

**HONG KONG SPECIAL ADMINISTRATIVE REGION**

**Audit Commission**

**Annual Report 2010-11**

**Audit Commission  
Hong Kong  
July 2011**



**AUDIT COMMISSION**  
**ANNUAL REPORT 2010-11**

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## **DIRECTOR'S MESSAGE**

I am pleased to present the Annual Report of the Audit Commission for the financial year 2010-11. The Commission had another challenging and fruitful year. 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 2010-11, we issued a number of VFM audit reports which attracted a great deal of public interest, notably the reviews of development of EcoPark, Hong Kong Chinese Orchestra Limited, administration of the Direct Subsidy Scheme, governance and administration of Direct Subsidy Scheme schools, and residential treatment and rehabilitation services for drug abusers. 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, we assess the Government's internal control environment and recommend improvement measures on areas with potential significant risks to regularity, propriety and controls. In 2010-11, a total of 82 accounts were audited and certified, including the General Revenue Account, the five Trading Funds, the Exchange Fund, and the accounts of the Hong Kong Housing Authority. The implementation of accrual reporting is a key initiative of the Government for improving its financial accountability and transparency. We have been keeping a close watch on the development of accrual accounting in the Government, with a view to assessing its impact on our regularity audit work. Chapter 2 gives more details about our regularity audit work.

5. The Commission, with 166 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 November 2010, I attended the 20th Congress of the

International Organisation of Supreme Audit Institutions held in Johannesburg, South Africa as a member of the People's Republic of China Delegation. In March 2011, at the invitation of the Public Accounts Committee (PAC) of the Legislative Council, I joined the PAC delegation to visit London and took this opportunity to meet Mr Amyas Morse, the Comptroller and Auditor General of the UK National Audit Office to exchange views on public sector auditing and to explore collaborative training opportunities for our staff. I also participated in various functions of professional bodies to exchange experience and knowledge about public sector auditing, and delivered speeches and presentations on subjects related to our work to various organisations. Our staff also frequently received visitors from the Mainland and shared with them our audit experience. More details on the professional developments are set out in Chapter 4.

## **The way ahead**

6. We shall continue to improve the organisation and capability of the Commission. 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. For example, in May 2010, we held the first Audit Commission Job Shadow Day in which our staff served as workplace mentors to share their work experience with 17 senior secondary school students. Through participating in this event, our colleagues not only developed their own leadership and mentorship skills, but also helped young people of our community prepare for the future. In June 2010, a delegation of ten audit staff participated in the "Guangdong-Hong Kong IT Audit Seminar 2010" held in Shenzhen. Chapter 4 contains more information on our staff training and development. In order to convey a clear message that the Commission is a people-oriented organisation, additional core values of "people-oriented", "teamwork", and "nurturing talent and creativity" are included in our new Corporate Plan covering the three-year period 2010-11 to 2012-13 issued in July 2010. 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 use our resource effectively to meet this challenge. Publicly-funded non-governmental organisations (NGOs) are accountable for the use of public resources in their provision of services. The public is concerned about whether good value is obtained for the public money entrusted to these organisations. VFM audits of NGOs may be likened to "health checks", aiming at helping them "prevent long-term illness through early diagnosis and treatment". In conducting health checks for a NGO, we examine its corporate governance. Similar to the past few years, our audits of NGOs highlighted problems of corporate governance and made recommendations for improvement. "Corporate governance" of an organisation is similar to the "immune system" of a human being that safeguards stakeholders' interests, prevents corporate failures, and ensures long-term corporate health and sustainability. Problems with the immune system will inevitably lead to infections and illnesses. A collapse of the immune system is very often fatal. Similarly, for an organisation, while achieving good corporate governance may not guarantee success, without it, failure is almost certain. Our recent audits have revealed various problems with the governance of 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 PAC. I am grateful for their continuous 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 appreciation to all my staff for their unfailing support. Their commitment, dedication and professionalism 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.

Benjamin Tang, JP  
Director of Audit  
July 2011



## 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 7<sup>th</sup> of April each year. By the 30<sup>th</sup> 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 2011, 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.

**Looking ahead**

1.15 The year 2010 marked Audit's 166<sup>th</sup> 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 vision of "excellence in public sector auditing".

## CHAPTER 2: REGULARITY AUDIT

### Introduction

2.1 The aim of regularity audits is to provide LegCo with an overall assurance that the Government's financial and accounting transactions and those of funds of a public or quasi-public nature are proper and that they conform to accepted accounting standards.

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

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

2.3 The Director of Audit examines and audits the financial statements of the GRA and the nine funds mentioned in paragraph 2.2(b) in accordance with the Audit Commission auditing standards. These auditing standards are in line with those issued by the International Organisation of Supreme Audit Institutions (INTOSAI) 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 2010-11***

2.7 On 28 October 2010, 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 2010 to the President of LegCo.

2.8 In 2010-11, a total of 82 accounts were audited and certified, i.e. the GRA, the nine funds mentioned in paragraph 2.2 (b), five Trading Funds, the Exchange Fund, the Hong Kong Housing Authority, and 65 other funds. Appendix A is a list of these 82 accounts. The resources deployed to regularity audits represented 31% of Audit's available resources. The amount involved constituted only a very small percentage (i.e. 0.012%) of the Government's total expenditure.

### ***Increasing workload***

2.9 Our regularity audit workload has been increasing because:

- (a) high-profile corporate failures and frauds have aroused interest in how far the auditors should go in carrying out financial audits. There is increasing demand for reducing the risk of major frauds in the use of public funds. As a result, our regularity audit work has become more demanding; and
- (b) Audit has to cope with additional and complex workload arising from the Government's adoption of accrual accounting (see paras. 2.10 and 2.11), the implementation of 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 2010](#) reported a number of assets and liabilities, e.g. investments in government business enterprises (\$248 billion), fixed assets (\$300 billion), pension liabilities (\$470 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 superseded GFMIS was a group of financial systems that supported various accounting and financial management processes in the Government. It was basically built around the Ledger Accounting and Financial Information System, which had a history dated back to 1983. In June 2003, the Treasury commenced a project to implement a new GFMIS to replace its existing computer systems and processes. One of the objectives of the new GFMIS is to support the implementation of accrual reporting. It runs on 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. 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 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 computer systems and processes 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 UK, the USA and the Macao Special Administrative Region (SAR), 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 2010-11, two Director of Audit's Reports on the results of VFM audits were submitted to the President of LegCo in April (Report No. 54) and October 2010 (Report No. 55), covering a total of 19 audit subjects. The [Director of Audit's Report No. 54](#) has eight subjects while the [Director of Audit's Report No. 55](#) has eleven subjects. The resources deployed to VFM audits represented 69% of Audit's available resources. The amount involved constituted only a very small percentage (i.e. 0.027%) 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 six subjects for public hearing.

