I am pleased to present the Annual Report of the Audit Commission for the financial year 2009-10. This was again a challenging year for the Commission, but with the dedication and commitment of our staff, we have continued to uphold a high standard of professionalism in our audit work and deliver independent and quality public sector audit services.

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. Our VFM audit aims at making value-added recommendations to help the auditees enhance their governance, accountability and cost-effectiveness. We aim at helping them improve and learn lessons, and not just for the sake of raising criticisms. In 2009-10, we issued a number of VFM audit reports which attracted a great deal of public interest, notably the reviews of control of western medicines, Hong Kong Productivity Council, Office of the Privacy Commissioner for Personal Data, Equal Opportunities Commission, and Hong Kong Arts Development Council. 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. We conduct regularity audit to examine the financial propriety of the accounts of the Government and audited organisations. Apart from providing an overall assurance on the propriety of Government accounts, the Commission assesses the Government's internal control environment and recommends improvement measures on areas with potential significant risks to regularity, propriety and controls. In 2009-10, a total of 81 accounts were audited and certified, including the General Revenue Account, the five Trading Funds, the Exchange Fund, and 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. Phase 1 of the new Government Financial Management Information System was implemented in December 2007. Phase 2 of the System was implemented in 2009. We will continue to keep in view further development of the System and prepare ourselves for this change. Chapter 2 gives more details about our regularity audit work.

5. The Commission, with 165 years of history, is one of the oldest government departments in Hong Kong. Over the years, 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 new 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, in October 2009, I attended the 11th Assembly and the 4th Symposium of the Asian Organisation of Supreme Audit Institutions (ASOSAI) held in Islamabad, Pakistan as a member of the People's Republic of China Delegation. I also participated in various functions of professional bodies to exchange experience and knowledge about public sector auditing. In September 2009, our staff attended the ASOSAI Seminar on Social Security Audit in Beijing. Apart from receiving visitors from the Mainland, our staff also visited the Mainland to conduct VFM audit training courses for our Mainland counterparts. Details are set out in Chapter 4.

The way ahead

6. We shall continue to improve the organisation and capability of the Commission. We successfully reorganised the structure of the Commission in September 2005. In 2009-10, we completed a post-implementation review of the reorganisation of the Commission. The review found that the objective of enhancing our efficiency and productivity through specialisation of work had been achieved. The skills and expertise of our staff are vital to the success of the Commission. We are committed to helping our staff meet their full potential by enriching their skills and expertise. We shall continue to explore opportunities for the training and development of our audit staff.

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. Similar to our audits of publicly-funded non-governmental organisations (NGOs) in the past few years, our recent audits of such organisations had highlighted problems of corporate governance and made recommendations for improvement. In fact, VFM audits of publicly-funded NGOs may be likened to "health checks", which are aimed at helping the organisations prevent long-term illness through early diagnosis and treatment. "Corporate governance" of an organisation may be likened to the "immune system" of a human being. "Corporate governance" functions as an organisation's "immune system" that safeguards stakeholders' interests, prevents corporate failures, and ensures long-term corporate health and sustainability. 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. Our recent audits have revealed various problems with the governance of publicly-funded NGOs. 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. We continue to maintain a good working relationship with the Public Accounts Committee of the Legislative Council. I am grateful for their support to and the public's confidence on our work over the past year. I would also like to acknowledge with gratitude the full cooperation and assistance rendered by the auditees. Finally, I would like to extend my heartfelt thanks to all my staff for their commitment, dedication and professionalism. These attributes enable the Commission to deliver quality audit services and earn respect from the public.

9. We will continue to provide high quality public sector audit services in the coming year.

Benjamin Tang
Director of Audit
July 2010



Mr Benjamin Tang
Director of Audit

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.

Organisation of the Audit Commission

1.12 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.

1.13 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

1.14 As at 31 March 2010, 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 Executive, Clerical and other supporting grades. To further enhance our efficiency and performance, a working group chaired by an Assistant Director was formed to review the grade structure of the Audit Commission. In May 2005, the working group formulated a merger proposal to combine the Auditor grade and the Examiner grade. The merger proposal was submitted to the Civil Service Bureau (CSB) for its consideration. The CSB informed us in December 2007 that our two departmental grades did not meet the selection criteria (i.e. facing serious recruitment and retention difficulties) and would not be included in the grade structure reviews for non-directorate civilian grades. However, the CSB has said that it would revisit our merger proposal in a separate context upon the completion of the grade structure reviews and the subsequent implementation of the recommendations by the Administration. In response to our enquiry in November 2009, the CSB advised us that consideration for grade structure review would be given only to proposals with recruitment and retention difficulties. Hence, priority will not be given to our proposal as our two grades (i.e. Examiner and Auditor grades) did not meet the selection criteria, i.e. recruitment and retention difficulties. The management of the Commission will keep in view whether we have any recruitment and retention difficulties, and assess the need for a grade structure review.

Looking ahead

1.15 The year 2009 marked Audit's 165th 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 work culture and commitment to professional and ethical excellence, and are pleased 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 mission 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 (newly established on 8 July 2009), 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 2009-10

2.7 On 29 October 2009, 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 2009 to the President of LegCo.

2.8 In 2009-10, a total of 81 accounts were audited and certified, i.e. the GRA, the eight funds (i.e. excluding the Bond Fund established on 8 July 2009) mentioned in paragraph 2.2 (b), five Trading Funds, the Exchange Fund, the Hong Kong Housing Authority, and 65 other funds. Appendix A is a list of these 81 accounts. The resources deployed to regularity audits represented 30% of Audit's available resources. The amount involved constituted only a very small percentage (i.e. 0.012%) of the Government's total expenditure.

Increasing workload

2.9 Our regularity audit workload has been increasing because:

- (a) in overseas countries, a number of high-profile corporate failures and frauds (e.g. "Enron" case in the USA) in recent years 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 a new Government Financial Management Information System

(GFMIS — see paras. 2.12 to 2.14) and new accounting and auditing standards (see para. 2.15).

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 2009](#) reported a number of assets and liabilities, e.g. investments in government business enterprises (\$237 billion), fixed assets (\$292 billion), pension liabilities (\$443 billion) and provision for untaken leave (\$22 billion). In order to better reflect the Government's financial performance and position, its fixed assets have been reported in these accrual-based financial statements starting from 2004-05. The Government's adoption of accrual accounting will have wide ramifications on our regularity audit work.

Implementation of the new GFMIS

2.12 The existing GFMIS is a group of financial systems that supports various accounting and financial management processes in the Government. It is basically built around the Ledger Accounting and Financial Information System, which has a history dated back to 1983. In June 2003, the Treasury commenced a project to implement a new GFMIS to replace some of its existing computer systems and processes. One of the objectives of the GFMIS is to support the implementation of accrual reporting. It is a set of modern and web-based accounting and financial management software.

