

# **PROCUREMENT OF OPERATIONAL EQUIPMENT BY THE HONG KONG POLICE FORCE**

## **Executive Summary**

1. The Hong Kong Police Force (HKPF) maintains law and order through the deployment of efficient and well-equipped uniformed police personnel throughout the land and waters of Hong Kong. As at 31 March 2018, the HKPF had 29,377 disciplined staff and 4,325 civilian staff, and the Hong Kong Auxiliary Police Force had 3,077 auxiliary police officers. The HKPF is at the forefront to protect citizens, their properties and infrastructure from harm and loss. It is vital that the HKPF is well equipped to deal with a wide range of incidents, emergencies and crime on a timely basis. In 2016-17, the HKPF incurred \$341 million under the General Revenue Account (GRA) and \$171 million under the Capital Works Reserve Fund (CWRP) on the procurement of operational equipment including information and communications technology (ICT) systems, vehicles, vessels and other operational equipment (such as uniform, protective equipment, and arms and ammunition). The HKPF's procurement activities are governed by the Stores and Procurement Regulations (SPRs) and relevant Financial Circulars. The Audit Commission (Audit) has recently conducted a review to examine the HKPF's work on the procurement of operational equipment with a view to identifying areas for improvement.

### **Implementation of major information and communications technology projects**

2. The HKPF's ICT systems are vital to its routine operation for delivering police services to the public. In November 1992, the then Secretary for the Treasury undertook to provide an annual report to the Finance Committee (FC) of the Legislative Council on the progress of implementation of all major computer projects, including the actual expenditure and any revision to original scheduled implementation date. Based on the annual reports on the implementation of major ICT projects submitted by the Office of the Government Chief Information Officer (OGCIO) to the FC, Audit selected three HKPF's ICT projects with aggregate funding of \$1,400 million for examination: (a) implementation of the Third Generation

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Command and Control Communications System (CC3 system) with approved funding of \$948 million; (b) enhancement of the information technology infrastructure by using virtual workstation (VW) with approved funding of \$40.72 million; and (c) development of the Second Generation of Communal Information System (CIS2) with approved funding of \$411.27 million. These three ICT projects had significant extension and enhancement work done after system roll-out or long delays in implementation (paras. 2.1 and 2.3).

3. ***Implementation of the CC3 system.*** In June 2001, the HKPF obtained the FC's funding approval of \$948 million under Head 708 of the CWRP to replace the Second Generation Command and Control Communications System which would reach the end of its useful life in 2004. The CC3 system included: (i) an integrated communications system (ICS) for providing comprehensive radio coverage; (ii) a computer-assisted command and control system (CACCS3) for supporting resource deployment; and (iii) an emergency telephone system (ETS) for answering and responding to 999 emergency calls. In 2003, a contract (Contract A) for implementing the CC3 system (excluding CACCS3) and another contract (Contract B) for implementing the CACCS3 were awarded at a total sum of \$370.3 million. The CC3 system commenced operation by phases between December 2004 and March 2006. However, from September 2004 to July 2015, the CC3 Executive Committee (an ICT project steering committee of the HKPF) approved 43 items of extension and enhancement work for the CC3 system, including 33 items approved after completion of the system roll-out in March 2006. Hence, upon completion of the extension and enhancement work by 2016, the HKPF spent a total sum of \$806.1 million on the CC3 project, comprising \$435 million incurred under Contracts A and B, \$322 million on the extension and enhancement work and \$49.1 million for employing contract staff and site preparation (paras. 2.4 to 2.7). Audit examination has revealed the following areas for improvement:

- (a) ***Need to better monitor unspent funds resulting from lower-than-estimated tender prices for capital non-works projects.*** According to Financial and Accounting Regulation 320, where Controlling Officers have reason to believe that funds surplus to requirements exist under a subhead, they shall immediately inform the Financial Services and the Treasury Bureau (FSTB) so that the excess may be reserved. Due to the tender prices of Contracts A and B being significantly lower than the pre-tender estimates of \$849.7 million, there was an unspent balance of \$414.7 million when Contracts A and B were finalised in 2009. According to the HKPF, it had not reported the unspent balance to the FSTB in 2009 as there were still

