

# Report No. 57 of the Director of Audit — Chapter 8

## MINOR WORKS PROGRAMMES OF THE HOME AFFAIRS DEPARTMENT

### Summary

1. The Home Affairs Department (HAD) is responsible for implementing two minor works programmes, namely: (a) the Rural Public Works (RPW) Programme for upgrading the infrastructure and improving the living environment of rural areas in the New Territories (NT); and (b) the District Minor Works (DMW) Programme for improving local facilities, living environment and hygienic conditions in the territory. Both programmes are funded by dedicated block votes under the Capital Works Reserve Fund. Since 2008-09, the annual provisions have been set at \$120 million for the RPW Programme, and \$300 million for the DMW Programme.

2. DMW projects are implemented by the lead departments working with the District Councils (DCs). The HAD is the lead department for projects relating to community halls/centres and improvement of the living environment, while the Leisure and Cultural Services Department (LCSD) is the lead department for projects relating to recreational, sports, cultural and soft landscaping facilities. In order to enhance its capability in implementing DMW projects, the HAD has employed term consultants (TCs) to act as works agents mainly for complex or larger-scale projects.

3. *HAD's review of the DMW Programme.* In 2010, the HAD conducted a review of the DMW Programme, taking into account feedback from the DCs and works agents. Measures were proposed to improve the operation of the Programme. The HAD will further consult the DCs and other stakeholders before implementing the proposed measures. Against this background, the Audit Commission (Audit) has recently conducted a review of the two minor works programmes, with focus on the DMW Programme which involved larger annual funding, greater DC involvement and the use of TCs as works agents. *Audit has recommended that the Director of Home Affairs should take into account the observations and recommendations of this audit in taking forward the HAD's proposed measures to improve the DMW Programme, in consultation with the DCs and other stakeholders.*

## Operation of the DMW Programme

4. **Allocation of the DMW provision to districts.** Annual provisions are allocated to districts to meet their capital expenditure under the DMW Programme. Individual districts are expected to plan and monitor their works projects accordingly. From 2008-09 to 2010-11, individual districts had variances between the allocation and the actual expenditure, ranging from an underspending of 33% to an overspending of 37%. The HAD's review of the DMW Programme in 2010 (see para. 3) also noted that urban districts began to experience constraints in finding sites for larger-scale DMW projects. *Audit has recommended that the Director of Home Affairs should: (a) ascertain the reasons why some urban districts have difficulties in spending their annual allocations, and help them tackle the difficulties; and (b) help all districts (particularly urban districts) identify suitable sites for DMW projects and speed up the process of application for land allocations.*

5. **Need for better cash flow planning.** In order to better utilise their annual DMW provisions, individual districts need to plan the cash flow requirements of their projects effectively. Good cash flow planning obviates the need to unnecessarily delay some endorsed projects or fast-track some other projects towards the end of a financial year. *Audit has recommended that the Director of Home Affairs should remind District Offices of the need to plan effectively the cash flow requirements of DMW projects under their purview.*

6. **Need for a project evaluation and performance reporting mechanism.** At present, the DMW Programme does not have a systematic project evaluation and performance reporting mechanism. Therefore, necessary management information to measure the effectiveness of the Programme (including utilisation of the facilities of completed projects, and user satisfaction with these facilities) is not available. *Audit has recommended that the Director of Home Affairs should: (a) establish a project evaluation and performance reporting mechanism to provide necessary management information for evaluating the effectiveness of DMW projects; and (b) after the mechanism is in place, conduct a comprehensive review of the effectiveness of the DMW Programme.*

## Use of term consultants as works agents

7. **Selection of TCs.** In April 2009, one year before the expiry of the four 2008-2010 term consultancy agreements, the HAD started the selection exercise for TCs to provide services for another two-year period. However, the selection exercise took 24 months to complete. In the event, three new agreements were awarded in January 2011 and one in March 2011, 8 to 10 months after the expiry of the 2008-2010 agreements. Besides, there was a lack of competition because only a small number of consultants were interested in the term consultancies. *Audit has recommended that the Director of Home Affairs, in conducting TC selection exercises in future, should: (a) closely monitor their progress to ensure that term consultancies are awarded in a timely manner; and (b) take measures to enhance competition.*

8. ***Progress of TC projects.*** The progress of TC projects was much slower than that of non-TC projects. As at 31 March 2011, about one to three years after the assignment of the 213 TC projects under the 2008-2010 agreements, 97 projects were still under the planning and tendering stages (not yet reaching the construction stage). *Audit has recommended that the Director of Home Affairs should closely monitor TCs' progress in the implementation of DMW projects, particularly in the planning and tendering stages, and provide assistance to them in tackling difficulties encountered.*

9. ***Scale of TC projects.*** For 179 (84%) of the TC projects under the 2008-2010 agreements, the project costs did not exceed \$4 million. Audit noted that: (a) TCs might be overloaded with a large number of small-scale projects; (b) using TCs for implementing small-scale projects with little design elements might not be in line with the HAD's original intention; and (c) larger-scale projects with more design elements are encouraged under the DMW Programme in order to bring about more significant benefits to the local communities. *Audit has recommended that the Director of Home Affairs should review the situation to identify measures to promote the implementation of larger-scale DMW projects with more design elements.*

#### **Monitoring of projects assigned to term consultants**

10. The HAD's Headquarters Works Section (HQWS) is responsible for monitoring projects assigned to TCs. Audit reviewed the monitoring systems and procedures by examining five projects assigned to TCs.