2.13 In December 2007, the Treasury implemented Phase 1 of the GFMIS and the system was rolled out for production use. The new system has replaced the over-20-year old Ledger Accounting and Financial Information System. 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.

2.14 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 implementation of Phase 1 and Phase 2 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.

New accounting and auditing standards

2.15 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 audit requirements, and to ensure compliance with the new and revised accounting standards by the auditees in preparing their annual financial statements.

Looking ahead

2.16 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 computerised ledger accounting system by the new GFMIS), 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 United Kingdom, 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 2009-10, two Director of Audit's Reports on the results of VFM audits were submitted to the President of LegCo in April (Report No. 52) and October 2009 (Report No. 53), covering a total of 18 audit subjects. The [Director of Audit's Report No. 52](#) has seven subjects while the [Director of Audit's Report No. 53](#) has eleven subjects. The resources deployed to VFM audits represented 70% of Audit's available resources. The amount involved constituted only a very small percentage (i.e. 0.028%) 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 seven subjects for public hearing.

Subjects in the Director of Audit's Report Nos. 52 and 53 selected for PAC hearing

Subject	Report No.	Chapter No.
Equal Opportunities Commission	52	3
Hong Kong Arts Development Council	52	5
The Quality Education Fund	52	7
Administration of the Sports Subvention Scheme	53	1
Control of western medicines	53	5
Hong Kong Productivity Council: Corporate governance and administrative issues	53	7
Office of the Privacy Commissioner for Personal Data	53	9

The PAC examined at length a number of issues raised in the audit reports. For example, regarding the chapter on "Equal Opportunities Commission (EOC)", the PAC was of the view that the Chairperson, EOC, as the full-time executive head of the EOC, had failed to provide the leadership required for the EOC to meet the standard of corporate governance and management expected of a publicly-funded statutory body. As for corporate culture on the use of public funds, the Committee found it appalling and totally unacceptable that the EOC had not adopted the "moderate and conservative" principle in making expenditure decisions. The audit conclusions and recommendations of the audit reports were accepted by the PAC, the Administration, and the audited non-governmental organisations (NGOs). 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 3.22.

Report No. 52 Chapter 3: Equal Opportunities Commission

3.9 ***Background.*** The EOC is a statutory body responsible for overseeing the implementation of the anti-discrimination legislation in Hong Kong. Members of the EOC, comprising a Chairperson and not more than 16 other Members, form the governing body (the "Board") of the EOC. Since July 2007, the Constitutional and Mainland Affairs Bureau (CMAB) has taken over from the Home Affairs Bureau (HAB) as the housekeeping bureau of the EOC. The EOC is funded mainly by recurrent subventions from the Government. For 2008-09, the government subvention amounted to \$76.5 million. As at 1 December 2008, the EOC had an establishment of 86 staff.

3.10 ***Audit review.*** The audit review focused on the following areas: corporate governance, complaint handling procedures, duty visits outside Hong Kong, seminars, procurement and management of stores, other administrative issues, and performance reporting in Controlling Officer's Report. The audit recommendations were accepted by the EOC and the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) ***Corporate governance.*** When the EOC came into operation in 1996, there was, under the Chairperson, a Chief Executive Officer (CEO) managing the day-to-day business of the EOC. In 2000, the EOC deleted the CEO post to streamline the EOC's operation. Between 2004 and 2006, the results of reviews conducted by three different parties all pointed to the need to separate the posts of the Chairperson and the CEO, and reinstate the CEO post in order to provide an effective system of checks and balances. In January 2006, the HAB consulted the Home Affairs Panel of LegCo, and some LegCo Members raised reservations about the proposal. Audit notes that there has been a lack of progress after the Home Affairs Panel meeting. Audit has recommended that the Secretary for Constitutional and Mainland Affairs should expedite action to bring the matter to a satisfactory conclusion; and
- (b) ***Duty visits outside Hong Kong.*** The main audit findings for the Beijing visit in July 2005 are: (i) the size of the delegation (18 persons) and the expenditure involved (\$161,000) could easily give rise to questions from the public who tended to judge sensitive expenditure of public entities by the "moderate and conservative" principle; (ii) there is a need for the EOC to set financial limits on hotel accommodation for the Chairperson and Board Members, to facilitate the application of the "moderate and conservative" principle; (iii) a hospitality dinner amounting to \$15,200 was attended by 28 persons (i.e. \$540 per person) but there was no information about who attended the dinner, the number of guests participating and their identities; and (iv) the EOC needs to set a financial limit per person for hospitality expenses involving the Chairperson/Board Members. Audit has made recommendations to the EOC to strengthen expenditure control on duty visits.

Report No. 52 Chapter 5: Hong Kong Arts Development Council

3.11 **Background.** The Hong Kong Arts Development Council (HKADC) was set up in 1994 and became a statutory body in 1995 upon the enactment of the HKADC Ordinance (Cap. 472). The mission of the HKADC is to plan, promote and support the development of the arts in Hong Kong. To fulfil its mission, the HKADC provides funding support (through the disbursement of various grants) to arts groups and individual artists, and initiates arts development projects (known as proactive projects). The HKADC is mainly funded by recurrent subventions from the HAB (\$70.7 million in 2007-08) and grants from the Arts and Sport Development Fund (\$18.2 million in 2007-08).

3.12 **Audit review.** The audit review focused on the following areas: corporate governance, grants and proactive projects, and administrative issues. The audit recommendations were accepted by the HKADC and the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) **Corporate governance.** The governing body of the HKADC is its council which is supported by 6 Committees. The HKADC has laid down rules that the quorum for a Council meeting shall be half of its members. Audit found that for two of the Council meetings held in 2007 and 2008, resolutions were passed during the time when there was not a quorum. Audit has recommended that the HKADC should: (i) ensure that there is a quorum throughout a Council/Committee meeting; and (ii) review the resolutions which were passed during the two Council meetings when there was not a quorum to see whether remedial actions are needed; and
- (b) **Administrative issues.** In May 2008, the HKADC office was relocated to Quarry Bay. An additional space of 3,220 sq. ft. was included in the Quarry Bay office for future expansion. Audit noted that in September 2007, the Management Committee was informed that the space would provide for future expansion but there was no supporting data provided. In the Management Committee's discussion of using some of the space to provide new support services to arts groups, financial data was not provided for the Committee's consideration. As at January 2009, only 1,250 sq. ft. of the Quarry Bay office was used for providing the support services. The remaining space of 1,970 sq. ft. currently fitted out for office use could not be fully justified by staff expansion. Conversion works might be required before it could be used by arts groups. Audit has recommended that the HKADC should: (i) critically examine future office accommodation proposals to ensure that any request for additional space is fully justified by supporting data; (ii) require its Administration Office to provide information on the financial implication of introducing new support services for the Council's consideration; and (iii) urgently review the space and fitting-out requirements of the planned support services and future expansion.

