CHAPTER 3

Financial Services and the Treasury Bureau
Inland Revenue Department

Management of Inland Revenue Centre

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MANAGEMENT OF INLAND REVENUE CENTRE

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MANAGEMENT OF INLAND REVENUE CENTRE

Executive Summary

1. It is the Government's policy to accommodate its offices in government-owned properties as far as circumstances permit and reprovision those with no location requirements out of high value areas, including the central business districts. Following the announcement in the 2017 Policy Address, the Inland Revenue Department (IRD), originally accommodated in the Revenue Tower in Wan Chai, would be relocated to a new office building to be constructed (i.e. the Inland Revenue Centre (IRC)) in a site in the Kai Tak Development Area. In April 2018, the Finance Committee of the Legislative Council approved the design-and-build project for the construction of IRC at an estimated cost of $3.6 billion. The construction of IRC was completed in June 2022 at a cost of $2.9 billion and IRC was officially inaugurated on 30 March 2023. IRD is responsible for the day-to-day property management of IRC. Since December 2022, IRD has engaged contractors to provide property management services for IRC. In order to tie in with office relocation, IRD needed to reprovision its information technology (IT) systems and facilities for IRC. In July 2020, the Finance Committee approved a commitment of $742 million for the enhancement and relocation of IT systems and facilities of IRD (hereinafter referred to as the IT project). Up to 31 March 2026, the actual expenditure was $709 million. The Audit Commission (Audit) has recently conducted a review to examine the management of IRC.

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2. ***Room for improvement in conducting security guarding services.*** According to the contracts, the property management services for IRC provided by contractors included the provision of security guarding services. The security guarding services include carrying out patrol on 5 routes, comprising 4 indoor routes and 1 outdoor route. In carrying out the patrol duties, a Security Guard carries an electronic patrol device to record his patrols at various check points according to the pre-designed sequence, and reports any irregularities observed in the paper-form Occurrence Book, which would be inspected at least twice every day by the Senior Security Guards. Audit examined the patrol records of October 2025 and noted that

there was room for improvement in conducting security guarding services. For example, for the 4 indoor patrol routes:

(a) for 631 (62%) of the total 1,020 patrols carried out, the Security Guards checked all the check points but not in the pre-designed sequence (i.e. patrols that were "complete with error");

(b) there were also occasions of "incomplete" patrols on which the missed check points were not covered; and

(c) there were occasions on which patrols were not performed within the scheduled time.

However, there were no records on the Occurrence Book showing the irregularities or follow-up actions taken by Senior Security Guards (paras. 2.2, 2.5 to 2.9).

3. ***Need to strengthen the monitoring of contractors.*** According to the Stores and Procurement Regulations, government bureaux/departments shall devise an effective monitoring mechanism to ensure that a contractor performs to standard and complies with the terms of a contract, including the setting of key performance indicators for the monitoring of contracts. In this regard, IRD conducted reviews of the services provided according to a checklist of key performance indicators on a half-yearly basis between June 2023 and March 2025 and on a monthly basis since April 2025 (i.e. monthly performance report). Audit examined all the 16 monthly performance reports compiled for the period from April 2025 to July 2026 and noted that while the contractor's performance was considered satisfactory by IRD in all the 16 monthly reports, every report (containing 17 questions) were qualitative in nature instead of quantitative. Audit also noted that the contracts did not contain a mechanism to incentivise the contractors to maintain a satisfactory performance standard (e.g. deduction from monthly service fee payments in the event of non-compliance with a set of pre-determined performance requirements) (paras. 2.10 to 2.12).

4. ***Need to ensure provision of manpower is in accordance with contract requirements.*** The manpower required, service level and frequency of each service are clearly specified in the contract requirements. Audit examination of the monthly summaries of workers' attendance records from July 2025 to June 2026 revealed that:

(a) ***Non-provision of cleaning services on General Holidays.*** While seven Cleaners should be provided on every Saturday, Sunday and General Holiday, from December 2025 to June 2026, they were only deployed on Saturdays and Sundays but not on General Holidays;

(b) ***Absence of supervisory staff.*** While supervisory staff should be provided to directly monitor the delivery of services and during their absence sufficient relief workers should be arranged, there were occasions where no relief workers were arranged. For example, there were no relief workers during the absence of Senior Security Guards in 504 shifts, representing 23% of the total shifts. According to IRD, in practice, there were relief arrangement of supervisory staff, in which the position of a Senior Security Guard would be relieved by a Security Guard of suitable calibre on site. However, such relief arrangement was not properly documented; and

(c) ***Actual manpower deployment deviated from contract requirements.*** There were several occasions on which the actual manpower deployment deviated from the contract requirements, such as deployment of additional Security Guards. Notwithstanding that IRD may require the contractors to provide additional workers to carry out additional services by giving verbal notice (for emergency services) or written notice (for other services), there were no written notices by IRD or other documentary evidence showing the justifications to provide additional workers (paras. 2.13 to 2.16).

5. ***Room for improvement in making monthly payments of service fees to contractors.*** Payment of monthly service fees to the contractor is subject to adjustments (e.g. deduction arising from shortfall in actual manpower deployed during the month) and the provision of a certified monthly statement that confirms the compliance of measures to protect non-skilled workers stipulated in the contracts. Audit examination revealed the following room for improvement:

(a) ***Need to ensure timely submission of proper supporting documents.*** In the period from December 2022 to June 2026, for 22 (51%) of the 43 months, the adjustments for the deductions were only included in the invoices issued after 2 to 8 months. Moreover, for all the 43 months, IRD made payments of monthly fees prior to the receipt of the certified monthly statements. As of August 2026, the certified monthly statements for the 4 months from March to June 2026 were still outstanding. For the 39 certified monthly

statements received, only the deployment and wages of Security Guards were certified, without certification for those of other non-skilled workers; and

(b) ***Need to critically verify the amounts of monthly payments to the contractors.*** From December 2025 to June 2026, instead of making deductions for Cleaners' absences on General Holidays (see para. 4(a)), an extra fee of $94,500 was arranged for the cleaning services performed on Sundays. Audit also noted that for some types of workers, the deductions for absences were not calculated in accordance with the hourly rates specified in the contract. Moreover, Audit sample check of the timecard records of 6 months from 2023 to 2025 revealed that for 45 shifts in 5 months, while there were no relevant timecard records, the summarises of workers' attendance showed that the workers had attended work (paras. 2.17, 2.18 and 2.20).

6. ***Need to enhance the access card system at IRC.*** To ensure office security, an access card system is installed at all floors at IRC. Audit examination of the active access card registers as of July 2026 revealed that of the total 3,483 active access cards:

(a) 2,793 (80%) cards had been assigned to individual staff. However, the cards issued to certain staff who had left IRD were still active, and some staff had been issued with multiple active access cards; and

(b) the remaining 690 (20%) cards had not been assigned and were kept by individual Units. It may not be necessary for the Units to maintain a large number of unassigned active access cards (paras. 2.24 and 2.25).

7. ***Need to enhance monitoring of service performance by the Electrical and Mechanical Services Trading Fund (EMSTF).*** EMSTF is responsible for the provision of operation and maintenance services for the engineering systems and equipment at IRC under a service level agreement (SLA). According to SLA, a mechanism would be established such that IRD would be informed about the work schedule and progress, whereas performance reports on actual performance compared with the specified targets would be provided yearly. Audit noted that IRD and EMSTF had a management meeting in June 2026 (39 months since the official inauguration of IRC) to report the maintenance performance in the last

three financial years and the progress of replacement and maintenance works at IRC. Audit considers that IRD needs to enhance the mechanism to monitor the service performance of EMSTF (paras. 2.28, 2.30 and 2.31).

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8. ***Need to report the revised completion dates in a timely manner.*** Audit examined the target and actual live-run dates of the approved IT project and noted that IRD rescheduled the live-run date of the new tax portals (NTPs) from March 2025 to July 2025 to avoid launching NTPs during the peak of e-filing season. While the rescheduled live-run date was endorsed by the Project Steering Committee at the meeting held in October 2022, IRD had not reported the date in its progress reports submitted to the then Office of the Government Chief Information Officer or the Digital Policy Office until January 2025 (paras. 3.5 and 3.6).

9. ***Lessons learnt from incidents.*** According to IRD, there were 11 incidents regarding the enhanced workflow technology and NTPs during the period from April/July 2025 (i.e. after enhancement of the respective systems) to 30 June 2026. Audit reviewed the incident reports and noted that:

(a) ***Misrouting to the disaster recovery server.*** In late April 2025, IRD found that an outdated server in the disaster recovery environment was accidentally connected to the production environment and business functions were wrongly performed on the disaster recovery server for 16 minutes;

(b) ***Limit of maximum number of database connections.*** During IRD's system check in late July 2025, a system error in NTPs regarding unsuccessful login by mobile devices was detected by IRD. The issue was found to be related to the configuration of maximum number of database connections to the Government Cloud Infrastructure Services; and

(c) ***Unable to pass the validation check due to different system configurations of users.*** In late July 2025, another system error regarding delays in loading Business Register enquiry records in NTPs was detected by IRD. Upon review, it was found that the software version did not support the new internet protocol address format.

While the above incidents had been resolved, Audit considers that IRD needs to take measures to prevent the reoccurrence of these incidents and ensure the smooth operation and service provision to the public (paras. 3.11, 3.12 and 3.14).

10. ***Need to enhance the e-filing rates of tax returns.*** IRD is committed to promoting tax digitalisation and has implemented various measures (e.g. promotional activities, pre-filling of individual tax returns, improvement in financial data submission and upload, and mandatory e-filing of profits tax returns) to encourage e-filing of tax returns. According to the funding paper submitted to the Finance Committee, the implementation of the IT project would bring about annual savings of $87 million from 2029-30 onwards. The projected savings were based on the assumption that the e-filing rates of individual tax returns and employer's returns would reach 60% and e-filing rates of profits tax returns would reach 90%. Audit examination found that in 2025-26, the e-filing rates of individual tax returns and profits tax returns were 42% and 2% respectively, yet to meet their corresponding targets of 60% and 90% (paras. 3.18 and 3.19).

Other related issues

11. ***Need to review whether fresh approval of Schedules of Accommodation (SoA) is required.*** Audit conducted site visits to IRC in July 2026 and found that apparently some actual allocation/use of office space was not in accordance with the corresponding approved SoA or there were changes in the use of which fresh approval of SoA might be required, for example:

(a) while according to the approved SoA, a mini library should be provided in an open plan area with space provision of about 12 square metres (m^2), the mini library was located in an interview room (i.e. a cellular room) which deviated from the conditions of approval of the relevant SoA; and

(b) an open storage area of 72 m^2 was changed into a cellular storage room (para. 4.3).

12. ***Need to improve the accuracy in preparing the list for the procurement of furniture and equipment.*** Audit examination of the list of newly acquired furniture and equipment for IRC as of June 2026 revealed that the total actual cost was only

$70.7 million, $32.2 million (31%) lower than the total approved cost of $102.9 million, which was mainly due to the following reasons:

(a) ***Over-estimation of quantities.*** Of the 133 furniture items, for 17 (13%) items, the actual quantities procured were only 80% or less of the approved quantities. For example, of the 23 discussion tables approved to be procured for a Unit, only 2 (9%) were finally procured; and

(b) ***Over-estimation of costs.*** Some items were procured in one go and the lump sum tender amounts were far less than the approved costs. For example, while the approved cost of mobile rack systems was $21.8 million, the actual cost was $7.7 million (i.e. 35%) (para. 4.9).

13. ***Need to explore measures to enhance monitoring of the performance of energy efficient features.*** According to a paper submitted to the Public Works Subcommittee (PWSC) of the Finance Committee in January 2018, of the estimated cost of $44.1 million for the various additional energy conservation, greenery and recycled features to be adopted in IRC, $27 million (or 61% of the $44.1 million) was related to the proposed energy efficient features, which were expected to achieve an 11.8% saving in annual energy consumption with a payback period of about 8.5 years. Audit noted that the actual cost of implementing the energy efficient features was not available, and the achievement of the payback period for the relevant features could not be calculated. Moreover, IRD did not have the benchmark values required for calculating the energy savings attributable to the energy efficient features of IRC. Audit considers that IRD needs to, in consultation with the Architectural Services Department (ArchSD) and the Electrical and Mechanical Services Department (EMSD), explore measures to enhance monitoring of the performance of the energy efficient features as far as practicable (paras. 4.17 to 4.19).

14. ***Need to ensure compliance with the chilled water return temperature requirement for district cooling services.*** IRC connects to the Kai Tak District Cooling System and IRD is responsible for properly maintaining its own installation of chilled water system of IRC's central air-conditioning system to maintain a chilled water return temperature of 14 degree Celsius (°C). In February 2024, EMSD consistently observed that the chilled water return temperature fell below 14°C and raised concerns regarding the impact on the energy efficiency of District Cooling System plant. In June 2026, Audit conducted a site visit and noted that the chilled water return temperature was 12.5°C. Moreover, Audit sample check of

30 daily records of the chilled water return temperature from July 2025 to June 2026 revealed that all of them were lower than 14°C (ranging from 7°C to 13°C) (paras. 4.20 to 4.23).

15. ***Room for improvement for operating rainwater harvesting system.*** IRC has adopted a rainwater harvesting system for landscape irrigation. Audit examination revealed the following room for improvement:

(a) ***Need to ensure the quality of recycled water attains stipulated standards.*** According to the Technical Specifications on Grey Water Reuse and Rainwater Harvesting, there should be regular monitoring of recycled water quality, with water sampling and laboratory testing to be conducted on a monthly basis. Audit noted that IRD did not have records regarding the quality of recycled water and could not ascertain the quality of recycled water collected from the rainwater harvesting system; and

(b) ***Need to monitor the performance of rainwater harvesting system.*** While the system is expected to save approximately 4.81 million litres of potable water annually, Audit analysis of the flow measurement records revealed that there were shortfalls of 1.98 million and 2.12 million litres in the amounts of rainwater delivered by the system from July 2024 to June 2025 and from July 2025 to June 2026 respectively (paras. 4.28 to 4.30).

16. ***Need to take measures to enhance monitoring of the utilisation of car parking spaces.*** IRC has a carpark with a total of 66 parking spaces. Audit noted that:

(a) while IRD informed PWSC in February 2018 that 26 of the 66 car parking spaces would be allocated for vehicles of official visitors and it would review the arrangement of the visitor parking spaces upon completion of IRC, such review was only completed in October 2026; and

(b) regarding the feasibility of providing public parking facilities in IRC outside office hours in the future, while IRD informed PWSC in February 2018 that it would review the operational needs after completion of IRC, such review was only completed in September 2026 (paras. 4.34, 4.35 and 4.37).

