

Information Paper for the LegCo Panel on Housing
Report of the Investigation Panel on Accountability
(Piling Contract 166/1997 Shatin Area 14B Phase 2)

PURPOSE

This paper reports action taken in response to the findings and recommendations in the report of the Investigation Panel on Accountability (Piling Contract 166/1997 Shatin Area 14B Phase 2).

BACKGROUND

2. Following the discovery of piling defects by the Housing Department at Shatin Area 14B Phase 2 Yuen Chau Kok, the Housing Authority established an Independent Investigation Panel on Accountability (the Panel) on 28 January 2000. The Panel was required to investigate the facts and to make recommendations on responsibilities, action to be taken, and improvements in responsibilities, contract conditions and procedures for managing and supervising piling works.

3. The report was presented to the Housing Authority on 25 May 2000. The Panel presented their findings to the LegCo Panel on Housing on that date, and the full report was also made available to members of the Housing Panel and the public. The Housing Authority instructed the Building Committee of the Authority to consider the report, and to take follow-up action. To date, the Building Committee has considered the report on 7 and 10 June 2000.

DECISIONS ON PARTIES NAMED IN THE REPORT

4. Parties named in the report were given the opportunity to make representations to the Building Committee. A number of decisions have been taken by the Authority. These include –

- (a) Suspension of Zen Pacific Civil Contractors Ltd. from tendering for Housing Authority works.
- (b) In response to a request from Zen Pacific Civil Contractors Ltd., a team has been formed by the Building Committee to consider any further approaches by the company. The Authority has reserved its position on whether to pursue arbitration, litigation and/or the imposition of other sanctions proposed by the Panel.
- (c) The Housing Authority will not permit five key personnel of the former Hui Hon Contractors Ltd. to work on any Housing Authority site or project in future.
- (d) The Housing Authority has barred the Registered Structural Engineer for the project from working on Housing Authority projects, and will lodge complaints with the Building Authority and the Hong Kong Institute of Engineers. (Upon receipt of such complaints, the Buildings Department may consider the possibility of initiating disciplinary proceedings under the Buildings Ordinance.)

5. The Building Committee has initiated action against a number of other parties named in the report.

6. The Works Bureau has suspended Zen Pacific Civil Contractors Ltd from tendering for Government public works contracts. The Works Bureau and related departments have also stepped up supervision across the board to ensure that current public works being undertaken by the contractor and associated companies are up to safety and proposed standards.

7. The Secretary for Housing has established an Investigation Panel that is independent of the Housing Department, to consider whether any disciplinary procedures should be initiated against any Housing Department staff in accordance with the Civil Service Regulations.

PANEL RECOMMENDATIONS

8. The Building Committee has accepted all thirteen recommendations made by the Panel for improving responsibilities, contract conditions and procedures. Eleven will be implemented with immediate effect, subject to fine-tuning of the proposals. These have been incorporated into the Housing Authority Quality Housing – Partnering for Change initiatives. A number of recommendations have already been implemented.

9. The Panel has proposed the consolidation of the Housing Authority and Government's lists of approved contractors and consultants. The Housing Authority uses the Government's lists of consultants for construction services and some lists of contractors. The Housing Authority will be reviewing its listing and tendering practices, and will explore ways of ensuring effective communication and action with Government on listing matters.

10. The Panel has proposed the imposition of criminal sanctions under the Housing Ordinance on persons executing works for the Authority. The Housing Authority will give this proposal further consideration. The Authority has in any case already recommended that Housing Authority buildings be put under the control of the Buildings Ordinance. Discussions are taking place between the relevant Bureaux and Departments to determine how this can be achieved.

HOUSING AUTHORITY INITIATIVES

11. The Housing Authority document Quality Housing – Partnering for Change comprises fifty initiatives aimed at reforms for improving the building quality of Public Housing. The initiatives were developed by the Authority following extensive consultations with the public and the construction industry. The first phase of the initiatives is now well advanced. The initial focus has been on piling and reforms within the
— Housing Department. (Annex A)

12. There has been an extensive overhaul of the responsibilities, supervision, procedures and contract conditions relating to piling works.