#### **Subjects in the Director of Audit's Report Nos. 54 and 55 selected for PAC hearing**

<b>Subject</b>	<b>Report No.</b>	<b>Chapter No.</b>
Development of EcoPark	54	5
Hong Kong Chinese Orchestra Limited	54	6
Administration of the Direct Subsidy Scheme	55	1
Governance and administration of Direct Subsidy Scheme schools	55	2
Residential treatment and rehabilitation services for drug abusers	55	10
The Community Investment and Inclusion Fund	55	11

The PAC examined intensively quite a large number of issues raised in the audit reports. In particular, the PAC held four public hearings on the "Administration of the Direct Subsidy Scheme" and the "Governance and administration of Direct Subsidy Scheme schools" in BAR No. 55. The PAC considered that the Education Bureau (EDB) had to perform a monitoring role to ensure that the schools comply with its requirements, and that their governance, accountability and transparency were up to the required standard and public expectation. However, the PAC was disappointed that the EDB had failed to discharge its monitoring role over the Direct Subsidy Scheme (DSS) schools effectively, as reflected by some serious cases of non-compliance with the EDB's guiding principles or requirements and its failure to take effective actions to ensure timely rectification of those problems. The audit conclusions and recommendations of Report Nos. 54 and 55 were generally accepted

by the PAC and the auditees. Like the VFM audit reports issued in past years, some audit subjects in these two reports hit the headlines of newspapers and were widely reported. In general, the comments from the media and the public were supportive of Audit's findings. The above audit subjects are briefly described in paragraphs 3.9 to 3.19.

### ***Report No. 54 Chapter 5: Development of EcoPark***

3.9 ***Background.*** In September 2001, the Environment Bureau (ENB) announced that the Government would build EcoPark in Tuen Mun Area 38. EcoPark would provide an outlet for locally recovered materials and alleviate the heavy reliance on the export of recyclable waste. According to the 2005 Policy Framework for the Management of Municipal Solid Waste, the 20-hectare EcoPark would provide land for recycling industries at affordable rents and to jump-start a circular economy. In March 2006, the Finance Committee of LegCo approved funding of \$319 million for the development of EcoPark (the EcoPark project). In July 2006, construction works commenced. EcoPark would be developed by two phases. According to the Environmental Protection Department (EPD), Phase 1 (with an area of 8 hectares) was planned to be commissioned by the end of 2006 (i.e. the lots would be made available for leasing to tenants) and Phase 2 (with an area of 12 hectares) by the end of 2009.

3.10 ***Audit review.*** The audit review focused on the following areas: planning of EcoPark, Phases 1 and 2 development, and administration of management contract. The audit recommendations were accepted by the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) ***Planning of EcoPark.*** In November 2002, the ENB informed the EPD that, among other things, the operation of EcoPark should be self-financing. Audit noted that, while the ENB decided in November 2002 that the EcoPark project should be self-financing, the financial arrangements on recurrent cost and the contract option to be adopted were only resolved in September 2005. In the event, the target commissioning date of Phase 1 of EcoPark was revised from the end of 2004 to late 2006. Audit has recommended that, in planning environmental projects in future, the Secretary for the Environment and the Director of Environmental Protection should take action to resolve the contract and financial arrangements early during the planning stage, and consult the Financial Services and the Treasury Bureau where necessary; and
- (b) ***Phases 1 and 2 Development.*** EcoPark Phase 1 comprised six lots of land available for leasing to recycling traders. As at December 2009, the EPD had awarded tenancies for all Phase 1 lots. While Phase 1 was planned to be commissioned by 2006, up to February 2010, none of the recycling traders had commenced recycling operation. Audit noted that the delay was mainly attributable to the need for re-tendering the tenancy for three of the six lots, and the time required for tenants to obtain approval for building plans and to complete the building works. EcoPark Phase 2 was planned to be available for leasing by the end of 2009. As at February 2010, infrastructure works for Phase 2 were still in progress. Apart from the lots designated for setting up waste processing centres, tenders for other Phase 2 lots had not yet been invited. Audit has recommended that the Director of Environmental Protection should keep in view the progress of Phases 1 and 2 and step up efforts in expediting their development.

**Report No. 54 Chapter 6: Hong Kong Chinese Orchestra Limited**

3.11 **Background.** The Government's cultural policy objective is to create an environment conducive to artistic expression and creation, and the wider participation in cultural activities. To support this policy objective, the Government provides funding to local performing arts groups, including the Hong Kong Chinese Orchestra Limited (HKCO). In 2008-09, the total income of the HKCO was \$64.5 million, of which \$53.1 million was government subvention. To ensure proper administration of the HKCO and that public money is used properly and cost-effectively, the Home Affairs Bureau enters into a Funding and Services Agreement with the HKCO on an annual basis.

3.12 **Audit review.** The audit review focused on the following areas: corporate governance, core activities, human resources management and other administrative issues. The audit recommendations were accepted in general by the HKCO and the Administration. Two examples of areas for improvement identified by Audit are given below:

- (a) **Corporate governance.** The HKCO is governed by a Council which is supported by four committees. Audit found that: (i) there were 22 occasions when some Council members had not followed the HKCO requirement of submitting a written declaration as to whether there was any conflict of interests in relation to the agenda items before attending the Council meetings held from October 2008 to September 2009; (ii) there was no record showing that Council members had made additional declarations before discussing papers tabled at the meetings and issues raised under "Any other business"; and (iii) for the Council and committee meetings held from October 2007 to September 2009, over 50% of the meeting documents were distributed later than the HKCO stipulated time. Audit has recommended that the HKCO should: (i) review the arrangements for declaring conflict of interests and ensure that the laid-down declaration requirements are strictly complied with; and (ii) remind the administration department to distribute meeting documents within the stipulated time; and
- (b) **Core activities.** To account for its performance for each financial year, the Funding and Services Agreement requires the HKCO to submit to the Government a Self-evaluation Report. From an examination of the 2008-09 Report on the HKCO's core activities (i.e. the conduct of regular concerts), Audit found that the Report did not present a proper picture of the actual performance results because: (i) the 1,941 complimentary tickets reported represented only the free tickets issued by the Urban Ticketing System of the Leisure and Cultural Services Department to the HKCO for distribution. Another 3,321 complimentary tickets purchased by the HKCO for promotional purposes were not included; (ii) the paid audience figure of 40,691 reported should not have included the 3,321 HKCO-paid complimentary ticket holders; (iii) the ticket proceeds of \$6.19 million reported should not have included \$0.83 million being proceeds from the sale of complimentary tickets to the HKCO itself; and (iv) the attendance rate reported was arrived at by dividing the paid audience figure by an audience capacity pre-defined by the HKCO. The attendance rate based on the paid audience figure could have been overstated when the absence rate was high (as seen in a few concerts held in 2008-09). There were also concerts for which the reported attendance rates exceeded 100% because the number of seats allocated for use was greater than the pre-defined audience capacity. Audit has

recommended that the Secretary for Home Affairs should: (i) work out with the HKCO an improved reporting basis for the Self-evaluation Report, with clear definitions and methodologies on the performance information to be compiled in the Report; and (ii) require other performing arts groups to adopt similar improvements in their Self-evaluation Reports.