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activities to be undertaken within the CC3 project scope and these activities had been reported as part of the CC3 project to the FC and the FSTB through the annual reports (see para. 2 above). However, for government works projects funded under the CWRP, there are other monitoring requirements, e.g. the FSTB may impose an administrative cap on the project expenditure when there is lower-than-estimated tender price. To uphold financial discipline, there is a need to consider applying similar requirements to capital non-works projects such as the CC3 system (paras. 2.8 and 2.9);

- (b) ***Need to strengthen control over the use of unspent funds in CWRP projects.*** After the system roll-out of the CC3 system in March 2006, the Executive Committee approved 33 items of extension and enhancement work, with a total expenditure of \$285.64 million charged to the CC3 project subhead. According to the HKPF, with an aim to provide a more comprehensive radio coverage and ensure stability and reliability of the CC3 system, these work items were approved on the premises that they were within the project scope. However, Audit notes that: (i) the FC's approval of \$948 million was for the replacement of the Second Generation Command and Control Communications System by the CC3 system and was not a blanket approval for extension and enhancement work for some ten years after the CC3 system roll-out in 2006. For example, a total of \$107.11 million for three items of enhancement work was approved by the Executive Committee in July 2014, i.e. (1) enhancement of ETS call processing and distribution sub-systems at \$25.61 million; (2) ICS enhancement at \$60 million; and (3) enhancement of CACCS3 servers, workstations and notebooks at \$21.5 million; and (ii) Financial Circular No. 1/2004 stipulates that Controlling Officers should ensure that expenditure is only incurred within the limits and scope authorised, and should consult the FSTB where in doubt. In Audit's view, the HKPF should have consulted the FSTB on the propriety of charging the expenditure of the extension and enhancement work implemented after system roll-out into the CC3 project vote (paras. 2.10 to 2.12); and
- (c) ***Need to improve project specification.*** Audit examination of two work items for the extension of the CC3 radio coverage to the Hong Kong International Airport and 59 other indoor locations approved by the Executive Committee in June 2008 revealed the following lessons to be learned in project specification:

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- (i) according to the 2001 FC funding paper, the CC3 system would provide comprehensive radio coverage and an amount of \$105 million was included for the procurement of radio equipment to be installed in 120 outdoor locations. According to the HKPF, since there were technical uncertainties (e.g. feasibility of solutions, and cost and time required to negotiate with relevant parties for installing radio equipment within their premises), CC3 radio coverage for some indoor locations (including the Airport) was not included in the development of the CC3 system from the outset. Indoor radio coverage for the Airport was only implemented as extension work at a cost of \$38.11 million by 2015. As the HKPF had planned to complete the CC3 system development work first and then extend the CC3 radio coverage to the Airport and other indoor locations with technical uncertainties, it should have set out its plan in the FC funding paper (Case 1 in para. 2.14); and
- (ii) while 21 indoor locations were specified as mandatory requirements for the provision of radio coverage in Contract A, other uncertain indoor locations were only included as desirable requirements without specifying the number of such locations to be covered. In the event, because of the contractor's objection to its liability for the cost of the significant number of such unspecified locations, radio coverage extension work had to be carried out under separate contracts. To prevent recurrence of similar problems, the HKPF needs to improve contract specifications for similar ICT projects, such as specifying the number of locations to be covered with details of the locations to be provided to the contractor at a later stage (Case 2 in para. 2.14).

4. ***Enhancement of the information technology infrastructure by using VW (initial implementation).*** To enhance the accessibility, mobility and security of information technology support for police officers, in May 2010, the HKPF obtained the FC's funding approval of \$40.72 million under the CWRP to introduce VWs in the Kowloon West Region before rolling out of the VW project to cover all disciplined police officers. While the VW project was completed within budget at a cost of \$40.33 million, the system only came into operation in June 2017, i.e. 60 months later than that scheduled in the FC funding paper (paras. 2.15 and 2.17). Audit examination has revealed the following areas for improvement:

