

Audit Commission

The Government of the
Hong Kong Special
Administrative Region

Excellence in Public Sector Auditing

— Internal Auditing in Public Sector

16 October 2023

Prof. LAM Chi Yuen Nelson
Director of Audit



Our 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.***
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Excellence in Public Sector Auditing

— Internal Auditing in Public Sector



Past, Present and Future

— Internal Auditing in Public Sector



Once Upon a Time



Once Upon a Time

- **1844**

- Appointed the first **Director of Audit** in Hong Kong
- One of the oldest government departments in Hong Kong

- **1971**

- Enacted the **Audit Ordinance** (Cap. 122)

- **1997**

- The Hong Kong Special Administrative Region (HKSAR) has been established since 1 July 1997.....

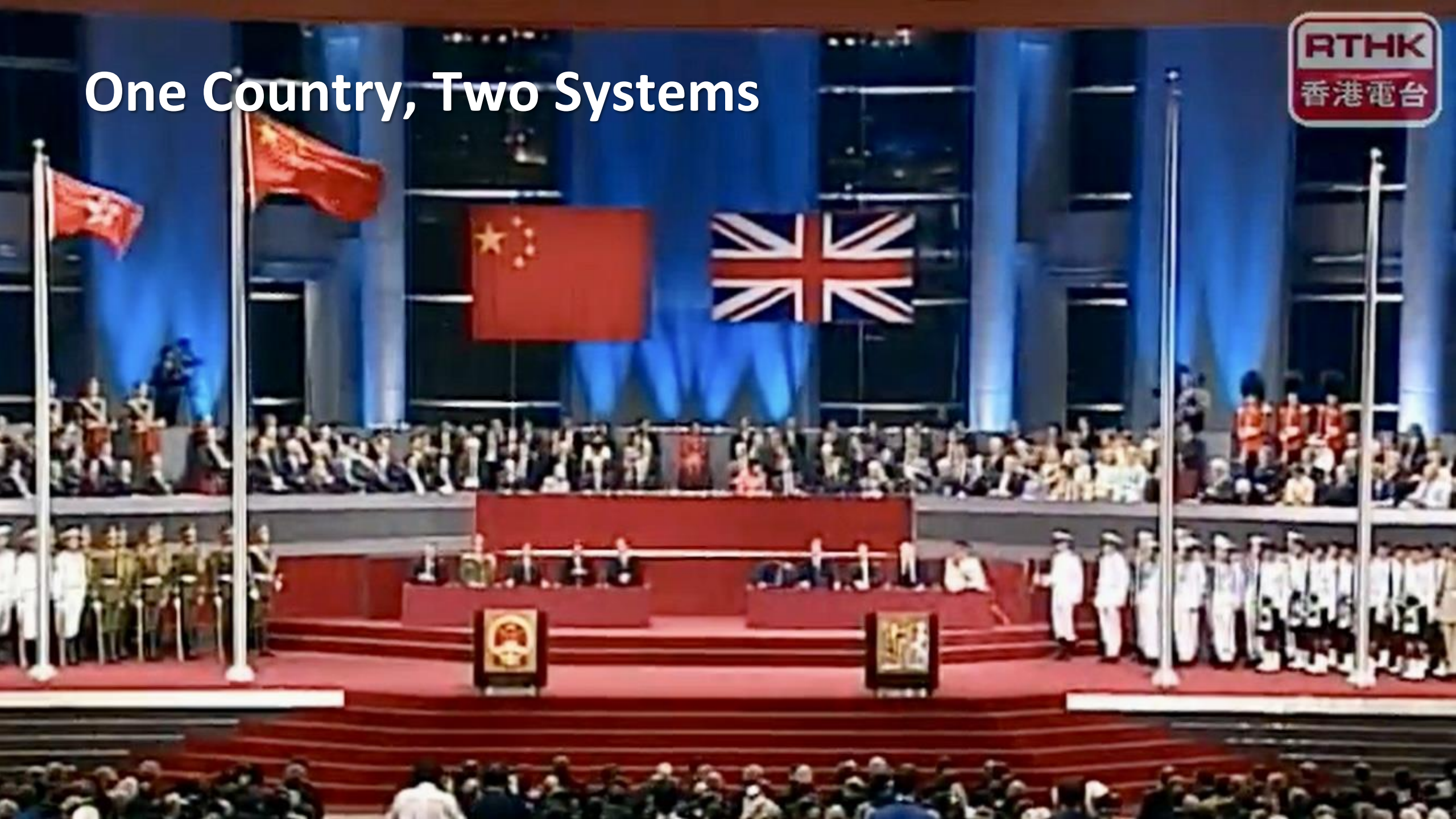


Past, Present and Future

— Internal Auditing in Public Sector



One Country, Two Systems



One Country, Two Systems

— Strengthened in a New Page

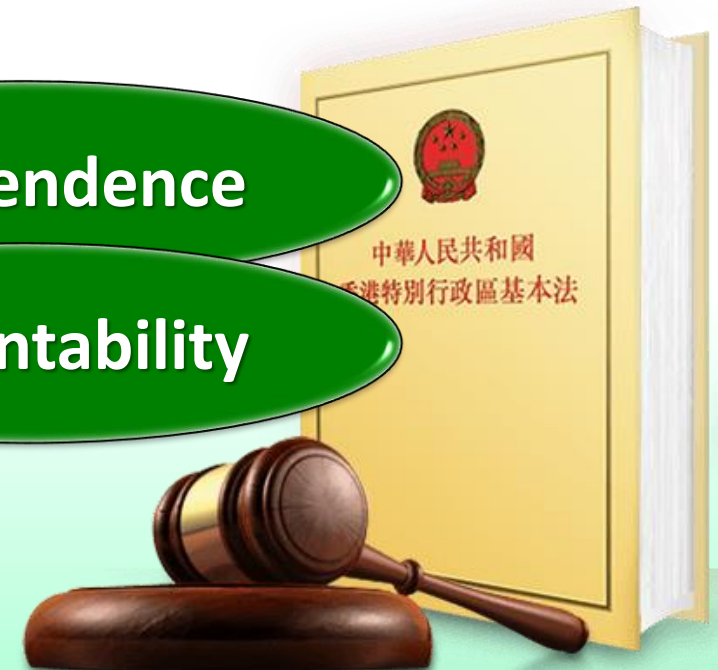
- Specifically introduced and stated in the **Basic Law**
- Audit Department renamed as **Audit Commission**
- The Director of Audit becomes one of the **principal officials** of the HKSAR
- **Audit Ordinance** still clearly mandates

Basic Law – Article 58

- A **Commission of Audit** shall be established in the HKSAR.
 - It shall
 - function **independently** and
 - be **accountable to the Chief Executive**.

Independence

Accountability



Basic Law – Article 48