**Report No. 55 Chapters 1 and 2:**

***Administration of the Direct Subsidy Scheme***

***Governance and administration of Direct Subsidy Scheme schools***

3.13 **Background.** The DSS was introduced in the 1991/92 school year to inject diversity to the school system through the growth of a strong private school sector. Under the Scheme, schools were allowed to have greater flexibility in various areas including school management, curriculum design, student admission and fees collection so that they can cater for the diverse needs of their students in a more responsive manner. For 2009/10, there were 72 DSS schools, comprising 11 primary, 52 secondary and 9 primary-cum-secondary schools. The enrolments of DSS secondary and primary schools were 51,123 (11% of secondary students) and 12,589 (4% of primary students) respectively. The budget for recurrent DSS subsidy was \$2,422 million.

3.14 **Audit review.** The results of the VFM audit of the DSS are reported in two separate chapters: Administration of the Direct Subsidy Scheme (Chapter 1 of Report No. 55) and Governance and administration of Direct Subsidy Scheme schools (Chapter 2 of Report No. 55).

3.15 Chapter 1 focused on the following areas: admission process, service agreement with school sponsoring body, service agreement with incorporated school governing body, monitoring school performance, DSS subsidy, and international schools in DSS. Chapter 2 focused on the following areas: governance of DSS schools, school fee remission/scholarship schemes, revision of school fees, financial management, human resource management and general administration. The audit recommendations in these two chapters were generally accepted by the Administration. Four examples of areas for improvement identified by Audit are given below:

- (a) **Admission process.** Starting from 1999/2000, profit-making schools were no longer eligible to join the DSS. Five profit-making schools admitted to the DSS in 1999/2000 and 2000/01 were required to complete the procedures for acquiring a non-profit-making status within one year after admission. However, up to June 2010, their profit-making status remained unchanged. Furthermore, DSS schools must have their self-owned school premises. Schools operating in leased premises are required to secure their own premises within 10 years after admission, or any other period as specified by the EDB. Two schools conditionally admitted in 1999/2000 were required to secure their own school premises by the end of 2004/05. However, up to June 2010, they had still been operating in leased premises. Audit has recommended that the Secretary for Education should: (i) take further action to facilitate the five schools to complete their procedures to acquire the non-profit-making status as soon as practicable;

and (ii) take proactive action to facilitate DSS schools to secure self-owned school premises within the specified period;

- (b) ***Service agreement with school sponsoring body.*** From 2000/01 onwards, the school sponsoring body (SSB) of a school joining the DSS is required to enter into an SSB Service Agreement with the EDB upon admission to the DSS. DSS schools are also required to enter into an SSB Service Agreement upon being allocated with school premises, or receiving capital subvention exceeding \$21 million for improving the existing school premises. Of the 72 DSS schools, 57 were required to enter into SSB Service Agreements with the EDB. Up to 30 June 2010, 5 (9%) of the 57 schools still had not done so. Audit examination of the EDB records of the 52 schools that had entered into SSB Service Agreements revealed a number of non-compliances with the terms of the Agreements. Audit has recommended that the Secretary for Education should: (i) take effective measures to expedite the entering into an SSB Service Agreement with each of the SSBs of the five DSS schools; (ii) in future, ensure that SSB Service Agreements are entered into with the SSBs of all DSS schools immediately upon their admission to the DSS, allocation of school premises, or approval of capital subvention of more than \$21 million; and (iii) ensure that all the requirements stipulated in the SSB Service Agreement are complied with by DSS schools;
- (c) ***School fee remission/scholarship schemes.*** To ensure that students will not be deprived of the chance to study at DSS schools, DSS schools are required to adopt a fee remission/scholarship scheme funded from school fee income. Audit examination of the 2008/09 audited accounts of 67 DSS schools revealed that: (i) the fee remission/scholarship schemes of 5 schools were not funded from school fee income; and (ii) in 14 schools, the utilisation of the fee remission/scholarship schemes was 50% or less. Audit has recommended that the Secretary for Education should: (i) ensure that DSS schools set aside the required amounts of school fee income for the fee remission/scholarship schemes; and (ii) follow up with DSS schools to look into the causes of the low utilisation of their fee remission/scholarship schemes; and
- (d) ***Revision of school fees.*** In 2009/10, a DSS school intending to apply for school fee increase was required to obtain consent from the majority of the parents if: (i) it applied for a fee increase exceeding 7%; or (ii) its accumulated operating reserve exceeded its annual operating expenses. Audit examination of the records of the 18 approved school fee increase applications for 2009/10 revealed that, in one of the six applications that required consent from the majority of the parents, supporting documents were not provided. In the remaining five applications, relevant financial information of the schools was not provided to the parents. Audit has recommended that the Secretary for Education should: (i) consider requiring all schools to follow the practice of submitting records of the majority consent of the parents in their applications for school fee increases; and (ii) require schools to provide relevant financial information to the parents during the consultation process for school fee increases.

**Report No. 55 Chapter 10: Residential treatment and rehabilitation services for drug abusers**

3.16 **Background.** The Government's anti-drug policy consists of five elements: legislation and law enforcement, treatment and rehabilitation (T&R), preventive education and publicity, research, and external cooperation. The Narcotics Division of the Security Bureau, which acts on the advice of the Action Committee Against Narcotics, is responsible for the formulation of the Government's anti-drug policy and overall coordination of anti-drug efforts. In recent years, psychotropic substance abuse has replaced heroin as our number-one enemy in the youth drug scene in Hong Kong. In particular, there was a rising trend for young drug abusers aged under 21 taking psychotropic substances. To combat the problem, the Government has taken various actions, including implementing the recommendations of the Task Force on Youth Drug Abuse (led by the Secretary for Justice) in its Report of November 2008, and the allocation of additional resources for implementing a series of T&R measures. In 2009-10, the Government spent some \$200 million on various types of voluntary T&R services, namely: (i) counselling centres for psychotropic substance abusers subvented by the Social Welfare Department; (ii) substance abuse clinics operated by the Hospital Authority; (iii) methadone treatment programme operated by the Department of Health; and (iv) 40 voluntary residential drug T&R centres and halfway houses ("treatment centres"), 20 of which were subvented and 20 non-subvented.