11. ***Time taken by TCs in the planning and tendering stages.*** Audit noted that TCs generally took a long time to prepare the detailed design and contract documentation (for conducting the tender/quotation exercise). For the five projects examined, the time spent ranged from 7 months to 13 months. For one project, the TC spent another 9 months in applying for an excavation permit (XP). *Audit has recommended that the Director of Home Affairs should provide more assistance to TCs and strengthen the monitoring of their progress in preparing the detailed design and contract documentation, and in applying for an XP.*

12. ***Technical audit by the HQWS.*** According to the term consultancy agreement, a TC has to submit a Quality Site Supervision Plan (QSSP) for each project. The execution of a QSSP enables the TC to supervise the contractor to ensure that critical construction activities and structural elements are in accordance with contract requirements. A QSSP and its execution by the TC shall be subject to the HQWS's technical audit. However, Audit noted that the HQWS did not have a system in place for conducting such technical audits. *Audit has recommended that the Director of Home Affairs should put in place a system for conducting technical audits on QSSPs and their execution by TCs.*

## **Monitoring of projects assigned to in-house staff**

13. HAD in-house works staff act as works agents for HAD-led projects with little design elements. The HQWS is responsible for projects in urban areas whereas the works teams of the NT District Offices are responsible for projects in the NT. Audit reviewed the HAD's administration of works projects by examining 30 DMW/RPW projects selected from four districts.

14. **Site inspections.** According to the HAD Works Manual, Inspectors of Works (IOWs) and Senior Inspectors of Works (SIOWs) should conduct supplementary site inspections for important site activities. However, Audit could not find records of such supplementary site inspections. Furthermore, common contractor deficiencies (e.g. those relating to site safety and site cleanliness) were rarely documented in site inspection reports furnished by frontline works staff. *Audit has recommended that the Director of Home Affairs should: (a) remind IOWs and SIOWs to conduct regular site inspections and properly record their inspections; and (b) develop a checklist to assist frontline works staff in conducting and documenting site inspections.*

15. **Issue of variation orders (VOs).** According to the HAD Works Manual, variations of works have to be ordered by issuing a VO before the commencement of such works. However, of the 19 VOs examined by Audit, 11 (58%) were issued after the completion of the works concerned. The late issue of a VO imposes a risk of disputes over the scope and value of the additional works. *Audit has recommended that the Director of Home Affairs should remind the HAD's works teams to issue VOs before the commencement of the works concerned, as required by the HAD Works Manual.*

## **Management and maintenance of facilities**

16. **Cleansing of the HAD's facilities.** For one of the four District Offices examined by Audit, upon completing a project, it will give a written advice to the Food and Environmental Hygiene Department to specifically request the provision of cleansing service to the facility. *Audit has recommended that the Director of Home Affairs should disseminate such a good practice to all District Offices.*

17. **Maintenance of the HAD's facilities.** According to an HAD standing circular, District Offices should draw up a schedule of all existing facilities of local public works projects, and inspect such facilities at least once a year. For the four District Offices under examination, they have not complied with these requirements. *Audit has recommended that the Director of Home Affairs should require District Offices to follow the requirements of the standing circular.*

18. ***Transfer of facilities to the LCSD.*** In 2006, the Government decided that, with effect from January 2007, 174 facilities (mainly sitting-out areas) would be transferred from the HAD to the LCSD for better management and maintenance. For the four districts under examination, Audit reviewed the LCSD's progress in designating the 64 facilities concerned as public pleasure grounds. Audit found that, as at 30 June 2011 (over 4 years after the planned transfer date), the progress was still not entirely satisfactory. In May 2011, Audit inspected 10 facilities pending designation in District 4 and noted that there were problems with the management and maintenance of 5 facilities. *Audit has recommended that, in respect of such facilities pending designation as public pleasure grounds, the Director of Leisure and Cultural Services should: (a) in collaboration with the Lands Department and the HAD, speed up the designation process; (b) inspect the facilities to identify defective items, and take measures to ensure that the facilities are safe and serviceable; and (c) for those facilities involving suspected unauthorised structures or illegal occupation, take necessary follow-up actions in collaboration with the Lands Department and the HAD.*

#### **Performance management**

19. In view of public concerns over the effectiveness of some minor works projects, the HAD needs to provide more performance measures relating to the DMW and RPW Programmes. *Audit has recommended that the Director of Home Affairs should publish in the Controlling Officer's Report additional performance measures for the DMW and RPW Programmes.*

#### **Response from the Administration**

20. The Administration agrees with the audit recommendations.

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