- The **Chief Executive** of the HKSAR shall exercise the following powers and functions:
 5. To nominate and to report to the **Central People's Government** for **appointment** the following **principal officials**:
 - Secretaries and Deputy Secretaries of Departments,
 - Directors of Bureaux,
 - Commissioner Against Corruption,
 - **Director of Audit**,
 - Commissioner of Police

Independence

Authority



Audit Ordinance

- In the performance of his **duties** and the exercise of his **powers** under the Audit Ordinance, the **Director of Audit**:
 - shall **have access to all** records, books, vouchers, documents, cash, receipts, stamps, securities, stores and any other Government property in the possession of any public officer;
 - may **require any public officer** to give such explanation, or to furnish such information, as the Director may think fit in order to enable the Director to discharge his duties; and
 - shall **not be subject to the direction or control** of any other person or authority.



Powers

Audit Ordinance and the DA's Reports

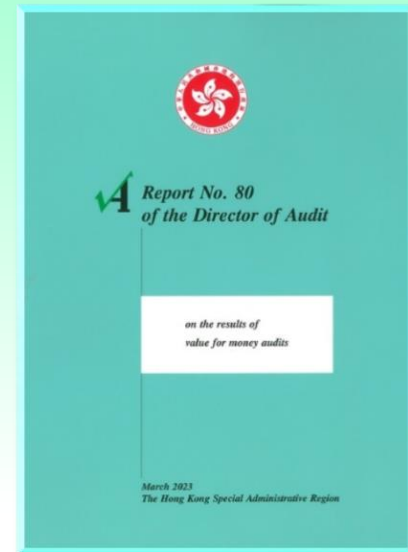
- The Director of Audit (DA) submits three **reports** each year to the **President of the Legislative Council** (LegCo):
 - One on the Accounts of the Government of Hong Kong Special Administrative Region under section 12 of the Audit Ordinance (i.e. **Regularity Audit**); and
 - Two on the results of **Value for Money Audits**.
- All the reports are published and can be found on our and LegCo's websites