A considerable number of changes have already been implemented. These include dedicated and strengthened site teams on all piling sites, including site based professionals with clear lines of accountability as well as improved training and guidance for Housing Department staff and consultants. Increased contract periods and lower levels of liquidated damages have been introduced aimed at reducing pressure on contractors to cut corners. (Annex B)

13. The peak in production coinciding with an economic recession has placed the Housing Department systems and staff under considerable strain, and weaknesses have been exposed. These are being addressed. The review of accountabilities, organizational structure and procedures of the Development and Construction Branch of the Department are well advanced, and implementation is in progress. The Department is working very closely with the ICAC to ensure that ethics and integrity are paramount in the staff culture.

Housing Bureau
June 2000

Quality Housing : Partnering for Change

Implementation Plan Phase I

Providing Quality Products and Services to Customers	
I.1	To provide a 10-year structural guarantee to all Home Ownership Scheme and Private Sector Participation Scheme developments from the date of completion. (Para. 5.14) (Rec 21)
I.2	To establish an intake hot-line so that tenants/owners may report building defect conveniently. (New Rec 41)
I.3	To require contractors to rectify defects after in-take speedily through setting up Customer Service Teams, adjusting the release of retention money by the HD and extending the defect liability period to 2 years. (Para. 5.13) (Rec 20)
I.4	To introduce short-term measures to address the production peak, such as outsourcing final flat inspection to ensure consistency of handover standard. (Para. 8.8) (Rec 40)
Revamping the Piling Process	
I.5	To introduce short-term measures for safeguarding the quality of piling works. (Para. 8.3) (Rec 37)
I.6	To improve the quality of piling works in the long run. (Para. 8.4) (Rec 38)
Reinforcing Site Supervision	
I.7	To reimburse site supervision cost for providing extra staff for enhanced requirements to safeguard the quality of supervision. (New Rec 42)
I.8	To deploy and maintain sufficient and competent supervisory staff by the HD, consultants and contractors on all sites during project implementation. (Para. 5.6) (Rec 17)
I.9	To strengthen on-site supervision by providing resident professionals for piling and large-scale building projects. (Para. 5.6) (Rec 16)
I.10	To streamline handover inspection procedures and define clear acceptance authority during project completion with a view to providing clear and consistent project handover standards to contractors. (Para. 5.11) (Rec 19)
I.11	To provide induction training to inhouse and consultant site staff to reinforce site supervision. (New Rec 43)
Reforming Listing and Tendering Practices	
I.12	To secure competent consultants from the tendering system. (Para. 4.21) (Rec 12)
I.13	To secure competent contractors from the tendering system. (Para. 4.20) (Rec 11)
I.14	To enhance the objectiveness and independence of the disciplinary mechanism. (Para. 4.16) (Rec 10)
I.15	To strengthen the representativeness and coverage of building contractors' performance appraisal system. (Para. 4.13) (Rec 8)
I.16	To put PASS 2000 on trial for evaluating its effectiveness. (New Rec 44)
Establishing a Partnering Culture	
I.17	To reinforce the partnership relationship between the BC and the HD by reviewing BC's structure and operations. (New Rec 46)
I.18	To reinforce stakeholders' commitments in delivering quality housing through drawing up a Quality Partnering Charter and highlighting their participation in each project by publicizing their names in sale brochures and completed developments. (Para. 4.4) (Rec 1)
I.19	To clearly define key stakeholders' roles and responsibilities and to maximize benefits of their contributions and interaction. (Para. 4.6) (Rec 2)
I.20	To strengthen the communication channels with key stakeholders at the strategic level through establishing an annual partnering conference by the HA and regular workshops by the HD's directorate staff. (Para. 4.10) (Rec 4)
I.21	To reinforce the partnering spirit with contractors and consultants during project implementation through setting up partnering meetings and review workshops by the HD's project teams at the commencement, implementation and completion stages of the project respectively. (Para. 4.10) (Rec 5)
I.22	To allow sufficient time for contractors to deliver quality housing by extending the normal construction period of new piling and building works by 1 and 2 months respectively. (Para. 7.10) (Rec 32)
I.23	To revise contractual arrangements for achieving more equitable risk-sharing. (Para. 4.8) (Rec 3)
I.24	To establish 'Site Works Forum' for quick resolution of site problems. (New Rec 45)
Re-engineering Departmental Operations	
I.25	To reform the operations of the HD's Development and Construction Branch. (Para. 7.13) (Rec 34)

Note : The paragraph and recommendation numbering in brackets refer to the corresponding references in the consultative document entitled "Quality Housing – Partnering for Change".