Report No. 52 Chapter 7: The Quality Education Fund

3.13 **Background.** The Quality Education Fund (QEF) was established in January 1998. Schools, educational bodies, teaching professionals, organisations and individuals may apply for QEF funding to undertake one-off projects for the promotion of quality school

education at all levels. The QEF is administered under a trust. The Permanent Secretary for Education Incorporated is the Trustee. A QEF Steering Committee (SC), a QEF Investment Committee (IC) and two sub-committees, namely the Assessment and Monitoring Sub-committee (AMS) and the Dissemination and Promotion Sub-committee (DPS), were established to help operate the QEF. In addition, a QEF Secretariat under the Education Bureau (EDB) assumes overall management responsibility for the QEF.

3.14 ***Audit review.*** The audit review focused on the following areas: governance and strategic management, administration of information technology equipment projects, project management, and dissemination and commercialisation of project deliverables. The audit recommendations were accepted by the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) ***Governance and strategic management.*** The SC does not lay down the frequency of meetings for the DPS. Similarly, the IC does not stipulate the number of meetings to be held annually. The QEF also does not specify quorum requirements for IC, AMS and DPS meetings. Of the 34 papers discussed at Committee and Sub-committee meetings in 2006/07 and 2007/08 school years (commencing on the first day of September), 17 (50%) were sent to members two calendar days or less before the meetings. In particular, 10 (29%) discussion papers were sent to members just one day before the meetings. Audit has recommended that the Secretary for Education should: (i) stipulate a minimum frequency of meetings for the IC and the DPS; (ii) set quorum requirements for all Committee and Sub-committee meetings; and (iii) ensure that discussion papers are sent to members in good time before the meetings; and
- (b) ***Administration of information technology equipment projects.*** In July 2004, the EDB (known as the Education and Manpower Bureau at that time) obtained the approval of the Finance Committee (FC) of LegCo for funding to implement the Information Technology in Education Strategy. Schools could use the funding to replace/upgrade their computers and install a wireless computer network. The QEF would provide a matching grant. However, information about the matching grant was not provided in the FC paper of July 2004. The EDB mentioned to the FC the matching grant only when seeking additional funding in June 2005. Audit has recommended that the Secretary for Education should ensure that, when seeking FC approval for funding initiatives in future, full details about the total commitment of the QEF are provided in the relevant FC papers.

Report No. 53 Chapter 1: Administration of the Sports Subvention Scheme

3.15 ***Background.*** In pursuit of its objectives on sports development, the Government provides funding support to National Sports Associations (NSAs). NSAs are local governing sports organisations in the respective sports disciplines established with the objectives to promote and develop local sports, and to participate in international sports activities. Since April 2004, the Leisure and Cultural Services Department (LCSD) has administered a Sports Subvention Scheme. In 2009-10, the recurrent subvention granted to 58 NSAs under the Scheme was \$179.9 million.

3.16 **Audit review.** The audit review focused on the following areas: allocation of subvention, monitoring of NSAs' performance and internal controls of NSAs. The audit recommendations were accepted by the Administration. Two examples of areas of improvement identified by Audit are given below:

- (a) **Allocation of subvention.** Audit reviewed the LCSD's subvention allocation system and found that there were two different approaches in determining the subvention. For some sports programmes, the subvention was determined by netting off the estimated income from the estimated expenditure, subject to a ceiling calculated by applying the maximum subvention percentage to the estimated expenditure. For others, the subvention was directly determined by applying the maximum subvention percentage to the estimated expenditure. The latter approach could lead to the granting of a larger subvention than the former. However, it was unclear from the LCSD records why different approaches were used. Audit has recommended that the Director of Leisure and Cultural Services should review the different approaches in determining the subvention to see if they are appropriate and conform to the laid down principles; and
- (b) **Monitoring of NSAs' performance.** The LCSD monitors NSAs' performance by reviewing reports and financial statements of subvented programmes submitted by NSAs at regular intervals. In a sample check of six NSAs, Audit found that there was delay in their submission of reports and financial statements to the LCSD. For example, four of them were late in submitting all 8 quarterly reports for 2007-08 and 2008-09. As at 31 July 2009, 36 overdue quarterly reports were received after an average delay of 2.8 months. The LCSD was not timely in issuing reminders for the outstanding reports. Audit has recommended that the Director of Leisure and Cultural Services should: (i) remind NSAs to submit timely reports and financial statements; (ii) ensure that LCSD staff take timely follow-up action on late submissions; and (iii) consider invoking the subvention agreement provision of withholding subvention for repeated cases of late submission of reports and financial statements.

Report No. 53 Chapter 5: Control of western medicines

3.17 **Background.** The Department of Health (DH) is responsible for overseeing the safety, efficacy and quality of western medicines (medicines). The Pharmacy and Poisons Ordinance (PPO — Cap. 138) provides for control of the pharmaceutical trade and medicines. A Pharmacy and Poisons Board (Board), with the Director of Health as the Chairman, has been established under the PPO to register medicines and license medicine dealers. As at March 2009, there were some 19,500 registered medicines and 5,000 licensed medicine dealers in Hong Kong. Medicines can be classified as poisons (Part I or Part II), non-poisons, dangerous drugs and antibiotics. A series of incidents in early 2009, involving unsafe and unregistered medicines, have caused great public concern. In March 2009, the Administration announced the setting up of a Review Committee to review the existing regulatory regime for the control of medicines.