3.17 **Audit review.** The audit review focused on the following areas: allocation of resources to the Society for the Aid and Rehabilitation of Drug Abusers, usage of treatment centres, treatment centres on government sites/premises, and licensing of treatment centres. The audit recommendations were accepted by the Administration. Two examples of areas of improvement identified by Audit are given below:

- (a) **Usage of treatment centres.** From 2003 to 2010, there was a decrease in the overall capacity of treatment centres. Of the overall capacity of 1,635 places available as at August 2010, 49% were subvented places but a significant proportion of them were still geared to heroin treatment. Of the 1,261 places that mainly catered for psychotropic substance abuse treatment, 65% were provided by non-subvented centres over which the Government's control is generally limited. Also, not all 1,635 places were available to drug abusers because some centres had used some of their places for admitting non-drug abusers. Given the rising trend of drug abuse in recent years, Audit has recommended that the Commissioner for Narcotics should, in collaboration with the Director of Social Welfare and the Director of Health, keep the overall capacity of treatment centres under close review to see if it can meet the service demands; and
- (b) **Treatment centres on government sites/premises.** A site on Lantau Island had been granted by short term tenancy at nominal rent since 1993 to a non-governmental organisation (NGO) for operating a treatment centre. Audit however found that the Narcotics Division, the Social Welfare Department and the Lands Department had failed to monitor whether the proposed centre had started operation or not. In the event, the granted site (with an area of 1,070 square metres) had been largely idle for 16 years and the short term tenancy was terminated in October 2010. Audit also found that on a few occasions, the Government could have become aware at an earlier date that the site was idle, but

there was inadequate follow-through. Audit has recommended that the Director of Lands should, in collaboration with the Commissioner for Narcotics and the Director of Social Welfare: (i) draw lessons from the failure in detecting the idling site; (ii) conduct a review to ascertain if there are similar cases; and (iii) explore alternative uses of the recovered site.

**Report No. 55 Chapter 11: The Community Investment and Inclusion Fund**

3.18 **Background.** The Community Investment and Inclusion Fund (CIIF) was established in 2002 with a capital of \$300 million. It provides seed money to eligible organisations (including welfare agencies, education organisations and private companies) for funding projects that promote the development of social capital. The CIIF is overseen by the CIIF Committee which is responsible for approving funding applications and monitoring the effectiveness of the funded projects. The Committee is assisted by an Assessment and Evaluation Sub-committee and a Promotion and Development Sub-committee. A CIIF Secretariat, set up under the Labour and Welfare Bureau, supports the Committee and the two Sub-committees, and handles the CIIF's day-to-day operations. From its inception in April 2002 to June 2010, the CIIF approved 213 projects with a total funding of \$212 million.

3.19 **Audit review.** The audit review focused on the following areas: governance of the CIIF, development of social capital, assessment and monitoring of projects, and use of funds by grantees. The audit recommendations were accepted by the Administration and the CIIF Committee. Two examples of areas of improvement identified by Audit are given below:

- (a) **Governance of the CIIF.** Audit found that: (i) there were inconsistencies in some Committee members' declarations of interests relating to CIIF funding applications, but the CIIF Secretariat had not sought clarification from the members concerned; (ii) it took 21 to 195 days to prepare the minutes of meetings of the CIIF Committee/Sub-committees held in 2009-10; and (iii) the CIIF Secretariat had not compiled performance information measuring the efficiency and effectiveness of the CIIF's operation. Audit has recommended that the CIIF should: (i) monitor declaration of interests by committee members and clarify with the members concerned if inconsistencies are noted; (ii) prepare minutes of meetings promptly; and (iii) compile and publish performance information that measures the efficiency and effectiveness of the CIIF operation; and
- (b) **Development of social capital.** The CIIF intends to support projects that will be sustainable in the longer term. However, in the marking scheme used for assessing CIIF applications, project sustainability was only given a weighting of 10%. Audit also found that: (i) the CIIF Secretariat did not have the practice of conducting follow-up reviews on completed projects to ascertain their sustainability; and (ii) there was scope for improvement in reporting information on project sustainability to the LegCo Panel on Welfare Services. Audit has recommended that the CIIF should: (i) keep the weightings of the marking scheme for CIIF applications under regular review to ensure that they reflect the significance of project sustainability; (ii) conduct reviews of project sustainability on a more regular basis; and (iii) validate the CIIF information to be submitted to the LegCo Panel.

## Looking ahead

3.20 The public has a legitimate interest in knowing whether public moneys have been used as efficiently and effectively as possible. Audit, as the guardian of the public purse, plays an important role in addressing the public demand on this matter. Our VFM audit aims at making value-added recommendations to help the auditees improve governance, and enhance accountability and cost-effectiveness. As our audits have revealed various governance problems with publicly-funded NGOs, the public are very concerned about the corporate governance of such organisations. The corporate governance of these NGOs will continue to be an important area of concern in our future VFM audits. Our priority will be given to those publicly-funded NGOs which have not been subject to a VFM audit for an extended period of time.



## **CHAPTER 4: CORPORATE SERVICES**

### **Introduction**

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

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

### **The year under review**

4.3 For 2010-11, it was a busy but fruitful year for everybody involved in the delivery of corporate services. We stepped up efforts to enhance our relationship with our stakeholders through participation in international seminars and duty visits. More training opportunities were provided to our staff to increase their capability. Our corporate services work included:

- (a) the Director of Audit's Report production work — Reports No. 54 and 55, and Report on the Accounts of the Government of the HKSAR for the year ended 31 March 2010;
- (b) support services:
  - (i) Corporate Plan;
  - (ii) Environmental Report;
  - (iii) media research; and
  - (iv) IT support;
- (c) external and press relations:
  - (i) public relations work;
  - (ii) speeches and presentations by the Director of Audit;
  - (iii) visit by the Commissioner of Audit of the Macao SAR;
  - (iv) participation in the 20<sup>th</sup> Congress of the INTOSAI;
  - (v) participation in the “Guangdong – Hong Kong IT Audit Seminar 2010”;

- (vi) participation in the “Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2010”;
  - (vii) visit to the Commission of Audit of the Macao SAR (COAOM);
  - (viii) duty visit with the PAC to London, the UK;
  - (ix) VFM audit seminar for Treasury Grade colleagues;
  - (x) receiving visitors from the Mainland and overseas; and
  - (xi) Audit Commission Job Shadow Day; and
- (d) training and development programmes.

***The Director of Audit’s Report production work***

***— Reports No. 54 and 55, and Report on the Accounts of the Government of the HKSAR***

4.4 The Director of Audit’s Reports No. 54 and 55 were issued in March and October 2010. They include the results of VFM audits completed during the period October 2009 to February 2010 and the period March to September 2010 respectively. Together with Report No. 55, the Report of the Director of Audit on the Accounts of the Government of the HKSAR for the year ended 31 March 2010 was also issued in October 2010.

