

# Audit Sharing on Implementation of Transitional Housing Projects



Vetting/Audit Team  
Transitional Housing  
Task Force  
29 March 2022

# Rundown

|    | Time        | Session  | Responsible                         |
|----|-------------|--|-------------------------------------|
| 1. | 2:30 – 2:35 | Opening  | Ms Angela Chan                      |
| 2. | 2:35 - 2:45 | Opening Speech   | Mr Stephen Wong<br>PD(2) of TFTH    |
| 3. | 2:45 - 3:20 | Presentation:<br>(1) Procurement of consultancy services and works contractor<br>(2) Invitation and selection of tenants | Mr Patrick Yip<br>SPM(3)B of TFTH   |
| 4. | 3:20 - 3:30 | Question and answer session  | Mr Stephen Wong /<br>Mr Patrick Yip |

# Opening Speech

**Mr Stephen Wong  
Project Director (2)**





## Opening Speech

- 今日好多謝大家參加這個審計分享會
- 2018年6月 – 行政長官宣佈 6項房屋措施，當中包括推展「過渡性房屋」
- 運房局在轄下成立「過渡性房屋專責小組」
- 牽頭協助及促成各項由民間團體主導和推行的短期措施，增加過渡性房供應

## Opening Speech

- 2020年1月 – 政府公布進一步增加過渡性房屋的供應，由10,000 個單位提升至 15,000 個單位
- 立法會於2020年 3月通過撥款成立 資助計劃支援非政府機構推行過渡性房屋項目
- 資助計劃在2020年 6月正式推出

## Opening Speech

- 2021年10月 – 行政長官發表2021年施政報告，建議額外提供5,000個過渡性房屋單位
- 令整體供應在未來幾年會由15,000個單位進一步增至20,000個單位
- 向現有資助計劃額外注資的建議，正按既定機制徵求立法會之批准



## Opening Speech

- 截至2022年2月，資助計劃一共已批出超過30個項目
- 資助計劃的項目推展指引訂明非政府機構在資助計劃下推展項目的程序，當中涉及很多流程和持分者
- 過渡性房屋專責小組除了促成過渡性房屋項目的推行之外，亦要負責監察各個項目落實的情況

## Opening Speech

- 每個過渡性房屋項目，除了受到專責小組負責有關項目之人員的監察之外，專責小組審計組亦會在不同階段根據政策支持協議和撥款協議的要求進行獨立審計
- 過去一年的審核計中，發現了不少有改善空間的情況，值得將這些經驗和大家分享
- 我們會定期就各主要項目推展階段和大家分享，多謝大家



# Audit Sharing on Implementation of Transitional Housing Projects



**Mr Patrick Yip**  
**Senior Project Manager (3)B**

## Audits by Vetting/Audit Team

- Purpose of audits – control measure to ensure requirements of funding agreements are complied with.
- Focus of audits – economy/efficient/effective use of funds; fraud/error/impropriety.
- Also help review adequacy/effectiveness of Funding Scheme.

## Audits by Vetting/Audit Team

- Procurement of consultancy services.
- Procurement of building works contractor.
- Contract administration during construction stage.
- Tenant recruitment and operation.



# (1) Procurement of Consultancy Services

- Quantity Surveyor (QS).
- Lead Architect / Architectural and Associated Consultancy Services (AACS).
  - including all necessary sub-consultants.



## (1.1) Procurement of QS

- Generally in order –
  - Tender return rate (average 74%).
  - Spread of tender prices.
  - Agreement awarded to the highest-ranking tenderer.
- Isolated cases –
  - Low tender return rate (40%).
  - Price envelopes opened before technical assessment.
  - Request for best offers.
  - Consultancy contract not awarded to the lowest tenderer (under single-envelope tender arrangement).

## (1.2) Procurement of Lead Architect

### (a) No. of tender returns –

- Tenderers invited – 5 to 119 nos.
- Tenders returned – 2 to 16 nos. (return rate 13% to 63%).
- Both too few or too many tender returns may be undesirable (competition v manageability).
- Recommendations –
  - Consider conducting Expression-of-Interest (EOI) / Pre-qualification exercises as appropriate.
  - Provide more project details in EOI exercise.
  - Specify tender/contract requirements as clearly as possible.
  - Streamline the documents to be submitted.



## (1.2) Procurement of Lead Architect

(b) Unclear contract requirements in tender documents –

- Wide spread of tender prices, due to different understanding of the requirements.
- Need to clarify/confirm scope of services and essential terms (e.g. payment terms) after tender return.
- Recommendations on contract requirements –
  - Specify clear scope of services.
  - Contain essential contract terms.
  - Try to be concise.
  - Avoid inconsistencies.