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- (a) ***Delay in project implementation.*** The actual time taken for tender preparation and contract work of the VW project was 47 months longer than scheduled. The HKPF needs to make realistic assessment of project implementation schedule for procurement involving new technology. Extra time of 13 months was spent on re-tendering as no conforming offer was received in the first tender in 2012. According to potential suppliers' feedback, the first tender's requirements on supplier's experience and skill were too restrictive. The HKPF needs to remind procuring staff to guard against over-prescribing requirements in future procurement (paras. 2.17 to 2.20); and
- (b) ***Need to provide comprehensive and accurate project implementation information in Post Implementation Departmental Return (PIDR).*** OGCIO reports in its Controlling Officer's Report the government-wide results of completed information technology projects based on PIDRs provided by bureaux and departments. The purpose of the PIDR is to evaluate the achievement of information technology projects to ensure that the Government's investment in the projects has attained the intended objectives in a timely and cost-effective way. According to the PIDR submitted by the HKPF in June 2018, the VW project had delivered all the planned functions and benefits. However, Audit noted that some implementation issues which could affect the delivery of planned functions and benefits of the VW project had not been fully reflected in the PIDR: (i) about 1,500 VWs instead of the planned 1,800 VWs (or 17% fewer) were deployed to the Kowloon West Region; and (ii) of the expected notional annual cost savings of \$20.7 million, \$18.4 million was derived from a 1% efficiency gain (an estimated saving of 516 man-months) for providing 985 VWs to 4,300 junior police officers. Due to the reduction of some 200 VWs for these officers, the notional annual saving was reduced by 62 man-months (or 12% of the estimated 516 man-months) (paras. 2.25 and 2.26).
5. ***Development of the CIS2.*** In May 2010, the HKPF obtained the FC's funding approval of \$411.27 million under the CWRP to replace its existing Communal Information System to capture, maintain and process reported cases, assist in prosecution, generate management reports for crime prevention and support traffic operation. After award of a contract at \$343 million in June 2012 for the supply of the CIS2 under four phases, there were eight revisions of the implementation plan with the scheduled completion date extended by 31 months to August 2019.

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According to the HKPF, it had underestimated the complexity of the CIS2 and more time was required for system analysis and development. The delay had deferred the realisation of intended benefits (including annual cost savings of about \$93 million). Audit has found that besides closely monitoring the contract progress to ensure that the latest revised implementation date of August 2019 is attained, the HKPF also needs to improve its contract management (paras. 2.27 to 2.31):

- (a) ***Need to closely monitor contract deliverables.*** While the CIS2 project initiation document stated that the Executive Committee of the HKPF would hold meetings to endorse all project deliverables and approve the End Stage Assessments before issuing an acceptance certificate and arranging milestone payment to the contractor, the Project Team only informed the Executive Committee by email in May 2018 of the completion of Phase 1 in December 2017 before issuing an acceptance certificate for a milestone payment of 40% of the contract price of \$343 million (para. 2.33); and
- (b) ***Need to obtain prior approval of contract variations.*** Of the 8 contract variations for extending different phases of system implementation work, 6 were approved by the Financial Controller of the HKPF after the original end date of the respective milestones. There is a need to remind relevant officers to obtain prior approval for contract variations (para. 2.34).

## Procurement of police vehicles

6. Government vehicles used primarily for the carriage of passengers and/or goods are classified as general-purpose vehicles while those mounted with ancillary equipment for performing specific functions are classified as specialised vehicles. As at 1 April 2018, the HKPF had a fleet of 2,394 vehicles comprising 1,249 general-purpose vehicles (such as medium saloon cars and small motorcycles) and 1,145 specialised vehicles (such as large vans and armoured personnel carriers). The Government Logistics Department (GLD) has overall responsibility for the procurement of general-purpose vehicles for all user bureaux/departments and spent \$232.5 million on procuring general-purpose vehicles for the HKPF from 2012-13 to 2016-17. Over the same period, the HKPF, with the assistance of the Electrical and Mechanical Services Trading Fund (EMSTF) which is responsible for providing electrical and mechanical services to government bureaux/departments, spent \$497 million on procuring police specialised vehicles (paras. 1.9(b), 3.1 and 3.2).