Regularity Audit

Accountability

Transparency

Value for Money Audit



One Country, Two Systems

Strengthened in a New Page

Independence

Accountability

Authority

Powers

Transparency

Our Mission

- To provide **independent**, **professional** and **quality** audit services in order to help the Government and public sector organisations **enhance** public sector
 - **performance** and
 - **accountability**in Hong Kong.
- We achieve our Mission by conducting:

Regularity Audit

Value for Money Audit



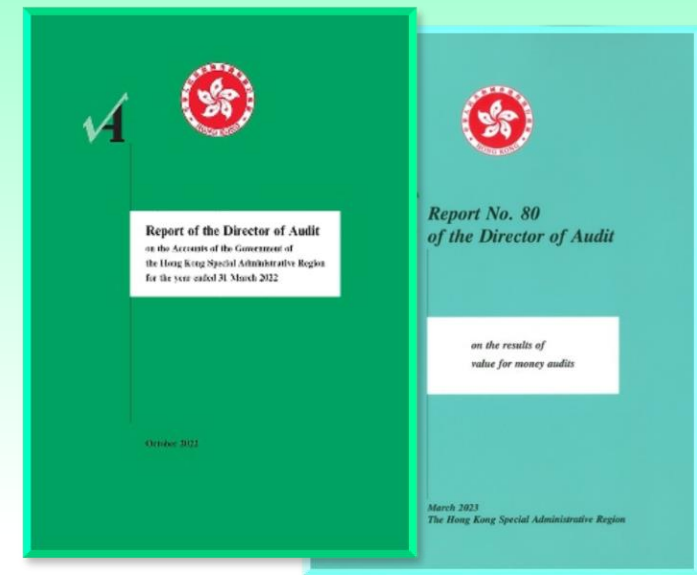
- Conducting **regularity audits** which provide the LegCo with an **overall assurance** that the Government's financial and accounting transactions and those of funds of a public or quasi-public nature are **proper** and that they **conform to generally accepted accounting principles**

Regularity Audit

External Auditing

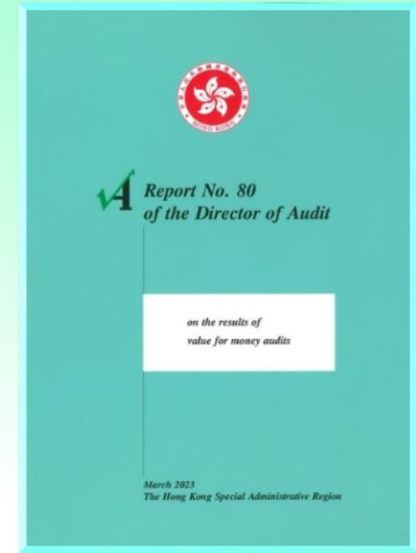
Value for Money Audit

Internal Auditing



Value for Money (VFM) Audit

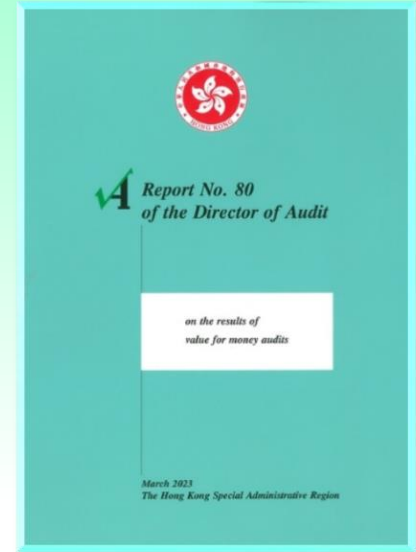
- An examination into the
 - **E**conomy,
 - **E**fficiency, and
 - **E**ffectivenesswith which the **audited body** has discharged its functions.