Audit recommendations

17. **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 the Commissioner of Inland Revenue should:**

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(a) **consider reviewing the pre-designed sequence of the patrol routes in view of the considerable number of "complete with error" patrols (para. 2.22(c));**

(b) **take measures to improve the monitoring of the security guarding services to ensure compliance with contract requirements (para. 2.22(d));**

(c) **take measures to strengthen the monitoring of contractors, including:**

(i) **reviewing the checklist of key performance indicators and the monthly performance reports; and**

(ii) **considering introducing an incentive mechanism in future property management services contracts (para. 2.22(e));**

(d) **properly document the relief arrangement of supervisory staff with the contractors and obtain the written consent from the contractors (para. 2.22(f));**

(e) **properly document the justifications when additional workers are required (e.g. by issuing written notices) (para. 2.22(g));**

(f) **take measures to ensure that the provision of manpower by the contractors is in accordance with the contract requirements as far as practicable (para. 2.22(h));**

(g) **take measures to ensure that adjustments to the monthly payments to the contractors are made in a timely manner and accurate certified monthly statements are received before making monthly payments to the contractors (para. 2.22(i));**

(h) **remind responsible staff to critically verify the amounts of monthly payments to the contractors (para. 2.22(j));**

(i) **sustain IRD's efforts in ensuring the safe custody of access cards (para. 2.34(a));**

(j) **enhance the mechanism to monitor the service performance of EMSTF (para. 2.34(c));**

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(k) **for future IT projects, report the progress and revised implementation dates to the Digital Policy Office in a timely manner (para. 3.9(b));**

(l) **implement preventive measures to avoid and accelerate the detection of misrouting between disaster recovery servers and production servers in future IT projects (para. 3.22(a));**

(m) **perform thorough assessment in the demand and system configurations of potential users before launching new systems in future (para. 3.22(b))**;

(n) **continue to monitor system capacity and performance of NTPs and take timely follow-up actions when necessary (para. 3.22(c));**

(o) **sustain IRD's efforts in enhancing the e-filing rates of individual tax returns (para. 3.22(e));**

(p) **keep in view the implementation of mandatory e-filing of profits tax returns and step up efforts in promoting voluntary e-filing of profits tax returns (para. 3.22(f));**

Other related issues

(q) **review whether fresh approval from the relevant approving authority is required regarding changes in the use of office space from the approved SoA, and seek the Government Property Agency's advice where necessary (para. 4.5);**

(r) **improve the accuracy in preparing the list for the procurement of furniture and equipment in future public works projects as far as practicable (para. 4.14(a));**

(s) **in consultation with ArchSD and EMSD, explore measures to enhance monitoring of the performance of the energy efficient features as far as practicable, with a view to ascertaining their effectiveness in reducing annual energy consumption (para. 4.32(a));**

(t) **take measures to monitor the operations of IRC's air-conditioning system and implement corrective actions where necessary, with a view to ensuring the compliance with the chilled water return temperature requirement under District Cooling Services Supply Conditions (para. 4.32(b));**

(u) **take measures to ensure that the quality of recycled water attains stipulated standards, including regular monitoring of recycled water quality, with water sampling and laboratory testing to be conducted on a monthly basis (para. 4.32(d));**

(v) **monitor the performance of the rainwater harvesting system and take improvement measures where necessary (para. 4.32(e)); and**

(w) **sustain IRD's efforts in monitoring the utilisation of car parking spaces (para. 4.42(a)).**

Response from the Government

18. The Commissioner of Inland Revenue agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 It is the Government's policy to accommodate its offices in government-owned properties as far as circumstances permit and reprovision those with no location requirements out of high value areas, including the central business districts. In the 2017 Policy Address, the Chief Executive of Hong Kong Special Administrative Region of the People's Republic of China announced the demolition of the three government office buildings (i.e. the Revenue Tower, the Immigration Tower and the Wanchai Tower) in Wan Chai to make way for the development of convention and exhibition venues, hotel facilities and Grade A office space. In this regard, the Inland Revenue Department (IRD), originally accommodated in the Revenue Tower (a joint-user general office building), would be relocated to a new office building to be constructed (i.e. the Inland Revenue Centre (IRC)) in a site in the Kai Tak Development Area (Note 1). According to the Financial Services and the Treasury Bureau (FSTB), IRC would be a specialist/departmental building (Note 2) instead of a joint-user general office building to cater for the operational needs of IRD.

Note 1: *According to the Financial Services and the Treasury Bureau, the Government has been taking forward the initiative with a view to transforming Kowloon East, which comprises the Kai Tak Development Area, the Kwun Tong Business Area and the Kowloon Bay Business Area, into a new core business district (i.e. "CBD2"). The relocation of IRD to the Kai Tak Development Area could help boost the development of "CBD2", and bring convenience to people working in the area.*

Note 2: *According to the Accommodation Regulations (see Note 3 to para. 1.3), government buildings are generally classified into joint-user general office buildings and specialist/departmental buildings. Specialist/departmental buildings are buildings (e.g. standalone departmental headquarters buildings, law courts, police stations, libraries, museums, clinics, town halls and community centres) and structures (e.g. sewage treatment plants) used to meet the policy objectives and/or operational needs of pertinent government bureaux/departments.*

Implementation of IRC project

1.3 ***Approval of Schedules of Accommodation (SoA) for IRC.*** Provision of office space and ancillary facilities for government departments is governed by the procedures and space standards laid down in the Accommodation Regulations (Note 3). As IRC is a specialist/departmental building for IRD, IRD is responsible for seeking the approval of its proposed space and facilities requirements (in the form of a draft SoA — Note 4) and the funding for construction works. The Property Vetting Committee (PVC — Note 5) is the approving authority for SoA in respect of specialist/departmental buildings. In October 2016, PVC approved the SoA for IRC which set out the floor area and facilities to be constructed therein.

1.4 ***Funding approval and construction works.*** The funding paper for IRC construction project was submitted to the Public Works Subcommittee (PWSC) of the Finance Committee of the Legislative Council (LegCo) in January 2018. The project was recommended to be upgraded to Category A by PWSC in March 2018. In April 2018, the Finance Committee approved the upgrading to Category A at an estimated cost of $3.6 billion for the design-and-build project for the construction of IRC. In July 2018, the Architectural Services Department (ArchSD) awarded a contract for the construction of IRC (Note 6) with a contract sum of $3.36 billion. The construction commenced in August 2018 was completed in June 2022 at a cost of $2.9 billion. In July 2022, IRC (see Photograph 1) was handed over to IRD.

Note 3: *FSTB has the policy responsibility for government accommodation matters and is the authority for the issue and amendment of the Accommodation Regulations, which set out the policy and guiding principles on government accommodation and related matters for government departments.*

Note 4: *SoA is prepared by the user department (i.e. IRD) and is a detailed account of the space provisions for staff and ancillary areas for meeting operational needs.*

Note 5: *PVC is chaired by an Assistant Director of the Architectural Services Department. Its members comprise a representative from the Government Property Agency, a representative from the Treasury Branch of FSTB and other members to be co-opted as required.*

Note 6: *Apart from the design and construction of IRC, the project also provided a footbridge connection to the adjacent Trade and Industry Tower (i.e. another government building).*

Photograph 1

IRC



Source: *IRD records*

Information technology systems and facilities

1.5 In order to tie in with office relocation, IRD needed to reprovision its information technology (IT) systems and facilities for IRC in the Kai Tak Development Area. In addition, with a view to keeping pace with the latest IT development and supporting the changing business requirements of the department, in August 2018, IRD commissioned a consultancy study on the Departmental IT Plan. Completed in June 2019, the study recommended IRD to upgrade its front-end gateway to strengthen the e-filing services for profits tax returns of businesses, tax returns of individuals and tax representatives, and to undertake system revamp leveraging on cloud services to facilitate digital transformation in the future.

1.6 In July 2020, the Finance Committee approved a commitment of $742 million for the enhancement and relocation of IT systems and facilities of IRD. Up to 31 March 2026, the actual expenditure was $709 million. Since 22 July 2025, all new tax portals (NTPs), including the Business Tax Portal (BTP), Individual Tax Portal (ITP) and Tax Representative Portal, have been fully operational.

Commissioning of IRC

1.7 According to the funding paper submitted to PWSC in January 2018 (see para. 1.4), IRC has a site area of about 9,700 square metres (m^2) with a construction floor area of about 79,000 m^2 and a net operational floor area (Note 7) of about 45,570 m^2. The main building consists of 17 storeys above ground and a single-storey basement, for accommodating the following facilities:

(a) offices and other support facilities including conference rooms, interview rooms, training rooms, a lecture hall, a departmental library and storage areas;

(b) public services counters (e.g. enquiry counters and shroff counters) and waiting areas for the public;

(c) a telephone enquiry centre;

(d) operational equipment, including system printing rooms, and a room for mail-inserting system and folding machines;

(e) a document processing centre for handling incoming mails, business returns and individuals returns, and scanning documents;

(f) a computer data centre (comprising data control rooms, a server farm, a media library, and printer and console areas), data preparation rooms, and network distribution rooms;

(g) other miscellaneous facilities including staff lactation rooms, a baby care room, pantries, toilet facilities, facilities for the disabled, a security control room, plant rooms, maintenance offices and workshops; and

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Note 7: *Net operational floor area is the floor area allocated to the users of a building for carrying out the intended activities. It does not include areas for basic facilities (if any) such as toilets, lift lobbies, stair halls, public or shared corridors, escalators and lift shafts, pipe or service ducts, mechanical plant rooms, barrier-free access facilities, car parking spaces, etc.*

(h) a carpark with a total of 66 car parking spaces at grade including double-deckers located outside the building (Note 8), for departmental staff and visitor vehicles.

1.8 According to IRD, IRC was constructed through a design-and-build approach and emphasis was placed on the incorporation of green elements in different aspects. It adopts a number of environment-friendly and energy-saving designs, including a photovoltaic system on the building roof, greenery on rooftop and facades of the building, a rainwater harvesting system, and utilisation of the District Cooling System (DCS) at the Kai Tak Development Area.

1.9 IRC was officially inaugurated on 30 March 2023, offices of units/sections of IRD have been relocated to IRC by phases from December 2022 to May 2023. The cost for the provision of office relocation services was $6.7 million.

Management and maintenance of IRC

1.10 According to the Accommodation Regulations:

(a) the management responsibility for a government building is designated according to the classification of the building. While the Government Property Agency (GPA) undertakes the day-to-day property management of joint-user general office buildings, the concerned Directors of Bureaux/Heads of Departments and Building Management Committees are responsible for the day-to-day property management of specialist/departmental buildings; and

(b) user departments are responsible for formulating their accommodation requirements and the efficient housekeeping, management, maintenance and utilisation of the accommodation provided for their use, meeting policy objectives and/or discharging their responsibilities.

Note 8: *In addition, there are 3 parking spaces for motorcycles.*

1.11 IRD is responsible for the day-to-day property management of IRC. Since December 2022, IRD has engaged contractors to provide property management services for IRC. ArchSD and the Electrical and Mechanical Services Trading Fund (EMSTF — Note 9) are responsible for general building maintenance, and operation and maintenance of building services installations of IRC respectively, and building defects and system faults identified are reported by IRD to the departments concerned.

Responsible divisions/sections

1.12 The divisions/sections responsible for the management of IRC are as follows:

(a) ***IRD Relocation Task Force.*** In August 2018, IRD Relocation Task Force (Note 10) was established to handle the matters arising from the reprovisioning of IRD from the Revenue Tower to IRC. The Task Force was chaired by the Deputy Commissioner of Inland Revenue (Operations) and its members included the Unit Assistant Commissioners or their representatives;

(b) ***Accommodation Section.*** The Accommodation Section under the Departmental Administration Division is responsible for handling the accommodation matters in IRC. As at 30 June 2026, there were 10 civil servants in the Section; and

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Note 9: *In accordance with Financial Circular No. 7/2014 "Guidelines for Procurement of Services Involving Trading Funds", IRD has entered into a service level agreement with EMSTF on the daily maintenance of electrical and mechanical items and building services systems at IRC, without recourse to competitive bidding.*

Note 10: *Five sub-committees were set up to support the Task Force, namely:*

(a) Fitting-out and Furniture Sub-committee;

(b) Publicity Sub-committee;

(c) Physical Removal Sub-committee;

(d) Building Management Sub-committee; and

(e) Working Party for Reprovisioning IRD Computer Centre.

(c) ***Computer Section.*** Under the Headquarters Unit of IRD, there are two Groups in the Computer Section. The Systems and Operations Group, led by a Chief Systems Manager, is responsible for IT administration and management, including system development and implementation, enhancement and maintenance. The Applications Support Group, led by a Chief Assessor, provides daily end-user support, gathers user requirements and analyses for system enhancements, prioritises and supervises projects, and plans for user acceptance testing. As at 30 June 2026, there were 236 staff members, including 140 civil servants and 96 contract staff members, in the Computer Section.

An extract of the organisation chart of IRD as at 30 June 2026 is at Appendix A.

Audit review

1.13 In June 2026, the Audit Commission (Audit) commenced a review to examine the management of IRC, focusing on:

(a) management and maintenance of IRC (PART 2);

(b) IT systems and facilities (PART 3); and

(c) other related issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

Acknowledgement

1.14 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of IRD, ArchSD and EMSTF during the course of the audit review.

PART 2: MANAGEMENT AND MAINTENANCE OF INLAND REVENUE CENTRE

2.1 This PART examines IRD's management and maintenance of IRC, focusing on:

(a) monitoring of property management services contracts (paras. 2.2 to 2.23); and

(b) other management and maintenance issues (paras. 2.24 to 2.35).

Monitoring of property management services contracts

2.2 IRC Building Management Committee is responsible for overseeing the management and maintenance matters of IRC (Note 11). From December 2022 to June 2026, two 36-month property management services contracts (i.e. Contract A and Contract B) had been awarded by IRD to Contractor A and Contractor B to provide property management services for IRC (see para. 1.11). As property management services contracts rely heavily on the deployment of non-skilled workers (Note 12), the requirements specified in Financial Circular No. 2/2019 "Pro-innovation Government Procurement" and Financial Circular No. 3/2019 "Protection of Non-skilled Workers Engaged by the Government Service Contractors" were included in the contracts. Table 1 shows the key information of the two contracts.

Note 11: *Set up in June 2023, the Building Management Committee was transitioned from the Building Management Sub-committee under the IRD Relocation Task Force (see Note 10 to para. 1.12(a)). Chaired by the Departmental Secretary, it is responsible to coordinate, plan and monitor all matters relating to the management of the building, including the security and safety matters, and to formulate policy and criteria relating to the allocation and management of car parking facilities.*

Note 12: *According to the contracts, non-skilled workers mean all unskilled workers employed by the contractors to work under the contracts, including Senior Security Guards, Security Guards, Customer Service Guards, Cleaning Supervisors, Cleaners, Labourers and Gardeners.*

Table 1

Property management services contracts awarded by IRD (2022 to 2025)

	Contract A	Contract B
Date of awarding contract	February 2022	July 2025
Contract period	December 2022 to November 2025 (36 months)	December 2025 to November 2028 (36 months)
Estimated contract cost	$71 million	$67 million
Manpower requirement for different services		
(a) On-site management and coordination	8	8
(b) Security guarding and reception	57	56
(c) Cleaning, disinfection, waste disposal and pest control	32	32
(d) Labouring and support	4	3
(e) Landscape and horticultural maintenance	5	3
Total	106	102

Source: *IRD records*

Remarks: *According to IRD, the service requirements and specifications of the two contracts remained largely the same, save for the reduction of overall manpower headcount to be provided by contractor from 106 to 102 as per review of facility management requirements.*

Need to ensure the submissions of management records by contractors are in accordance with contract requirements

2.3 According to the contract requirements, the contractors are required to submit certain management records for review/approval by IRD, including, among others:

(a) the information, data, reports, etc., for review and approval during Building Management Committee meetings, including performance and progress, operating and strategic plans, etc.;

(b) the overall maintenance and repair requirements of the buildings and facilities liaised with all building maintenance or service contractors/agents on a monthly basis;

(c) the guard patrol data/records for inspection at least twice every day by the Senior Security Guards or by IRD at any time as required;

(d) a weekly return showing in detail the services performance during the week, number of employees, and the details of any absentees and replacement for the cleaning services; and

(e) a report to record all actions regarding inspection of all facilities to see if any damages, defects or irregularities are found on electrical appliances, equipment or other structures, etc. for IRD's weekly inspection for the labouring and support services.