3.18 **Audit review.** The audit review focused on the following areas: importation of unregistered medicines, inspection of dealers' activities and other enforcement actions, medicine testing, recalls and public alerts, licence-refusal criteria, prosecutions and

disciplinary actions, and public information and internal support. The audit recommendations were accepted by the Administration. Two examples of areas of improvement identified by Audit are given below:

- (a) ***Importation of unregistered medicines.*** The DH issued quite a large number of import licences (ILs) a month to licensed traders for importing medicines (registered and unregistered) for re-export purposes. Some of these imported medicines were large in quantity or significant in value. Unregistered medicines imported this way might pose a public health risk if they have been distributed for sale or consumption locally. In July 2009, Audit requested the Customs and Excise Department to verify if the medicines in 15 ILs (issued in 2008) had in fact been re-exported. The results, as at September 2009, showed that: (i) 3 ILs involved improper sales of imported medicines locally instead of re-report; (ii) some medicines imported under 6 ILs were still held in stock (for 7 to 16 months), with some stored in unapproved places; and (iii) 1 IL involved the re-export of medicines to three countries other than that declared on the licence. The situation is not entirely satisfactory. Audit has recommended that the Secretary for Food and Health should take the lead to work out a proper strategy to plug the control loophole in the importation of unregistered medicines for re-export purposes; and
- (b) ***Inspection of dealers' activities and other enforcement actions.*** Since 2002, compliance with the Good Manufacturing Practice (GMP) has been a mandatory licensing requirement. The DH inspected manufacturers' premises annually. Audit noted that before April 2009, GMP inspections were conducted on a pre-arranged basis. Some manufacturers had outsourced their manufacturing to contractors outside Hong Kong, but the DH had not conducted any inspections of these contractors' premises. Many of the medicine incidents in early 2009 related to manufacturers. Audit has recommended that the Director of Health should: (i) uphold the DH efforts in conducting surprise inspections of manufacturers' premises; (ii) consider conducting inspections of the contractors' premises in respect of manufacturing processes outside Hong Kong; and (iii) improve the effectiveness and quality of DH inspections.

Report No. 53 Chapter 7: Hong Kong Productivity Council: Corporate governance and administrative issues

3.19 ***Background.*** The Hong Kong Productivity Council (HKPC) was established under the HKPC Ordinance (Cap. 1116) in 1967. In 2008-09, the total income of the HKPC was \$478 million, which included government subvention of \$170 million and project funding of \$37 million from the Innovation and Technology Fund (ITF). In the same year, the HKPC's total expenditure was \$468 million. The Commissioner for Innovation and Technology is the Controlling Officer of the subvention granted to the HKPC.

3.20 ***Audit review.*** The audit review focused on the following areas: corporate governance, human resource management, administrative issues, and performance measurement and reporting. The audit recommendations were accepted by the Administration and the HKPC. Two examples of areas of improvement identified by Audit are given below:

- (a) **Corporate governance.** Audit noted that the attendance rates of six Council members at Council/Committee meetings held from 2005 to 2008 were low, but two of them were reappointed in January 2009. Despite the Government Economist's low attendance at Council/Committee meetings, no arrangement was made for appointing an alternate member until April 2009. No target was set to ensure that draft minutes of meetings would be issued in a timely manner. The Finance Committee meetings were held jointly with the Council meetings, but there was no documentation showing that such arrangement was formally discussed and approved by the Council and the Committee. Audit also noted that there were delays in the submission of declarations of interests by Council members. According to good corporate governance practices, audit committee should be independent of the organisation's executive management. However, according to the HKPC Ordinance, the Executive Director (ED) has been a member of the Audit Committee since its establishment in October 2005. Audit has recommended that the HKPC should: (i) consider taking action to improve the attendance of members at Council/Committee meetings; (ii) consider setting an early target time for the issuance of draft minutes after the Council/Committee meetings; (iii) review the appropriateness of the current arrangement of holding joint meetings of the Council and the Finance Committee; and (iv) take action to ensure that declarations of interests by members are made in a timely manner. Audit has also recommended that the Secretary for Commerce and Economic Development and the Commissioner for Innovation and Technology should give due consideration to the attendance records of members at Council/Committee meetings in assessing their suitability for reappointments, and ensure that the arrangement for appointing alternate member is made to ensure attendance of public officers at Council/Committee meetings. Consideration should also be given to amending the HKPC Ordinance to follow good corporate governance practices that the ED should not be a member of the Audit Committee; and
- (b) **Human resource management.** Under the Performance Pay Scheme, a "one-off" discretionary variable pay would be paid at the end of each financial year to reward staff who had made the greatest contributions. Audit found that the budgets for 2007-08 and 2008-09 submitted by the HKPC to the Innovation and Technology Commission (ITC) did not include the variable pay. The decisions on variable pay for 2007-08 and 2008-09 were made before the actual operating results were available. For 2007-08, there were inconsistencies between the performance results of individual staff and the variable pay awarded to them. The HKPC had not sought prior approval from the Commissioner for Innovation and Technology for making variable pay for 2007-08. The variable pay was increased from \$0.4 million in 2007-08 by over 10 times to \$4.9 million in 2008-09. In this connection, the estimated operating losses for 2009-10 to 2011-12 would amount to \$17 million, \$21 million and \$26 million respectively. Audit has recommended that the HKPC should: (i) include the estimated amount of variable pay in the annual budget submitted to the ITC; (ii) determine the amount of variable pay after the annual financial results are available; (iii) ensure that the variable pay awarded to individual staff is consistent with their performance; (iv) ensure that all changes to the staff salary scales (including scale of allowances) are properly approved; and (v) ensure that the amount of variable pay is reasonable and moderate.

Report No. 53 Chapter 9: Office of the Privacy Commissioner for Personal Data

3.21 **Background.** The Office of the Privacy Commissioner for Personal Data (PCPD) is a statutory body responsible for overseeing the enforcement of the Personal Data (Privacy) Ordinance (PDPO — Cap. 486). The PCPD is headed by the Privacy Commissioner for Personal Data (Commissioner). Since July 2007, the CMAB has taken over from the HAB as the housekeeping bureau of the PCPD. The PCPD is funded mainly by recurrent subventions from the Government. For 2009-10, recurrent subventions amount to \$44.5 million. As at 1 July 2009, the PCPD had 55 staff.

3.22 **Audit review.** The audit review focused on the following areas: corporate governance, complaint management, promotional activities, overseas duty trips, hospitality expenditure, other administrative issues, and performance reporting in Controlling Officer's Report. The audit recommendations were accepted by the PCPD and the Administration. Two examples of areas of improvement identified by Audit are given below:

- (a) **Complaint management.** The PDPO provides that, where the Commissioner refuses to carry out or continue an investigation initiated by a complaint, he shall, as soon as practicable, but in any case “not later than 45 days after receiving the complaint”, serve a refusal notice on the complainant to inform him of the refusal and the reasons for the refusal. Audit's analysis indicated that, prima facie, this requirement was not met in many cases. Audit is concerned that the situation, if allowed to continue, may pose legal and reputational risks to the PCPD. The reputational risks may extend to the CMAB, given its housekeeping responsibility for the PCPD. To address this concern, Audit has recommended that the PCPD should carry out a thorough risk assessment, with a view to identifying, assessing and formulating measures to manage the risks arising from the non-compliance with the 45-day requirement; and
- (b) **Other administrative issues.** The PCPD's rented area of 1,154 m² exceeded Audit's assessed needs, using the government accommodation standards as a benchmark, by 422 m² (or 58%) which cost about \$143,500 per month in rental. There was no documentation indicating that the PCPD had carried out a comprehensive assessment of its needs for office space, before taking up the existing leases to rent a total office space of 1,154 m². Compared with the government standards, the PCPD's practice regarding the provision of cellular offices for its staff was more generous. The PCPD entered into a supplemental lease for office space of 126 m² in anticipation of creating 16 new posts but, as it turned out, funds were only available for creating 8 posts progressively, resulting in an over-provision of office space. Audit has made recommendations to the PCPD to address these issues.