Value for Money Audit

VFM Audit – Audited Body

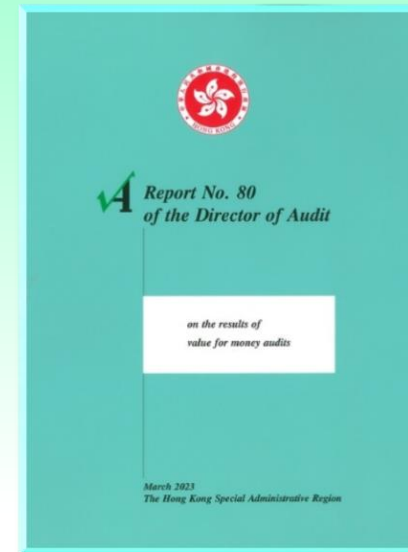
- Government bureaux/departments, public offices, audited organisations
- Audited organisation shall include:
 - any person, body corporate or other body whose accounts the Director is empowered under any Ordinance to audit;
 - any organisation which receives more than half its income from public moneys; and
 - any organisation the accounts and records of which the Director is authorised in writing to audit by the CE in the public interest under section 15 of the Audit Ordinance.



Value for Money Audit

VFM Audit – Selection Criteria

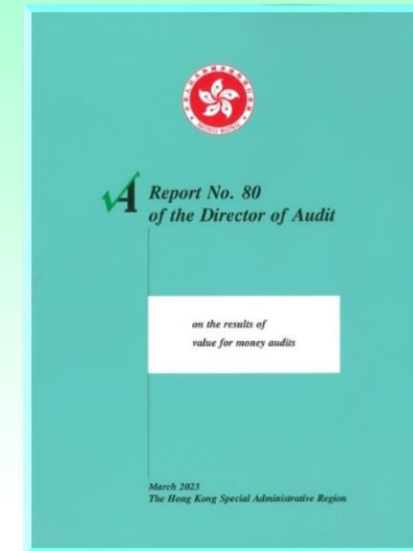
- **Main criteria for selecting audit subjects**
 - Materiality
 - Risk
 - Auditability
 - Value-added
 - Public concern
 - Timeliness



Value for Money Audit

VFM Audit – Auditees in the Past

- **Hong Kong Productivity Council**
(DA's Report No. 73, Chapters 2 and 3)
- **Hong Kong Tourism Board**
(DA's Report No. 75, Chapters 7 and 8)
- **Equal Opportunities Commission**
(DA's Report No. 80, Chapter 2)