2.4 Audit noted that the documents specified in items (b) and (d) in paragraph 2.3 were not prepared by the contractors. Upon enquiry, in October 2026, IRD informed Audit that:

(a) regarding item (b), there were many reports every day on service requests/issues arising from building infrastructure/equipment. All these service requests/issues would be followed up on site during office hours and reported by the contractors in an online communication group. This arrangement had been put in place since the commencement of the first contract, as it proved to be much more efficient in monitoring and getting instant updates of maintenance and repair works/problems up to completion of rectification/repair works instead of a monthly report;

(b) regarding item (d), instead of the weekly returns, the services were monitored and recorded through cleansing staff duty rosters, daily toilet cleansing records and monthly cleansing plans;

(c) the performance of the contractors was regularly and closely monitored by IRD. Slight refinements of the monitoring arrangements (see (a) and (b) above) had been effected based on the actual operation and experience and its evolving service needs; and

(d) such refinements were intended to secure a better control on various services of the contractors, obtain a more up-to-date picture of development of matters as well as facilitate communication and liaison for service provision. In the past four years since the full commissioning of IRC, there were very few complaints and no major security incidents.

In Audit's view, the required management records provided useful management statistics to facilitate IRD's management in monitoring the performance of the contractors. Audit considers that IRD needs to review the contract requirements on submissions of management records to better reflect the operational needs, and take measures to ensure the submissions of management records by contractors are in accordance with updated contract requirements.

Room for improvement in conducting security guarding services

2.5 According to IRD, as IRC stores secure vaults of great monetary value, archival tax records, and a Data Centre storing critical records of over two million taxpayers protected under the Inland Revenue Ordinance (Cap. 112), there is a genuine operational need to impose frequent patrols and strict access controls at entrances, and thus requires more security manpower for the security service. In carrying out the patrol duties, a Security Guard:

(a) carries out patrols on foot according to the pre-designed route;

(b) carries an electronic patrol device to record his patrols at various check points according to the pre-designed sequence; and

(c) marks the patrol start time and end time, and reports any irregularities observed or confirms that the patrol is completed in order in the paper-form Occurrence Book, which would be inspected at least twice every day by the Senior Security Guards or by IRD at any time as required (see para. 2.3(c)).

To ascertain the delivery of services by the contractors, Audit sample checked the provision of security guarding services (of which the manpower requirement is the highest) and identified the inadequacies as mentioned in paragraphs 2.6 to 2.9.

2.6 ***Patrol frequency less than required.*** The security guarding services include carrying out patrol on 5 routes (4 indoor routes and 1 outdoor route) and the patrol frequency is stipulated in the contract. Audit examination of the patrol schedules revealed that all the 5 routes are scheduled to be patrolled 8 times daily, at an interval of at least 3 hours, less than the required frequency of no less than every 2 hours as stipulated in the contract. According to IRD, it was not its intention to require patrols for 12 times a day when drafting the contract. The security manpower required was designed for providing patrols 8 (instead of 12) times a day only. Audit considers that IRD needs to review the contract requirements on patrol frequency to better reflect the operational needs.

2.7 ***Carrying out patrol duties.*** Audit examined the patrol records (i.e. log report concerning the electronic patrol devices recorded at check points and the paper-form Occurrence Book) of October 2025 and noted that:

(a) ***For the 4 indoor patrol routes.*** System reports were available showing the completion status of the indoor patrols carried out. Audit found that:

(i) of the total 1,020 patrols carried out in October 2025, 631 (62%) were remarked as "complete with error" and 109 (11%) were remarked as "incomplete"; and

(ii) 20 (63%) out of 32 patrols on 1 October 2025 were not performed within the scheduled time; and

(b) ***For the outdoor patrol route.*** The record system used for the indoor patrol route is different from that for the outdoor patrol routes in which no monthly records were provided. Audit checking of the detailed patrol records of two days in October 2025 revealed that:

(i) in one day, a patrol scheduled to start at 3 am was not performed and was highlighted in the log report as "missed patrol"; and

(ii) in another day, two patrols were not carried out according to the scheduled time, and the patrolling time captured by the electronic patrol device and that marked on the Occurrence Book by the Security Guard were different (Note 13).

However, there were no records on the Occurrence Book showing the irregularities or follow-up actions taken by Senior Security Guards, thus IRD was not able to monitor these situations by reviewing the Occurrence Book.

2.8 Upon enquiry, in October 2026, IRD informed Audit that for indoor patrols:

(a) after a Security Guard completed a patrol tour, the Guard was required to report to the control room to generate an electronic patrol record. The patrol record would be checked by a Senior Security Guard on duty to make sure all check points were covered;

(b) "complete with error" referred to a tour where a Security Guard had checked all the check points but not in the pre-designed sequence. This might happen from time to time if the Security Guard had to attend to some special ad-hoc matters during the tour, e.g. looking into certain places to confirm matters therein were in order; and

(c) "incomplete" referred to a tour with check point(s) missed. In case the Senior Security Guard noticed check points had been missed, he/she would require the Security Guard to make another tour ("second tour") specifically to cover the missed check points and report, after which another electronic patrol record would be generated. As such, the patrol records needed to be read in conjunction to ascertain whether a patrol tour was completed.

Note 13: *The Security Guard started patrolling at 1:43 pm and completed the patrol at 1:57 pm whereas the patrol was scheduled to start at 1:00 pm and its completion was marked at 2:00 pm on the Occurrence Book. Soon after, according to the data captured by the electronic patrol device, the same Security Guard started patrolling again after 11 minutes at 2:08 pm and completed at 2:21 pm whereas the patrol was scheduled to start at 4:00 pm and its completion was marked at 3:30 pm on the Occurrence Book.*

2.9 Audit conducted further sample checking on the patrol records for 10 of the 109 "incomplete" patrols (see para. 2.7(a)(i)), and noted that there were 3 "incomplete" patrols on which 10 missed check points were not covered by another tour, representing 4% of the total check points sampled. In Audit's view, IRD needs to:

(a) consider reviewing the pre-designed sequence of the patrol routes in view of the considerable number of "complete with error" patrols; and

(b) take measures to improve the monitoring of the security guarding services to ensure compliance with contract requirements, for example, by reminding Senior Security Guards to record all irregularities and follow-up actions in the Occurrence Book for IRD's review.

Need to strengthen the monitoring of contractors

2.10 According to the Stores and Procurement Regulations, government bureaux/departments (B/Ds) shall devise an effective monitoring mechanism to ensure that a contractor performs to standard and complies with the terms of a contract, including the setting of key performance indicators for the monitoring of contracts. According to IRD:

(a) IRD maintains close working relationship with the contractors on-site, and oversees the work of the contractors on a daily basis. Any issues or incidents requiring attention will be reported by the contractors to IRD forthwith and discussed on-site to work out the suitable way forward. IRD also regularly monitors the various services provided by the contractors through overseeing the work done by the workers on-site and collecting feedback from Units;

(b) since June 2023, IRD has set out a checklist of key performance indicators. IRD conducted reviews of the services provided according to the checklist on a half-yearly basis between June 2023 and March 2025 and on a monthly basis since April 2025 (i.e. monthly performance report); and

(c) IRD reviews the performance of the contractors under each listed item and conducts surprise check on-site to make assessment.

2.11 For the period from April 2025 to July 2026, 16 monthly performance reports were compiled. Audit examined the 16 reports and noted that:

(a) every performance report contained 17 questions covering different aspects of property management (including security guarding services — Note 14). All the questions were qualitative in nature (i.e. yes/no questions) instead of quantitative (e.g. using a point scale to measure the level of the contractor's performance); and

(b) the contractor's performance in all the aspects for the 16 reports was considered satisfactory.

2.12 Audit also noted that the property management services contracts did not contain a mechanism to incentivise the contractors to maintain a satisfactory performance standard (e.g. deduction from monthly service fee payments in the event of non-compliance with a set of pre-determined performance requirements). Audit considers that IRD needs to take measures to strengthen the monitoring of contractors, including:

Note 14: *Of the 17 questions in the monthly performance report, 8 (47%) were related to the security guarding and reception services, namely:*

(a) "Whether security and patrol duties are carried out in accordance with established frequency and schedules?";

(b) "Whether security and patrol duties are carried out to the satisfaction of IRD users?";

(c) "Whether crowd management arrangements are effective and efficient?";

(d) "Whether emergent/ad-hoc incidents are handled promptly and effectively?";

(e) "Whether relevant records such as patrol records, staff attendance records, incident reports, visitor logs are properly documented for IRD inspection?";

(f) "Whether there are any complaints, addressed to the contractor and if so, whether they are properly handled and suitably followed up to rectify any deficiencies?";

(g) "Whether staff maintain a neat appearance, wear proper uniforms and exhibit good manner when interacting with public?"; and

(h) "Whether there are security breach incidents reported by IRD users?".

(a) reviewing the checklist of key performance indicators and the monthly performance reports with a view to better measuring the level of the contractor's performance, taking into account the audit observations in paragraphs 2.6 to 2.9; and

(b) considering introducing an incentive mechanism in future property management services contracts with a view to encouraging the contractor to maintain satisfactory performance consistently.

Need to ensure provision of manpower is in accordance with contract requirements

2.13 According to IRD:

(a) the service specifications of the contracts are tailor-made for the special needs to IRD, in which the manpower required, service level and frequency of each service are clearly specified in the contract requirements, with a robust line of command of supervisory staff, and a dedicated team of supervisory staff is recruited by the contractors to serve IRC exclusively;

(b) the supervisory team of the Property Manager, the Assistant Property Manager and Building Management Services Coordinators is stationed on-site to provide immediate response to incidents and efficiently discharge ad-hoc duties both within and outside office hours; and

(c) notwithstanding that the contractors must maintain the required manpower to perform the services in accordance with the contract schedules, the contracts stipulated that:

(i) the time and duration of each shift for the Security and Reception Services may be adjusted by IRD from time to time according to actual operational needs;

(ii) IRD may require the contractors to provide additional workers to carry out additional services by giving verbal notice (for emergency services) or written notice (for other services); and

(iii) for workers' absence from duty for whatever reasons during an entire shift or part thereof, IRD shall be entitled to make deductions from the service payments.

The hourly rates for calculating deductions for worker's absence and extra charges for additional services specified in the contracts are shown at Appendix B.

2.14 Audit examination of the monthly summaries of workers' attendance records from July 2025 to June 2026 revealed that:

(a) ***Non-provision of cleaning services on General Holidays.*** While the contracts stipulated that seven Cleaners should be provided on every Saturday, Sunday and General Holiday, from December 2025 to June 2026, they were only deployed on Saturdays and Sundays but not on General Holidays;

(b) ***Absence of supervisory staff.*** According to the contracts, supervisory staff (including the Property Manager, the Assistant Property Manager, Building Management Services Coordinators, Senior Security Guards and Cleaning Supervisors) should be provided to directly monitor the delivery of services and during their absence sufficient relief workers should be arranged. However, for the period from July 2025 to June 2026:

(i) there were no relief workers during the absence of the Property Manager in 6 shifts, representing 2% of the total shifts;

(ii) while 4 Building Management Services Coordinators were required on weekdays, and 2 were required on Saturdays, Sundays and General Holidays, there were no relief workers during the absence of Building Management Services Coordinators in 118 shifts, representing 9% of the total shifts;

(iii) while 2 Senior Security Guards were required per shift (three shifts per day), there were no relief workers during the absence of Senior Security Guards in 504 shifts, representing 23% of the total shifts; and

(iv) while 1 Cleaning Supervisor was required per shift on weekdays (two shifts per day), there were no relief workers during the absence of Cleaning Supervisors in 22 shifts, representing 4% of the total shifts;

(c) ***Actual manpower deployment deviated from contract requirements.*** There were several occasions on which the actual manpower deployment deviated from the contract requirements. For the period from July 2025 to June 2026:

(i) ***Security Guards.*** There were instances where additional Security Guards were deployed. However, there were no written notices by IRD or other documentary evidence showing the justifications to provide additional workers; and

(ii) ***Workers other than Security Guards.*** There were shortfalls for Labourers and Gardeners in 46.5 and 68.5 shifts respectively, representing 5% and 7% of the total shifts respectively and deductions from service fee payments were made accordingly; and

(d) ***Duty hours and number of workers in a shift deviated from contract requirements.*** While the contracts stipulated that the time and duration of each shift for the Security Guarding and Reception Services may be adjusted by IRD from time to time according to actual operational needs, they did not contain similar provision for other types of workers. There were instances where the duty hours of some shifts and the number of workers attending the respective shifts deviated from those stipulated in the contracts for workers other than Security Guards. For example:

(i) while 2 Building Management Services Coordinators shall be on duty on weekdays from 7 am to 4 pm and from 11 am to 8 pm respectively, 4 Building Management Services Coordinators were deployed from 8 am to 5 pm instead; and

(ii) while there were shortfalls of 2 Cleaners on weekdays from 11 am to 8 pm, 2 extra Cleaners were provided from 7 am to 4 pm instead.

2.15 Upon enquiry, in October 2026, IRD informed Audit that:

(a) in practice, the relief arrangement of supervisory staff was as follows:

(i) if the Property Manager was on leave or absent, the position would be relieved by an Assistant Property Manager;

(ii) if a Senior Security Guard/Cleaning Supervisor was on leave or absent, the position would be relieved by a Security Guard/Cleaner of suitable calibre on site. The contractors had identified and fully trained up a small number of Security Guards/Cleaners to act as relief; and

(iii) the consequential shortfall of Assistant Property Manager/Security Guard/Cleaner would be relieved by another Property Manager/part-time Security Guard/Cleaner as far as possible. If no relief officer was available, the service fee would be deducted accordingly; and

(b) as regards the flexible deployment of security manpower, IRD would usually inform the contractors of the tasks ahead on a job basis in person, and the contractors would assess the manpower required and available at that time, and suitably assign available Security Guards to take up the essential and time-specific duties with top priority and reshuffle duties that were less essential and not time-specific to be completed in another shift/day. Such arrangement was to minimise the expenses incurred for additional services.