Quality Housing : Partnering for Change

Implementation Plan Phase II

Reinforcing Partnering Culture	
II.1	To resolve disputes speedily during project implementation through the use of adjudication and/or Dispute Resolution Advisers in large-scale building contracts. (Para. 4.11) (Rec 6)
II.2	To tap customer feedback more proactively for continuous improvements. (Para. 4.12) (Rec 7)
II.3	To strengthen the appraisal system for consultants to enhance its objectivity and consistency and to draw up clear guidelines for performance evaluation. (Para. 4.14) (Rec 9)
Enhancing Quality Monitoring Assurance	
II.4	To identify “designated sample flats” to provide realistic acceptance benchmarks for contractors to follow during construction and to produce video tapes/CD ROM for demonstrating desirable building procedures/methods. (Para. 5.3) (Rec 13)
II.5	To draw up a list of milestone check-points for monitoring contractors’ progress and to link up the achievement with performance appraisal and contract payments. (Para. 5.4) (Rec 14)
II.6	To require contractors and consultants to submit Quality Supervision Plans on project management proposals. (Para. 5.5) (Rec 15)
II.7	To explore the introduction of a quality warranty system by contractors. (Para. 5.15) (Rec 22)
Reinforcing Third Party Control	
II.8	To introduce an objective third-party scrutiny on the HA’s buildings by putting them under the control of the Buildings Ordinance. (Para. 5.9) (Rec 18)
Uplifting Professionalism	
II.9	To consider requiring contractors to employ contract workers in core trades by themselves and through their nominated sub-contractors and domestic sub-contractors. (Para. 6.5) (Rec 23)
II.10	To support the implementation of the Construction Workers’ Registration System for enhancing the industry’s professionalism. (Para. 6.6) (Rec 24)
II.11	To liaise with training authorities in providing more site management and public housing-oriented courses and continuous training opportunities for workers. (Para. 6.8) (Rec 25)
II.12	To uplift the professional qualifications for site supervisory staff and to increase the proportion of trade-tested workers from 35% to 60% in 3 years through contract requirements. (Para. 6.10) (Rec 26)
II.13	To strive for better site safety records by implementing the “Pay for Safety Scheme”, stipulating the minimum threshold for safety provision budget in contracts and strengthening site safety requirements in tender assessment. (Rec 27)
II.14	To provide better working environment for workers by upgrading relevant contract specifications. (New Rec 47)
Improving Productivity	
II.15	To promote the wider use of mechanized building process, including system formwork and prefabricated building components. (Para. 7.2) (Rec 28)
II.16	To promote research within the building industry (Para. 7.3) (Rec 29)
II.17	To facilitate the development of an integrated production process. (Para. 7.5) (Rec 30)
II.18	To support the formation of an Organised Specialist Sub-contractors System and the employment of contract workers for tightening up control over sub-contracting. (Para. 7.8) (Rec 31)
II.19	To commission a consultancy study to analyze the causes for the relatively high construction costs for residential developments. (Para. 7.12) (Rec 33)
II.20	To plan for a pilot “Green Estate” for developing the concept of sustainable development. (Para. 7.17) (Rec 35)
II.21	To reduce construction waste and improve the environment. (Para. 7.18) (Rec 36)
II.22	To work with other stakeholders to uphold the industry’s ethical integrity. (Para. 8.5) (Rec 39)
II.23	To enhance the specification system to take on board new trade practices, reduce documentation and allow flexibility by professionals (New Rec 48)
II.24	To explore ‘Design, Build, Operate, Transfer’ (DBOT) Concept. (New Rec 49)
II.25	To establish a systematic mechanism to steer the overall research strategy and oversee the use of HA Research Fund. (New Rec 50)

Note : The paragraph and recommendation numbering in brackets refer to the corresponding references in the consultative document entitled “Quality Housing – Partnering for Change”.

QUALITY HOUSING : PARTNERING FOR CHANGE

Quality Reform for Piling Works Summary of Improvement Measures

PURPOSE

This information note provides a summary on the package of improvement initiatives to reform the piling process of the Housing Authority (the Authority). Broadly covered by Quality Reform Pillar 2 (Revamping the piling process), this package incorporates the recommendations made by the two independent investigation panels on Tin Chung Court and Yuen Chau Kok. The package includes the following eight key initiatives –

- (i) Strengthening the Authority's site inspection;
- (ii) Strengthening risk management;
- (iii) Strengthening HA's acceptance requirements of piling works;
- (iv) Strengthening Contractor's management and supervision;
- (v) Reinforcing independent building control;
- (vi) Strengthening HA's listing of piling and ground investigation contractors;
- (vii) Reviewing the Department's organization structure and management policy; and
- (viii) Strengthening human resource management.