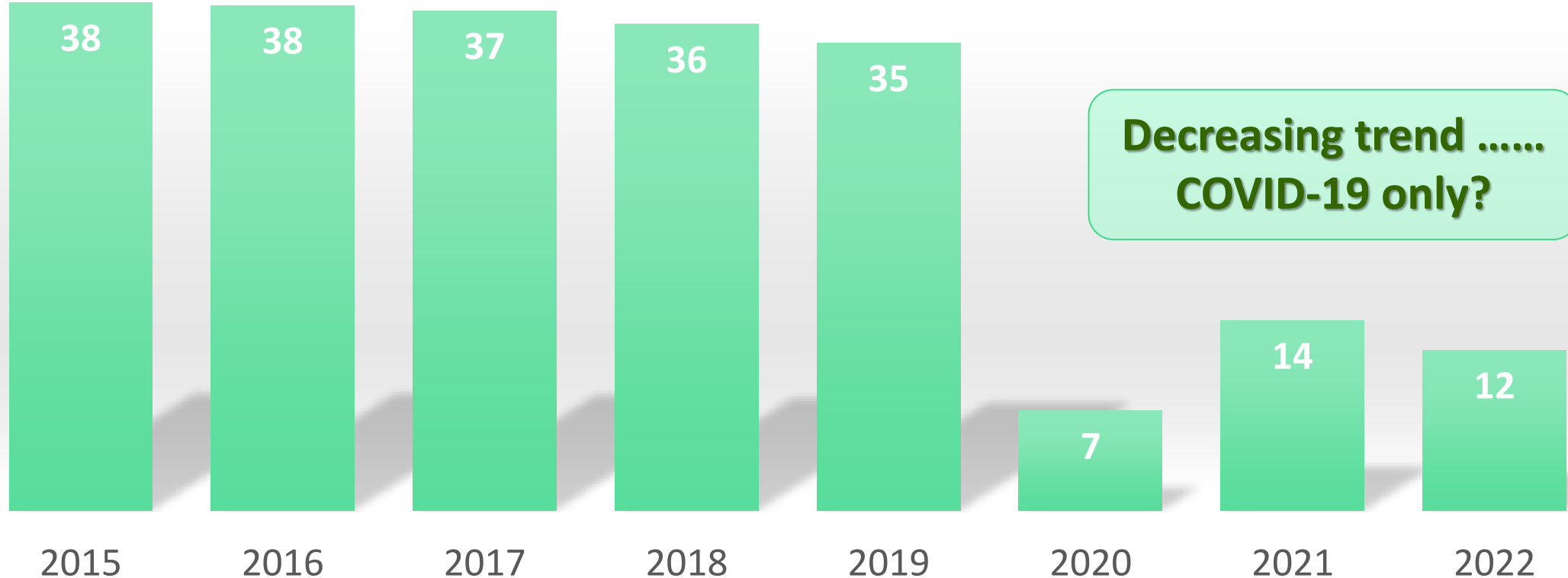


Value for Money Audit

VFM Audit – Latest Reports (DA's Report No. 80)

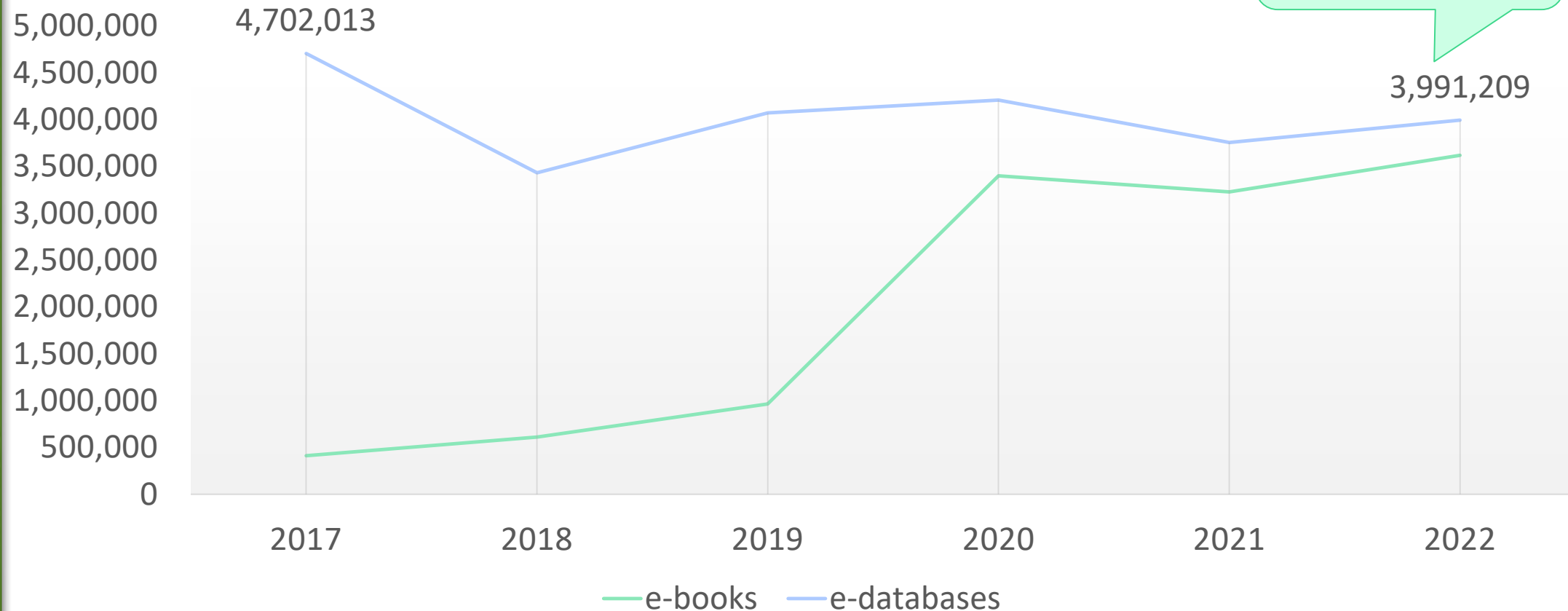
No. of Physical Visits to HK Public Libraries

(in million)