2.16 According to the contracts, IRD may require the contractors to provide additional workers to carry out additional services by giving verbal notice (for emergency services) or written notice (for other services). Audit considers that IRD needs to:

(a) properly document the relief arrangement of supervisory staff with the contractors and obtain the written consent from the contractors;

(b) properly document the justifications when additional workers are required (e.g. by issuing written notices); and

(c) take measures to ensure that the provision of manpower by the contractors is in accordance with the contract requirements as far as practicable.

Room for improvement in making monthly payments of service fees to contractors

2.17 The amount of monthly service fees paid to the contractor is a fixed sum, subject to adjustments (e.g. deduction arising from shortfall in actual manpower deployed during the month). According to IRD:

(a) ***Calculation of monthly payments.*** To calculate the monthly payment:

(i) the contractor will submit the workers' attendance records and the monthly summary of workers' attendance of the previous month, and the corresponding calculation of monthly service fees to IRD. IRD will verify and check that the documents are in order; and

(ii) based on the verified summary of workers' attendance of the previous month, the contractor will issue an invoice of monthly fee to IRD after the end of the current month, taking into account any additional service fee (e.g. due to provision of equipment) for the current month, and any deduction in service fees required for the previous month due to manpower shortfall; and

(b) ***Measures to protect non-skilled workers.*** In accordance with Financial Circular No. 3/2019, measures to protect non-skilled workers (e.g. setting daily maximum working hours, provision of extra wages to non-skilled workers for working under Tropical Cyclone Warning Signal No. 8 or above) were stipulated in the contract requirements. The payment to contractor is subject to the contractor having provided a monthly statement certified by a practice unit as defined under the Accounting and Financial Reporting Council Ordinance (Cap. 588) confirming, amongst others:

(i) the deployment of non-skilled workers;

(ii) wages, provident fund and any allowance paid/contributed to non-skilled workers; and

(iii) whether there were any non-compliances with the committed daily maximum working hours.

2.18 ***Need to ensure timely submission of proper supporting documents.*** Audit examined relevant records for the period from December 2022 to June 2026 (total 43 months) and noted that:

(a) for 22 (51%) months, the adjustments for the deductions were only included in the invoices issued after 2 to 8 months. For the monthly fees of November 2025 (i.e. the last service month under Contract A), a refund of about $44,000 was paid by Contractor A in March 2026 to account for the deduction due to manpower shortfall in November 2025; and

(b) for all the 43 months, IRD made payments of monthly fees prior to the receipt of the certified monthly statements. As of August 2026, the certified monthly statements for the 4 months from March to June 2026 were still outstanding. For the 39 certified monthly statements received:

(i) they were submitted by the contractors 8 to 196 days (averaging 73 days) after payments were made to them;

(ii) only the deployment and wages of Security Guards were certified, without certification for those of Senior Security Guards, Customer Service Guards, Cleaning Supervisors, Cleaners, Labourers and Gardeners (see Note 12 to para. 2.2); and

(iii) some workers had reported duty or worked under Tropical Cyclone Warning Signal No. 8 or above for 8 occasions. While relevant payments of extra wages were made to the workers in all 8 occasions, 5 of the 8 certified monthly statements omitted the confirmation of such payments.

2.19 Audit considers that IRD needs to take measures to ensure that adjustments to the monthly payments to the contractors are made in a timely manner and accurate certified monthly statements are received before making monthly payments to the contractors.

2.20 ***Need to critically verify the amounts of monthly payments to the contractors.*** Audit examined the calculation of the monthly payments and noted the following irregularities:

(a) based on workers' attendance records, summaries of workers' attendance and the corresponding calculation of monthly service fees provided by the contractors and verified by IRD from July 2025 to June 2026:

(i) from December 2025 to June 2026, while seven Cleaners were only deployed on Saturdays and Sundays but not on General Holidays (see para. 2.14(a)), instead of making a deduction, an extra fee of $94,500 was arranged for the cleaning services performed on Sundays; and

(ii) while different hourly rates for each type of workers for absence/additional services were specified in Contract A:

- the hourly rate for Building Management Services Coordinator was adopted for calculating the deductions for the absence of the Assistant Property Manager; and

- the hourly rate for Security Guard was adopted for calculating the extra charges/deductions for the extra manpower/absence of Customer Service Guards; and

(b) Audit sample checked the timecard records of 6 months from 2023 to 2025 and noted that for 45 shifts in 5 months, while there were no relevant timecard records, the summaries of workers' attendance showed that the workers had attended work.

2.21 In Audit's view, IRD needs to remind responsible staff to critically verify the amounts of monthly payments to the contractors, including:

(a) reviewing the calculations of all the monthly payments made and arranging the appropriate refund from the contractors as soon as practicable; and

(b) considering conducting random checks on the timecard records against the summaries of workers' attendance submitted by contractors.

Audit recommendations

2.22 **Audit has *recommended* that the Commissioner of Inland Revenue should:**

(a) **review the contract requirements on submissions of management records to better reflect the operational needs, and take measures to ensure that the submissions of management records by contractors are in accordance with updated contract requirements;**

(b) **review the contract requirements on patrol frequency to better reflect the operational needs;**

(c) **consider reviewing the pre-designed sequence of the patrol routes in view of the considerable number of "complete with error" patrols;**

(d) **take measures to improve the monitoring of the security guarding services to ensure compliance with contract requirements, for example, by reminding Senior Security Guards to record all irregularities and follow-up actions in the Occurrence Book for IRD's review;**

(e) **take measures to strengthen the monitoring of contractors, including:**

(i) **reviewing the checklist of key performance indicators and the monthly performance reports with a view to better measuring the level of the contractor's performance, taking into account the audit observations in paragraphs 2.6 to 2.9; and**

(ii) **considering introducing an incentive mechanism in future property management services contracts with a view to encouraging the contractor to maintain satisfactory performance consistently;**

(f) **properly document the relief arrangement of supervisory staff with the contractors and obtain the written consent from the contractors;**

(g) **properly document the justifications when additional workers are required (e.g. by issuing written notices);**

(h) **take measures to ensure that the provision of manpower by the contractors is in accordance with the contract requirements as far as practicable;**

(i) **take measures to ensure that adjustments to the monthly payments to the contractors are made in a timely manner and accurate certified monthly statements are received before making monthly payments to the contractors; and**

(j) **remind responsible staff to critically verify the amounts of monthly payments to the contractors, including:**

(i) **reviewing the calculations of all the monthly payments made and arranging the appropriate refund from the contractors as soon as practicable; and**

(ii) **considering conducting random checks on the timecard records against the summaries of workers' attendance submitted by contractors.**

Response from the Government

2.23 The Commissioner of Inland Revenue agrees with the audit recommendations. He has said that:

(a) IRD has reviewed and updated the arrangements for making monthly payments to the contractor. Starting from October 2026, the contractor has to submit statements of the current month for IRD's verification before payment is made for that month; and

(b) IRD will also:

(i) liaise with the contractor to implement relevant recommendations with a view to enhancing the monitoring of relevant services and the documentation of special events; and

(ii) incorporate suitable adjustments into the tender document and contract requirements for the new property management services contract to be retendered in 2028.

Other management and maintenance issues

Need to enhance the access card system at IRC

2.24 ***Access card system.*** To ensure office security, prevent unauthorised person from gaining access to internal offices and unauthorised access to the information kept in the office, an access card system is installed at all floors at IRC. Access cards are allocated to different Units of IRD and an Assistant Departmental Secretary of each Unit is responsible for the management of access cards.

2.25 Audit examination of the active access card registers provided by IRD as of July 2026 revealed that of the total 3,483 active access cards:

(a) 2,793 (80%) cards had been assigned to individual staff. Audit noted that:

(i) access cards issued to 39 staff members and 64 temporary staff members who had left IRD were still active; and

(ii) some staff had been issued with multiple active access cards (involving 254 access cards issued to 123 staff members, the maximum number of access cards issued to one staff member was 4); and

(b) the remaining 690 (20%) cards had not been assigned and were kept by individual Units.

According to IRD, all the access cards issued to staff had been duly returned to the respective Units before the cessation of employment. However, Audit noted that there was no documentary evidence showing that stocktaking exercises had been conducted to ensure that the access cards (including the returned cards and unassigned cards) were under proper custody. Moreover, pursuant to IRD's Departmental Circular, visitors must always be accompanied by the IRD officers concerned to ensure that the departmental security is not compromised. Therefore, it may not be necessary for individual Units to maintain a large number of unassigned active access cards.

2.26 Upon enquiry, in October 2026, IRD informed Audit that:

(a) the access card assigned to a staff member was required to be returned to the Unit General Registry when the staff member left the service. While the status of the returned cards was "active", they were kept by the respective General Registry under lock and not in use until being re-assigned to another staff member. The Unit Assistant Departmental Secretary was also maintaining a card register, and would check if there were unauthorised uses of these returned cards and report in the "Monthly Report on Security Checks";

(b) for the staff issued with more than one card, after reviewing the list provided by Audit, it was mainly attributed to the following reasons:

(i) the concerned staff had been posted to another Unit and issued with a new card. The card from the original Unit was returned to the Unit General Registry for safe custody;

(ii) one of the cards was reported damaged and was returned to Unit General Registry for safe custody; or

(iii) the concerned staff had the same name but were different persons; and

(c) IRD had tightened up the control of access cards on 30 September 2026. All disabled unassigned access cards had been returned to the Departmental Administration Division for safe custody by 12 October 2026.

Audit acknowledged the prompt measures taken by IRD to tighten the control of access cards. According to IRD, as IRC stores secure vaults of great monetary value, archival tax records, and a Data Centre storing critical records of over two million taxpayers protected under the Inland Revenue Ordinance, there is a genuine operational need to impose strict access controls at entrances. Audit considers that IRD needs to sustain its efforts in ensuring the safe custody of access cards.

2.27 ***Staff absent for a prolonged period.*** According to IRD's Departmental Circular, to further tighten control over use of access card and prevent unauthorised access to office area, management should carefully consider disabling the access rights of staff who has to be absent from office for a prolonged period. According to IRD, individual Units would consider disabling the access rights of staff on a case-by-case basis after taking into account the security risk involved specific to the Units. Audit examined the list of staff with access rights disabled for the period from August 2023 to June 2026 and noted that the measure had not been consistently implemented by all Units. Of the 6 Units in IRD, 4 had disabled the access rights of a total of 89 staff members due to prolonged absence (e.g. maternity leave), but the remaining 2 had not disabled the access rights of any of their staff due to prolonged absence. Audit considers that IRD needs to consider issuing detailed guidelines regarding disabling the access rights of staff with a view to implementing the security control measures consistently.

Need to enhance monitoring of service performance by EMSTF

2.28 ***Repair and maintenance.*** The maintenance and repair of IRC are undertaken by ArchSD and EMSTF, as follows:

(a) ArchSD is the works agent responsible for the general maintenance of buildings, structures and accommodation. For the jobs undertaken by ArchSD, the cost is absorbed by ArchSD in a recurrent vote. According to ArchSD, the maintenance and repair works carried out included plumbing works, ironmongery works, carpentry works, steel and metal works, plaster works, etc. The actual maintenance and repair costs for IRC from April 2023 to June 2026 amounted to about $940,000; and

(b) EMSTF is responsible for the provision of operation and maintenance services for the engineering systems and equipment at IRC under a service level agreement (SLA — see Note 9 to para. 1.11) from July 2023 to

June 2028. IRD pays an annual fee to EMSTF which covers the repair items not exceeding the cost limits, whereas additional cost is required for repair items exceeding the limits. The annual SLA fee for 2024-25 and 2025-26 was about $32 million each year.

2.29 SLA specifies the scope of services, standards, performance targets and charging basis in relation to the electrical and mechanical systems, building services systems and electronic systems in IRC of IRD, including air-conditioning system, water pumps and pumping system, low voltage cubicle switchboard, emergency generator, etc. The scope of services under SLA includes, among others:

(a) preventive maintenance, including routine servicing and overhaul, where applicable at appropriate intervals, are delivered to ensure safe, efficient and reliable equipment operation. The extent and frequency of preventive maintenance works are agreed by IRD;

(b) fault attendance and subsequent necessary corrective maintenance;

(c) emergency standby and attendance in relation to the engineering systems and equipment under emergency situations such as tropical cyclone, flooding, landslide and other disastrous situations;

(d) examination, certification, display and managing the statutory certificates of engineering systems and equipment, including meeting the statutory requirements of the Fire Service (Installations and Equipment) Regulations (Cap. 95B);

(e) replacement of defective spare parts necessary for corrective maintenance or repair of equipment/systems within cost limits; and

(f) providing expert advice on chemical waste disposal, indoor air quality control and monitoring, energy efficiency and conservation measures in relation to the engineering systems and equipment.

2.30 Performance standards for the maintenance services are set out in SLA. According to SLA, a mechanism would be established such that IRD would be informed about the work schedule and progress, whereas performance reports on actual performance compared with the specified targets would be provided yearly.

2.31 Upon enquiry on the work schedule and progress, and the actual performance standards for the maintenance services, in September 2026, IRD and EMSTF informed Audit that a management meeting was held between IRD and EMSTF in June 2026 (39 months since the official inauguration of IRC) and the following items were reported during the meeting:

(a) the maintenance performance on the equipment from 2023-24 to 2025-26. All the performance standards set out in SLA were met in all the three financial years;

(b) the progress of completed, in-progress, and planned replacement and maintenance works at IRC from March 2023 to December 2030; and

(c) the equipment performance on total power consumption, electricity consumption for air-conditioning system, and photovoltaic energy generated from April 2023 to March 2026.

Audit considers that IRD needs to enhance the mechanism to monitor the service performance of EMSTF, such that the work schedule and progress, and actual performance of the equipment maintained under SLA can be reviewed yearly.

Room for improvement in providing waiting area for public frontline services

2.32 ***Public frontline services.*** IRD provides three public frontline services in IRC, namely the Central Enquiry Counter, the Stamp Office and the Business Registration Office. In view of the crowded situation in the Revenue Tower in the past, IRD considered that an expansion of the public waiting area in IRC was necessary. Audit noted that IRD mainly based on the records of 2013 in estimating the required area for the three public frontline services provided in IRC. Audit examination of the usage of the public frontline services revealed that:

(a) ***Stamp Office.*** While it was estimated that the Stamp Office would have 963 visitors per day, in 2025, there were only about 702 visitors per day, a 27% deviation compared with the estimation; and

(b) ***Business Registration Office.*** While it was estimated that the Business Registration Office would have 1,700 visitors per day, in 2025, there were only about 1,435 visitors per day, a 16% deviation compared with the estimation.

2.33 According to IRD, after the launching of NTPs, it is expected that more taxpayers and tax representatives will use the electronic services. In the medium to long term, IRD anticipated that the demand for the services of enquiry counters will decrease accordingly. However, apart from the uptake of electronic services, the actual demand for counter and telephone enquiry services is also affected by other factors. For instance, the number of enquiries will increase after the implementation of new tax measures. IRD will make appropriate adjustment to the manpower deployment to cater for the demand for counter and telephone enquiry services based on actual circumstances. With the introduction of online booking and NTPs, the number of visitors may be on a decreasing trend, resulting in excess in the waiting areas in the three public frontline service offices. Audit considers that IRD needs to:

(a) keep in view the trend in the number of visitors for the public frontline services; and

(b) consider exploring possible options for putting the excess waiting areas into gainful use where appropriate.