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### ***Replacement of general-purpose vehicles by electric vehicles***

7. In line with the Government's policy to reduce air pollutant emissions through the use of electric vehicles, the GLD replaced 131 general-purpose vehicles of the HKPF by 69 electric saloon cars and 62 electric motorcycles which were procured under four contracts with contract sums aggregating \$52.84 million from 2011 to 2014. From September 2014 to June 2018, the HKPF conducted three assessments of the electric vehicles, the results of which indicated a number of operational issues such as long charging time, lower average availability and lower maximum driving range. Since the third quarter of 2015, the EMSTF had found that some electric saloon cars had deteriorating battery performance and requested the contractor to fix the battery problem according to the contract terms. Up to May 2018, of the 54 electric saloon cars that required battery replacement, only 30 (56%) had their batteries replaced. The remaining 24 (44%) were still pending battery replacement. The long waiting time of the 54 electric saloon cars for battery replacement had affected the HKPF's deployment of vehicles (paras. 3.3, 3.4, 3.6 to 3.8, 3.10 and 3.11). Audit has found areas for improvement in the GLD's contract administration as follows:

- (a) ***Need to step up monitoring of contractors' performance of their contractual duties.*** While the contractor had not followed the contract requirement in providing vehicle availability reports, the GLD did not follow up the issue. According to the EMSTF's records, 16 electric saloon cars had failed to meet the 95% availability stipulated by the contract due to warranty repair (including battery replacement), indicating that the GLD could have claimed warranty extension. However, in the absence of any warranty extension claimed, the warranties of both the vehicles and the batteries had expired from August 2015 to September 2018 while 24 electric saloon cars were still pending battery replacement as at May 2018. In Audit's view, in light of the expiry of the warranty, the GLD needs to take appropriate action to protect the Government's interest and step up monitoring of contractors' due performance of their contractual duties (para. 3.11(a));
- (b) ***Need to improve the contract provisions for warranty repair.*** According to the contract provisions, during the warranty period, if any defect is not made good within 72 hours after the contractor has been notified of the problem, the Government may proceed to rectify the defects and recover all costs incurred from the contractor. However, these contract provisions cannot be invoked for the battery replacement of the electric saloon cars

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which could only be provided by the manufacturer or its authorised dealer. The GLD needs to review and improve such contract provisions for better protecting the Government's interest in future (para. 3.11(b)); and

- (c) ***Need to draw on experience gained from the use of electric vehicles in future procurement.*** According to the three operational assessments conducted from September 2014 to June 2018, the HKPF found that there were various operational problems in using the electric vehicles. For example, due to the long charging time of 9 to 12 hours for an electric saloon car, the average vehicle availability was 65% (i.e. only for two of three shifts in a day). The GLD needs to critically examine the availability of suitable environmental-friendly vehicles in the market that can fully meet the HKPF's operational needs when these electric vehicles are due for replacement (paras. 3.7 and 3.12).

### ***Procurement of specialised vehicles***

8. ***Procurement contract of 129 large vans.*** In March 2016, the GLD, as the procurement agent, awarded a contract at a cost of \$69.3 million for the supply of 129 large police vans to be delivered by two consignments, i.e. 66 and 63 by June and August 2017 respectively. However, on account of late vehicle delivery and defects identified in the delivered vans, the EMSTF issued two warning letters to the contractor in September and November 2017. Up to 18 September 2018, 124 (96% of 129) large vans had been delivered. The remaining 5 (4%) large vans were rejected by the EMSTF because of quality issues. The EMSTF and GLD need to take effective measures to ensure that the contractor completes the outstanding work without further delay and draw lessons from this case (paras. 3.17, 3.18 and 3.20):

- (a) ***Need to enhance site acceptance tests of specialised vehicles.*** There were reported cases of defective retractable side steps of the mid-loading doors and cracks on front bumpers shortly after some vans had been put into use (e.g. 39 days for the first repair case of defective retractable side step and 8 months for the first repair case of the bumper crack). After re-inspection, 124 delivered vans were found requiring retrofit work. The EMSTF needs to enhance site acceptance test of similar installations of delivered vehicles (para. 3.20(a)); and
- (b) ***Need to strengthen payment control.*** According to the payment terms of the contract, 30% of the price of an order of vehicles shall be payable upon



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delivery of chassis and the remaining 70% after the contractor has delivered the vehicles and provided all necessary documents and training courses (three on operation and another three on maintenance). However, the EMSTF had made payments totalling \$40 million for 81 delivered vans up to May 2018 when the training requirements were only partially fulfilled, i.e. three training courses on operation but only one on maintenance had been provided. The EMSTF needs to strengthen the payment control (para. 3.20(b)).

