

## For information

### **Report on Significant Deviations between Accepted Tender Prices and Estimated Provisions in the Approved Project Estimates (for Capital Works Contracts Awarded in the Third Quarter of 2006)**

The Director of Audit published on 21 April 2004 a report<sup>1</sup> on the value-for-money audit on the Harbour Area Treatment Scheme Stage I project. Among other observations, the Audit took note of significant deviations between the accepted tender prices for some works contracts under this project and those estimated in the Approved Project Estimates (APE). The Public Accounts Committee (PAC) recommended in its June 2004 report that, in order to ensure effective monitoring on the use of funding, works departments should inform the Legislative Council (LegCo) when there is a difference of \$15 million or more between the accepted tender price and the estimated contract sum.

2. The Administration has agreed to submit quarterly reports to LegCo on significant deviations between the accepted tender prices for capital works projects and the estimated contract sums when these “equal/exceed \$15 million or 10% of the original estimated provision in the APE, whichever is the greater”<sup>2</sup>. We submitted the first report covering up to December 2004 to PAC on 4 February 2005 and were directed by the Clerk to the Finance Committee that future reports should be addressed to the Public Works Subcommittee.

3. For the quarter ending September 2006, there were a total of two capital works contracts which satisfy the stipulated criteria. The relevant details of these contracts are set out at **Annex**.

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Environment, Transport and Works Bureau  
27 November 2006

<sup>1</sup> Director of Audit’s Report No. 42, Chapter 3

<sup>2</sup> Paragraph 25 of the Government’s Minute in response to Report No. 42 of the Public Accounts Committee tabled at the LegCo on 20 October 2004

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Department: Architectural Services Department

Project Code  Contract No.	Project Title  Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) - (B) Difference
\$ million (in MOD prices)					
3391RO  ALP306	Tourist District Enhancement Programme - The Peak  Improvement works to the Peak / 20 July 2006	142.600		60.500	21.800
<p>Difference between the accepted tender price and original estimate (shown in brackets) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions for -</p> <p>(a) pavilions and walkway cum skylight system (\$7.4 million);</p> <p>(b) works to gazebos (\$11.3 million); and</p> <p>(c) other works (\$3.1 million).</p>					

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Department: Water Supplies Department

Project Code  Contract No.	Project Title  Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
\$ million (in MOD prices)					
9174WC  15/WSD/05	Replacement and rehabilitation of water mains, stage 1 phase 2  Replacement and rehabilitation of water mains, stage 1 phase 2 – mains on Hong Kong Island / 16 August 2006	1,267.100	251.000	223.120	27.880
<p>Difference between the accepted tender price and original estimate (shown in brackets) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions for -</p> <p>(a) contract preliminaries (\$19.53 million); and</p> <p>(b) laying of water mains (\$8.35 million).</p>					