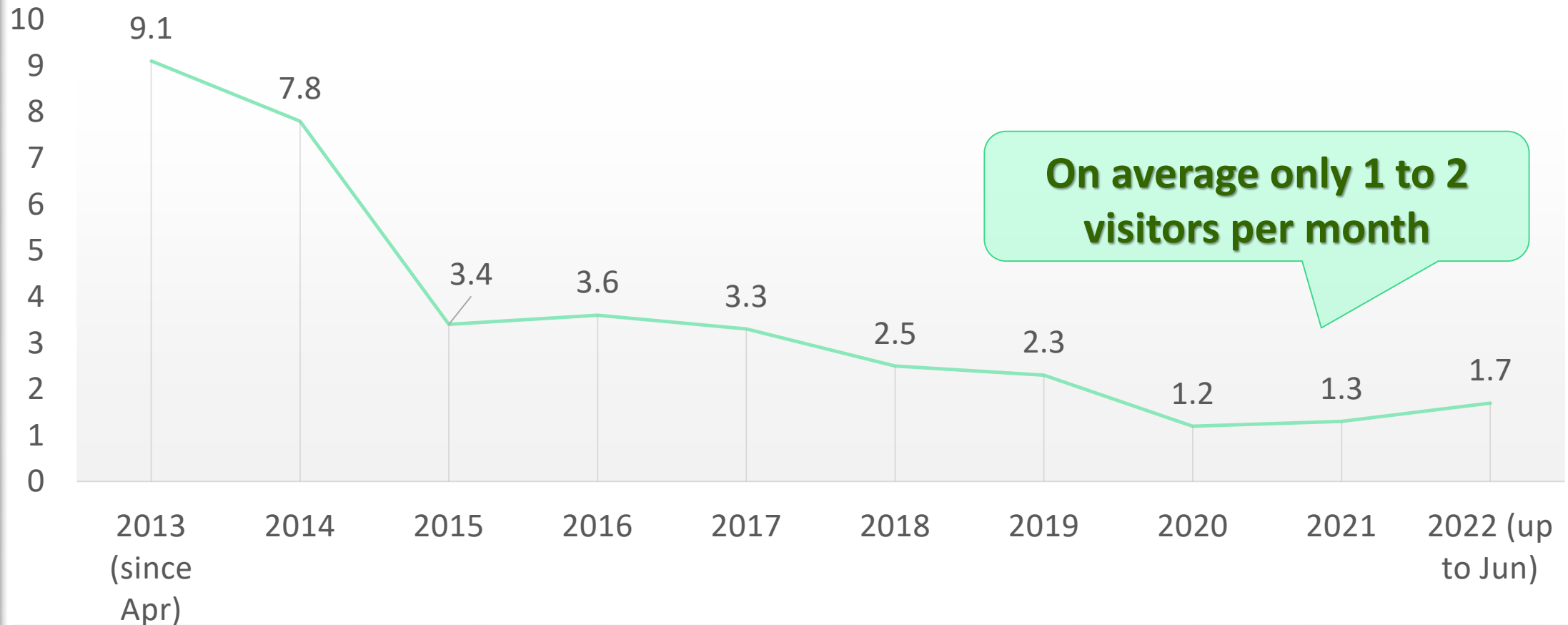
VFM Audit – Latest Reports (DA's Report No. 80)

Usage of e-books and e-databases in Hong Kong Public Libraries



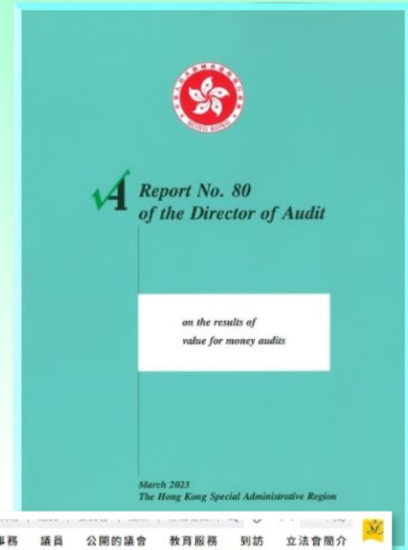
VFM Audit – Latest Reports (DA's Report No. 79)

Average Monthly No. of Visitors to the Resource Centre of Sales of First-hand Residential Properties Authority



VFM Audit – Reports to LegCo

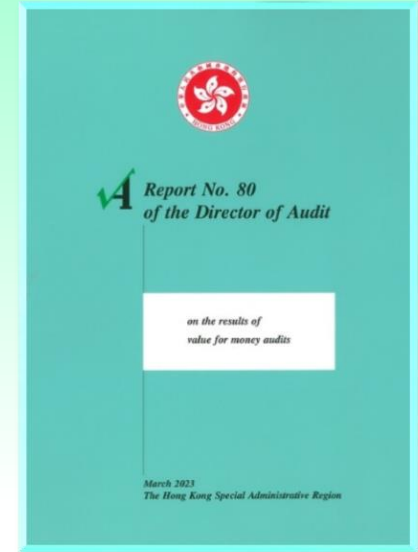
- The reports of the Director of Audit are considered by the **Public Accounts Committee (PAC)** of the LegCo.
- PAC relies on the findings of the reports to conduct its **public hearings** (open to public) and to issue its own reports.
- The Director of Audit's **effectiveness** is enhanced by the conclusions and recommendations of the PAC.