Looking ahead

3.23 Audit, as the guardian of the public purse, plays an important role in examining whether public moneys have been used efficiently and effectively. Our VFM audit aims at making value-added recommendations to help the auditees improve governance, and enhance accountability and cost-effectiveness. As our recent audits have revealed various governance problems with publicly-funded NGOs, the public are very concerned about the

corporate governance of such organisations. In fact, VFM audits of publicly-funded NGOs may be likened to “health checks”, which are aimed at helping the organisations prevent long-term illness through early diagnosis and treatment. 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 2009-10, 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. Our corporate services work included:

- (a) the Director of Audit's Report production work — Reports No. 52 and 53, and Report on the Accounts of the Government of the HKSAR for the year ended 31 March 2009;
- (b) support services:
 - (i) Corporate Plan;
 - (ii) Environmental Report;
 - (iii) media research; and
 - (iv) IT support;
- (c) quality assurance work;
- (d) external and press relations:
 - (i) public relations work;
 - (ii) articles, speeches and presentations by the Director of Audit;
 - (iii) participation in the 11th Assembly and 4th Symposium of the Asian Organisation of Supreme Audit Institutions (ASOSAI);
 - (iv) participation in the 2009 ASOSAI Seminar on Social Security Audit;

- (v) visit to the Audit Office of Guangdong Province;
 - (vi) training seminar for officials in Dongguan; and
 - (vii) receiving visitors from the Mainland; and
- (e) training and development programmes.

The Director of Audit's Report production work

— Reports No. 52 and 53, and Report on the Accounts of the Government of the HKSAR

4.4 The Director of Audit's Reports No. 52 and 53 were issued in March and October 2009. They include the results of VFM audits completed during the period October 2008 to February 2009 and the period March to September 2009 respectively. Together with Report No. 53, the Report of the Director of Audit on the Accounts of the Government of the HKSAR for the year ended 31 March 2009 was also issued in October 2009.

4.5 Report No. 52 was tabled in LegCo on 22 April 2009. It contains seven subjects, three of which were considered by the PAC during their public hearings held in May 2009. The Report on the Accounts of the Government of the HKSAR for the year ended 31 March 2009 and Report No. 53 were tabled in LegCo on 25 November 2009. Report No. 53 contains eleven subjects, four of which were considered by the PAC during their public hearings held in December 2009 to February 2010. 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 for the three-year period 2007-08 to 2009-10 was issued in June 2007. It is the key document to communicate the Commission's long-term objectives and strategies to its stakeholders. It outlines our Vision, Mission and Values (see Appendix B), as well as the key result areas on which we focus our efforts in the delivery of audit services. (A new Corporate Plan for the three-year period 2010-11 to 2012-13 was issued in July 2010.)

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 2009-10, which was issued in July 2009, set out the broad directions for conducting our core businesses and the key initiatives planned for the audit year September 2009 to August 2010. 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 Environment Report has been issued to help promote environmental protection. The Environmental Report 2009 was the 9th 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 2009 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 2009-10 to 2010-11 was issued in August 2009. 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 In 2009-10, a web-based Audit Commission Resource Centre was set up. It has been launched for use by all staff on a trial basis from April 2010. The Resource Centre aims to provide useful reference materials for both experienced audit staff and new recruits in order to facilitate them to conduct audit work. Our local area network infrastructure was migrated from Novell Netware to Microsoft Server 2008. Domain Controller servers and file servers were set up to centralise the allocation of resources and enhance the security of the local area network. A virtual server was also set up for our private cloud computing. Several applications have been running in the virtual platform. To improve our office application, Microsoft Office was upgraded from 2000 to 2007. Eight hands-on Microsoft Word 2007 workshops were organised and about 160 staff attended.

Quality assurance work

4.14 The Technical Administration Branch of the Commission carried out technical audit of all the chapters included in Report Nos. 52 and 53 of the Director of Audit to ensure their accuracy and quality. The Branch also carried out a quality assurance review of Chapter 6 of Report No. 52 of the Director of Audit “Provision of e-government services”. Useful suggestions for improvement were given to the audit team.

Public relations work

4.15 A key focus in the past year was the stepping up of efforts on our public relations work covering different stakeholder groups. The following are some of the key events attended by the Director:

- (a) the 60th National Day Celebration Dinner jointly organised by the HKICPA and the Society of Chinese Accountants and Auditors on 22 September 2009;
- (b) the National Day celebrations in Beijing on 1 October 2009;



Director of Audit and the Hon Paul Chan Mo-po, Deputy Chairman of the PAC of LegCo, attended the National Day celebrations in Beijing on 1 October 2009

- (c) the opening ceremony of the 5th East Asian Games on 5 December 2009;
- (d) the cocktail reception of the Spring Dinner of the HKICPA on 11 March 2010;
- (e) the annual appreciation luncheon of CPA Australia – Hong Kong China Division on 17 March 2010;
- (f) The Director took part in the following interviews by media and other bodies:
 - (i) Hong Kong Economic Times on 17 April 2009;
 - (ii) a Mainland newspaper “南方都市报” on 10 September 2009;
 - (iii) Efficiency Unit on 10 November 2009 for preparing a new guide to corporate governance for subvented organisations;

- (iv) Civil Service Newsletter on 6 January 2010 (a feature “Guardian of the public purse” was published in the Civil Service Newsletter Issue No. 77 of February 2010);
- (v) a television interview in Shunde District of Foshan on 29 January 2010;



Director of Audit was interviewed by a television station in Shunde District of Foshan

- (vi) Radio Television Hong Kong (RTHK)’s programme “自由風自由 phone” on 4 March 2010; and
- (vii) RTHK’s programme “香港家書” on 13 March 2010.

