

Speech by Mr Benjamin Tang, JP
Director of Audit
at the HKIAAT Annual Dinner
cum 20th Anniversary Celebration Ceremony on 27 November 2008

Mr. President, members of the Hong Kong Institute of Accredited Accounting Technicians, distinguished guests, ladies and gentlemen

Introduction

It is my great pleasure to join you this evening to celebrate the Institute's 20th anniversary.

Over this 20 years, the Institute has played an important role in cultivating accounting talents to meet the need of society. It has also made great efforts in upholding and promoting the competencies of its members and students. It helps its members develop their personal careers as far and high as their personal ambitions take them. The Institute has helped many pursue their career goals in the accounting profession.

The Institute launched the 20th Anniversary Scholarship to encourage young people to study for accountancy and to pursue a career in this profession through acquiring the Accredited Accounting Technician qualification. I would wish to extend my warm congratulations to all the scholarship recipients. It is important that talented new blood joins the accounting profession to meet the demands from different sectors.

Role of the Director of Audit

The Audit Commission, with over 160 years of history, is one of the oldest government departments in Hong Kong. It is mainly staffed by accounting professionals. The Director of Audit, as the head of the Commission and the external auditor of the Government, has an important role in enhancing public sector performance and accountability in Hong Kong. This evening, I would like to talk about this distinctive role.

Independence of auditor and unlimited access to information are the cornerstones of the audit profession. At a recent meeting of the United Nations Economic and Social Council, the Secretary General of the International Organisation of Supreme Audit Institutions (INTOSAI) has said that if Supreme Audit Institutions (i.e. national audit offices) are to perform their tasks well and truly safeguard public accountability in an impartial and credible manner, they must above all be granted independence and unlimited access to information.

The independence of the Audit Commission is protected under Article 58 of the Basic Law, which states that the Commission shall function independently and be accountable to the Chief Executive of the Hong Kong Special Administrative Region. The Audit Ordinance confers wide powers of access to government records on the Director of Audit in carrying out his statutory duties. In the performance of his duties and exercise of his powers under the Ordinance, the Director is not subject to the direction or control of any other person or authority.

To achieve its mission in enhancing public sector performance and accountability, the Audit Commission conducts two types of audit, namely regularity audit and value for money audit. The Director of Audit has to submit his audit reports to the President of the Legislative Council. All my audit reports are tabled at the Legislative Council. They are also public documents and are available in full on the website of the Audit Commission. This enhances the transparency of my work, and promote accountability of the Government.

Regularity audit, similar to financial audit conducted by the private sector, examines the financial propriety of the accounts of the Government. In 2007-08, the Audit Commission certified a total of 82 accounts. In the regularity audit process, the Audit Commission assesses the Government's internal control environment and recommends improvement measures on areas with potential significant risks to regularity, propriety and controls. Through regularity audit, the Commission helps the Government enhance governance, accountability and transparency.

Value for money audit (also known as performance audit or operational audit) examines the economy, efficiency and effectiveness with which government departments or audited organisations have discharged their functions. For economy, in simple terms, it means that if goods or services can be procured with just \$100, you should not pay more than \$100 for them. For efficiency, it is concerned with improving productivity. For effectiveness, it is concerned with the extent to which objectives have been achieved. In 2006-07, the Audit Commission made some 540 recommendations that were accepted by the government departments and audited organisations for implementation.

Value for money audits are carried out under the Value For Money Audit Guidelines tabled in the Provisional Legislative Council in 1998. Under the Guidelines, the Director of Audit can conduct value for money audits on the Government and many public bodies. He has great freedom in determining the audit scope, except that he cannot comment on the merits of government policies and decisions. He is entitled to exercise the powers given to him under the Audit Ordinance.

My value for money audits aim at making value-added recommendations to help the government departments and audited organisations achieve better value for money by improving their governance and enhancing accountability and cost-effectiveness. I have great freedom in selecting subjects of value for money audit. My value for money audit covers a wide range of public sector activities, including capital works, education, housing, social welfare and environmental protection. Given that my resources are limited, I will take into account a number of factors such as timeliness, risk, materiality, impact and public interest in identifying the subjects of value for money audit and determining their priority.

Value for money audit of Hong Kong Tourism Board

A number of my value for money audits conducted in recent years focused specifically on the corporate governance of publicly-funded non-government organisations. Some of them attracted much media attention and aroused public concerns on the lack of good governance of such organisations. Examples include the Administration

of Hong Kong Applied Science and Technology Research Institute Company Limited, Society for the Aid and Rehabilitation of Drug Abusers, and Hong Kong Tourism Board (HKTB).

In particular, the audit of the HKTB in October last year was a record-breaking one as it involved the longest public hearing time of the Public Accounts Committee to receive evidence from the witnesses. The Committee held 15 public hearings totalling 46 hours on the subject between December 2007 and February 2008. In its report of April 2008 on the HKTB audit reports, the Committee found that there was a lack of good corporate governance and good management in the HKTB and was of the view that the Board and the top management of the HKTB should be condemned for this. The Committee has also urged the Administration to take various improvement measures in view of the repeated occurrence of problems and irregularities related to corporate governance in publicly-funded non-government organisations.

The HKTB case highlighted an important principle. Public bodies are accountable to the public for the proper use and stewardship of the funds and other assets with which they are entrusted. Good governance and appropriate checks and balances serve to gain and maintain that trust. Through my value for money audits, I will continue to help public bodies enhance their governance.

Concluding remarks

I would like to share with you a recent message made by the Secretary General of the INTOSAI at the United Nations. He has said that, in a democratic system, citizens have a legitimate interest in knowing whether taxes have been used as efficiently and effectively as possible. Supreme Audit Institutions are uniquely suited for their fundamental role as public finance watchdogs. This is particularly true now amid the global financial crisis as governments around the world are pouring in billions of taxpayers' money to bail out loss-making financial institutions and providing guarantee to bank deposits.

Yesterday, my Report No. 51 was tabled in the Legislative Council. You would no doubt have come across some of the media

reports on it. I hope after learning of our work that some of you would choose to join the Audit Commission in future.

Thank you again for inviting me to your Annual Dinner and to celebrate your 20th Anniversary. Please accept my best wishes for a happy birthday and I look forward to the Institute growing from strength to strength.

Have a nice evening.