Audit recommendations

2.34 **Audit has *recommended* that the Commissioner of Inland Revenue should:**

(a) **sustain IRD's efforts in ensuring the safe custody of access cards;**

(b) **consider issuing detailed guidelines regarding disabling the access rights of staff with a view to implementing the security control measures consistently;**

(c) **enhance the mechanism to monitor the service performance of EMSTF, such that the work schedule and progress, and actual performance of the equipment maintained under SLA can be reviewed yearly;**

(d) **keep in view the trend in the number of visitors for the public frontline services; and**

(e) **consider exploring possible options for putting the excess waiting areas into gainful use where appropriate.**

Response from the Government

2.35 The Commissioner of Inland Revenue agrees with the audit recommendations. He has said that:

(a) IRD issued detailed guidelines on disabling the access rights of staff in October 2026; and

(b) further steps will be taken to address other recommendations.

PART 3: INFORMATION TECHNOLOGY SYSTEMS AND FACILITIES

3.1 This PART examines the enhancement and relocation of IT systems and facilities of IRD, focusing on:

(a) project planning and monitoring (paras. 3.2 to 3.10); and

(b) post-implementation issues (paras. 3.11 to 3.23).

Project planning and monitoring

3.2 In July 2020, the Finance Committee approved a commitment of $742 million for the enhancement and relocation of IT systems and facilities of IRD (hereinafter referred to as the IT project). According to the funding paper submitted to LegCo, IRD would implement the IT system development and modifications by phases starting from 2020-21. The approved IT project mainly included the following four elements:

(a) ***Relocation of IT systems and facilities.*** Under IRD's relocation plan, computer rooms for hosting servers and network facilities would be established in IRC, and more than 40 IT application systems, 3,500 personal computers, 3,200 local printers and 360 network printers would be relocated and reprovisioned in IRC. According to IRD, the relocation and reprovisioning were completed in June 2023;

(b) ***Leverage of cloud services.*** In the past, all IT systems of IRD were server-based and hence encountered technical constraints in meeting the changing business needs of the department. By adopting the Government Cloud Infrastructure Services (Note 15), IRD could reap the benefits of cloud computing, particularly when handling large volume of accounting,

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Note 15: *According to the Digital Policy Office (DPO), the Government Cloud Infrastructure Services provides a secure, reliable and scalable IT infrastructure equipped with agile application development tools, for facilitating B/Ds in agile development and delivery of digital government services.*

financial and tax data in the course of digital transformation. The use of the Government Cloud Infrastructure Services would enable IRD to continue to provide e-services in case of disaster recovery, minimising disruption to public services. It would also gradually reduce manpower demand for monitoring system performance, and significantly reduce paper consumption to make the overall tax administration more environment-friendly. According to IRD, its cloud platform officially commenced live-run since April 2023;

(c) ***Development of NTPs.*** Since 2008, IRD had provided various e-services to the public via eTAX System. However, eTAX accounts were only available to individual taxpayers and could not cater for the needs of certain groups of taxpayers, such as tax representatives who handled taxation matters on behalf of their clients. In addition, as Hong Kong is committed to implementing the international standards of exchange of information to enhance tax transparency and prevent tax evasion, it should take measures to ensure the availability of accounting records of all relevant businesses, which would involve the issuance of a large number of profits tax returns and processing of voluminous accounting and financial data. This would require full adoption of e-filing of profits tax returns and enhancement of data uploading capacity of IRD's IT infrastructure. In this connection, the following NTPs would be developed:

(i) ***BTP.*** It is a platform dedicated for businesses to handle tax and/or business affairs. After registering with BTP, users can submit their tax returns online, view their e-filed tax returns and tax assessments issued, request to amend an assessment, and communicate with IRD on other tax-related matters. Additionally, BTP also provides a channel for e-filing of employer's returns, and conducts matters relating to stamp duty, certificate of resident status and business registration;

(ii) ***ITP.*** It is a platform enhanced from the former eTAX System, designed to provide individual taxpayers with a means of managing their tax matters. Through an ITP account, users can file tax returns, handle personal tax affairs (e.g. property tax and employer's returns), use IRD's e-services (e.g. stamp duty and tax reserve certificate) and communicate with IRD on tax-related matters electronically; and

(iii) ***Tax Representative Portal.*** It is a platform designed specifically for service agents, including tax representatives, company secretaries and service providers. It enables them to conduct electronic transactions relating to tax and/or business matters, on behalf of their individual and business clients. The scope of services covers individual tax matters, profits tax matters, business registration matters, etc.

According to IRD, all NTPs became fully operational in July 2025; and

(d) ***Extension of workflow technology.*** In the past, operations of IRD were largely paper-based and involved numerous manual procedures, and there were limited features for cross-unit communication and hence created unnecessary lead time due to the manual transfer of information. With the set-up of high-speed scanners and more automatic workflow processes across different Units of IRD (Note 16), the cross-unit communication would be improved and lead time within business processes due to the manual transfer of information would be reduced. According to IRD, the enhanced workflow technology entered live-run operation in April 2025.

Up to 31 March 2026, the actual non-recurrent expenditure of the IT project was $709 million.

Note 16: *For example, the company deregistration process has been automated under the IT project. In the past, various work items under the deregistration process relied heavily on manual and email-driven communication across different Units of IRD. After automation, the work items are auto-routed to the responsible units and the status is indicated directly through the system.*

Need to enhance the accuracy of pre-tender estimates

3.3 IRD conducted 7 open tender exercises (Note 17) and awarded contracts with total amount of $461 million (comprising non-recurrent and recurrent expenditure of $304 million and $157 million respectively) for the IT project. According to the Stores and Procurement Regulations, for a tender report submitted to the relevant tender board or the Departmental Tender Committee, the Chairman of Tender Assessment Panel (i.e. a representative from IRD) is required to confirm that the recommended tendered sum is fair and reasonable, supported by an analysis comparing the recommended tendered sum with pre-tender estimates and/or the award contract sum of the previous contract or those in similar contracts. Audit examination of the 7 open tender exercises found that:

(a) in 2 exercises, the contract prices were slightly higher than the respective pre-tender estimates by 3% to 5%; and

(b) in 5 exercises, the contract prices were lower than the respective pre-tender estimates by 7% to 66%. In particular, in 3 exercises, the variances ranged from 36% to 66%.

3.4 Upon enquiry, in October 2026, IRD informed Audit that:

(a) it prepared the pre-tender estimates based on the information available at the relevant time, including market research and prevailing market rates. The variances between the estimates and tendered prices were reviewed during tender evaluation, and the recommended tendered sums were considered fair and reasonable; and

(b) it noted that some lower tendered prices were mainly attributable to competitive market conditions and greater discounts offered by tenderers,

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Note 17: *DPO arranges the Standing Offer Agreement for Quality Professional Service Scheme to accelerate the delivery of IT solutions that covers certain categories of services (e.g. implementation and combined system development services, and independent testing services) with a contract value of up to $20 million. In addition to open tender exercises, IRD also directly invited contractors which had passed pre-qualification of DPO to submit proposals for IT services within the scope of the Scheme to select suitable service contractors. According to IRD, the total amount of contracts acquired under the Scheme was $90 million.*

including possible bulk or package pricing, lower overheads, or strategic pricing to secure government contracts.

In Audit's view, in order to ensure realistic budgeting and effective tender evaluations, IRD needs to enhance the accuracy of the pre-tender estimates (e.g. gather up-to-date market information and comparable contract prices) in future procurements as far as practicable.

Need to report the revised completion dates in a timely manner

3.5 Audit examined the target and actual live-run dates of the IT project and noted that IRD rescheduled the live-run dates to later dates for 2 of the 4 elements (see para. 3.2), namely the development of NTPs and extension of workflow technology by 4 months and 1 month respectively. According to IRD:

(a) the live-run of NTPs was rescheduled from March 2025 to July 2025 to avoid launching NTPs during the peak of e-filing season, which occurred between May and July each year. The rescheduled live-run date was endorsed by the Project Steering Committee (PSC — Note 18) at the meeting held in October 2022; and

(b) due to the additional time spent on the system analysis and design stage of extension of workflow technology, system live-run was slightly rescheduled from March 2025 to April 2025. The rescheduled live-run date was endorsed by PSC at the meeting held in January 2025.

3.6 According to Office of the Government Chief Information Officer Circular No. 2/2011 "Strengthening the Governance of IT Projects", owners of IT projects are required to submit progress reports to the then Office of the Government Chief Information Officer (currently known as the Digital Policy Office (DPO) after

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Note 18: *The Committee was set up for monitoring the IT project. It was chaired by the Deputy Commissioner of Inland Revenue (Operations) and included a representative from the then Office of the Government Chief Information Officer or DPO (after the merge between the Office of the Government Chief Information Officer and the Efficiency Office in 2024) as the IT Advisor. According to DPO, the role of IT advisor is to review the project organisation, progress against major milestones and provide professional and management advice where applicable on the technical and industrial aspects.*

merging with the Efficiency Office in 2024) to monitor the health status of IT projects and to provide timely advice where necessary. DPO would consolidate an annual progress report on the implementation of major computer projects from B/Ds for submission to the Finance Committee (Note 19). While PSC endorsed in October 2022 to reschedule the live-run date of NTPs (see para. 3.5(a)), Audit noted that:

(a) ***Progress reports submitted to DPO.*** IRD had not reported the rescheduled live-run date of NTPs in its progress reports submitted to the then Office of the Government Chief Information Officer or DPO until January 2025; and

(b) ***Annual reports on the implementation of Government computer systems submitted to the Finance Committee.*** In the annual reports on the implementation of Government computer systems showing the positions as at 31 March 2023 and 31 March 2024 which were submitted to the Finance Committee by the then Office of the Government Chief Information Officer in November 2023 and by DPO in March 2025 respectively, the rescheduled live-run date of NTPs had not been reported. It was only updated in the annual report showing the position as at 31 March 2025 which was submitted by DPO in December 2025.

3.7 Upon enquiry, in October 2026, IRD informed Audit that:

(a) while the rescheduled live-run date of NTPs had been tentatively endorsed at the PSC meeting held in October 2022, IRD closely monitored the development of the project and evaluated the feasibility and suitability of sticking to the original live-run date; and

(b) it only became concrete in January 2025 that the live-run should take place in July 2025.

Note 19: *The Government undertook to provide LegCo Members with an annual progress report on the implementation of major computer projects funded under Head 710 of the Capital Works Reserve Fund, which cost over $20 million each.*

3.8 As the Government undertakes to provide LegCo Members with an annual progress report on the implementation of approved computerisation projects, Audit considers that IRD needs to, for future IT projects, report the progress and revised implementation dates to DPO in a timely manner.

Audit recommendations

3.9 **Audit has *recommended* that the Commissioner of Inland Revenue should:**

(a) **enhance the accuracy of the pre-tender estimates (e.g. gather up-to-date market information and comparable contract prices) in future procurements as far as practicable; and**

(b) **for future IT projects, report the progress and revised implementation dates to DPO in a timely manner.**

Response from the Government

3.10 The Commissioner of Inland Revenue agrees with the audit recommendations. He has said that IRD will:

(a) gather more market information and relevant contract information for enhancing the pre-tender estimates for major procurement in future; and

(b) for future IT projects, report the latest progress and implementation plans to DPO in a timely manner.

Post-implementation issues

Lessons learnt from incidents

3.11 According to IRD, there were 1 incident regarding the enhanced workflow technology and 10 incidents regarding NTPs during the period from April/July 2025 (i.e. after enhancement of the respective systems) to 30 June 2026. For these incidents, short-term solutions were implemented within 3 days after the incidents to

resume the services while long-term solutions were implemented within 3 months after the incidents to address the underlying problems.

3.12 Audit reviewed the incident reports and noted lessons learnt as follows:

(a) ***Misrouting to the disaster recovery server.*** In late April 2025 (i.e. shortly after the live-run of the enhanced workflow technology), IRD noted that recent cases could not be retrieved from the workflow management system. Upon review, it was found that an outdated server in the disaster recovery environment was accidentally connected to the production environment, and wrongly took over the production server. Therefore, business functions were wrongly performed on the disaster recovery server for 16 minutes. The problem was solved 11 minutes after being reported, and the affected cases were reviewed on the following day;

(b) ***Limit of maximum number of database connections.*** During IRD's system check in late July 2025 (i.e. shortly after the live-run of NTPs), a system error in NTPs regarding unsuccessful login by mobile devices was detected by IRD. Upon review, the issue was found to be related to the configuration of maximum number of database connections to the Government Cloud Infrastructure Services, which had been set at the value of 2,000 as determined by IRD based on the result of testing of NTPs. After discussing with DPO, IRD increased the maximum number of connections from 2,000 to 10,000 in its relevant setup in the Government Cloud Infrastructure Services so as to increase the allowable threshold; and

(c) ***Unable to pass the validation check due to different system configurations of users.*** In late July 2025 (i.e. shortly after the live-run of NTPs), another system error regarding delays in loading Business Register enquiry records in NTPs was detected by IRD. Upon review, it was found that the software version did not support the new internet protocol address format. To solve the problem, IRD deployed a new software version where the internet protocol address checking was removed in the validation check.

3.13 Upon enquiry, in October 2026, IRD informed Audit that:

(a) the incidents mentioned in paragraph 3.12(a) and (c) affected only the internal workflow management system and internal statistical enquiry, and had no impact on the provision of public services;

(b) for the incident mentioned in paragraph 3.12(a), in May 2025, IRD implemented additional network segregation to prevent the reoccurrence of the incident; and

(c) regarding the incident mentioned in paragraph 3.12(b), it was caused by an unexpected and extremely rare surge in external traffic after the launch of NTPs. IRD detected the issue during its post-launch system check and promptly resolved the issue.

3.14 In order to prevent the reoccurrence of these incidents and ensure the smooth operation and service provision to the public, Audit considers that IRD needs to:

(a) implement preventive measures to avoid and accelerate the detection of misrouting between disaster recovery servers and production servers in future IT projects;

(b) perform thorough assessment in the demand and system configurations of potential users before launching new systems in future; and

(c) continue to monitor system capacity and performance of NTPs and take timely follow-up actions when necessary.

Need to draw up a timetable to implement DPO's recommendations on eTAX mobile application

3.15 As enabling mobile access for individuals was one of the objectives of the IT project, alongside the live-run of NTPs in July 2025, IRD launched the eTAX mobile application. The mobile application enables users to access IRD's e-services and use the message box to communicate with IRD on tax-related matters. Up to 30 June 2026, the eTAX mobile application had 136,511 downloads.