Articles, speeches and presentations by the Director of Audit

4.16 In 2009-10, the Director delivered a number of articles, speeches and presentations on subjects related to our work to various organisations. In the following key events, the Director:

- (a) gave a speech on “Performance Audit of Public Sector Organisations” on 7 April 2009 to chief executive officers and senior staff of NGOs in the social welfare sector;



**Director of Audit gave a speech on
“Performance Audit of Public Sector Organisations”**

- (b) gave a speech on “What does the public auditor do for you” on 21 July 2009 to the members of the Junior Chamber International Hong Kong;
- (c) as a key speaker, gave a speech in the Efficiency Unit’s Directorate Seminar on Corporate Governance in arms-length agencies on 23 July 2009;
- (d) contributed an article on “Audit Commission: Health Check Doctor of Public Sector Organisations” which was published in the Journal of November 2009 of the Society of Chinese Accountants and Auditors;
- (e) gave a speech on “Governance and accountability in the public sector and government funded organisations” in an “Advanced Leadership Enhancement Programme” for directorate officers on 15 December 2009; and
- (f) gave a presentation on the subject of audit and accountability to students of the Master of Public Administration programme of the University of Hong Kong on 13 March 2010.

***Participation in the 11th Assembly
and the 4th Symposium of the ASOSAI***

4.17 At the invitation of the National Audit Office of the People’s Republic of China (CNAO), the Director of Audit and Mr Teo Wing-on, Senior Auditor, attended the 11th Assembly and the 4th Symposium of the ASOSAI as members of the People’s Republic of China Delegation. The Delegation was led by Mr Liu Jiayi, Auditor General of the CNAO. Mr Liu was the ASOSAI Chairman, who chaired the 40th Governing Board meeting and the 11th Assembly. The Assembly and the Symposium was held in Islamabad, the capital of Pakistan, from 10 to 15 October 2009. On 10 October 2009, the Director of Audit, Mr Liu

and some other Members of the Delegation met the President of Pakistan, Mr Asif Ali Zardari.

4.18 The participation of the Audit Commission 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 counterparts in the CNAO and other Asian national audit offices.



Director of Audit, Mr Liu Jiayi (at the back), Auditor General of the CNAO, and other members of the People's Republic of China Delegation



Director of Audit, Mr Liu Jiayi (3rd from the right), Auditor General of the CNAO, and Mr Asif Ali Zardari (1st from the right), President of Pakistan

***Participation in the 2009 ASOSAI
Seminar on Social Security Audit***

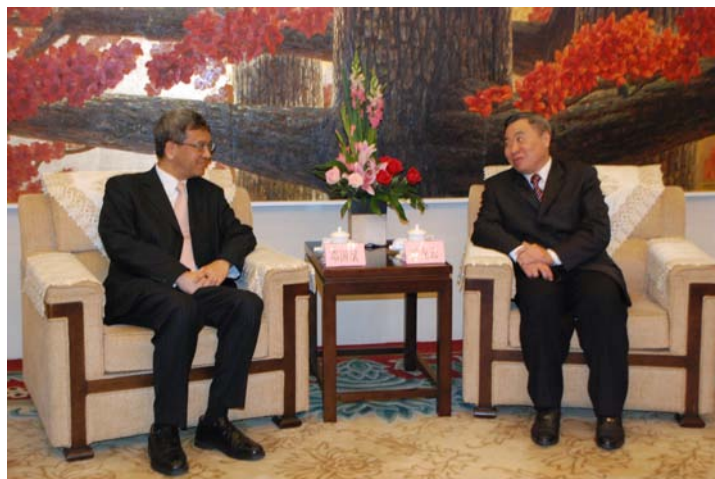
4.19 From 1 to 8 September 2009, Mr Andrew Chang and Mr Frederick Wong, Senior Auditors, attended the ASOSAI Seminar on Social Security Audit in Beijing organised by the CNAO. In the Seminar, our staff presented a paper on “Audit on Government-subsidised Houses” and shared our experience in the audit of subvented bodies in Hong Kong with other participants.

Visit to the Audit Office of Guangdong Province

4.20 At the invitation of Mr Lan Fo-an, Director of the Audit Office of Guangdong Province, the Director of Audit and three officers of the Commission visited the Audit Office of Guangdong Province on 28 and 29 January 2010. Senior officials of the Audit Office of Guangdong Province gave a presentation on the work of the Office to the delegation and had a constructive exchange of ideas with them on issues of mutual interest. The Director of Audit also met Mr Huang Longyun, Executive Vice Governor of Guangdong Province (Mr Huang was appointed the Chairman of the Guangdong Provincial Committee of the Chinese People’s Political Consultative Conference in February 2010), and officials of Shunde District of Foshan to exchange views on public sector auditing.



Delegates of the Audit Commission met Mr Lan Fo-an (3rd from the right on the front row), Director of the Audit Office of Guangdong Province and his senior officials



Director of Audit met Mr Huang Longyun, Executive Vice Governor of Guangdong Province in January 2010 (Mr Huang was appointed the Chairman of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference in February 2010)

Training seminar for officials in Dongguan

4.21 On 23 April 2009, Mr Teo Wing-on, Senior Auditor, and Mr Francis Po, Auditor, conducted a one-day VFM audit seminar for about 200 participants from various government audit offices in Dongguan. The seminar was jointly organised by the Audit Office of Guangdong Province and the Dongguan Audit Bureau. The seminar introduced the Audit Commission and its VFM audit work. Through case studies, the two officers explained the concepts of the 3 Es (i.e. economy, efficiency and effectiveness) and shared their experience in conducting VFM audits. They also made constructive exchange of views on various aspects of public sector auditing with the participants.



Photo with staff of the organising bodies

Receiving visitors from the Mainland

4.22 In 2009-10, the Commission held a number of seminars for visitors. These visits strengthened our linkage with our Mainland counterparts. The key events are as follows:

- (a) on 24 June 2009, a study tour from the Audit Office of Anhui Province visited our office. Our staff gave them a presentation on our work. A very constructive

exchange of views on various aspects of public sector auditing was made between the visitors and our staff;



Study tour from the Audit Office of Anhui Province

- (b) from 13 to 24 July 2009, three staff from the Audit Office of Guangdong Province completed a two-week training attachment at the Audit Commission. The subjects covered by training attachment included the organisation structure of the Commission, audit approach and methodology adopted by the Commission in conducting VFM and regularity audits, and the publication and follow-up of the Director of Audit's Report. At the end of the training attachment, the three audit staff gave a presentation to our staff on their learning experience;



Photo of staff from the Audit Office of Guangdong Province with our staff

- (c) a delegation of officials from the Yunnan Provincial Bureau of Finance visited the Commission on 28 September 2009. Our staff gave the delegation a presentation on our work. They showed great interests in our VFM audit work;
- (d) a delegation of officials from Sichuan Province visited our office on 23 November 2009. Our staff gave them a presentation on our work. The visitors found the presentation interesting and informative;

- (e) Mr Dong Dasheng, Deputy Auditor General of the CNAO visited the Audit Commission on 18 January 2010. Our staff gave Mr Dong a presentation on our work. A very constructive exchange of views on various aspects of public sector auditing was made between Mr Dong and the senior officers of the Commission; and



**Director of Audit and
Mr Dong Dasheng,
Deputy Auditor
General of the CNAO**

- (f) on 24 and 31 March 2010, our staff gave presentations on our VFM audit work to Mainland audit staff in the training sessions organised by the Audit Office of Guangdong Province in Hong Kong.