4.5 Report No. 54 was tabled in LegCo on 21 April 2010. It contains eight subjects, two of which were considered by the PAC during their public hearings held in May 2010. The Report on the Accounts of the Government of the HKSAR for the year ended 31 March 2010 and Report No. 55 were tabled in LegCo on 17 November 2010. Report No. 55 contains eleven subjects, four of which were considered by the PAC during their public hearings held in November and December 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](http://www.aud.gov.hk/eng/pubpr_arpt/rpt.htm).

***Corporate Plan***

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

4.7 The Corporate Plan is supported by the annual Business Plan and other work plans, including the Five-year VFM Audit Strategic Plan and the annual POW. The Business Plan 2010-11, which was issued in July 2010, set out the broad directions for conducting our core

businesses and the key initiatives planned for the audit year September 2010 to August 2011. 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](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 2010 was the 10<sup>th</sup> 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 2010 is available on our website at [http://www.aud.gov.hk/eng/otherinfo/info\\_envrpt.htm](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 2010-11 to 2011-12 was issued in September 2010. 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 A web-based Audit Commission Resource Centre has been launched for use by all staff on a trial basis for one year effective from 1 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. The Resource Centre was officially launched for use in June 2011 in view of its successful trial run. In 2010-11, an IT security risk assessment and audit services, and security implementation services were provided to the Commission. Two IT security awareness training sessions were organised and more than 100 colleagues attended the training. To support the Government's green policy and minimise environmental impact of IT operations, software-based print management software was implemented. To improve our software inventory checking, software asset management software was also enhanced.

### ***Public relations work***

4.14 The following are some of the key events attended by the Director in the past year:

- (a) the cocktail reception of the Association of Chartered Certified Accountants (ACCA) Hong Kong's 60<sup>th</sup> Anniversary on 26 April 2010;
- (b) the NGO Leadership Development Program 2010 – “Meet-the-people” Luncheon organised by the Hong Kong Council of Social Services on 13 May 2010;
- (c) the Annual General Meeting of the Hong Kong Institute of Directors on 6 July 2010;
- (d) the 61<sup>st</sup> National Day Celebration Dinner organised jointly by the HKICPA and the Society of Chinese Accountants and Auditors on 15 September 2010;
- (e) the inauguration ceremony of the Chinese Institute of Certified Public Accountants Members Services Company Limited on 16 September 2010;
- (f) the CPA Australia Congress – Navigate the New on 29 October 2010;



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

- (g) the Public Sector Reform Conference on 9 November 2010 organised by the Efficiency Unit;
- (h) the opening ceremony of the new office of the Society of Chinese Accountants and Auditors on 18 November 2010;

- (i) the members annual gathering and awards presentation ceremony of CPA Australia – Hong Kong China Division on 16 December 2010;



**Director of Audit attended the members annual gathering and awards presentation ceremony of CPA Australia – Hong Kong China Division on 16 December 2010**

- (j) luncheon with Mr Bill Shorten, the Australian Assistant Treasurer and Minister for Financial Services and Superannuation on 19 January 2011;



**Director of Audit with Mr Bill Shorten, the Australian Assistant Treasurer and Minister for Financial Services and Superannuation, and members of CPA Australia – Hong Kong China Division**

- (k) the Spring Dinner of the HKICPA on 24 February 2011;



**Director of Audit attended the Spring Dinner of the HKICPA on 24 February 2011**

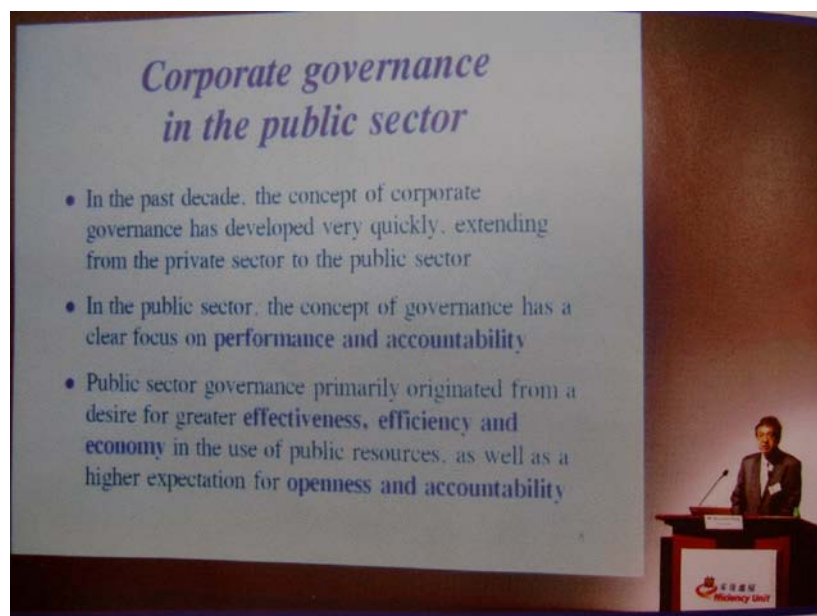
- (l) the annual appreciation luncheon of CPA Australia – Hong Kong China Division on 29 March 2011; and
- (m) the Director took part in the following media interviews:
  - (i) South China Morning Post on 10 June 2010; and
  - (ii) a telephone interview by NOW TV on 18 November 2010.

***Speeches and presentations by the Director of Audit***

4.15 In 2010-11, the Director delivered a number of speeches and presentations on subjects related to our work to various organisations. Key events included:

- (a) a presentation on “Corporate governance for subvented organisations: The Audit Commission’s perspective” in a seminar on corporate governance organised by the Efficiency Unit on 31 May 2010;





**Director of Audit gave a presentation in a seminar on corporate governance organised by the Efficiency Unit**

- (b) a presentation on corporate governance for subvented organisations for directorate grade staff of the Vocational Training Council on 10 December 2010;
- (c) a presentation on “Performance auditing: Health checks for public sector organisations” at the International Public Sector Convention 2011 held in Melbourne, Australia on 9 March 2011; and



**Director of Audit and Mr Steve Chapman, Deputy Auditor General of the Australian National Audit Office at the Convention in Melbourne**



**Director of Audit and  
Mr Jeff Hughes, CPA  
Australia's Executive  
General Manager –  
Member Engagement at  
the Convention venue  
in Melbourne**

- (d) a speech on “The work of the Public Auditor in Hong Kong” at the High Table Dinner of St. John’s College, the University of Hong Kong on 28 March 2011.

The Director of Audit will continue to deliver speeches and presentations to organisations on subjects related to our work in 2011-12.

***Visit by the Commissioner of Audit of the Macao SAR***

4.16 Mr Ho Veng On, the Commissioner of Audit of the Macao SAR, led a delegation of officials from the COAOM to visit the Audit Commission on 11 June 2010. The Director of Audit had a constructive exchange of views with the delegation on various areas of public sector auditing. Staff of the Commission also gave the delegation a presentation on our work.