9. *Need to return unspent balance of completed procurement contracts.* Police specialised vehicles with unit cost within \$10 million are funded by a capital account block vote subhead 695 of the GRA created in January 2010. In accordance with an agreed arrangement made between the HKPF and the EMSTF in December 2010, a total of \$723.1 million under subhead 695 was transferred to the EMSTF's deposit account from 2010-11 to 2017-18 for the procurement of police specialised vehicles. While the EMSTF informed the HKPF in 2016 and 2018 that there was unspent balance of completed procurement contracts, the HKPF decided to keep the unspent balance in the deposit account for meeting future funding shortage in vehicle procurement. Upon Audit's enquiry in August 2018, the FSTB confirmed that the unspent balance of completed procurement contracts under subhead 695 should be returned to the Government in accordance with the Financial and Accounting Regulation requirement. Accordingly, the HKPF returned the unspent balance of \$29.7 million to the Government in early October 2018. In Audit's view, the HKPF needs to ensure compliance with the Financial and Accounting Regulation requirement in future (paras. 3.21 to 3.23).

### Procurement of other operational equipment

10. Audit examined 10 procurement exercises of other operational equipment by tenders from 2012-13 to 2016-17 and found areas for improvement in applying the procurement policy and principles laid down in the SPRs in four cases (see paras. 11 to 14 below) (para. 4.3).

11. *Procurement of vehicle-mounted electronic counter measures system (ECMS).* In 2006-07, the HKPF obtained funding of \$6.2 million for replacing the aged ECMS which could not be upgraded to meet modern threats. In the event, the new ECMS was procured at a sum of about \$9.32 million in 2014 after conducting

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four tender exercises. According to the HKPF, during the initial stage of the project, the ECMS was a highly sensitive equipment and there were difficulties in obtaining export licence/permission for sale. However, Audit noted that there were areas for improvement in conducting the tender exercises (paras. 4.4, 4.5, 4.10 and 4.11):

- (a) ***Need to use open tender as far as practicable.*** For the first and second tender exercises in 2008 and 2010, the HKPF used restricted tendering due to concern over disclosure of sensitive information in open tender. It was not until the cancellation of the second tender exercise in 2011 that the HKPF re-assessed the open tendering option which turned out to be feasible by redrafting the tender specifications. The HKPF needs to use open tender which could help reach out to more potential suppliers when the security concern can be addressed (para. 4.11(a));
  - (b) ***Need to update pre-tender estimate.*** The second tender exercise was cancelled in 2011 because the price of the conforming tender was considered excessive, far exceeding the approved funding of \$6.2 million. As the approved funding was based on the pre-tender estimate prepared in 2004-05, the HKPF should have ensured that the pre-tender estimate was up-to-date and adequate funding provision was available before launching the second tender (paras. 4.7 and 4.11(b)); and
  - (c) ***Need to adopt a more flexible tender approach for less essential requirements.*** After three unsuccessful tender exercises, the HKPF further reviewed the essential requirements. With relaxation of the less essential requirements and the availability of more suppliers in the market due to technological advances, a suitable tenderer was selected in the fourth tender exercise. There is a need to adopt a more flexible tender approach for the less essential requirements (paras. 4.10 and 4.11(c)).
12. ***Procurement of tactical suits.*** After market research and trials in 2016, the Operations Wing of the HKPF identified a new tactical suit with Material X (a material used for manufacturing personal protective equipment) as a suitable replacement for the old one which was introduced in the 1990s. In April 2017, after an open tender exercise for the supply of tactical suits, the Force Tender Committee of the HKPF approved the acceptance of the only conforming tender at a contract sum of \$4.64 million. The Committee also advised the Operations Wing that: (i) a more thorough market research could have been conducted to obtain not just catalogues and general specifications but also prices from the suppliers; and (ii) in order to obtain