Training and development programmes

4.23 ***Leadership in Action Programme.*** In 2009, Mr Maurice Chun and Mr Teo Wing-on, Senior Auditors, attended the Leadership in Action Programme organised by the Civil Service Training and Development Institute. This three-week training programme aimed to help participants broaden their strategic horizons and advance their understanding of issues and challenges facing the public sector.

4.24 ***Senior Executive Fellows Program.*** From 20 April to 15 May 2009, Mrs Josephine Ng, 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 Mrs Ng in terms of professional and personal development.



**Mrs Josephine Ng and
members of her study group**

4.25 *Attachment to the Audit Office of New South Wales of Australia.* From 22 October 2009 to 21 January 2010, Miss Angela Choi, Auditor, completed a three-month training attachment at the Audit Office of New South Wales of Australia. The training received by Miss Choi in the attachment covered both financial audit and performance audit.

4.26 *Essential Management Accounting: What should you be doing.* On 19 June 2009, a seminar on “Essential management accounting: what should you be doing” was given to our staff by Mr Francis Rowlands, Chairman of the International Development Committee of the Chartered Institute of Management Accountants. Our staff found the seminar very useful and interesting.



**Director of Audit presented a
souvenir to Mr Francis Rowlands**

4.27 *Association of Chartered Certified Accountants (ACCA) Annual Conference 2009.* A Senior Auditor attended the ACCA Annual Conference 2009 – “Finance Professionals in Challenging Times” on 27 June 2009. The Conference provided insights into the future trend of the economy from the global perspective, explored whether the new accounting standards were the origin of the crisis and enhanced awareness of risk

management. Distinguished speakers, panels of experts from audit, corporate, public and academic fields were invited to share with participants their views and knowledge in these areas.

4.28 ***Work of the Audit Office of Guangdong Province.*** Ms Li Wei-hong, Deputy Inspector of the Audit Office of Guangdong Province, gave a presentation on the work of the Office to our staff on 24 July 2009. Our staff found the presentation interesting and useful. It was very helpful in enabling them to better understand the work of our Mainland counterparts.



Ms Li Wei-hong, Deputy Inspector of the Audit Office of Guangdong Province, gave a presentation on the work of the Office to our staff

4.29 ***CPA Australia 13th Asian Regional Conference.*** The Director of Audit and two Senior Auditors attended the Asian Regional Conference hosted by CPA Australia in October 2009. The Conference's theme was "China – Tackling the Global Economy". It aimed to provide a platform for business leaders and experts to examine what barriers were causing foreign investors to look beyond China, and what impact and economic opportunities would bring to the global economy.

4.30 ***Work of the CNAO.*** A presentation on "Work of the CNAO" was given to our staff by Mr Dong Dasheng, Deputy Auditor General of the CNAO on 22 January 2010. In the presentation, Mr Dong briefly explained the organisation structure of the CNAO and introduced the performance audit work carried out by the CNAO. Feedback from our staff was very positive. They found the presentation not only interesting but also very helpful in enabling them to better understand the work of the CNAO.



Mr Dong Dasheng, Deputy Auditor General of the CNAO, gave a presentation to our staff on the work of the CNAO

Looking ahead

4.31 In 2009-10, we made great efforts to step up our public relations work, share with our Mainland counterparts our knowledge and experience in public sector auditing, improve our IT security, and enhance staff training. In the year ahead, we will continue with these efforts. They will help us continuously update our knowledge and technology, and enhance our standing, with a view to meeting the challenges facing us in the years to come.

The 81 accounts certified in 2009-10

Accounts of the Government

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

Trading Funds

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

Other Funds

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

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

- (42) Hong Kong Rotary Club Students' Loan Fund
- (43) Immigration Service Welfare Fund
- (44) Independent Commission Against Corruption Welfare Fund
- (45) J. E. Joseph Trust Fund
- (46) Kadoorie Agricultural Aid Loan Fund
- (47) Labour Tribunal Suitors' Funds
- (48) Language Fund
- (49) Legal Aid Services Council
- (50) Li Po Chun Charitable Trust Fund
- (51) Loans to Poultry Wholesalers and Retailers affected by Avian Flu under Loan 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. The following are the core values which all our staff members are expected to adhere to:

Independence

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

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.

Commitment

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

Innovation

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

Objectivity

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

Ethics and Integrity

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.

Key Targets and Indicators

	Unit	Target	2008-09 (Actual)	2009-10 (Revised Estimate)	2010-11 (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	82	83
Number of man-hours spent	Man-hour		83 667	84 254	87 435
Provision for regularity audit as percentage of total government expenditure	%		0.012	0.012	0.012
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		158 253	164 580	166 022
Provision for VFM audit as percentage of total government expenditure	%		0.026	0.028	0.027

Calendar of key events
(1 April 2009 to 31 March 2010)