**Director of Audit and  
the delegation from  
the COAOM**

***Participation in the 20<sup>th</sup> Congress of the INTOSAI***

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 20<sup>th</sup> Congress of the INTOSAI as members of the People’s Republic of China Delegation. The



Delegation was led by Mr Liu Jiayi, Auditor General of the CNAO. The Congress was held in Johannesburg, South Africa, from 22 to 27 November 2010. It was attended by about 500 delegates, including some 100 heads of 152 Supreme Audit Institutions. It was agreed that the next Congress would be hosted in Beijing in 2013. According to the INTOSAI Statutes, the Auditor General of the CNAO, as host of the 2013 Congress, will become the Chairman of the INTOSAI Governing Board from 2013 to 2016.



**Director of Audit and Mr Liu Jiayi, Auditor General of the CNAO  
at the INTOSAI Congress**

4.18 The Audit Commission's participation in the Congress was very useful in keeping abreast of the developments in international public sector auditing. It also provided a good opportunity for exchanging views and sharing good practices with the Mainland and overseas counterparts.



**Director of Audit, Mr Liu Jiayi (centre), Auditor General of the CNAO  
and  
Mr Ho Veng On (right), Commissioner of Audit of the Macao SAR**

***Participation in the “Guangdong-Hong Kong IT Audit Seminar 2010”***

4.19 At the invitation of the Audit Office of Guangdong Province, a delegation of ten audit staff participated in the “Guangdong-Hong Kong IT Audit Seminar 2010” held in Shenzhen on 17 and 18 June 2010. The delegation was led by Mrs Josephine Ng, Assistant Director of Audit (now Deputy Director of Audit). Our staff presented two papers related to the application of IT in our audit work. The Seminar provided a good opportunity for our staff to exchange views and ideas on IT audit with their Mainland counterparts.



**Participants of the “Guangdong-Hong Kong IT Audit Seminar 2010”**

***Participation in the “Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2010”***

4.20 On 14 and 15 September 2010, a delegation of six staff members of the Audit Commission participated in the “Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2010” organised by the China Audit Society at the Nanjing Audit University. The delegation presented three papers at the Conference: “Mission and work of the Hong Kong Audit Commission”, “The role and technical requirements of IT audit” and “Value for money audit: Hong Kong Emergency Ambulance Service”. The Conference provided a good opportunity for the staff of the Audit Commission to share their auditing experience with, and to learn from, their counterparts of the cross straits and Macao.



**Members of the delegations  
pictured at the Nanjing Audit  
University, Nanjing, Jiangsu**

***Visit to the COAOM***

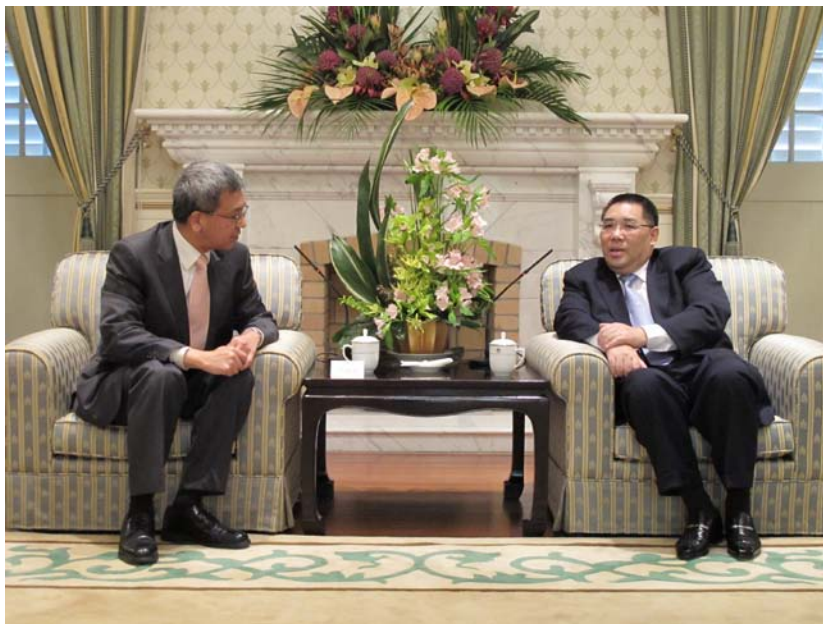
4.21 At the invitation of Mr Ho Veng On, the Commissioner of Audit of the Macao SAR, the Director of the Audit and three officers (Messrs John Chu, Andrew Chang and Teo Wing-on) of the Audit Commission visited the COAOM on 3 November 2010. The COAOM’s officials gave a presentation on the Commission’s work to the delegation. The officials of the Audit Commission and the COAOM also had a constructive exchange of ideas on auditing of public organisations and projects.





**Director of Audit met Mr Ho Veng On, the Commissioner of Audit of the Macao SAR, and his senior officials**

4.22 The Director of Audit and other delegates also met with Mr Fernando Chui Sai On, the Chief Executive of the Macao SAR. The visit to the COAOM enhanced the sharing of professional knowledge and experience between the two SARs in public sector auditing.



**Director of Audit meeting with the Chief Executive of the Macao SAR**

#### ***Duty visit with the PAC to London, the UK***

4.23 At the invitation of the PAC, the Director of Audit joined the PAC delegation for a duty visit to London in March 2011. The delegation was led by Dr Hon Philip Wong Yu-hong, Chairman of the PAC. The purpose of the visit was for PAC members to study and obtain first-hand information on the mechanism, operation and working practices of the Committee of Public Accounts of the House of Commons of the UK Parliament (the

Commons PAC). During their stay in London, the delegation met and exchanged views with various members and staff of the UK Parliament and representatives of related organisations, including members of the Commons PAC and the All Party Parliamentary China Group, as well as representatives of the Department for Communities and Local Government, the Audit Commission for Local Authorities in England and Wales, the National Audit Office, Her Majesty's Treasury, and the Efficiency Reform Group of the Cabinet Office.



**PAC delegation and representatives of All Party Parliamentary China Group**



**PAC delegation, Rt Hon Margaret Hodge (front row centre), Chair of the Commons PAC, and other members**



**PAC delegation and His Excellency Liu Xiaoming (4<sup>th</sup> from the right), Chinese Ambassador to the UK**

4.24 Apart from providing professional assistance and technical advice to facilitate the PAC's study, the Director of Audit also took this opportunity to meet Mr Amyas Morse, the Comptroller and Auditor General of the National Audit Office, to exchange views on public sector auditing and to explore collaborative training opportunities for our staff.