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competitive tenders, the technical specifications should be critically reviewed (paras. 4.12 to 4.15 and 4.17). Audit noted that there were other areas for improvement in the tender arrangements:

- (a) ***Need to seek early clarification with users on tender specifications.*** At the time of preparing the tender documents in January 2017, the HKPF's Stores Management Division (SMD) did not raise any question on the tender specifications provided by the Operations Wing relating to their compliance with the SPRs. However, in late March 2017 (after the close of tender), an SMD member of the Force Tender Committee asked the Operations Wing to confirm if the tender specifications were prepared in accordance with the SPRs. The SMD needs to seek early clarifications with users before invitation of tenders (para. 4.19(a)); and
- (b) ***Need to prepare strong justifications for using material specifications in a timely manner.*** According to the SPRs, the use of material specifications might limit innovative solutions or new technologies or products which tenderers might be able to offer, and restrict competition. In preparing tender specifications, departments should use functional and performance specifications, supplementing them by a material or technical specification only if absolutely necessary. While the Operations Wing had conducted its own research to show that Material X was the most suitable material for the required tactical suits, it was not until August 2017 (after award of the contract) that a local university was commissioned to confirm the material suitability. There is a need to remind procuring staff to prepare strong justifications for using material specifications in a timely manner (para. 4.19(b)).

13. ***Procurement of combat boots and repair service.*** In 2012 and 2013, the SMD received staff complaints that rubber soles of some combat boots peeled off easily. After investigation, it was found that the adhesive of the defective boots manufactured in 2009 and 2010 had aged because of long time storage. In 2014 and 2015, the HKPF awarded two contracts to the supplier for repairing 3,923 pairs of combat boots at a total cost of \$2 million. However, in 2016, the detachment of soles still occurred in 64 pairs of the 2014 repaired combat boots. After negotiation, the HKPF accepted the supplier's offer of replacing 300 of 599 pairs of the 2014 repaired boots in stock with new ones. To address the occupational and safety concern of police officers, the HKPF disposed of the remaining 299 pairs of repaired boots in

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August 2017 (paras. 4.21 to 4.25). In Audit's view, the HKPF needs to take measures to prevent recurrence of similar problems, including the following:

- (a) ***Need to improve the contract provision.*** The HKPF needs to improve the preparation of contract documents to ensure that all essential requirements (such as the required quality of the repair service in this case) are properly incorporated in future. There is also a need to include key provisions to protect the Government's interest (such as those requiring a contractor to indemnify the Government against any injury to any government employees arising out of the negligence of the contractor) (para. 4.26(a)); and
- (b) ***Need to improve stock management to prevent prolonged storage.*** From 2008 to 2012, the HKPF conducted 5 procurement exercises for the supply of a total of 16,960 pairs of new boots. According to the HKPF's records, 924 pairs of boots of the last procurement exercise had been issued to police officers while 3,923 pairs of boots purchased in the preceding 4 procurement exercises were still in stock as at March 2014, suggesting that the first-in-first-out method for managing stock had not been adopted to prevent prolonged storage of the boots which had a shelf life of 3 years after delivery date (para. 4.26(b)).

14. ***Procurement of body-worn video cameras (BWVCs).*** To facilitate frontline police officers in collecting evidence and handling confrontation, the HKPF introduced BWVCs in 2013. After conducting field trials, the HKPF purchased 1,336 BWVCs at a total cost of \$4.81 million by 4 batches through an open tender exercise in 2015, a contract variation in 2016 and two quotations in 2016 and 2017. In approving the award of contract for the supply of 550 BWVCs in March 2016, the Force Tender Committee advised the Support Wing to: (i) exercise due care in conducting completeness check to identify any irregularities before proceeding further with tender evaluation in future; and (ii) consider the merit of using test certificates to save time and efforts in conducting tenderers' demonstration of their products' compliance with technical requirements. Audit also noted that while the procurement of BWVCs by contract variation and the first quotation was to meet urgent operational needs and after a public order event, the second quotation was to meet the operational need arising from the Anniversary of the establishment of the Hong Kong Special Administrative Region which is an annual event. The procurement requirement under the second quotation in March 2017 could have been foreseen and consolidated with the first one in December 2016 to achieve better economy of scale (paras. 4.27, 4.28, 4.30 to 4.32 and 4.34). In light of this finding, Audit further examined 190 purchases