## (1.2) Procurement of Lead Architect

(c) Method of comparing time-charge rates not set out –

- In isolated cases, tenderers were required to submit time-charge rates for resident site staff, etc., but the method of comparing the rates had not been set out.
- Recommendations –
  - If time-charge rates are considered necessary, set out the method of comparing the rates in the tender documents e.g. by means of provisional quantities.

## (1.2) Procurement of Lead Architect

(d) Request for best offers from shortlisted tenderers after tender close –

- May lead to a change of tender positions.
- May attract allegation of tender manipulation.
- Recommendations –
  - Prohibit the practice of requesting best offers that may lead to a change in tender positions:
    - Issue tender addendum in case of changes to scope of services, rather than requesting best offers after tender return;
    - If 2 or more projects can be combined, consider adopting a combined tender covering both projects, or alternative-tender approach (e.g. Tender A for Project A, Tender B for Project B, and Tender C for Projects A & B combined).



## (1.2) Procurement of Lead Architect

### (e) Disqualification of tender –

- In a case, pricing inconsistencies were found in two tenders. One of them was disqualified, but not the other, in consideration of the respective clarifications provided by the two tenderers.
- Recommendations –
  - Pay more attention to the clarity of the forms to be returned by tenderers.
  - Set out rules of examination of tenders in tender documents, inclusive of criteria for disqualifying a tender.

## (1.2) Procurement of Lead Architect

### (f) Contract not awarded to highest-ranking tenderer –

- Case 1: contract was awarded to the tenderer of 4<sup>th</sup> highest combined score, in consideration of its MiC experience.
- Case 2: contract was not awarded to the lowest tenderer, in consideration of unsatisfactory performance in other projects.

### • Recommendations –

- As a general rule, award the contract to the highest-ranking tenderer.
- Give higher weighting to those aspects (e.g. MiC experience) to reflect their significance in the marking scheme.
- Do not invite consultant(s) considered unsuitable in the first place; spell out tender evaluation criteria other than price in tender documents.

## (2) Procurement of Main Works Contractor





## (2) Procurement of Main Works Contractor

### (a) Need for retendering –

- In a case, originally there were separate tenders for foundation and superstructure works. It was then noted that the foundation works hinged very much on the design of the superstructure.
- Retendering was required combining the foundation and superstructure works.
- A time loss of four months as a result.
- Recommendations –
  - A lesson to learn.

## (2) Procurement of Main Works Contractor

### (b) Compilation of tenderer list –

- In an isolated case, contractors not being a Registered General Building Contractor (RGBC) were invited for tendering. (Under Building Ordinance, only RGBC may carry out general building works.)
- Recommendations –
  - Referring to the Guidelines for Delivery of Projects Cl. 3.2.6, invite only contractors on DevB's List of Approved Contractors for Public Works unless otherwise approved by THB.
  - Draw up criteria in shortlisting suitable contractors for tendering, e.g. having obtained BD's pre-approval of its MiC, etc.

## (2) Procurement of Main Works Contractor

### (c) No. of tender returns –

- Tenderers invited – 10 to 26 nos.
- Tenders returned – 3 to 10 nos. (return rate 18% to 100%).
- Both too few or too many tender returns may be undesirable (competition v manageability).

### • Recommendations –

- Conduct Expression-of-Interest (EOI) / Pre-qualification exercises as appropriate.
- Provide more project details in EOI exercise.
- Specify tender/contract requirements as clearly as possible.
- Streamline the documents to be submitted.
- Allow sufficient tender period.



## (2) Procurement of Main Works Contractor

### (d) Joint venture (JV) tender submission –

- In a few cases, JV tenders were submitted.
- Dilemma whether or not to admit the JV tenders:
  - Not admit – number of tenders reduced; might be unfair to the JV tenderers who assumed JV admissible;
  - Admit – non-compliance with Competition Ordinance / tender conditions? Might be unfair to tenderers who assumed JV inadmissible and refrained from tendering (due to project size/complexity, etc.).
- Recommendations –
  - If JV tenders considered desirable for a project (in view of project size/complexity, etc.), state this clearly in tender documents to avoid misunderstanding and complaints by tenderers.

## (2) Procurement of Main Works Contractor

(e) Fee proposals opened before technical assessment –

- Occurred in isolated cases.
- Technical assessment might be seen to be influenced by knowledge of tender prices.
- Recommendations –
  - If two-envelope tender arrangement adopted, open the fee proposals only after technical assessment.
  - Spell out such arrangement in tender documents together with the tender evaluation criteria.