### *VFM audit seminar for Treasury Grade colleagues*

4.25 At the invitation of the Treasury, on 12 January 2011, the Audit Commission (represented by Messrs Andrew Chang, Teo Wing-on and Francis Po) conducted a half-day VFM audit seminar for over 200 colleagues of the Treasury Grade at the Hong Kong Central Library. The seminar covered an overview of the Audit Commission, VFM audit planning and approaches, and VFM audit case studies.



**Presentation by the staff of the Audit Commission**

### *Receiving visitors from the Mainland and overseas*

4.26 In 2010-11, the Commission held a number of seminars for visitors from the Mainland and overseas. Our staff gave them presentations on our work. Their visits strengthened the ties with our Mainland and overseas counterparts. Key visits included:

- (a) delegation of officials from Sichuan Province on 20 April 2010;



**Group photo with the delegation of officials from Sichuan Province**

- (b) delegation of five officials from the Chinese Academy of Social Sciences on 26 April 2010;



**Group photo with the officials from the Chinese Academy of Social Sciences**

- (c) delegation of seven staff from the Midea Group on 30 April 2010;



**Group photo with the Midea Group delegation**



- (d) delegation of officials of Gyeonggi Provincial Government of the Republic of Korea on 23 August 2010; and



**Group photo with the delegation of officials of Gyeonggi Provincial Government of the Republic of Korea**

- (e) delegation from Secretariat General of the Dewan Perwakilan Rakyat of the Republic of Indonesia on 31 August 2010;



**Group photo with the delegation of officials from Secretariat General of the Dewan Perwakilan Rakyat of the Republic of Indonesia**

- (f) Mr Guo Xingwang, the Director General of the International Cooperation Bureau of the Supreme People's Procuratorate of the People's Republic of China on 1 December 2010. Mr Guo attended a meeting with Mrs Josephine Ng, Deputy Director of Audit and three officers (Messrs Andrew Chang, Teo Wing-on and Francis Po). Mrs Ng also gave a presentation on the work of the Commission to Mr Guo; and



**Deputy Director of  
Audit presenting a  
souvenir to Mr Guo**

- (g) delegation of 13 officials from Chancheng District of Foshan on 8 December 2010.



**Group photo with  
the delegation from  
Chancheng District  
of Foshan**

### ***Audit Commission Job Shadow Day***

4.27 For the first time, the Audit Commission participated in the Job Shadowing Programme of Junior Achievement Hong Kong in May 2010. Ten young audit staff (Auditors and Examiners) served as workplace mentors to share their work experience with 17 Form 6 students from the Pooi To Middle School participating in the Audit Commission Job Shadow Day held on 19 May 2010. Through participating in this event, our colleagues not only developed their own leadership and mentorship skills, but also contributed to a meaningful and worthwhile programme that helps young people of our community prepare for the future.



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

### *Training and development programmes*

4.28 **Management programmes.** In 2010-11, our staff attended several courses organised by the Civil Service Training and Development Institute (CSTDI). Courses included the Advanced Leadership Enhancement Programme attended by a Principal Auditor, the Leadership in Action Programme attended by a Senior Auditor and the Innovative Managers Programme attended by an Auditor. The management knowledge and skills gained were very useful for their professional growth.

4.29 **“Seminar on National Affairs” held in Guangzhou.** On 27 and 28 November 2010, five officers of the Audit Commission attended the “Seminar on National Affairs for Hong Kong Professionals” held at the Sun Yat-sen University in Guangzhou. The Seminar was organised by the Liaison Office of the Central People’s Government in the HKSAR. Along with our officers, there were 30 other participants coming from the accounting and auditing professionals. The Seminar provided a good learning opportunity for the participants to enhance their understanding of national affairs.



**Our staff receiving certificates upon completion of the Seminar on National Affairs for Hong Kong Professionals**

4.30 ***Presentation by Hon Paul Chan Mo-po, MH, JP.*** On 22 February 2011, Hon Paul Chan Mo-po, Deputy Chairman of the PAC, gave our colleagues a presentation on “What you do not know about Accounting and Auditing Standards”. We had a full house and our colleagues found the presentation enlightening and stimulating.



**Director of Audit presenting a souvenir to Hon Paul Chan Mo-po**

## **Looking ahead**

4.31 In 2010-11, we made efforts to step up our public relations work, share with our Mainland and overseas 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 continue to update our knowledge and technology in order to be better equipped to meeting the challenges facing us in the years to come.

**The 82 accounts certified in 2010-11**

**Accounts of the Government**

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

**Trading Funds**

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

**Other Funds**

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

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

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

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



## **Vision, Mission and Values**

### **Vision**

#### ***Excellence in public sector auditing***

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

### **Mission**

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

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

- (a) conducting regularity audits which provide the Legislative Council with an overall assurance that the Government's financial and accounting transactions and those of funds of a public or quasi-public nature are proper and that they conform to accepted accounting standards; and
- (b) conducting value for money audits which provide the Legislative Council with independent information, advice and assurance about the economy, efficiency and effectiveness with which any bureau/department of the Government, agency, other public body, public office, or audited organisation has discharged its functions.

## Values

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



***Professionalism***

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

***Independence***

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

***Innovation***

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

***Commitment***

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

***Probity***

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

***Responsiveness***

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

***Objectivity***

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

***People-oriented***

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

***Teamwork***

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

***Nurturing talent and creativity***

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

**Key Targets and Indicators**

	<b>Unit</b>	<b>Target</b>	<b>2009-10 (Actual)</b>	<b>2010-11 (Revised Estimate)</b>	<b>2011-12 (Plan)</b>
<b>Regularity Audit</b>					
<b>Targets</b>					
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
<b>Indicators</b>					
Number of accounts certified	Account		81	82	81
Number of man-hours spent	Man-hour		84 200	83 801	88 297
Provision for regularity audit as percentage of total government expenditure	%		0.013	0.012	0.010
<b>Value for Money Audit</b>					
<b>Targets</b>					
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
<b>Indicators</b>					
Number of man-hours spent	Man-hour		164 330	165 753	166 685
Provision for VFM audit as percentage of total government expenditure	%		0.028	0.027	0.022