3.16 According to a circular issued by DPO in January 2025, to integrate the Government's mobile online services for unified standards and service experiences, B/Ds shall deliver new mobile online services as mini-programs or web-based online services through the "iAM Smart" in-app browsers, where feasible, unless there are strong justifications endorsed by the Heads of B/Ds concerned and subject to the agreement of DPO. For existing mobile applications, B/Ds shall critically review the feasibility in reprovisioning them with implementation plans. In November 2025, DPO completed the assessment of IRD's proposal to retain the eTAX mobile application. According to its assessment:

(a) most of the eTAX mobile application services were already available on ITP website. For public convenience as well as more cost-effective way in maintaining the online services, IRD should consolidate the mobile application services into ITP website or "iAM Smart";

(b) as the eTAX mobile application was launched in July 2025, it could be retained as an interim solution; and

(c) IRD was recommended to plan for retiring the eTAX mobile application at appropriate timeframe and create a dedicated "Information Corner" within "iAM Smart", providing quick access to key online services.

3.17 In following up DPO's recommendations, IRD informed Audit in August 2026 that:

(a) it planned to progressively consolidate the mobile application channel for accessing the relevant ITP functions into the "iAM Smart" platform in accordance with DPO's latest guidelines, subject to technical feasibility, security and privacy requirements, users' needs and availability of resources; and

(b) after the application channel on the "iAM Smart" platform had been operating smoothly, it would gradually phase out the current standalone eTAX mobile application in an orderly manner to avoid disruption to users.

Audit considers that IRD needs to draw up a timetable to implement DPO's recommendations on the eTAX mobile application.

Need to enhance the e-filing rates of tax returns

3.18 According to the funding paper submitted to the Finance Committee, the implementation of the IT project would bring about annual savings of $87 million from 2029-30 onwards. The projected savings were based on the assumption that the e-filing rates of individual tax returns and employer's returns would reach 60% and e-filing rates of profits tax returns would reach 90%. According to IRD, it is committed to promoting tax digitalisation and has implemented various measures to encourage e-filing of tax returns. The measures include:

(a) ***Individual tax returns.*** IRD has carried out various promotional activities and implemented several enhancements in ITP, as follows:

(i) ***Promotional activities.*** Over the years, it has launched a series of promotional activities, especially during the return filing season in May and June each year, with a view to promoting the use of e-filing of tax returns. These activities include issuing push notifications via the "iAM Smart" mobile application, placing advertisements on public transport, newspapers and social media, etc.; and

(ii) ***Pre-filling of individual tax returns.*** Employer(s)' name and income received from employer(s) for the reporting year are pre-filled if IRD has received such information via employer's returns. Basic details of allowances and deductions are also pre-filled according to previous year's e-filed return. Moreover, since 2022, a new function "Records for pre-filling deduction claims under Tax Returns – Individual" has been introduced to allow taxpayers to keep record for deductions (e.g. approved charitable donations) under Salaries Tax and Personal Assessment in their eTAX accounts in advance for subsequent automatic pre-filling in their individual tax returns; and

(b) ***Profits tax returns.*** IRD has enhanced the e-filing services and implemented the first phase of mandatory e-filing of profits tax returns, as follows:

(i) ***Improvement in financial data submission and upload.*** After enhancements in the e-filing service, more businesses were allowed to submit financial data in a new electronic reporting format and upload various supporting documents electronically via BTP; and

(ii) ***Mandatory e-filing of profits tax returns.*** In June 2025, the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 was enacted to implement the first phase of mandatory e-filing of profits tax returns. Since the year of assessment 2025-26, entities of in-scope multinational enterprise groups (i.e. those meeting the annual consolidated revenue threshold of EUR 750 million or above in at least 2 of the 4 fiscal years immediately preceding the current fiscal year and subject to global minimum tax and Hong Kong minimum top-up tax) have been mandated to submit their profits tax returns electronically.

3.19 ***E-filing rates from 2021-22 to 2025-26.*** From 2021-22 to 2025-26, the number of individual users registered for IRD's e-services increased from 1,212,000 to 2,018,000, representing an increase of 806,000 (67%). Audit examined the e-filing rates of various tax returns during the period from 2021-22 to 2025-26 (see Table 2) and noted that:

(a) the e-filing rate of employer's returns of remuneration and pensions was 66% in 2025-26 and had already achieved the target at 60%; and

(b) the e-filing rates of individual tax returns and profits tax returns were 42% and 2% respectively in 2025-26, yet to meet their corresponding targets of 60% and 90%.

Table 2

E-filing rates of tax returns
(2021-22 to 2025-26)

Particular	2021-22	2022-23	2023-24	2024-25	2025-26
Individual tax returns	30%	33%	35%	38%	42%
Profits tax returns	1%	1%	1%	1%	2%
Employer's returns of remuneration and pensions	19%	25%	51%	60%	66%

Source: *IRD records*

3.20 Upon enquiry, in July and October 2026, IRD informed Audit that:

(a) ***Individual tax returns.*** In regard of individual tax returns:

(i) in 2025-26, there were 2,137 taxpayers using the function "Records for pre-filling deduction claims under Tax Returns – Individual" (see para. 3.18(a)(ii)), represented 0.2% of the e-filed individual tax returns; and

(ii) pre-filling services based on the data provided by third parties were subject to various constraints, such as the relevant legal requirements, privacy protection, data quality standards, system compatibility, operational feasibility, concerns of data subjects, data providers' worries about additional financial and operational burdens as well as availability of resources and cost effectiveness. Having said that, as a pilot exercise, IRD planned to explore the feasibility of pre-filling of contributions to a Mandatory Provident Fund scheme or recognised occupational retirement scheme; and

(b) ***Profits tax returns.*** IRD planned to conduct a consultation in the fourth quarter of 2026 to solicit stakeholders' views on the subsequent phases of mandatory e-filing of profits tax returns. Its goal was to achieve full-scale implementation by 2032. In order to facilitate better understanding of the new e-filing requirements by entities and practitioners,

IRD had taken various supporting measures including provision of free conversion tools, face-to-face seminars, e-guidance notes, online demonstration videos, etc.

3.21 Audit acknowledged IRD's efforts in promoting e-filing of tax returns. In Audit's view, IRD needs to:

(a) sustain its efforts in enhancing the e-filing rates of individual tax returns, such as:

(i) stepping up promotion in using the function "Records for pre-filling deduction claims under Tax Returns – Individual";

(ii) liaising with the relevant authorities for the feasibility of pre-filling of contributions to a Mandatory Provident Fund scheme or recognised occupational retirement scheme; and

(iii) exploring extending pre-filling service to other items in the tax returns where applicable; and

(b) keep in view the implementation of mandatory e-filing of profits tax returns and step up efforts in promoting voluntary e-filing of profits tax returns.

Audit recommendations

3.22 **Audit has *recommended* that the Commissioner of Inland Revenue should:**

(a) **implement preventive measures to avoid and accelerate the detection of misrouting between disaster recovery servers and production servers in future IT projects;**

(b) **perform thorough assessment in the demand and system configurations of potential users before launching new systems in future;**

(c) **continue to monitor system capacity and performance of NTPs and take timely follow-up actions when necessary;**

(d) **draw up a timetable to implement DPO's recommendations on the eTAX mobile application;**

(e) **sustain IRD's efforts in enhancing the e-filing rates of individual tax returns, such as:**

(i) **stepping up promotion in using the function "Records for pre-filling deduction claims under Tax Returns – Individual";**

(ii) **liaising with the relevant authorities for the feasibility of pre-filling of contributions to a Mandatory Provident Fund scheme or recognised occupational retirement scheme; and**

(iii) **exploring extending pre-filling service to other items in the tax returns where applicable; and**

(f) **keep in view the implementation of mandatory e-filing of profits tax returns and step up efforts in promoting voluntary e-filing of profits tax returns.**

Response from the Government

3.23 The Commissioner of Inland Revenue agrees with the audit recommendations. He has said that:

(a) IRD implemented additional network segregation and monitoring measures in May 2025 to prevent reoccurrence of misrouting between disaster recovery servers and production servers and to accelerate detection of any similar incident. Additional features were added to these measures for enhancement in September 2025; and

(b) further steps will be taken to address other recommendations.

PART 4: OTHER RELATED ISSUES

4.1 This PART examines other related issues, focusing on:

(a) vetting and approval of SoA (paras. 4.2 to 4.6);

(b) furniture and equipment (paras. 4.7 to 4.15);

(c) green features (paras. 4.16 to 4.33); and

(d) carpark (paras. 4.34 to 4.43).

Vetting and approval of Schedules of Accommodation

4.2 According to the Guidelines for Preparation of SoA issued by GPA, B/Ds should state their full accommodation requirements in the form of standard SoA tables for vetting by approving authorities:

(a) PVC is the approving authority for SoA in respect of specialist/departmental buildings (Note 20);

(b) through the process of SoA vetting, only items that are operationally required and are reasonably utilised should be allocated with appropriate space provisions in accordance with prevailing space standards and vetting yardsticks. These items will contribute to the total net operational floor area of the accommodation; and

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Note 20: *For minor works projects funded under specified block allocations/public works programme items of the Capital Works Reserve Fund as stipulated in Accommodation Circular No. 1/2021 "Streamlining of Approval Procedures for Schedules of Accommodation", the approving authority for SoA is also given to the proponents/user departments under specified circumstances.*

(c) fresh approval should be sought if B/Ds need to:

(i) make significant changes in the use of the accommodation (e.g. conversion of a public enquiry service centre into a storeroom and conversion of car parking spaces into an office). In particular, the provision of space at cellular room or in an open plan area forms part of the conditions of approval. Fresh approval should be sought when dividing or enclosing an area approved in an open plan area with full height fixed partitions; and

(ii) make changes to approved SoA items that deviate from the conditions of approval (e.g. providing air-conditioning for a storeroom).

Need to review whether fresh approval of SoA is required

4.3 According to IRD, subsequent to the approval of the first set of SoA by PVC in October 2016, several revisions of SoA for IRC were approved, and the latest approved net operational floor area of IRC was about 47,110 m^2. Audit conducted site visits to IRC in July 2026 and found that apparently some actual allocation/use of office space was not in accordance with the corresponding approved SoA or there were changes in the use of which fresh approval of SoA might be required (see para. 4.2(c)), with details as follows:

(a) according to the approved SoA, the mini library of Unit 3 should be provided in an open plan area with space provision of about 12 m^2. However, the mini library was located in an interview room (i.e. a cellular room) on the 3/F which deviated from the conditions of approval of the relevant SoA;

(b) according to the approved SoA, the Special Support Section of the Headquarters Unit should be provided in an open plan area with nine storage racks. Instead of placing the storage racks, a full height fixed partition wall was built to divide the Section from other teams on the 6/F; and

(c) an open storage area of 72 m^2 on the 15/F was changed into a cellular storage room.

4.4 Audit noted that there was no documentary evidence showing IRD's justifications of why fresh approval of SoA was not required for the above changes in use. Audit considers that IRD needs to review whether fresh approval from the relevant approving authority is required regarding changes in the use of office space from the approved SoA, and seek GPA's advice where necessary.

Audit recommendation

4.5 **Audit has *recommended* that the Commissioner of Inland Revenue should review whether fresh approval from the relevant approving authority is required regarding changes in the use of office space from the approved SoA, and seek GPA's advice where necessary.**

Response from the Government

4.6 The Commissioner of Inland Revenue agrees with the audit recommendation. He has said that:

(a) IRD has written to PVC to seek its approval in October 2026 for the changes in the use of office space for the mini library of Unit 3 on the 3/F;

(b) IRD has reinstated the passageway connecting the Special Support Section and the Business Return Processing Team of the Headquarters Unit on the 6/F such that PVC's agreed condition to erect the relevant partition wall under question is observed. Hence further SoA approval is not required;

(c) IRD sought SoA approval in October 2026 for the changes in the use of office space for the cellular storage area on the 15/F; and

(d) further steps will be taken to address the recommendation.

Furniture and equipment

4.7 According to the Accommodation Regulations, a user department should make use of its existing serviceable furniture and equipment items or reuse the surplus serviceable furniture and equipment items of other B/Ds to furnish the new

accommodation as far as possible. However, ArchSD and GPA, with the policy support of FSTB, are actively promoting the modern office layout concept, i.e. providing more flexibility in changing office layouts according to operational needs, and facilitating more effective communication and closer collaboration among staff members. According to IRD, in line with the concept, for the relocation to IRC:

(a) office furniture under 15 years of use (i.e. purchased after 2007) as at the time of relocation (i.e. 2022) were relocated to IRC; and

(b) all personal office desks, side returns, pedestals, office chairs and partition screens were not relocated.

4.8 In 2021, in the course of FSTB's vetting of the list for the procurement of furniture and equipment, IRD confirmed that:

(a) except for standard office furniture, bulk contract items and electrical and mechanical items with information on costs provided by EMSTF, estimation of the costs for the remaining furniture and equipment items was based on market research and the estimated unit costs were considered fair and reasonable;

(b) the quantities of furniture and equipment items proposed were reasonable; and

(c) all of the items under request were properly charged to furniture and equipment vote in accordance with Financial Circular No. 3/2016 "Furniture and Equipment for Capital Works Projects Funded under the Capital Works Reserve Fund" (see Note 21 to para. 4.13).

In November 2021, FSTB approved the list for the procurement of furniture and equipment.

Need to improve the accuracy in preparing the list for the procurement of furniture and equipment

4.9 Audit examination of the list of newly acquired furniture and equipment for IRC as of June 2026 revealed that the total actual cost was only $70.7 million, $32.2 million (31%) lower than the total approved cost of $102.9 million (see Table 3), which was mainly due to the following reasons:

(a) ***Over-estimation of quantities.*** Of the 133 furniture items in Group A, for 17 (13%) items, the actual quantities procured were only 80% or less of the approved quantities. For example, of the 23 discussion tables approved to be procured for a Unit, only 2 (9%) were finally procured;

(b) ***Over-estimation of costs.*** Some items in Group B and Group E were procured in one go and the lump sum tender amounts were far less than the approved costs. For example, the approved cost of mobile rack systems (i.e. Group B) for various units/sections was $21.8 million, but the actual cost was $7.7 million (i.e. 35%); and

(c) ***Some items incorrectly included in the list for the procurement of furniture and equipment.*** Some items in Group F (e.g. drinking water sterilisation and filtration system, and medium charging electric vehicle (EV) chargers) with total approved costs of $310,500 were incorrectly included in the list for the procurement of furniture and equipment.

Table 3

Cost for furniture and equipment procured for IRC
(June 2026)

Item group	Approved cost ($ million)	Actual cost ($ million)	Difference ($ million)
Group A: Furniture (standard)	47.6	22.3	6.4 (13%)
Group A: Furniture (non-standard)		18.9	
Group B: Mobile Rack	21.8	7.7	14.1 (65%)
Group C: Telephone System	19.3	14.9	4.4 (23%)
Group D: Meeting, Training	4.1	3.4	0.7 (17%)
Group E: Public Service (Note)	7.7	2.2	5.5 (71%)
Group F: Building Management	2.4	1.3	1.1 (46%)
Total	102.9	70.7	32.2 (31%)

Source: *IRD records*

Note: *These include electronic display system, induction loop system, public address system, queue management system, closed-circuit television for counters, over the counter intercom for interview rooms and alarm system.*

4.10 Upon enquiry, in October 2026, IRD informed Audit that:

(a) when preparing the furniture and equipment list with estimated costs in 2020-21, IRD had tried its best to ensure the items on the list were able to meet its operational needs after relocation;

(b) the approved furniture and equipment list was prepared by IRD in early 2021 based on the draft layout plans available at the material time. Due to the time lapse between the preparation of the list and actual procurement, based on the finalised layout plans and IRD's actual operational needs after relocation, some deviations were unavoidable but they were well justified; and

(c) the total actual cost was only $70.7 million, $32.2 million (31%) lower than the total approved cost of $102.9 million. This clearly demonstrated IRD's endeavour to have critically reviewed the genuine operational needs after relocation, reused old furniture as far as practicable, and procured new items that were essential to daily operations only.

