

Report No. 51 of the Director of Audit — Chapter 8

PROVISION AND MANAGEMENT OF QUARTERS

Summary

1. It is the Government's policy to provide quarters for eligible civil servants as a type of housing benefits or for operational need. Non-departmental quarters (NDQs) are provided to house officers who are eligible for quarters by their terms of service and for whom departmental quarters are not provided. Disciplined services quarters (DSQs) are provided, subject to the availability of resources, for married officers of the rank and file, local married officers in the rank of inspectors and superintendents of the Hong Kong Police Force and comparable ranks in the other disciplined services departments. Government quarters are usually acquired by construction through the Public Works Programme, direct purchase and leasing. As at 1 April 2008, there were 21,897 DSQs. Of these, 4,131 DSQs were constructed under five DSQs projects (i.e. the Lai King DSQs, the Sau Mau Ping DSQs, the Sheung Shui DSQs, the Shun Lee DSQs and the West Kowloon DSQs) from 1999 to 2002, and 4,304 DSQs were converted from the Home Ownership Scheme (HOS) flats purchased from the Hong Kong Housing Authority in 2004-05. The Audit Commission (Audit) has recently conducted a review to examine the economy, efficiency and effectiveness in the provision and management of quarters.

Construction of disciplined services quarters

2. ***Provision of sample floor and mock-up flat.*** Audit noted that: (a) in addition to constructing sample floors as required by the five DSQs contracts, the Architectural Services Department (ArchSD) requested the Contractors, by variation orders, to construct and decorate mock-up flats at a total cost of \$2.5 million; and (b) the cost of the Sheung Shui DSQs mock-up flat included air-freight charges of \$129,265 for the delivery of materials. *Audit has recommended that the Director of Architectural Services should: (a) review the justifications to have both sample floors and mock-up flats, and incorporate the requirement into a DSQs contract instead of issuing a variation order if a mock-up flat is required; and (b) avoid incurring air-freight charges for the delivery of materials for constructing the mock-up flats.*

3. ***Provision of entrance gates.*** According to the five DSQs contracts, an entrance gate was provided for each flat. The total cost for installing the entrance gates for the five contracts was \$11 million. Audit noted that the DSQs of the five projects were provided with security systems and property management services. According to the Government Property Agency (GPA)'s views, entrance gates were not required. *Audit has recommended that the Director of Architectural Services should, in consultation with the Government Property Administrator, review the requirement for installing an entrance gate for each flat in DSQs contracts in future.*

4. ***Extension of car services.*** The ArchSD requested the Contractors of three DSQs projects, through variation orders, to extend the car services for ArchSD staff for site visits on all working days for periods of 12 months to 22.6 months after the substantial completion of the works. The drivers and the vans of the Contractors were required to stand by on all working days during the extended period. The total cost of the extended car services was \$1.6 million. *Audit has recommended that the Director of Architectural Services should review the requirement for providing car services on all working days after the substantial completion of works in DSQs contracts in future.*

5. ***Changes in typical lift lobby and kitchen designs.*** Audit noted that, during the construction periods, changes were made to: (a) the typical lift lobby designs of the five DSQs contracts at a total cost of \$13.2 million; and (b) the kitchen designs of three DSQs contracts at a total cost of \$5.6 million. Such changes caused delays in completing the works and required the granting of extension of time, and the payment of variation and prolongation costs to the Contractors. *Audit has recommended that the Director of Architectural Services should: (a) incorporate all user requirements in contracts as far as possible; and (b) finalise all the changes at an early stage to avoid delays in completing the works, the granting of extension of time and the payment of prolongation costs to contractors.*

6. ***Rectification of latent building defects in the Shun Lee DSQs.*** As at 31 December 2007, the repair works for 448 flats in the Shun Lee DSQs were outstanding as the occupants had refused to allow the Contractor to carry out the repair works. In January 2008, to finalise the issue, the Contractor proposed to deduct a sum of money from the retention money for all the outstanding repair works. Audit noted that, up to 30 September 2008, the ArchSD had not finalised the proposal. *Audit has recommended that the Director of Architectural Services should: (a) consider enforcing the conditions of allocation of government quarters so that repair works in the 448 flats can be carried out; and (b) expedite action to resolve with the Contractor the issue of outstanding repair works in the Shun Lee DSQs.*

Supply of domestic appliances to new disciplined services quarters

7. ***Provision of air-conditioners.*** For the Sheung Shui DSQs, according to the noise assessment report, only 47 bedrooms were required to install air-conditioners. However, all the bedrooms, living and dining rooms were provided with air-conditioners. The Contractor installed 885 air-conditioners instead of 810 specified in the contract. The cost of including 763 (810 – 47) additional air-conditioners in the contract was \$4.5 million. For the West Kowloon DSQs, the number of air-conditioners specified in the contract was 1,072. According to the noise assessment report, only 965 bedrooms and living rooms were exposed to road traffic noise exceeding the limit and were installed with air-conditioners. The cost of including 107 uninstalled air-conditioners in the contract was \$427,260. *Audit has recommended that the Director of Architectural Services should, in DSQs projects in future, ensure that air-conditioners are only provided for the DSQs exposed to road traffic noise exceeding the limit specified in the Hong Kong Planning Standards and Guidelines.*

