

CONTROLLING OFFICER'S REPLY

AUD002

(Question Serial No. 1969)

Head: (24) Audit Commission

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Director of Audit (Prof. LAM Chi-yuen, Nelson)

Director of Bureau: -

Question:

In the new financial year:

1. How will the Audit Commission “deepen and enhance audit work” according to the Financial Secretary’s instruction?
2. In the new financial year, how much manpower and expenditure will be required for the aforementioned “strengthened and enhanced audit work”?
3. Can the number of departments, bureaux or subvented organisations expected to be audited be increased? If yes, what are the details? If not, what are the reasons?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 18)

Reply:

The mission of the Audit Commission is to provide independent, professional and quality audit services in order to help the Government and public sector organisations enhance their performance and accountability. We achieve this mission by conducting regularity audits and value for money audits.

Questions (1) and (2)

In the Controlling Officer’s Report of the Audit Commission, targets and indicators have been laid down for the programmes for 2025-26. These targets include:

- (a) **Regularity Audit.** The estimated number of accounts to be certified by the Audit Commission is set to be 86. The estimated financial provision for this programme is \$79.4 million and the estimated number of man-hours to be spent is 109 827; and
- (b) **Value for Money Audit.** The planned number of value for money audit reports to be issued by the Audit Commission to audited bodies is set to be 16. The estimated financial provision for this programme is \$134.1 million and the estimated number of man-hours to be spent is 165 969.

Regularity audits are conducted using a risk-based approach. Value for money audits are performed using a structured approach and taking into account various factors (such as the materiality, timeliness, the amount of public money and risk involved, and the value added of the subject to be examined). The Audit Commission conducts the two types of audit in accordance with the resources allocated and a programme of work determined annually by the Director of Audit.

We will continue to plan our audit work in the future based on the above procedures. The additional workload arising from different circumstances and needs will be absorbed by re-deployment of internal resources across programme areas.

Question (3)

Value for money audits are performed under a set of guidelines, agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government. The guidelines were tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998.

According to the guidelines, the Director of Audit may carry out examinations into the economy, efficiency and effectiveness with which any bureau, department, agency, other public body, public office, or audited organisation has discharged its functions. An “audited organisation” shall include:

- (a) any person, body corporate or other body whose accounts the Director of Audit is empowered under any Ordinance to audit;
- (b) any organisation which receives more than half its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half its income from public moneys by virtue of an agreement made as a condition of subvention); and
- (c) any organisation the accounts and records of which the Director is authorised in writing by the Chief Executive to audit in the public interest under section 15 of the Audit Ordinance (Cap. 122).

The definition of an audited organisation is provided in the Value for Money Audit Guidelines. Moreover, the Controlling Officer’s Report of the Audit Commission has laid down the target on the number of “value for money audit reports issued to audited bodies” each year (for example, the planned number for 2025-26 is 16). There is no plan to revise these arrangements and targets.

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