Audit considers that IRD needs to improve the accuracy in preparing the list for the procurement of furniture and equipment in future public works projects as far as practicable.

Room for improvement in procurement of furniture and equipment

4.11 According to the Accommodation Regulations, standard furniture is normally provided for economy and efficient use of space. Audit noted that IRD sourced some non-standard furniture from external vendors amounted to $18.9 million (or 46% of Group A furniture procured — see Table 3 in para. 4.9). The non-standard furniture included mail-inserting systems, tailor-made steel storage racks, sofa, chairs, meeting tables, etc. According to Financial Circular No. 3/2016, user departments should seek fresh approval from the approving authority for procuring furniture and equipment items if the number of units required are markedly different from the approved number (say over 20% increase).

4.12 Audit examination of the list of newly acquired furniture and equipment for IRC as of June 2026 also noted that the actual quantity of steel storage racks procured exceeded the approved quantity by 49% and there was no documentary evidence showing that fresh approval had been sought.

4.13 Upon enquiry, in October 2026, IRD informed Audit that for items later found to have exceeded the approved quantities and costs, they arose from strong and genuine need and changes in the operational requirements after relocation. Audit considers that IRD needs to obtain fresh approval for the furniture and equipment when the actual procured quantity is significantly higher than the approved number as stipulated in the prevailing regulations (Note 21).

Audit recommendations

4.14 **Audit has *recommended* that the Commissioner of Inland Revenue should:**

(a) **improve the accuracy in preparing the list for the procurement of furniture and equipment in future public works projects as far as practicable; and**

(b) **obtain fresh approval for the furniture and equipment when the actual procured quantity is significantly higher than the approved number as stipulated in the prevailing regulations.**

Response from the Government

4.15 The Commissioner of Inland Revenue agrees with the audit recommendations. He has said that IRD will implement them for the procurement of furniture and equipment in future.

Note 21: *In June 2025, Financial Circular No. 2/2025 "Furniture and Equipment for Capital Works Projects Funded under the Capital Works Reserve Fund" was issued to set out revised arrangements for Directors of Bureaux, Controlling Officers and user departments to monitor the scope and cost of furniture and equipment items. It requires user departments to seek fresh approval from the approving authority for procuring furniture and equipment items if the number of units or/and the estimated unit cost required is/are significantly (say over 50%) higher than the approved number or/and the approved unit cost. Financial Circular No. 3/2016 was hereby cancelled.*

Green features

4.16 According to IRD, IRC was constructed through a design-and-build approach and emphasis was placed on the incorporation of green elements in different aspects, including the connection to DCS and incorporation of horizontal greenery on the G/F and 2/F of the building. Various additional energy conservation, greenery and recycled features are also adopted in IRC with an estimated cost of $44.1 million. These features include:

(a) ***Energy efficient features.*** These include the automatic demand control of chilled water circulation system, demand control of fresh air supply with carbon dioxide sensors, heat wheels for heat energy reclaim of exhaust air and lift power regeneration;

(b) ***Renewable energy technologies.*** These technologies include the photovoltaic system which generates electricity from sunlight to meet the building's need;

(c) ***Greenery.*** This includes greenery on rooftop, facades of the building (including vertical greenery) and link bridge; and

(d) ***Water management measures.*** These include the adoption of a rainwater harvesting system for landscape irrigation for conserving water.

Need to explore measures to enhance monitoring of the performance of energy efficient features

4.17 According to the paper submitted to PWSC in January 2018 (see para. 1.4), of the estimated cost of $44.1 million for the various additional energy conservation, greenery and recycled features to be adopted in IRC, $27 million (or 61% of the $44.1 million) was related to the proposed energy efficient features (i.e. item (a) in para. 4.16). These features were expected to achieve an 11.8% saving in annual energy consumption, with a payback period of about 8.5 years.

4.18 Audit noted that unlike the other features, the actual cost of implementing the energy efficient features was not available. As such, the achievement of the payback period for the relevant features could not be calculated. In response to

Audit's enquiry, IRD and ArchSD informed Audit between July and October 2026 that:

(a) the actual cost of implementing the energy efficient features was integrated into the tender prices of relevant building services system rather than standalone systems or equipment. The industry-standard practice of not separately pricing energy efficient features meant that the actual costs attributable to such features could not be quantified in isolation;

(b) IRD did not have the benchmark values required for calculating the energy savings attributable to the energy efficient features of IRC; and

(c) certain energy efficient features, namely the automatic demand control of chilled water circulation system, the demand control of fresh air supply with carbon dioxide sensors and the heat wheels for heat energy reclaim of exhaust air, were integral parts of the building's air-conditioning system, and their energy savings (in the form of quantified electricity savings) could not be measured separately.

4.19 Audit noted that while ArchSD's post occupancy evaluation report (Note 22) for IRC dated June 2024 covered the energy savings and performance evaluations of the lift power regeneration, heat wheel and free cooling system, the form of energy savings measured for the heat wheel and free cooling system could not be quantified in terms of electricity savings. Audit considers that IRD needs to, in consultation with ArchSD and the Electrical and Mechanical Services Department (EMSD), explore measures to enhance monitoring of the performance of the energy efficient features as far as practicable, with a view to ascertaining their effectiveness in reducing annual energy consumption.

Need to ensure compliance with the chilled water return temperature requirement for district cooling services

4.20 ***Adoption of Kai Tak DCS.*** DCS is a large-scale centralised air-conditioning system which produces chilled water at central chiller plants for

Note 22: *According to ArchSD, the post occupancy evaluation is a management tool tailor-made to evaluate the building performance and assess the effectiveness of the building facilities and services systems after tenant occupancy.*

distribution to user buildings through underground chilled water pipes for air-conditioning purpose. The Kai Tak DCS is operated and maintained by EMSD. IRC, as a public development at the Kai Tak Development Area, is mandated to connect to the Kai Tak DCS and subscribe to its services. In February 2022, EMSD approved IRD's updated application (the first submission was approved in January 2019) for district cooling services for IRC, with service provision commencing in March 2022.

4.21 With reference to the District Cooling Services Supply Conditions and the corresponding technical guidelines for connection to DCS issued by EMSD, for IRC:

(a) EMSD or its DCS operator is responsible for installing and maintaining the DCS equipment including heat exchangers, chilled water pipes and accessories inside the substation and within the approved IRD's site boundary, while IRD should design, provide and construct the substation at IRC in accordance with the plans and specifications agreed by EMSD; and

(b) EMSD or its DCS operator should supply chilled water at the design primary supply temperature of 5 degree Celsius (°C) ± 1°C, while IRD is responsible for properly maintaining its own installation of chilled water system of the central air-conditioning system of IRC to maintain a chilled water return temperature of 14°C on the consumer side.

4.22 Audit noted that in February 2024, EMSD conducted a review of the chilled water return temperature of IRC and consistently observed that the return temperature fell below the required temperature of 14°C of the district cooling services, particularly during nighttime and holiday periods. EMSD raised concerns regarding the impact on the energy efficiency of DCS plant. EMSD suggested resetting the supply water temperature at IRC as an applicable measure from DCS plant side to mitigate the issue. IRD agreed to implement the measure starting from February 2024.

4.23 In June 2026, Audit conducted a site visit on the adoption of DCS at IRC and noted that the chilled water return temperature on the consumer side was 12.5°C, still lower than the required temperature of 14°C. Audit sample check of 30 daily records of the chilled water return temperature of IRC for the period from

July 2025 to June 2026 revealed that all of them were lower than the required temperature of 14°C (ranging from 7°C to 13°C). Audit considers that IRD needs to take measures to monitor the operations of IRC's air-conditioning system and implement corrective actions where necessary, with a view to ensuring the compliance with the chilled water return temperature requirement under District Cooling Services Supply Conditions.

Need to enhance the maintenance of greenery in IRC

4.24 IRC's building design achieves a greenery coverage of over 30%, incorporating ground-level planting, a podium garden on the 2/F, and green features on the rooftop, link bridge and building facades. IRC's greenery is managed by the contractors of the property management services contracts (see para. 2.2), who are required to, among others:

(a) conduct regular inspections of all vegetation, gardens and flowerbeds to ensure that the plants are growing healthily and in good standard of maintenance, including checks before and after inclement weather such as strong monsoon or heavy rain conditions;

(b) replace designated plants listed in the contracts as necessary or as instructed by IRD with operation completed within seven days of receiving such instruction;

(c) appoint competent arborists or persons to carry out annual tree group inspection and submit the annual tree risk assessment report to IRD; and

(d) hand over the vegetation inventory records to IRD within two weeks upon expiry of the contracts.

4.25 Audit examination of the tree risk assessment reports and vegetation inventory records, and site visit conducted in June 2026 revealed that:

(a) notwithstanding the contractual requirements of annual tree group inspection and submission of the annual tree risk assessment report, only one tree group inspection was performed and one tree risk assessment

report was submitted by Contractor A in January 2025 during the three-year contract period;

(b) the vegetation inventory records were passed to IRD by Contractor A in January 2025, i.e. 10 months before the end of its service period in November 2025, with no further submissions made at the end of its service period. In addition, a large tree located at the communal open space of IRC covered in the abovementioned tree risk assessment report was not included in the vegetation inventory records;

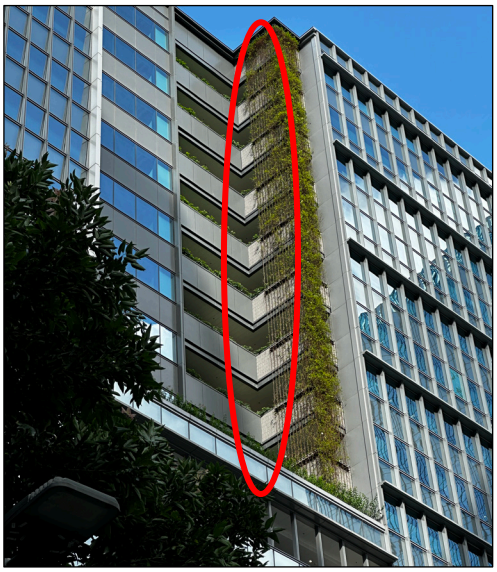
(c) seven trees included in the tree risk assessment report and the vegetation inventory records submitted in January 2025 were not covered in the subsequent tree risk assessment report submitted in March 2026. In September 2026, IRD informed Audit that the vegetation inventory records submitted by Contractor A in January 2025 were used to draft the plant list of the second property management services contract. During the tree group inspection performed in January 2026, it was noted that the seven trees were located outside IRD's allocated area and had been erroneously counted previously. Therefore, these seven trees were excluded from the tree risk assessment report submitted in March 2026; and

(d) Audit conducted a site visit of the greenery in IRC in June 2026 and found that there were low coverage and sparse vegetation growth on parts of the vertical greenery (see Photographs 2(a) and (b)).

Photographs 2(a) and (b)

Deficiencies observed at IRC vertical greenery

(a) Low coverage on vertical greenery, high zone



(b) Sparse vegetation on vertical greenery, G/F



Source: *Photographs taken by Audit staff on 22 June 2026*

4.26 Upon enquiry, in October 2026, IRD informed Audit that:

(a) upon receipt of the full set of tree risk assessment report from ArchSD in December 2024 and after studying if follow-up action was required in the report, Contractor A arranged for the second round of tree risk assessment in January 2025, and the exercise for 2024 was therefore not conducted;

(b) Contractor A was requested by IRD to submit the vegetation inventory records 10 months before the end of the service period (instead of within two weeks upon expiry of the contract as stated in the contract) since IRD required the information specifically to prepare for the next property management services tender exercise, which had to be issued by January 2025; and

(c) while the large tree mentioned in paragraph 4.25(b) was not included in the vegetation inventory records, it remained fully covered under the property management services contract. It has already been added back to the vegetation inventory records since August 2026.

4.27 Audit considers that IRD needs to follow up with the contractors to enhance the maintenance of greenery in IRC, including:

(a) reminding the contractors to perform tree group inspections and submit tree risk assessment reports and vegetation inventory records in accordance with the contract requirements, and ensure the accuracy of the plant records contained therein; and

(b) taking follow-up actions for the deficiencies identified in paragraph 4.25(d).

Room for improvement for operating rainwater harvesting system

4.28 ***Rainwater harvesting system.*** IRC has adopted a rainwater harvesting system for landscape irrigation. The system comprises:

(a) piping from the rooftop area to the basement, which is an integral structural part of the building and under the purview of ArchSD; and

(b) filtration equipment and electric pumps directing the harvested rainwater to the irrigation system, which are operated and maintained by EMSTF. According to EMSTF, the flow-measurement devices of the rainwater harvesting system, including the water meters, are not covered by SLA.

Audit examined the operation of the rainwater harvesting system and identified room for improvement detailed in paragraphs 4.29 to 4.31.

4.29 ***Need to ensure the quality of recycled water attains stipulated standards.*** According to the Technical Specifications on Grey Water Reuse and Rainwater Harvesting promulgated by the Water Supplies Department (Note 23):

(a) the collection systems should channel rainwater to the treatment process promptly to minimise bacterial growth. There should be regular monitoring of recycled water quality, with water sampling and laboratory testing to be conducted on a monthly basis to ensure that the water quality of the recycled water attains the stipulated standards; and

(b) the records to be maintained may include water sampling and testing analyses, volume of rainwater collected, volume of recycled water delivered to end users, and volume of potable water supplied as back-up water, with reason for its use.

However, Audit noted that IRD did not have records regarding the quality of recycled water (such as water sampling and laboratory testing results). As such, Audit could not ascertain the quality of recycled water collected from the rainwater harvesting system.

4.30 ***Need to monitor the performance of rainwater harvesting system.*** According to ArchSD, the design of IRC's rainwater harvesting system includes a rainwater collection tank of 180 cubic metres (equivalent to 180,000 litres) and is expected to save approximately 4.81 million litres of potable water annually, representing 53% of the total 9.15 million litres annual water demand for irrigation. Audit analysis of the flow measurement records from July 2024 to June 2026 revealed that:

(a) the amounts of rainwater delivered by the rainwater harvesting system during the periods from July 2024 to June 2025 and from July 2025 to June 2026 were 2.83 million and 2.69 million litres respectively, representing shortfalls of 1.98 million and 2.12 million litres against the expected amount of 4.81 million litres; and

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Note 23: *According to the Water Supplies Department, the guidelines contained in the Technical Specifications are for reference only. Users may adopt the Technical Specifications at their discretion, alongside recommendations from system suppliers or manufacturers.*

(b) rainwater delivered accounted for 22% of total irrigation water consumption for the period from July 2024 to June 2025 and 26% for the period from July 2025 to June 2026, both lower than the expected level of 53%, with shortfalls of 31 percentage points and 27 percentage points respectively.

