

Procurement of goods and services by the Immigration Department

The Audit Commission ("Audit") conducted a review to examine the Immigration Department ("ImmD")'s work on the procurement of goods and services with a view to identifying areas for improvement.

2. ImmD is responsible for two main areas of work, namely control of people moving into and out of Hong Kong by land, sea and air; and documentation of local residents. For day-to-day immigration control operations, staff of ImmD administer 16 control points covering air, land and sea travel. As at 30 June 2019, ImmD had an establishment of 8 907 posts. ImmD's operation involves the procurement of information and communications technology ("ICT") systems, vehicles, vessels, and other goods (such as uniform and accoutrement) and services (such as transport and security services). In 2018-2019, ImmD incurred \$874 million under the General Revenue Account and \$340 million under the Capital Works Reserve Fund on the procurement of various goods and services.

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

Procurement of information and communications technology systems

- of eight ICT projects reported as completed projects in the annual reports on major ICT projects submitted to the Finance Committee of the Legislative Council, project expenditure totalling \$209.1 million relating to additional work was charged to seven projects after the reported project completion dates;
- up to June 2019, the subheads of the eight completed projects had not been closed, of which five had not incurred any expenditures for four to nine years;
- although the original scope of the updated Information Systems Strategy ("ISS-2") had not covered the new computer systems of the new control point at Kai Tak Cruise Terminal, ImmD used two project votes under ISS-2 to fund the new computer systems;
- out of 16 contracts awarded from 2014-2015 to 2018-2019, 14 had contract prices lower than pre-tender estimates, including five contracts with contract prices significantly lower than pre-tender estimates by 31% to 60%;

Procurement of goods and services by the Immigration Department

- the actual roll-out date of the Application and Investigation Easy System and Electronic Records Programme¹ was a two-year delay as compared to the target roll-out date of December 2006 due to long tendering process and contract negotiation process, extension of system design and development stage to cope with changes in immigration policy, project complexity in the implementation process and the contractor's substandard performance;
- one non-conforming offer was received for the first tender exercise for Automated Vehicle Clearance System to be installed at Shenzhen Bay Control Point due to over-specification and over-prescription in product requirements and mode of service delivery;

Procurement of other goods and services

- there was a significant over-estimation of pre-tender estimate in a tender exercise for a transport service;
- a high threshold of contract value for counting tenderers' experience was included in a tender exercise for a catering service, which was over-stringent and uncommon in other government tenders involving catering services;
- in 26 (79%) of 33 tender exercises examined by Audit, ImmD did not approach potential tenderers for conducting market research work;
- there was limited competition in 122 (61%) of 200 purchases by quotation examined by Audit as only one or two bids were received;
- ImmD conducted 21 quotation exercises to purchase seven items (with cumulative contract value for each item exceeding \$1.43 million within 24 months); and
- in six quotation exercises conducted in the period from 2016 to 2018, the quotation documents specified the model number of equipment to be supplied by a specific manufacturer and words such as

¹ In May 2004, ImmD obtained funding approval of \$336.8 million for implementing Phase III of ISS-2 which would cover Application and Investigation Easy System to support processing of applications for visas, permits, and travel passes, and registration matters relating to births, deaths, and marriage as well as the Electronic Records Programme to enable transactions in ImmD to be conducted digitally.

Procurement of goods and services by the Immigration Department

"or equivalent" were not included. No justifications for specifying the single product and manufacturer were documented.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding ImmD's practices and procedures for the procurement of ICT, and other goods and services. The replies from **Director of Immigration** are in *Appendix 41*.

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