(I) STRENGTHENING THE AUTHORITY'S SITE INSPECTION

(a) Enhanced Site Supervisory Resources

Problem

2. We fully recognize the importance of professional input, site supervisory, and inspectorate workforce in assuring our product quality. Prior to year 2000, our site inspectorate team for piling works was based on a mixed use of building and engineering inspectorate. We need to improve the specialization of our site inspectorate staff in the area of their assigned responsibility to ensure their technical competence is commensurate with the job requirement.

Improvement measures and implementation status

3. We are progressively implementing the following measures –
- (a) We **have** already deployed one resident engineer on every on-going piling project. On new piling projects, we will make the same provision to assure a requisite level of professional involvement on site;
 - (b) We are progressively strengthening supporting resources to reinforce the resident engineer. By August 2000, we will have deployed one Assistant Resident Engineer or Inspector of Works/Assistant Inspector of Works (with relevant working experience) for each block in a piling contract.
 - (c) We are progressively strengthening geotechnical input for large diameter bored piles (LDBP) contracts. As an immediate measure, we **have** deployed geotechnical engineering professionals in inspecting core samples recovered from pre-drilling bore-holes, verifying the quality of rock as logged by ground investigation sub-contractors and taking part in validating bedrock having been reached.

- (d) To improve specialization in piling works, we **are** now deploying only engineering inspectorate grade on our existing and all new piling projects. For this purpose, we have sized up a specialized inspectorate workforce with six Inspectors of Works (IOW), seven Assistant IOWs and 30 Works Supervisors (Civil Engineering), headed by two Senior IOWs.

(b) Training

Problem

4. To ensure that our site inspectorate staff possess the requisite technical knowledge for their job, we need to strengthen the technical training for our site inspectorate staff for piling works.

Improvement measures and implementation status

5. We **have been** providing the following training primarily for our site inspectorate staff on piling –
 - (a) We are providing induction training to reinforce the works knowledge of all newly joined site staff. Piling works is one of the topics covered in the programme.
 - (b) In addition to the on-job training, we **have** scheduled a comprehensive training programme on piled foundations and ground investigation to strengthen the training for our site inspectorate staff.
 - (c) To date, about one-third of the inspectorate staff complement are in the course of this comprehensive training programme with the rest to be progressively trained before end of October 2000.
 - (d) As a long-term measure, we will considering producing self-learning materials to illustrate the supervision procedures for staff involved in piling works.

(c) Site Surveillance

Problem

6. We see a need to upgrade the surveillance level of our piling sites to prevent malpractice committed outside the normal working hours. In addition, it is important to put in place an early warning system on foundation performance of buildings so that remedial actions could be put in hand at an early stage.

Improvement measures and implementation status

7. We **are** taking the following measures to improve site surveillance –
- (a) We are developing a customized closed circuit television (CCTV) surveillance system to continuously monitor site activities^{Note1} on piling projects. We will progressively install the facilities on our piling sites once the development process is completed.
 - (b) In addition, we will increase the frequency of land surveying during piling stage to check setting out and level of piles installed.
 - (c) During superstructure stage, we **have** also strengthened settlement and verticality checking to monitor foundation performance.

(II) STRENGTHENING RISK MANAGEMENT

(a) Widen the use of engineer's design for piling contracts

Problem

8. The recent piling problems however have revealed that where ground conditions are complex, contractors are exposed to a higher degree of technical risks under the design and build approach.

^{Note1} We will absorb the cost of the customized CCTV surveillance system from the respective project vote.

Improvement measures and implementation status

9. We are taking the following measures to rationalize the risk of piling contractors.

- (a) To reduce the risks on both ourselves and contractors, we *have* conducted on every piling site more comprehensive geotechnical investigation having regard to site availability and accessibility. This will help reduce the risk exposure for all piling contracts, “contractor’s design” and engineer’s design” alike.
- (b) We *have* set up a Foundation Advisory Panel (FAP) to examine risk assessment and recommendations by project teams for foundation contracts to arrive at a level of “engineer’s input” required to contain the contractor’s risk to a reasonable level. It will also be a central body to consider major feedback from foundation contracts for continuous improvements. Since its establishment in May 2000, FAP has initially vetted over twenty piling proposals of which it recommended two-thirds of the proposals for “engineer’s design”. In these cases, we will adopt re-measurement as the payment method.
- (c) Where ground risks are considered low, we will allow contractors to submit their design by adopting a “design and build” arrangement to achieve the synergistic combination of design and production. The contractors will be responsible for the design and provide a warranty that the design will meet the specified loading requirement and programme. In these cases, we will adopt lump sum method for payment which is a more technically appropriate payment method for contracts based on “contractor’s design and build”.