4.31 According to ArchSD, the actual performance of rainwater harvesting system is subject to various factors, such as rainfall intensity, rainfall pattern, actual water consumption of the plants/vegetation, pattern of usage by the management, etc., which are uncontrollable and variable, thus the system performance may vary significantly. Audit considers that IRD needs to:

(a) take measures to ensure the quality of recycled water attains stipulated standards, including regular monitoring of recycled water quality, with water sampling and laboratory testing to be conducted on a monthly basis; and

(b) monitor the performance of the rainwater harvesting system and take improvement measures where necessary.

Audit recommendations

4.32 **Audit has *recommended* that the Commissioner of Inland Revenue should:**

(a) **in consultation with ArchSD and EMSD, explore measures to enhance monitoring of the performance of the energy efficient features as far as practicable, with a view to ascertaining their effectiveness in reducing annual energy consumption;**

(b) **take measures to monitor the operations of IRC's air-conditioning system and implement corrective actions where necessary, with a view to ensuring the compliance with the chilled water return temperature requirement under District Cooling Services Supply Conditions;**

(c) **follow up with the contractors to enhance the maintenance of greenery in IRC, including:**

(i) **reminding the contractors to perform tree group inspections and submit tree risk assessment reports and vegetation inventory records in accordance with the contract requirements, and ensure the accuracy of the plant records contained therein; and**

(ii) **taking follow-up actions for the deficiencies identified in paragraph 4.25(d);**

(d) **take measures to ensure that the quality of recycled water attains stipulated standards, including regular monitoring of recycled water quality, with water sampling and laboratory testing to be conducted on a monthly basis; and**

(e) **monitor the performance of the rainwater harvesting system and take improvement measures where necessary.**

Response from the Government

4.33 The Commissioner of Inland Revenue agrees with the audit recommendations. He has said that IRD will, in consultation with ArchSD and EMSD, take steps to address them.

Carpark

4.34 IRC has a carpark with a total of 66 car parking spaces, with 51 car parking spaces provided through a double-decker, puzzle-type Automated Parking System and 15 ground-level car parking spaces, and 3 parking spaces for motorcycles. According to IRD's Car Parking Spaces in Inland Revenue Centre and Allocation Guidelines, the Accommodation Section is responsible for the day-to-day management of the carpark, the Automated Parking System and the usage of car parking spaces.

Need to take measures to enhance monitoring of the utilisation of car parking spaces

4.35 According to IRD, the car parking spaces in IRC are mostly provided for IRD's government vehicles and vehicles of its staff and official visitors (Note 24). The number of car parking spaces available at IRC was originally proposed to be 40. In view of the comments from the Members of the Panel on Financial Affairs of LegCo in November 2017 on increasing the provision of car parking spaces for official visitors, IRD maximised the number of car parking spaces at grade to 66 with the installation of a double-decker parking system. In February 2018, IRD informed PWSC about the provision of car parking spaces that:

(a) of the 66 car parking spaces, 4 would be allocated for IRD's government vehicles, 1 for a postal vehicle, 35 for vehicles of IRD's staff (including staff with disability) and 26 for vehicles of official visitors;

(b) upon completion of IRC, IRD would look into the travel patterns and transport mode preferences of official visitors as well as the usage of car parking spaces concerned, and review the arrangement of the visitor car parking spaces as appropriate; and

(c) regarding the feasibility of providing public parking facilities in IRC outside office hours in the future, IRD would review the operational needs after completion of IRC and the demand for car parking spaces in the district, and work closely with relevant departments (including GPA) to evaluate the matter.

4.36 Audit noted that as of August 2026 (41 months since IRC's official inauguration):

(a) only 7 car parking spaces were reserved for official visitors (i.e. a decrease of 19 compared with the planned allocation in February 2018). However, there were no documentary records available showing the justifications of the adjustment; and

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Note 24: *According to IRD, official visitors refer to visitors attending official functions at IRC including but not limited to conferences, meetings and trainings. Members of the public visiting IRC for IRD's services are not official visitors.*

(b) there were no documentary records available showing that IRD had evaluated the feasibility of providing public parking facilities in IRC outside office hours.

4.37 In response to Audit's enquiry, in September and October 2026, IRD informed Audit that:

(a) since the commissioning of IRC, the number of ground car parking spaces available for general use (after excluding the car parking spaces allocated to government vehicles and disabled staff) was able to fully meet the daily operational requirements for car parking spaces provided to official visitors. In this connection:

(i) IRD had started to formally collect the utilisation statistics with effect from 14 September 2026 for better monitoring of the utilisation of the car parking spaces; and

(ii) according to a review on allocation of car parking spaces completed on 2 October 2026, taking into account the low car parking space demand of official visitors, it was recommended to allocate 7 car parking spaces for official visitors and the allocation would be reviewed on an annual basis; and

(b) according to a review completed on 4 September 2026, after balancing IRD's genuine security concern, the specific operational needs of IRD as well as the availability of alternative car parking spaces in the vicinity of IRC, it was recommended to continue the existing arrangement of restricting IRC carpark for staff and official use only and a review would be conducted every three years.

4.38 Audit considers that IRD needs to sustain its efforts in monitoring the utilisation of car parking spaces, including ensuring that:

(a) the allocation of car parking spaces for official visitors is reviewed on an annual basis; and

(b) the review of the feasibility of providing public parking facilities in IRC outside office hours is carried out according to the stipulated frequency.

Room for improvement in management of EV chargers

4.39 Of the 15 ground-level car parking spaces, 14 are equipped with EV chargers. Audit examined the relevant records and noted that:

(a) ***Need to consider increasing the provision of EV chargers.*** The IRC construction project was required to comply with the requirements in the 2017 version of the "Green Government Buildings" circular, which stipulated that new government buildings should have not less than 30% of the parking spaces, except outdoor parking spaces (with or without shelter), provided with EV charging facilities. According to ArchSD, in compliance with the circular, all the 14 indoor parking spaces have been provided with EV charging facilities, while the remaining parking spaces have EV charging enabling provisions to allow the installation of charging facilities in future if necessary. According to the latest 2023 version of the circular which sets out the best practicable targets to be achieved for green government buildings, for existing government buildings, EV charging facilities should be installed whenever technically feasible. However, Audit noted that as of August 2026, only 14 (21%) of the 66 car parking spaces were equipped with EV chargers for share-use by IRC carpark users (Note 25); and

(b) ***Need to keep in view the marketisation of EV charging services.*** The Government's policy had been updated to marketise EV charging services so as to promote sustainable development in the long run and to avoid abuses. The Environmental Protection Department had completed the marketisation of EV chargers in government carparks in June 2024. A charging fee is collected by the charger operators for use of these public chargers. To be in line with the marketisation policy, users (government

Note 25: *According to IRD's Guideline on Use of EV Charger, upon application, EV users with a valid IRC car parking permit will be assigned two designated charging sessions daily and they are required to vacate the parking spaces once their assigned charging session is over.*

staff or visitors alike) of government-owned EV chargers at non-public vehicle parks of government premises should also pay (Note 26).

4.40 In October 2026, the Environment and Ecology Bureau and the Environmental Protection Department informed Audit that:

(a) IRD might wish to explore the technical feasibility of installing EV chargers at the existing parking spaces in the Automated Parking System and the three parking spaces for motorcycles; and

(b) while implementing the marketisation of EV charging services would entail considerable setup and maintenance costs for the necessary hardware and software, which vary among carparks, as the policy bureau/department for EV matters, they encouraged relevant owners or management departments to proceed with the marketisation of EV charging services within the relevant premises proactively and in a timely manner. They had been providing technical support to departments with a view to facilitating the implementation of EV fee charging service as soon as practicable.

4.41 IRD has been exploring a solution for EV charging fee collection at IRC carpark (Note 27), including installation of associated equipment and formulation of related guidelines for compliance by users. In October 2026, IRD informed Audit that in view of the considerable setup and maintenance costs and given the carpark of IRC was not open to the public, it appeared not an opportune time to implement the marketisation at this stage. Audit considers that IRD needs to consider increasing the provision of EV chargers and keep in view the marketisation of EV charging services in IRC carpark.

Note 26: *In June 2025, the Environment and Ecology Bureau issued a memorandum setting out the guiding principles of EV charging fee arrangement at non-public vehicle parks of government premises for government staff, tenants of government quarters and visitors. According to the Environment and Ecology Bureau, the EV charging fee arrangement at non-public vehicle parks of government premises is not a mandatory directive and there is no deadline for implementation.*

Note 27: *Given the output power of EV charger in IRC carpark was 7 kilowatt per hour, an hourly rate of around $21 would be charged for each EV user.*

Audit recommendations

4.42 **Audit has *recommended* that the Commissioner of Inland Revenue should:**

(a) **sustain IRD's efforts in monitoring the utilisation of car parking spaces, including ensuring that:**

(i) **the allocation of car parking spaces for official visitors is reviewed on an annual basis; and**

(ii) **the review of the feasibility of providing public parking facilities in IRC outside office hours is carried out according to the stipulated frequency;**

(b) **consider increasing the provision of EV chargers in IRC carpark; and**

(c) **keep in view the marketisation of EV charging services in IRC carpark.**

Response from the Government

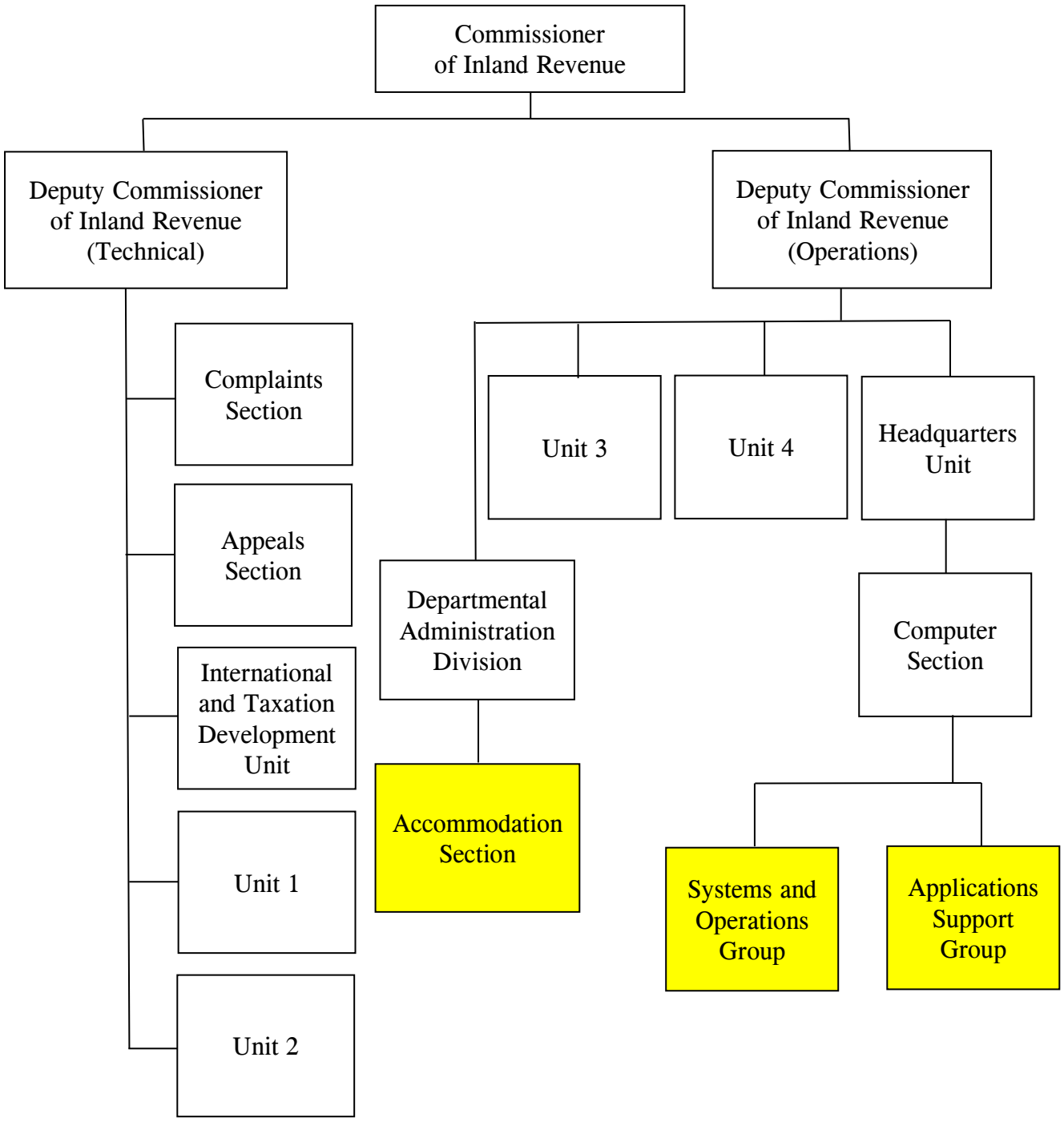
4.43 The Commissioner of Inland Revenue agrees with the audit recommendations. He has said that IRD will:

(a) take steps to ensure the gainful utilisation of its car parking spaces; and

(b) explore the installation of additional EV chargers and the marketisation of EV charging services from time to time.

Appendix A
(para. 1.12 refers)

Inland Revenue Department: Organisation chart (extract) (30 June 2026)



Legend: Section/Groups covered in this Audit Report

Source: *IRD records*

Appendix B
(para. 2.13 refers)

Hourly rates for calculating additional services/deductions specified in property management services contracts

Type of staff	Contract A		Contract B	
	Absence /service reduction ($)	**Additional services ($)**	**Absence /service reduction ($)**	**Additional services ($)**
Property Manager	378		296	80
Assistant Property Manager	243		250	80
Building Management Services Coordinator	173		143	60
Senior Security Guard	90		86	60
Security Guard	83		78	50
Customer Service Guard	86		70	50
Cleaning Supervisor	103		127	60
Cleaner	83		68	50
Labourer	83		93	50
Gardener	83		68	50

Source: IRD records

Acronyms and abbreviations

ArchSD	Architectural Services Department
Audit	Audit Commission
BTP	Business Tax Portal
B/Ds	government bureaux/departments
°C	Degree Celsius
DCS	District Cooling System
DPO	Digital Policy Office
EMSD	Electrical and Mechanical Services Department
EMSTF	Electrical and Mechanical Services Trading Fund
EV	Electric vehicle
FSTB	Financial Services and the Treasury Bureau
GPA	Government Property Agency
IRC	Inland Revenue Centre
IRD	Inland Revenue Department
IT	Information technology
ITP	Individual Tax Portal
LegCo	Legislative Council
m^2	square metres
NTPs	New tax portals
PSC	Project Steering Committee
PVC	Property Vetting Committee
PWSC	Public Works Subcommittee
SLA	Service level agreement
SoA	Schedules of Accommodation