**Calendar of key events**  
**(1 April 2010 to 31 March 2011)**

<b>Date</b>	<b>Event</b>
20 April 2010	A delegation of officials from Sichuan Province visited the Commission. Our staff gave a presentation to them on the work of the Commission.
21 April 2010	The Director of Audit's Report No. 54 was tabled in LegCo.
26 April 2010	The Director of Audit attended the cocktail reception of the ACCA Hong Kong's 60 <sup>th</sup> Anniversary.
26 April 2010	A delegation from the Chinese Academy of Social Sciences visited the Commission. Our staff gave a presentation to them on the work of the Commission.
30 April 2010	A delegation from the Midea Group visited the Commission. Our staff gave a presentation to them on the work of the Commission.
13 May 2010	The Director of Audit attended the NGO Leadership Development Program 2010 – “Meet-the-people” Luncheon organised by the Hong Kong Council of Social Services.
19 May 2010	The Audit Commission Job Shadow Day was held.
31 May 2010	The Director of Audit gave a presentation on “Corporate governance for subvented organisations: The Audit Commission's perspective” in a seminar on corporate governance organised by the Efficiency Unit.
10 June 2010	The Director of Audit was interviewed by South China Morning Post.
11 June 2010	Mr Ho Veng On, the Commissioner of Audit of the Macao SAR, led a delegation of officials from the COAOM to visit the Audit Commission.
17 and 18 June 2010	A delegation of ten audit staff participated in the “Guangdong – Hong Kong IT Audit Seminar 2010” held in Shenzhen. The seminar was organised by the Audit Office of Guangdong Province.
23 June to 9 July and 8 to 10 September 2010	A Senior Auditor attended the Leadership in Action Programme organised by the CSTDI.
6 July 2010	The Director of Audit attended the Annual General Meeting of the Hong Kong Institute of Directors.
26 and 27 August 2010	A Senior Auditor attended a seminar on anti-corruption and public finance in Harbin.
23 August 2010	A delegation of officials of Gyeonggi Provincial Government of the Republic of Korea visited the Commission. Our staff gave a presentation to them on the work of the Commission.
31 August 2010	A delegation from Secretariat General of the Dewan Perwakilan Rakyat of the Republic of Indonesia visited the Commission. Our staff gave a presentation to them on the work of the Commission.
14 and 15 September 2010	Six officers of the Audit Commission participated in the “Cross straits, Hong Kong and Macao Audit Theories and Practices Conference 2010” organised by the China Audit Society at the Nanjing Audit University.

**Appendix D**  
(Cont'd)

15 September 2010	The Director of Audit attended the 61 <sup>st</sup> National Day Celebration Dinner jointly organised by the HKICPA and the Society of Chinese Accountants and Auditors.
16 September 2010	The Director and Deputy Director of Audit attended the inauguration ceremony of Chinese Institute of Certified Public Accountants Members Services Company Limited.
28 September 2010	A Senior Auditor represented the Commission to attend the annual dinner of the Certified Management Accountants Society of British Columbia - Hong Kong Branch.
26 October 2010	The Director of Audit and several senior staff attended the lunch hosted by Hon Paul Chan Mo-po.
27 October 2010	The Audit Commission conducted a seminar on VFM audit for Executive Officer Grade staff.
29 October 2010	The Director of Audit attended the CPA Australia Congress – Navigate the New.
2 November 2010	A Principal Auditor represented the Commission to attend the Annual Dinner of the Canadian Certified General Accountants Association of Hong Kong.
3 November 2010	The Director of Audit and three officers of the Audit Commission visited the COAOM and met the Chief Executive of the Macao SAR.
9 November 2010	The Director of Audit attended the Public Sector Reform Conference organised by the Efficiency Unit.
17 November 2010	The Director of Audit's Report No. 55 was tabled in LegCo.
18 November 2010	The Director of Audit was interviewed by NOW TV.
18 November 2010	The Director of Audit attended the opening ceremony of the new office of the Society of Chinese Accountants and Auditors.
22 to 27 November 2010	The Director of Audit and a Senior Auditor attended the 20 <sup>th</sup> Congress of the INTOSAI held in Johannesburg, South Africa as members of the People's Republic of China Delegation.
27 and 28 November 2010	Five officers of Audit Commission attended the "Seminar on National Affairs for Hong Kong Professionals" held at the Sun Yat-sen University in Guangzhou. The Seminar was organised by the Liaison Office of the Central People's Government in the HKSAR.
1 December 2010	Mr Guo Xingwang, the Director General of the International Cooperation Bureau of the Supreme People's Procuratorate of the People's Republic of China, visited the Audit Commission. Our Deputy Director gave him a presentation on the work of the Commission.
8 December 2010	A delegation from Chancheng District of Foshan visited the Commission. Our staff gave a presentation to them on the work of the Commission.
10 December 2010	The Director of Audit gave a presentation on corporate governance for subvented organisations for directorate grade staff of the Vocational Training Council.
12 to 16 December 2010 and 29 March to 1 April 2011	A Principal Auditor attended the Advanced Leadership Enhancement Programme organised by the CSTDI.
16 December 2010	The Director of Audit attended the members annual gathering and awards presentation ceremony of CPA Australia – Hong Kong China Division.
12 January 2011	The Audit Commission conducted a half-day VFM audit seminar for over 200 Treasury Grade colleagues.

**Appendix D**  
(Cont'd)

14 to 31 January 2011	An Auditor attended the Innovative Managers Programme organised by the CSTDI.
19 January 2011	The Director of Audit attended the luncheon with Mr Bill Shorten, the Australian Assistant Treasurer and Minister for Financial Services and Superannuation.
22 February 2011	Hon Paul Chan Mo-po, Deputy Chairman of the PAC, gave our colleagues a presentation on “What you do not know about Accounting and Auditing Standards”.
24 February 2011	The Director of Audit attended the Spring Dinner of the HKICPA.
5 March 2011	The Director of Audit gave a presentation on “Accountability: A Public Sector Auditor’s perspective” to students of the Master of Public Administration programme of the University of Hong Kong.
9 March 2011	The Director of Audit gave a presentation on “Performance auditing: Health checks for public sector organisations” at the International Public Sector Convention 2011 held in Melbourne, Australia.
20 to 26 March 2011	The Director of Audit joined the PAC delegation for a duty visit to London, the UK.
28 March 2011	The Director of Audit gave a speech on “The work of the Public Auditor in Hong Kong” at the High Table Dinner of St. John’s College, the University of Hong Kong.
29 March 2011	The Director of Audit attended the annual appreciation luncheon of CPA Australia – Hong Kong China Division.



### Acronyms and abbreviations

ACCA	Association of Chartered Certified Accountants
Audit	Audit Commission
CIIF	Community Investment and Inclusion Fund
CNAO	National Audit Office of the People's Republic of China
COAOM	Commission of Audit of the Macao Special Administrative Region
CSTDI	Civil Service Training and Development Institute
DSS	Direct Subsidy Scheme
EDB	Education Bureau
ENB	Environment Bureau
EPD	Environmental Protection Department
GFMIS	Government Financial Management Information System
GRA	General Revenue Account
HKCO	Hong Kong Chinese Orchestra Limited
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAR	Hong Kong Special Administrative Region
INTOSAI	International Organisation of Supreme Audit Institutions
IT	Information technology
LegCo	Legislative Council
NGOs	Non-governmental organisations
PAC	Public Accounts Committee
POW	Programme of work
SAR	Special Administrative Region
SSB	School sponsoring body

T&R	Treatment and rehabilitation
VFM	Value for money