(b) Review the basis of liquidated damages (LD) calculation

Problem

10. We need to review the level of LD for piling contracts on an administrative basis to achieve more pragmatic risk sharing with contractors so that they will be less likely to cut corners or proceed hastily at the expense of quality.

Improvement measures and implementation status

11. We **have** taken the following measures to achieve risk sharing with our piling contractors –

- (a) We **have** reduced the rate of piling LD by 50% on an administrative basis.
- (b) Furthermore, we will shortly incorporate contract condition in new piling tenders to provide for extension of time, but not prolongation cost, for delay caused by unanticipated complex ground conditions in the case of piling contracts based on “contractor’s design”.
- (c) On existing piling contracts where it is considered justifiable to exercise compassionate consideration, we will assess the merits of the individual cases for consideration of a waiver of LD on ex-gratia basis.

(III) STRENGTHENING HA’S ACCEPTANCE REQUIREMENTS OF PILING WORKS

(a) To extend the use of sonic tubes

Problem

12. The Yuen Chau Kok Panel brought to light deliberate act committed to block the functioning of the sonic logging for LDBP. We need to prevent the recurrence of the incident on all new and on-going piling contracts.

Improvement measures and implementation status

13. We **have** already increased the number of sonic tubes to cater for 100% interface confirmatory coring on all new and on-going piling contracts. The sonic tubes installed are of a bigger size to allow for the coring operation.

(b) Conduct the final acceptance test by our own testing specialists

Problem

14. Under the current contract specification, piling contractors through their own testing sub-contractor carry out other piling tests such as preliminary and final acceptance tests on driven piles; and pre-drilling and related tests on bored piles. Whilst the Buildings Department (BD) and Independent Commission Against Corruption (ICAC) have no objection to this arrangement, subject to any core-drilling, to be carried out by a registered ground investigation contractor and a declaration being made by it on its connections with the foundation contractor, it is desirable to further increase the objectivity of final acceptance test for piling.

Improvement measures and implementation status

15. With immediate effect, we **have** incorporated specification clauses in new piling tenders to increase objectivity and tighten our control on pile testing. Details are as follows -

- (a) We require piling contractor to employ our listed testing contractors to carry out preliminary tests on driven piles as well as pre-drilling and the interface confirmatory cores of bored piles; these approved testing contractors will be subject to listing rules and sanction;
- (b) We engage HD's own testing contractors to conduct final acceptance tests on driven piles; and further tests for policing the acceptance tests on bored piles; which are the most important acceptance tests, instead of by piling contractor; and
- (c) We extend policing role of our own materials testing laboratory to include non-destructive tests on piles.
- (d) On the other hand, we have no need to change the existing testing arrangement that have proven to be effective. We shall continue to directly employ our own testing firms to conduct tests on structural materials, e.g. concrete, reinforcement etc., and non-destructive pile tests. Our material testing laboratory shall continue to conduct

policing tests on structural materials.

(c) Revise the specification of our piling contracts

Problem

16. We need to re-visit our specification clauses for piling works to ensure that all the provisions therein are consistent and practical.

Improvement measures and implementation status

17. We are progressively taking the following actions to improve on our specifications –

- (a) We **have** already implemented interim measures to strengthen our piling specification in respect of pile cap design control, ground investigation, security of cored samples and construction of the bell-out of LDBP.
- (b) We **have** ensured that preliminary piles must be completed before working piles are driven to founding levels.
- (c) In addition, we **have** put in place a system to ensure that all contract requirements for installation of piles are met before pile caps are cast.

18. With the support of Professor Poulos and Messrs Binnie Black and Veatch, we will complete by August 2000 a review on the use of static formula, methodology of settlement analysis and the design requirement for LDBP. Furthermore, we will concurrently undertake a comprehensive review of our piling specification to ensure that all the provisions are practical and consistent.