Date	Event
7 April 2009	The Director of Audit gave a speech on “Performance Audit of Public Sector Organisations” to chief executive officers and senior staff of NGOs in the social welfare sector.
17 April 2009	The Director of Audit was interviewed by the Hong Kong Economic Times.
20 April to 15 May 2009	An Assistant Director of Audit attended the Senior Executive Fellows Program of the Kennedy School of Government of Harvard University.
22 April 2009	The Director of Audit’s Report No. 52 was tabled in LegCo.
23 April 2009	Two Auditor Grade staff conducted a one-day VFM audit seminar for about 200 participants from various government audit offices in Dongguan.
7 to 27 May 2009	A Senior Auditor attended the Leadership in Action Programme organised by the Civil Service Training and Development Institute.
18 June 2009	A Principal Auditor represented the Commission to attend the Annual Dinner of the Certified Management Accountants Society of British Columbia, Hong Kong Branch.
19 June 2009	Mr Francis Rowlands, Chairman of the International Development Committee of the Chartered Institute of Management Accountants conducted a seminar on “Essential Management Accounting: What should you be doing” for the staff of the Commission.
24 June 2009	Our staff gave a presentation to a study tour of officials from the Audit Office of Anhui Province.
27 June 2009	A Senior Auditor attended the ACCA Annual Conference 2009 – “Finance Professionals in Challenging Times”.
30 June 2009	A study tour of officials from Wuhan visited the Commission and our staff gave a presentation to them on the work of the Commission.
13 to 24 July 2009	The Commission conducted a two-week training attachment for three staff from the Audit Office of Guangdong Province.
21 July 2009	The Director of Audit gave a speech on “What does the public auditor do for you” to the members of the Junior Chamber International Hong Kong.
23 July 2009	The Director of Audit, as a key speaker, made a speech at the Efficiency Unit’s Directorate Seminar on Corporate Governance in arms-length agencies.
24 July 2009	At the end of their training attachment at the Audit Commission, three staff of the Audit Office of Guangdong Province gave a presentation to our staff on their learning experience.
24 July 2009	Ms Li Wei-hong, Deputy Inspector of the Audit Office of Guangdong Province, gave a presentation on the work of the Office to our staff.
1 to 8 September 2009	Two Senior Auditors attended the ASOSAI seminar on Social Security Audit in Beijing.
10 September 2009	The Director of Audit was interviewed by a Mainland newspaper “南方都市報”.

Appendix D
(Cont'd)

22 September 2009	The Director of Audit attended the 60 th National Day Celebration Dinner jointly organised by the Hong Kong Institute of Certified Accountants and the Society of Chinese Accountants and Auditors.
28 September 2009	A delegation of officials from the Yunnan Provincial Bureau of Finance visited our office and a presentation on our work was given to them.
1 October 2009	The Director of Audit attended the National Day celebrations in Beijing.
October 2009	The Director of Audit and two Senior Auditors attended the Asian Regional Conference hosted by CPA Australia.
22 October 2009 to 21 January 2010	An Auditor completed a three-month training attachment at the Audit Office of New South Wales of Australia.
10 to 15 October 2009	The Director of Audit and a Senior Auditor attended the 11 th Assembly and the 4 th Symposium of the ASOSAI held in Islamabad, Pakistan.
2 November 2009	A Principal Auditor represented the Commission to attend the Annual Dinner of the Canadian Certified General Accountants Association of Hong Kong.
10 November 2009	The Director of Audit was interviewed by the Efficiency Unit for preparing a new guide to corporate governance for subvented organisations.
23 November 2009	A delegation of officials from Sichuan Province visited the Commission. Our staff gave a presentation to them on the work of the Commission.
25 November 2009	The Director of Audit's Report No. 53 was tabled in LegCo.
25 November 2009	Our staff gave a presentation to about 40 Executive Officer Grade staff on the work of the Commission at a training course organised by the Civil Service Training and Development Institute.
November 2009	An article contributed by the Director of Audit on "Audit Commission: Health Check Doctor of Public Sector Organisations" was published in the Journal of November 2009 of the Society of Chinese Accountants and Auditors.
26 November to 16 December 2009	A Senior Auditor attended the Leadership in Action Programme organised by the Civil Service Training and Development Institute.
5 December 2009	The Director of Audit attended the opening ceremony of the 5 th East Asian Games.
15 December 2009	The Director of Audit gave a speech on "Governance and accountability in the public sector and government funded organisations" in an "Advanced Leadership Enhancement Programme" for directorate officers.
6 January 2010	The Director of Audit was interviewed by the Civil Service Newsletter.
18 January 2010	Mr Dong Dasheng, Deputy Auditor General of the CNAO, visited the Audit Commission.
22 January 2010	Mr Dong Dasheng, Deputy Auditor General of CNAO, gave a talk on the work of CNAO to our staff.
28 and 29 January 2010	A delegation of the Commission led by the Director of Audit visited the Audit Office of the Guangdong Province and met officials in Shunde District of Foshan.
29 January 2010	The Director of Audit was interviewed by a television station in Shunde District of Foshan.
4 March 2010	The Director of Audit took part in the RTHK's programme "自由風自由phone".
4 March 2010	A Senior Auditor represented the Commission to attend the Spring Dinner of the Association of Chartered Certified Accountants Hong Kong.

Appendix D
(Cont'd)

11 March 2010	The Director of Audit attended the cocktail reception of the Spring Dinner of the HKICPA.
13 March 2010	The Director of Audit took part in RTHK's programme "香港家書".
13 March 2010	The Director gave a presentation on the subject of audit and accountability to students of the Master of Public Administration programme of the University of Hong Kong.
17 March 2010	The Director of Audit attended the annual appreciation luncheon of CPA Australia – Hong Kong China Division.
18 March 2010	A Senior Auditor represented the Commission to attend the Spring Dinner of the Society of Chinese Accountants and Auditors.
24 and 31 March 2010	Our staff gave presentations on our VFM audit work to Mainland audit staff in the training sessions organised by the Audit Office of Guangdong Province in Hong Kong.
26 March 2010	A Senior Auditor represented the Commission to attend the Annual Dinner of the Association of International Accountants, Hong Kong Branch.

Acronyms and abbreviations

ACCA	Association of Chartered Certified Accountants
AMS	Assessment and Monitoring Sub-committee
ASOSAI	Asian Organisation of Supreme Audit Institutions
Audit	Audit Commission
CEO	Chief Executive Officer
CMAB	Constitutional and Mainland Affairs Bureau
CNAO	National Audit Office of the People's Republic of China
CSB	Civil Service Bureau
DH	Department of Health
DPS	Dissemination and Promotion Sub-committee
ED	Executive Director
EDB	Education Bureau
EOC	Equal Opportunities Commission
FAC	Finance and Administration Committee
FC	Finance Committee
GFMIS	Government Financial Management Information System
GMP	Good Manufacturing Practice
GRA	General Revenue Account
HAB	Home Affairs Bureau
HKADC	Hong Kong Arts Development Council
HKICPA	Hong Kong Institute of Certified Public Accountants
HKPC	Hong Kong Productivity Council
HKSAR	Hong Kong Special Administrative Region

IC	Investment Committee
ILs	import licences
IT	Information technology
ITC	Innovation and Technology Commission
ITF	Innovation and Technology Fund
LCSD	Leisure and Cultural Services Department
LegCo	Legislative Council
NGOs	non-governmental organisations
NSAs	National Sports Associations
PAC	Public Accounts Committee
PCPD	Privacy Commissioner for Personal Data
PDPO	Personal Data (Privacy) Ordinance
POW	Programme of work
PPO	Pharmacy and Poisons Ordinance
QEF	Quality Education Fund
RTHK	Radio Television Hong Kong
SC	Steering Committee
VFM	Value for money