Value for Money Audit

VFM Audit – Follow-Up

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



Value for Money Audit

VFM Audit – Latest Reports (DA's Report No. 77)

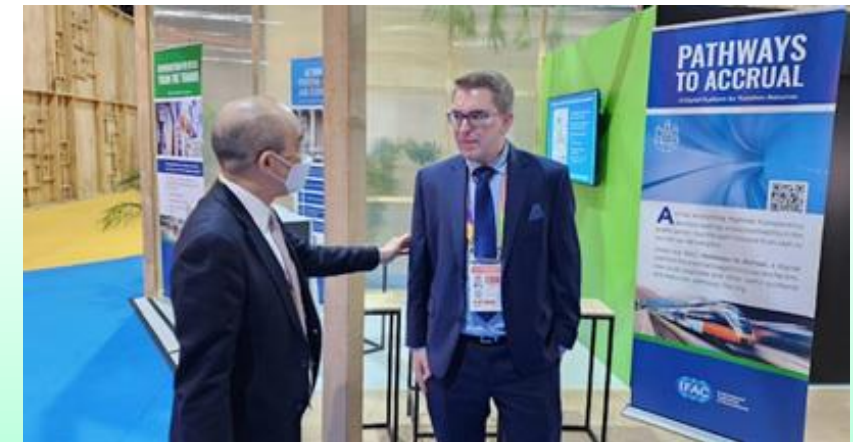
Protection of Wages on Insolvency Fund 破產欠薪保障基金	Effective date of last ceiling	Last ceiling before revised	Revised ceiling (since June 2022)	Increase
Arrears of wages 欠薪	Feb 1996	\$ 36,000	\$ 80,000	\$ 44,000 (122%)
Wages in lieu of notice 代通知金	Feb 1996	\$ 22,500	\$ 45,000	\$ 22,500 (100%)
Severance payment 遣散費	Feb 1999	\$ 220,000	\$ 245,000	\$ 25,000 (11%)
Pay for untaken annual leave and untaken statutory holidays 未放年假及未放法定假日薪酬	Jun 2012	\$ 10,500	\$ 26,000	\$ 15,500 (148%)

Not Only in Hong Kong



Not Only in Hong Kong

- Attended the 24th Congress of the International Organisation of Supreme Audit Institutions (**INCOSAI**) as members of the PRC's Delegation



Not Only with Hong Kong





UNITED NATIONS BOARD OF AUDITORS

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Board's Mandate, Appointments and Tenure

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Current Membership

The present members of the Board of Auditors are as follows:



Mr. Pierre Moscovici
**First President of the Cour
des comptes, French
Republic**

Term expires 30 June 2028



Mr. Hou Kai
**Auditor General of the
People's Republic of China**

CHAIR

Term expires 30 June 2026



Mr. Jorge Bermúdez,
**Comptroller General of the
Republic of Chile**

Term expires 30 June 2024

The chairship of the Board is rotated every two years, and is held by Mr. Hou Kai effective 1 January 2023.

Source: Website of United Nations
<https://www.un.org/en/auditors/board/membership.shtml>



Not Only for Hong Kong

- Participated in professional and independent audits in the **United Nations**
 - To help the United Nations to
 - improve management and performance,
 - enhance transparency and accountability, and
 - improve reform and governance.





Past, **Present and Future**

— **Internal Auditing in Public Sector**





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Charting a Brighter Tomorrow for Hong Kong

Fully and faithfully implement
"One Country, Two Systems"



Further improve
governance



Attract businesses and talents
Enhance competitiveness



Reinforce traditional advantages
Develop emerging industries



Agility and Innovation

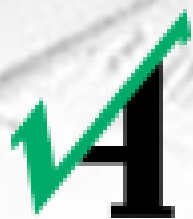




Past, Present and **Future**

— Next Reports to be Released in November





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