(d) Restrict the use of precast prestressed concrete (PPC) piles

Problem

19. We need to review the use of and control mechanism for PPC pile.

Improvement measures and implementation status

20. We **have** already restricted the use of PPC piles except in exceptional circumstances in which case the justification has to be submitted for consideration by the FAP.

(IV) STRENGTHENING CONTRACTOR'S MANAGEMENT AND SUPERVISION

(a) Strengthen piling contractor's site supervisory resources

Problem

21. Over the years, the industry has developed a tendency to over-rely on developer's architects, engineers and their representatives to supervise their works in place of contractor's own site superintendence. Furthermore, the Working Group on "Built Quality" of the BD has recently reviewed the requirements of the qualifications and experience of the contractor's site staff. We need to consider if the Department should prescribe requirement to parallel that required by the BD.

Improvement measures and implementation status

22. We **have** already

- (a) incorporated the submission of Quality Supervision Plan into our piling specifications for new tenders; and
- (b) upgraded our contract requirements on contractor's superintendents with immediate effect to satisfy the requirements of supervision by contractor's "Authorized Signatories", "Construction Engineer" and "Construction Supervisor".

(b) Tighten up control on total or unduly excessive sub-contracting

Problem

23. We need to address the problem of total assignment or unduly excessive sub-contracting.

Improvement measures and implementation status

24. We **have** taken the following measures to preclude total assignment or excessively sub-letting of piling works –

- (a) We have required all serving piling contractors to submit details of the level of sub-contracting and the particulars of their sub-contractors and the work to be performed by each, including plant and personnel deployed on each contract. Based on the information, we trust that contractors will be deterred from assigning the work in its entirety without the prior approval of the Authority or embarking on unacceptable sub-contracting activities.
- (b) To develop a long term control mechanism, we **have** procured professional services to work out measures for tightening up the sub-contracting activities of piling works. Details will be available in July 2000.

(V) REINFORCING INDEPENDENT BUILDING CONTROL

Problem

25. Being buildings upon land vested in the Authority, the Authority's housing projects are exempt from the provisions of the Buildings Ordinance. Against the background of the recent piling problems, we recognize the community's legitimate expectation that there should be an objective third party scrutiny of our work.

Improvement measures and implementation status

26. We *have* made the following progress on this subject –

- (a) We have embarked on an active discussion with the BD and the policy bureaux concerned to explore ways of bringing the Authority's construction works under the regime of the Buildings Ordinance as a long term measure.
- (b) In the interim period, we will establish an enforcement unit within the Department directly under the Director's Office to perform checking to parallel BD's practices.

(VI) STRENGTHENING HA'S LISTING OF PILING AND GROUND INVESTIGATION CONTRACTORS

(a) Listing of piling contractors

Problem

27. The Authority has established its list of approved piling contractors only for LDBP. For driven piles, the Authority adopts the Works Bureau's (WB) list of contractors for land piling group II. We consider that with greater and a compelling need for tightening up control, the arrangement is neither adequate to meet contemporary requirement nor public expectation.

Improvement measures and implementation status

28. We are considering revision of the listing rules and criteria as well as list management. Only contractors with adequate level of qualified staff and self-owned plant will be eligible for admission to the list.

(b) Listing of Ground Investigation (GI) Contractors

Problem

29. At present, the HA does not run its own lists but adopts the WB's list of GI contractors. It is essential that only reliable contractors with qualified staff and self-owned plant are eligible.

Improvement measures and implementation status

30. We will take the following course of actions –

- (a) We have initiated a review of the list management and listing criteria.
- (b) In terms of main GI contracts, we *have* tightened contract specification on staff qualification, supervision level and plant and equipment requirement, supported by a formal performance assessment system.
- (c) We will extend these tightened requirements onto GI sub-contractors engaged by piling or other contractors.

**(VII) REVIEWING THE DEPARTMENT'S ORGANISATION
STRUCTURE AND MANAGEMENT POLICY**

Problem

31. We see a need to design an organization structure that facilitates clear accountability and which gives the accountable parties direct control over resources they must use to discharge their duties. In addition, the existing practice manuals of the Department require simplification in order not to stifle individual's initiative. Furthermore, we need to make our contractors and consultant selection system more effective in optimizing the overall value for money.

Improvement measures and implementation status

32. We **are** now progressively reviewing the manuals for the piling process with focus on end results rather than prescriptive procedures.

