



財經事務及庫務局

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FINANCIAL SERVICES AND THE
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8 June 2018

Mr Anthony Chu
Clerk to Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Chu,

**Public Accounts Committee
Chapter 8 of Director of Audit's Report No. 70
Sha Tin Section of Route 8**

We refer to your letter of 31 May 2018.

The supplementary information requested under Part V of the follow-up action list is set out at **Enclosure** please.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hsia', written in a cursive style.

(Margaret Hsia)
for Secretary for Financial Services
and the Treasury

Part (V) – For the Financial Services and the Treasury Bureau

(a) with reference to paragraphs 2.31 and 2.32 of the Audit Report, please advise –

(i) the reasons for FSTB spending four months to approve the settlement of the disputes under Contract A.

Financial Services and the Treasury Bureau (FSTB) exercises due diligence and considers every application for proposed settlement of disputes very carefully. The process often involves seeking clarifications and additional information from concerned bureaux and departments. If there is a practical need to decide on an application by a specified deadline, FSTB makes its best endeavor to meet the deadline. In the current case, Highways Department (HyD) sought approval by memo on 21 June 2012 for increasing the amount of payment-into-court related to the disputes on Contract A. On receiving the application, FSTB immediately started a dialogue with HyD even though no deadline was set. FSTB then followed up in writing to formally seek supplementary information from HyD on 6 July 2012. HyD responded to FSTB on 7 August 2012. Shortly after that, HyD requested in writing on 10 August 2012 for FSTB to suspend processing the subject application.

On 24 August 2012, HyD submitted a paper seeking FSTB's approval for the proposed settlement sum after reaching a non-committal consensus with Contractor A. FSTB subsequently sought further information from HyD on 21, 24 and 25 September 2012, to which HyD gave a consolidated reply on 26 September 2012. After HyD responded on 5 October 2012 to further enquiries made by FSTB on 4 October 2012, FSTB approved the proposed settlement sum on 11 October 2012.

- (ii) the basis for FSTB approving the settlement of the disputes under Contract A;**
- (iii) actions that would have been taken if FSTB did not support the settlement or the proposed settlement figure agreed between HyD and Contract[or] A.**

In general, FSTB takes into account the legal advice obtained and satisfies itself that a settlement proposal can best safeguard the overall interest of the Government in terms of cost, programme implication, potential liability, risk exposure, and other public interest considerations before approving any settlement proposal. These are also the bases on which FSTB approved the proposed settlement of the disputes under Contract A.

Had FSTB had reservation over the proposed settlement package agreed between HyD and Contractor A on a non-committal basis, it would have set out its observations and concerns, and invited HyD to review and resubmit its proposal as appropriate for further consideration and approval.

- (b) **for projects which were completed within the original Approved Project Estimates yet substantial amount was paid out by the Administration as claims to contractors for additional/varied works or for any other reasons, whether the Administration would consider setting up a reporting mechanism to the Legislative Council on details of these cases.**

The Development Bureau will coordinate with concerned bureaux and departments in providing a written reply to the PAC separately on this suggestion.