The Audit Commission ("Audit") conducted reviews of the Government's procurement and inventory management of information and communications technology ("ICT") products and services, and the provision of mobile applications ("apps").   Audit selected the Office of the Government Chief Information Officer ("OGCIO"), the Customs and Excise Department ("C&ED"), the Environmental Protection Department ("EPD") and the Highways Department ("HyD") for the former review, and another four departments (i.e. the Water Supplies Department, the Leisure and Cultural Services Department, the Department of Health and the Fire Services Department) for the latter review.

2.      OGCIO is responsible for overseeing the use of ICT in the Government. The ICT inventories held by government bureaux and departments ("B/Ds") are of significant value.   From 2005-2006 to 2014-2015, the Government's ICT expenditure increased by 48.9% from $2,805 million to $4,176 million.   The first government app was launched in 2010 and government apps had been developed at a fast rate since then.   As at 31 August 2015, 127 government apps were launched and the cumulative development cost was some $38 million.

3.      The Committee noted the following findings from the Director of Audit's Report:

- OGCIO launched the e-Procurement Programme, with a total of $80.1 million development and implementation costs up to 31 October 2015, for all B/Ds in December 2013, but only 10 of the some 70 B/Ds had implemented the full function of e-Procurement up to late December 2015;

- instead of consolidating purchases to achieve better economies of scale, C&ED and EPD divided procurement of ICT products at $2.1 million and $4.6 million respectively into two and six separate purchases;

- in order to fulfil the procurement requirements stipulated by OGCIO and the Government Logistics Department (e.g. the quoted values of trade-in items should not be lower than the approved minimum values), HyD paid more for the goods it procured;

- there were large discrepancies between the ICT expenditure published on OGCIO's website and the actual ICT expenditure of C&ED, EPD and HyD;

- only OGCIO had planned and replaced its obsolete computers and related software on a continual basis.  C&ED, EPD and HyD replaced their old computers and software upon receiving reminders from OGCIO and did not have in place a disposal strategy to facilitate disposal of obsolete inventories in a timely and systematic manner;

- up to 30 November 2015, 107 (11%) of the 1 009 selected ICT inventory items in OGCIO, C&ED, HyD and EPD (cost amounted to $450,886) could not be located, 32 (30%) of the 107 missing items were embedded with data storage devices.  Information Technology Management Units of C&ED, EPD and HyD had also failed to properly keep their inventory records, 1 523 (83%) of 1 840 ICT inventory items were not kept by the Information Technology Management Units as per the inventory records;

- HyD was the only department out of the four departments that used a manual inventory control system, while C&ED still largely relied on its manual system for inventory control although it had a computerized inventory system, and there were large discrepancies between C&ED's computerized and manual inventory control system;

- up to 30 September 2015, EPD had made 65 donations involving 3 636 items of ICT products (with a total cost of $10.7 million) to one non-governmental organization, among which 1 366 unserviceable ICT products should have been sold to the Government Logistics Department disposal term contractors in accordance with the Stores and Procurement Regulations;

- only OGCIO and an operational unit of HyD could provide evidence that sample checks of erased storage media had been conducted;

- the mobile device features of some government apps were limited and were virtually duplications of the websites of B/Ds; and

- as at 31 August 2015, 23 of the 31 government apps developed for one-off events had been decommissioned.   The total development cost of the decommissioned apps amounted to some $2.6 million and the number of downloads of some apps for one-off events was on the low side.

4.       The Committee did not hold any public hearing on this subject.   Instead, it asked for written responses regarding the implementation progress and effectiveness of e-Procurement, guidelines to facilitate B/Ds in replacing/upgrading ICT products, procurement practices of ICT products and services, measures to improve the control of ICT inventories and disposal of ICT products, as well as policies for apps development.   The replies from Government Chief Information Officer, Director of Government Logistics, Director of Environmental Protection, Commissioner of Customs and Excise, Director of Highways, Director of Leisure and Cultural Services, Director of Water Supplies, Director of Fire Services and Director of Health are in *Appendices 18* to *26* respectively.

5.       The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.