

財經事務及庫務局



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(Email : hhchan@legco.gov.hk)

22 January 2025

Ms Shirley CHAN
Clerk to Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Chan,

Public Accounts Committee
Consideration of Chapter 7 of the Director of Audit's Report No. 83
Tuen Mun - Chek Lap Kok Link

We refer to your letter dated 14 January 2025. Our reply is as follows –

During the implementation of public works projects, unforeseen circumstances may arise within the scope of the project leading to additional costs. These costs are usually covered by project contingency and savings in construction costs. The provision for price adjustment is to cope with fluctuations in labour and materials costs throughout the contract period. This mechanism helps mitigate uncertainties related to construction price, thereby reducing the risk premium in contractors' bids. Only when there is a surplus in the provision for price adjustment provision, and that it is not possible to deploy other resources within the works project, can Controlling Officers use the surplus in the provision for price adjustment to cover such additional costs.

Under the existing mechanism, Controlling Officers can deploy resources to cope with unforeseen circumstances in implementing works projects, subject to the approved project estimates and in compliance with the above conditions. For cost control and monitoring purposes, Controlling Officers must ensure proper use of funds

under their control, having regard to economy, efficiency and effectiveness in the delivery of public service and the use of the public funds. We consider the current arrangement to be reasonable.

The Project Strategy and Governance Office (PSGO) of the Development Bureau (DEVB) has implemented various measures to strengthen cost monitoring of public works projects. PSGO tracks, conducts regular reviews and follow up on the projects at every stage, from their inception, detailed design, funding application to completion. Meanwhile, the Government has also adopted parallel tendering since September 2020, meaning that the Government would conduct tendering exercise for a works project in order to reflect the returned tender price in its funding application to the Legislative Council (LegCo), thereby providing LegCo with a more accurate construction cost estimate which would reduce the risk of cost overrun.

Together with DEVB, we would continue to review and enhance the control and monitoring of costs for public works projects.

Yours sincerely,



(Kimmey HO)
for Secretary for Financial Services
and the Treasury

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