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by quotations from 2015-16 to 2017-18 and found that there were areas for improvement as follows:

- (a) ***Need to make greater efforts to meet the SPR 246 requirement.*** Of the 190 purchases, 33 (17%) were related to repeated purchases of 13 items within 12 months, each with cumulative value exceeding the quotation limit of \$1.43 million, contrary to the SPR 246 requirement. There were documented reasons for not following the requirement for only 6 of the 13 items. The HKPF needs to make greater efforts to meet the SPR 246 requirement, e.g. using bulk purchase by tender for the regularly required items (para. 4.35(a) and Appendix G); and
- (b) ***Need to consolidate procurement requirements to achieve better economy of scale.*** Another 47 (25%) of the 190 purchases were related to repeated purchases of 19 items of same or similar nature though without breach of the SPR 246 requirement. While there were records to show that the repeated purchases for 14 items were occasioned by urgent operational needs, there appears to be scope for bundling the respective repeated purchases of the remaining 5 items to achieve better economy of scale (para. 4.35(b)).

## Audit recommendations

15. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that:**

- (a) **the Commissioner of Police should:**
  - (i) **regularly review the financial position of ICT projects and report any surplus funds under relevant expenditure subheads at an earlier stage to the FSTB (para. 2.35(a));**
  - (ii) **provide sufficient information on the implementation of ICT projects in FC funding papers and improve the contract specifications on desirable requirement in ICT contracts (para. 2.35(b) and (c));**

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- (iii) **provide comprehensive and accurate project implementation information in PIDRs and remind the Executive Committee of an ICT project to closely monitor contract deliverables (para. 2.35(g) and (h));**
  - (iv) **ensure compliance with the Financial and Accounting Regulation requirement in future and return any unspent balance of completed specialised vehicles procurement contracts funded under subhead 695 to the Government (para. 3.25(b));**
  - (v) **use open tender for procurement as far as practicable and adopt a more flexible tender approach for less essential requirements (para. 4.36(a) and (c));**
  - (vi) **remind procuring staff to prepare strong justifications for using material specifications in a timely manner (para. 4.36(e));**
  - (vii) **improve stock management to prevent prolonged storage of goods taking into account their shelf lives (para. 4.36(g)); and**
  - (viii) **make greater efforts to meet the SPR 246 requirement and arrange purchase in bulk as far as practicable to achieve better economy of scale (para. 4.36(h) and (i));**
- (b) **the Secretary for Financial Services and the Treasury should:**
- (i) **consider the need for applying similar administrative cap/reporting requirements adopted for works projects to non-works projects under the CWRF for better monitoring of the surplus funds resulting from lower-than-estimated tender prices (para. 2.36(a)); and**
  - (ii) **introduce additional measures to strengthen the control over the use of funds resulting from lower-than-estimated tender prices in CWRF projects once surplus is identified (para. 2.36(b));**

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- (c) **the Director of Government Logistics should:**
  - (i) **urge the contractor concerned to expedite action on completing the outstanding battery replacement work for the electric saloon cars of the HKPF and step up monitoring of contractors' due performance of their contractual duties in future (para. 3.13(a) and (c)); and**
  - (ii) **critically examine the availability of suitable environmental-friendly vehicles in the market that can fully meet the HKPF's operational needs (para. 3.13(e)); and**
- (d) **the Director of Electrical and Mechanical Services should take effective measures to ensure that the contractor for the supply of large police vans completes the outstanding work without further delay and enhance site acceptance tests of delivered specialised vehicles (para. 3.24(a) and (b)).**

### **Response from the Government**

- 16. The Government agrees with the audit recommendations.