33. We are adopting the following approach to strengthen the Department's management policy as regards establishing an organization structure with a clear line of accountability, and procurement policy –

- (a) Both the Tin Chung Court Panel and the Yuen Chau Kok Panel recommended the Department to adopt a project management model. Whilst we agree with the recommendations, the Department **has been** practicing project management independent of the contract administration team. Nevertheless, with organizational reform in prospect, we are examining different project management models with a view to identifying an optimum structure that will give clear line of accountability for long term implementation.
- (b) To ensure the effective procurement of external resources, we will examine the direct engagement of specialist consultants in justifiable cases as opposed to the present engagement under the architect-led consultancy arrangement.
- (c) With respect to the recommendation of the Yuen Chau Kok Panel, we will give a greater credit to quality and performance and continue to explore means to select contractors' and consultants' tenders which will give the best overall value for money;
- (d) With respect to the recommendation of the Tin Chung Court Panel, the Department **is** also conducting checks on the quality and technical aspects of consultancy services on an on-going basis; and
- (e) To ensure effective contract administration, we **have** alerted all contract teams involved in foundation works to ensure that all essential submissions are obtained from the contractors before certifying completion of piling works.

(VIII) STRENGTHENING HUMAN RESOURCE MANAGEMENT

(a) Staff Reporting

Problem

34. We need to ensure that staff appraisals are conducted in a fair and equitable manner on merits of performance and initiative.

Improvement measures and implementation status

35. We will put the primary responsibility on project engineer for writing staff performance reports of site supervisory staff and will consult the grade management and various staff associations to canvass their support. This will improve the objectivity and credibility of our staff appraisal system.

(b) Staff Promotion

Problem

36. We need to ensure that all staff promotions are conducted on the competency and performance based.

Improvement measures and implementation status

37. At all times, we *have* ensured that the Department's promotion exercises are conducted according to the requirements of the Civil Service Regulation. That is, selection of officers is based on character and ability, the qualification prescribed for the promotion rank and experience, and seniority is given due weight only when no candidate stands out as the most suitable officer. We will continue this practice in the Department's future promotion exercise.

(c) Corruption prevention

Problem

38. We need to consider the proposal to rotate staff regularly between sites without prior notice to frustrate attempts to corrupt them. In addition, the

Department's site staff need to properly position their relationship with contractors in order not to give rise to conflict or likely conflict of interest.

Improvement measures and implementation status

39. We are addressing the problem along the following lines –

- (a) In principle, we agree that staff should not stay on a post for an unduly lengthy period of time which would otherwise expose him to potential corruption attempts. We need to identify an optimal staff rotation schedule in order not to blur officers' accountability or weaken contract administration and site management and inspection. We will adopt a pragmatic and flexible approach in consultation with the respective grade management to maintain a right balance between these considerations on piling contracts.
- (b) We acknowledge the importance of staffing integrity training to develop a proper work culture and ethic. For this purpose, we *have* completed a number of training assignments to alert our staff to corruption prone circumstances in collaboration with the Corruption Prevention Department (CPD) of ICAC. Over 95% of our site inspectorate staff involved in piling supervision have undergone the training assignment. We *are* furthering our cooperation with CPD of ICAC on providing training to increase the alertness of our site supervision staff to potential corruption activities.

40. The above said, we need to foster a partnering spirit between contractors, sub-contractors and staff to achieve a win-win situation. To this end, we will organize workshops to assist our staff in positioning their relationship with their contractor counterparts in fulfillment of their tasks. We will also issue behavioral guidelines and briefing on works ethics in consultation with the CPD of ICAC. These topics have been incorporated in the partnering workshops to be conducted on new projects.

EFFECTS ON QUALITY

41. We are proactively implementing the package of initiatives to reform our piling process. The Yuen Chau Kok investigation suggested fraudulent acts having been committed by responsible parties and which was the root cause of the non-complying piling works. By embarking in the package of the initiatives, we will be better positioned to prevent the occurrence of fraudulent acts such as falsification of testing samples or records in the future.

42. These initiatives taken together will considerably improve the piling process, system and procedures of HA's housing projects. By strengthening the HA and contractors' site supervisory resources, we can assure the proper execution of piling works throughout all intermediate stages. We are confident that the subsisting piling problems will be fully addressed in a focussed manner with better accountability from list management, risk assessment, design, specification, supervision to completion stage. All in all, the built quality for piling works will be improved and better assured, and the long established public confidence in our production restored.