8. **Provision of refrigerators.** According to Stores and Procurement Regulation (SPR) 220(a), when making purchases of stores exceeding \$1.3 million, departments shall follow SPR tender procedures. However, the ArchSD requested the Contractors of four DSQs contracts, through variation orders, to supply refrigerators at costs ranging from \$1.8 million to \$8.4 million. The purchases, without inviting tenders, might not have complied with SPR 220(a). According to SPRs 246 and 251, the GPA is only delegated the authority to make direct purchases of stores of a value not exceeding \$500,000, and is not allowed to make repeated purchases of the same items within 12 months. However, the GPA made eight repeated purchases of refrigerators in seven months at a total cost of about \$4 million for the DSQs converted from the HOS flats. Apparently, the GPA did not comply with SPRs 246 and 220(a). *Audit has recommended that: (a) the Director of Architectural Services should, in purchasing refrigerators for DSQs, comply with the SPR tender procedures; and (b) the Government Property Administrator should, in purchasing refrigerators for DSQs, comply with the SPR tender procedures and the provisions of not making repeated purchases of the same items within 12 months.*

9. **Installation of power sockets for wardrobe heaters.** Audit noted that: (a) in 1999, the GPA accepted the ArchSD's proposal that wardrobe heaters would not be provided for Grades G and H quarters; and (b) the percentage of the number of wardrobe heaters requested by occupants to the number of wardrobe power sockets in the four DSQs projects was 27.6%. *Audit has recommended that the Director of Architectural Services should, in consultation with the Government Property Administrator, review the requirements for the provision of wardrobe heaters and the related power sockets for DSQs.*

Management of surplus non-departmental quarters

10. **Surplus NDQs.** Audit noted that, in January 2005, the GPA planned to sell the surplus NDQs in four buildings in two years' time. However, up to 30 September 2008, only 17% of these surplus NDQs were sold. *Audit has recommended that the Government Property Administrator should review the plan for the sale of surplus NDQs and explore other options to dispose of such quarters.*

11. **Loss of Government leases of quarters.** In November 2004, the GPA found that the original Government leases of 11 government quarters in Tai Po district were not in the GPA's possession. According to the then Registrar General (now the Land Registrar)'s memo of 19 November 1966, the relevant Government leases were sent to the Tai Po District Office (TPDO). The TPDO could not find the Government leases and was unsure whether they were lost by the TPDO. Up to 30 September 2008, the issue could not be resolved. *Audit has recommended that the Government Property Administrator should, in conjunction with the Director of Home Affairs and the Director of Lands, continue to follow up the loss of the Government leases of 11 quarters in Tai Po district.*

Release of disciplined services quarters sites

12. **Kennedy Town Police Married Officers Quarters (KTQ) site.** The KTQ site is one of the nine under-developed DSQs sites required to be released for redevelopment by 2001-02. Since the moving out of the occupants in 2002, the DSQs in Blocks A, B and C of the KTQ had remained vacant. The ground floor of Block C had been used as a works

depot of the Civil Engineering and Development Department since August 2005. In late 2008, Blocks A and C would be demolished for the construction of associated ventilation shaft for the Mass Transit Railway West Island Line. *Audit has recommended that the Government Property Administrator should, in collaboration with the Director of Lands and the Director of Planning, review the redevelopment potential and disposal options of the KTQ Block B site.*

13. **Wan Chai Police Married Quarters (WCQ) site.** The WCQ is earmarked for demolition once vacated and the site will be made available for alternative uses. After the moving out of all occupants in April 2006, the WCQ could not be demolished for alternative uses because the ancillary units there could not be reprovisioned. *Audit has recommended that, in future reprovisioning of DSQs for redevelopment, the Secretary for Security should ensure that: (a) the various issues relating to the planned demolition of DSQs have been addressed and problems resolved before seeking funding approval from the Finance Committee for the reprovisioning of such quarters; and (b) the timing of the demolition of DSQs ties in with that of the reprovisioning of such quarters and other ancillary units.*

14. **Retaining wall problem.** The Western Police Station Married Quarters — Rank and File (WQ) is earmarked for demolition once vacated and the site will be made available for alternative uses. In June 2006, all occupants in the WQ moved out. In December 2006, the consultant employed by the ArchSD confirmed that the WQ was part of the structure used to support the retaining wall holding the slope at Queen's Road West. Demolition of the WQ would remove the support for the retaining wall and cause immediate danger to the public. Audit noted that, up to 30 September 2008, the retaining wall problem had not been resolved and the plan for releasing the WQ site for alternative uses had not been finalised. *Audit has recommended that the Commissioner of Police should, in consultation with the Secretary for Security, the Government Property Administrator, the Director of Architectural Services and the Director of Lands, expedite action to resolve the WQ retaining wall problem and finalise the plan for making the site available for alternative uses.*

Response from the Administration

15. The Administration agrees with the audit recommendations.

November 2008