

Press Release

LCQ4: Value-for-money audits conducted by Audit Commission

Wednesday, December 2, 2015

Following is a question by the Hon Paul Tse and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (December 2):

Question:

The value-for-money audits conducted by the Audit Commission have uncovered a number of incidents involving serious maladministration and massive misuse of public funds which have provoked public outcry. For instance, the former Commissioner of the Independent Commission Against Corruption had shortcomings in handling official entertainment during his tenure, there was undue delay in implementing the new Air Traffic Control System of the Civil Aviation Department (CAD), and the new CAD headquarters was not built in accordance with the approved schedule of accommodation, etc. Some members of the public consider that there was alleged dereliction of duty on the part of the officials concerned. Given the constraints on its manpower and time, and in line with past practices, the Public Accounts Committee (PAC) of this Council will conduct public hearings only on selected topics in the Director of Audit's reports upon receipt, and then will submit reports to this Council thereafter. Under most circumstances, the government departments and organisations concerned will accept the recommendations made by the Audit Commission and PAC and undertake to make improvements. There are views that the Government should allocate additional resources to the Audit Commission and PAC for identifying more maladministration problems with a view to ensuring the proper use of public funds. In this connection, will the Government inform this Council:

- (1) whether it has plans to expand the establishment of the Audit Commission so as to allow it to carry out more value-for-money audits; if it does, of the details; if not, the reasons for that;
- (2) whether it will allocate additional resources to the Legislative Council Commission so that PAC can conduct more public hearings and take evidence in greater depth, in order to enhance the monitoring of the proper use of public

funds by the Government and related organisations; if it will, of the details; if not, the reasons for that; and

(3) whether the Audit Commission has drawn up indicators for the effectiveness of its value-for-money audits with a view to further improving its work performance; if the Audit Commission has, of the details; if not, the reasons for that?

Reply:

President,

The work of the Audit Commission (the Commission) covers two major programmes, namely regularity audit on government departments and public organisations and value for money (VFM) audit. The Commission provides the Legislative Council (LegCo) with independent information, advice and assurance, and helps enhance the performance and accountability of government departments and public organisations. My reply to the three-part question is as follows:

(1) In selecting subjects for VFM audit, the Commission will take into consideration various factors such as timeliness, the public money and risk associated, materiality, possible impact and public interest. A VFM audit is conducted when the situation warrants an in-depth study, and availability of resources is only one of the considerations. The Commission will continuously review its workload and work procedures, and redeploy its manpower and resources as appropriate. It will bid for additional resources through the established resource allocation mechanism when necessary.

Over the past four financial years, we have provided the Commission with additional resources as requested by the Commission for the creation of a total of ten new posts. Other than the two posts created to provide general support, five posts were created to strengthen staffing support for conducting more in-depth risk and compliance audits on government departments to ensure compliance with relevant laws and regulations governing the management of public money and that public money is spent for the purposes approved by LegCo. Another three posts were created to conduct and follow up on VFM audits.

(2) The Legislative Council Commission (LCC) operates with managerial and financial autonomy. Through a separate head of expenditure in the Government's annual Estimates, the Commission is provided with one-line vote funding to support the work of LegCo and its committees, including the Public Accounts Committee. When additional resources are required, the LCC will put forward bids through the Government's established resource allocation mechanism. Between 2011-12 and 2015-16, the expenditure estimates of the LCC have increased from \$490 million to \$750 million, with an average annual growth rate of about 13%, which exceeds the average annual growth rate of 7% in government recurrent expenditure over the same period.

(3) The Commission is required to set out the key performance measures in respect of its major programmes in the Controlling Officer's Report of the annual Estimates for submission to LegCo. Director of Audit also attends the Special Meetings of the Finance Committee held to examine the Estimates of Expenditure every year and responds to questions raised by LegCo Members. There are two targets and three indicators under the programme of VFM audit. The targets include the number of Director of Audit's Reports submitted to LegCo and the number of VFM audit reports issued to audited bodies, while the indicators comprise the number of man-hours spent, the financial provision for VFM audit work as a percentage of total government expenditure, and the actual number of VFM audit recommendations accepted for implementation.

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