



By Fax No: 2543 9197 and e-mail
(ahychu@legco.gov.hk,
kmho@legco.gov.hk,
pkwlai@legco.gov.hk)

Your Ref: CB4/PAC/R68
Our Ref. : L/M in HD2-2/A3/4-5/1
Tel. No. : 2761 5009
Fax No. : 2762 1110

Date : 5 June 2017

Messrs. Mr. Anthony CHU
Clerk to the Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong.

Dear Mr. Chu,

Public Accounts Committee
Consideration of Chapter 6 of the Director of Audit's Report No. 68
Management of projects financed by the Lotteries Fund

Thank you for your letter dated 18 May 2017 requesting response / information to facilitate the Public Accounts Committee's consideration of the above chapter. Please find our reply in the attached Annex.

(Ada Y.S. FUNG)
Deputy Director of Housing (Development & Construction)
For Director of Housing

Encl.

c.c.

Director of Social Welfare (fax 28917219)
Director of Architectural Services (fax 28107341)
Secretary for Financial Services and the Treasury (fax 2147 5239)
Director of Audit (fax no. 2583 9063)

香港九龍何文田佛光街33號房屋委員會總部

Housing Authority Headquarters, 33 Fat Kwong Street, Ho Man Tin, Kowloon, Hong Kong.

互聯網網址 :

Internet Homepage Address: <http://www.housingauthority.gov.hk>

Public Accounts Committee
Consideration of Chapter 6 of the Director of Audit's Report No. 68
Management of projects financed by the Lotteries Fund

Question

According to paragraph 5 of Case 6 in paragraph 3.6, more than 23 years after the substantial completion of the works in November 1993, although Project F should be financed by the Capital Works Reserve Fund instead of LF, expenditures of about \$20,000 under Project F having been disbursed from LF had not been reimbursed to LF. Furthermore, the Hong Kong Housing Authority had wrongly charged the cost of Project F to another LF-funded project account. What are the reasons behind this case? What lessons have been learned from this case? What improvement measures will be taken to prevent recurrence of the anomalies?

Reply

Reasons behind

1. The actual total cost of the Project F should be \$0.86M. Of which, \$0.57M had been wrongly charged to another account titled "Fitting-out welfare projects in various housing estates by the term maintenance and main contractors". This happened some years ago, and from our records we cannot ascertain what led to this incorrect charging. However, from our general experience we had known that the paper-based arrangements prevailing then were less able to guard against mistakes (please see paragraph 4 below).

2. The remaining \$0.29M had been correctly charged to Project F account. This sum included \$0.02M for the installation of air-conditioners. This sum had at first been left out. The Housing Authority (HA) advised SWD in 1995 and re-confirmed in 1999 that the cost for Project F was \$0.84M. In 2004, HA clarified with SWD that the final cost should include \$0.02M for air-conditioning works and should therefore be \$0.86M. In 2006, upon SWD's enquiry, HA reconfirmed that the \$0.02M should be part of the final project cost.

3. This matter was revived by SWD in late 2016. Upon receiving subsequent enquiries from SWD, HA revisited the case in early 2017. Having considered the special circumstances of the case, in May 2017, HA settled the \$0.02M with SWD.

Lesson learnt and improvement measures

4. During the period in question, expenditure recording and monitoring was paper-based and was less able to guard against mistakes. HA has therefore been improving the system. Over the years, HA has been improving the systems and procedures making use of prevailing information technology as it became available to minimize human errors.

5. For example, since 2007 HA has enhanced the computer system for payment process by using “Housing Construction Management Enterprise System” (HOMES) [房屋建設管理系統（房建系統）] to record the funding approval and expenditure position of all on-going HA funded and Government funded projects. All relevant payments have to be processed through HOMES and the system maps the respective User Code, Letter of Intent and the Approved Commitment amount for individual projects. This system presents relevant officer with more comprehensive and updated information of projects and their respective funding authority and thereby reduces the risk of wrong charging of expenditures. The system has also built in control against charges that may exceed the expenditure limit, thus prohibits expenditure exceeding the limit.