

CONTROLLING OFFICER'S REPLY

AUD004

(Question Serial No. 1971)

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 face of the fiscal deficit crisis, it is mentioned in the Budget Speech that the HKSAR Government will strictly contain the growth of its expenditure and reduce spending. Nevertheless, statutory bodies subvented by the Government with substantial funding (such as the Hong Kong Trade Development Council, of which the accounts are of concern to some incumbent councillors) are not within the purview of the Audit Commission. Incidents of maladministration and alleged misuse of public money on the part of these statutory bodies are frequently uncovered. To name a few examples, the Hong Kong Science and Technology Parks Corporation (HKSTP), which has been injected with tens of billions of public money, was involved in multiple cases of unauthorised subletting; a subvented local satellite company in the innovation and technology sector was suspected of falsification and even took legal action against the HKSTP; and the Mandatory Provident Fund Schemes Authority, responsible for supervising the operations of the Mandatory Provident Fund (MPF) schemes, has recorded a continuous investment loss for more than a decade and has repeatedly been criticised for failing in the effective supervision of the MPF trustees, conniving at their taking advantage and blatantly charging excessively high management fees. In this connection, will the Government inform this Committee of the following:

Some consider that “Hong Kong’s advantage is the Audit Commission”. However, the above-mentioned statutory bodies subvented with public money are beyond the reach of the Audit Commission. Will manpower and resources be allocated to the Audit Commission for carrying out value for money audits of these statutory bodies in the new financial year? If so, what are the details? If not, what are the reasons?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 20)

Reply:

The Audit Commission conducts value for money audits regularly to examine the economy, efficiency and effectiveness with which the audited bodies have discharged their functions.

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:

- (d) any person, body corporate or other body whose accounts the Director of Audit is empowered under any Ordinance to audit;
- (e) 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
- (f) 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).

As the Hong Kong Science and Technology Parks Corporation does not meet the above criteria, it does not fall into the scope of audit of the Audit Commission. As for the Mandatory Provident Fund Schemes Authority (MPFSA), the Director of Audit may, pursuant to the relevant provisions of the Mandatory Provident Fund Schemes Ordinance (Cap. 485), conduct an examination into the economy, efficiency and effectiveness with which the MPFSA has used its resources in performing its functions.

In the Controlling Officer’s Report of the Audit Commission, targets and indicators have been laid down for the programme of Value for Money Audit for 2025-26. The estimated financial provision is \$134.1 million and the estimated number of man-hours to be spent is 165 969.

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