## (2) Procurement of Main Works Contractor

(f) Tenderers not passing the technical assessment were shortlisted –

- Occurred in an isolated case, in which the price envelope was opened before technical assessment.
  - Among 6 returned tenders, the 2 lowest tenders were shortlisted. The technical score of both tenders was lower than the passing mark stated in the tender documents.
  - Unfair to tenderers who passed the technical assessment but were not shortlisted.
- Recommendations –
    - Adhere to the tender evaluation criteria stipulated in tender documents to avoid complaints by tenderers.



## (2) Procurement of Main Works Contractor

(g) Request for cost saving proposals in tender submission –

- Occurred in an isolated case.
- Appeared good at first sight, but a no. of issues:
  - changes to Employer's requirements involved;
  - criteria of accepting the proposals;
  - handling of the proposals in tender assessment.
- Recommendations –
  - Think twice about the practice unless associated issues can be addressed.

## (2) Procurement of Main Works Contractor

### (h) Revision of tender prices after close of tender –

- Quite a common practice:
  - in a case, positions of 1<sup>st</sup> and 2<sup>nd</sup> tenders were swapped.
- Different scenarios:
  - request for best offer from highest-ranking tenderer alone (not leading to change of tender position);
  - request for best offers from shortlisted tenderers;
  - request for review of highly priced items/sections;
  - post-tender value engineering (VE) exercise conducted;
  - inclusion of optional items.

## (2) Procurement of Main Works Contractor

### (h) Revision of tender prices after close of tender (cont'd) –

- May lead to change in tender positions.
- May attract allegation of tender manipulation.
- Positive intention to save public money appreciated, but undesirable for transitional housing projects, since accountability, transparency and fairness are important.
- Recommendations –
  - Try to avoid revision of tender prices after close of tender. If unavoidable, take appropriate measures to ensure integrity, accountability and fairness.



## (2) Procurement of Main Works Contractor

### (h) Revision of tender prices after close of tender (cont'd)

- Recommendations –
  - Although requesting best offer from highest-ranking tenderer alone would not lead to a change in tender positions, it should only be done when situation warrants, e.g. insufficient budget and time. Making it a routine may alter the pricing attitudes of transitional housing tenderers.
  - Prohibit the practice of requesting best offers that may lead to a change in tender positions.

## (2) Procurement of Main Works Contractor

(h) Revision of tender prices after close of tender  
(cont'd)

- Recommendations –
  - In case high rates are identified, agree reasonable rates for valuation of post-contract variations as appropriate, rather than revising the tender sum.
  - Conduct VE exercise at pre-tender stage as far as practicable. If VE exercise is considered expedient after tender return, take appropriate measures to ensure accountability and fairness (e.g. VE items should be shortlisted in a non-discriminatory manner as not to favour particular tenderer(s)).

## (2) Procurement of Main Works Contractor

(h) Revision of tender prices after close of tender  
(cont'd)

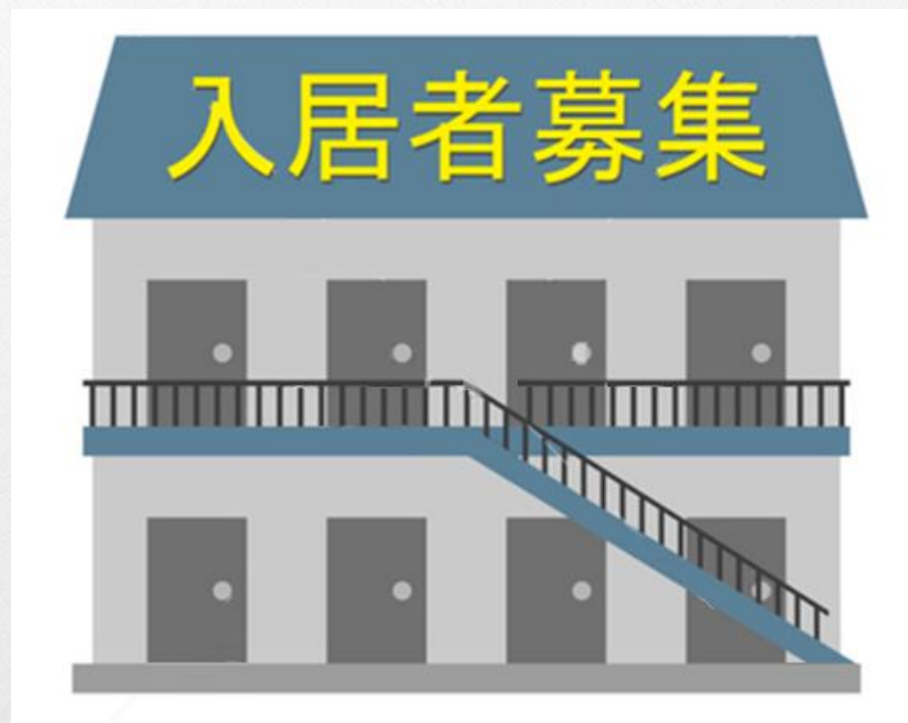
- Recommendations –
  - If it is considered expedient to include optional items in the tender, pre-determined criteria for adopting the optional items should be clearly stated in the tender documents (e.g. availability of funding, no changing of tender positions).



