

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Home Ownership Committee

**Re-appointment of Auditors for the
Domestic Management Fund Accounts of Home Ownership Scheme
Courts for Financial Year 1997/98**

PURPOSE

The purpose of this paper is to seek Members' approval to -

- (a) the re-appointment of Klynveld Peat Marwick Goerdeler (KPMG) as auditors of the Home Ownership Scheme (HOS) Courts' accounts for financial year 1997/98; and
- (b) their professional audit fees.

BACKGROUND

2. The Housing Authority has responsibility under the Building Management Ordinance and Deed of Mutual Covenant to keep proper accounts for the Domestic Management Funds on behalf of the owners of HOS Courts, except where Owners' Corporations are formed and taken over the management responsibility. Separate accounts are maintained for each HOS Court and the audited annual accounts are posted on the notice board of each HOS Court for the information of owners. Property Management Agents appoint auditors for those courts managed by them, while the Housing Authority will appoint auditors for those courts managed in-house.

3. As a result of a restricted tender exercise, KPMG was appointed as the first auditor of the HOS Management Fund Accounts for the financial years 1980 and 1981 (Paper No. HOC 15/81). Since their initial appointment, KPMG has been re-appointed auditor for the years 1982 to 1989 and 1991 to 1996 (Paper No. HOC 53/95). The appointment is subject to annual review and approval by the Home Ownership Committee.

REVIEW

4. The professional audit fees of KPMG are divided into four bands based upon the number of flats per court. As stated in Paper No. HOC 53/95, KPMG has undertaken to maintain the same level of professional audit fees for the two years ending 31 March 1996 and 1997. Accordingly, revision in the level of professional audit fees may be implemented in 1998.

5. There will be 7 HOS Courts requiring the audit of Domestic Management Fund Accounts. KPMG submitted their professional audit fees proposals in February 1998 and these are set out at **Annex A**. The total professional audit fees payable, based on KPMG's proposal will be \$165,700 (Please refer **Annex C** for details). The average professional audit fees per flat per month for Courts comprising of up to 1,000 flats is \$2.11. However, for Courts where the number of flats is over 2,000 flats, economy of scale allows the average professional audit fees per flat per month to be reduced to \$1.19 (Please refer **Annex B** for details). The percentage increase of 12 % in professional audit fees as compared to the 1997 fees levels are considered to be reasonable. The professional audit fees are fully recovered from the flat-owners in the individual Court's accounts and are not a charge against the Authority's revenue.

RECOMMENDATION

6. As the previous audits have been carried out satisfactorily, it is **recommended** that KPMG be re-appointed as auditor for the Home Ownership Scheme (HOS) Courts-Domestic Management Fund Accounts and be paid in accordance with the rates stipulated at **Annex A** attached.

PUBLICITY

7. The re-appointment of auditors for the Domestic Management Fund Accounts of Home Ownership Scheme Courts is an internal operational matter and it is not considered that any publicity is necessary.

PRESUMPTION

8. It is not thought that Members will object to the recommendation in paragraph 6. If no objection or request for discussion is received by the Committees' Secretary by noon on **26 March 1998**, Members' approval will be presumed.

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