## (3) Avoidance of Conflict of Interest and Collusion among Tenderers

- Guidelines for Delivery of Projects –
  - Cl. 3.3.1 – members of tender assessment panel should confirm they have no conflict of interest.
  - Annex D, Cl. 3 – anti-collusion mechanism should be taken in procuring consultancy services and contractors.
  - Isolated cases of non-compliance noted.
- Recommendations –
  - Take note and comply with the requirements.

## (4) Tenant Recruitment



## (4) Tenant Recruitment

### (a) Eligibility criteria –

- Make reference to the eligibility criteria stated in the Policy Support Agreement / Grant Agreement.
- Sought THB's agreement for any deviation from those criteria.



## (4) Tenant Recruitment

### (b) Selection of tenants and allocation of units –

- Ensure the transparency of the selection and allocation process.
- In particular, there should be a clear eligibility/assessment criteria for those tenants not on Public Rental Housing (PRH) waiting list.

## (4) Tenant Recruitment

### (c) Verification mechanism –

- Set up a verification process/mechanism to deter false submission. (See ICAC's Tips for NGOs below.)

**VERIFICATION OF APPLICANTS' ELIGIBILITY**

**INTEGRITY RISKS**

- ! Ineligible applicants submit false documents with a view to securing a unit

**CONTROL MEASURES**

- ✓ Include in the application form a warning against the submission of false documents / information and the possible consequence (e.g. disqualification of application, termination of lease, criminal offence)
- ✓ Require applicants to produce true copy of supporting documents for verification, where appropriate
- ✓ Obtain the applicants' consent to pass their information for verification of eligibility with third parties (including but not limited to government departments, banks, employers, etc.)
- ✓ Verify the authenticity of the supporting documents with relevant parties and during interviews and / or home visits as necessary

## (4) Tenant Recruitment

### (d) Practicability considerations –

- Take into consideration the resource requirement and practicability of the logistics.
- In particular, the resource implication for handling those applicants not on PRH waiting list should be considered.



# Reference

- <https://www.thb.gov.hk/eng/policy/housing/policy/transitional/scheme/index.html>

The screenshot shows the website of the Transport and Housing Bureau. At the top left is the bureau's logo and name: "Transport and Housing Bureau, The Government of the Hong Kong Special Administrative Region of the People's Republic of China". To the right are links for "繁簡" (Simplified/Traditional), "Text Size", and a search bar. Below this is a navigation menu with items: "About Us", "What's New", "Press Releases and Speeches", "STH Blog", "Policy" (highlighted), "Legislative Council Business", "Highlights", "Boards and Committees", "Publications", "Service Desk", and "Contact Us". A large banner image of a city skyline is below the menu. A breadcrumb trail reads: "Home > Policy > Housing > Transitional Housing > Funding Scheme to Support Transitional Housing Projects by Non-government Organisations". On the left is a purple sidebar menu with "Transport" and "Housing" sections. The main content area has the title "Funding Scheme to Support Transitional Housing Projects by Non-government Organisations" and a list of items: "Application for Funding" (with sub-items "Guide to Application" and "Application Form"), "Delivery of Projects" (with sub-items "Guideline for Delivery of Projects", "Corruption Prevention Tips for NGOs by Corruption Prevention Department, Independent Commission Against Corruption", and "Template of Grant Agreement (English only)"), and "Assessment Committee". A red box highlights the "Delivery of Projects" section and its sub-items.

**Transport and Housing Bureau**  
The Government of the Hong Kong Special Administrative Region  
of the People's Republic of China

繁簡 Text Size

About Us What's New Press Releases and Speeches STH Blog **Policy** Legislative Council Business Highlights Boards and Committees Publications Service Desk Contact Us

Home > Policy > Housing > Transitional Housing > Funding Scheme to Support Transitional Housing Projects by Non-government Organisations

**Transport**  
Policy Objectives  
Policy Initiatives  
Consultation  
Archives

**Housing**  
Policy Objectives  
Policy Initiatives  
Consultation  
**Transitional Housing**  
Tenancy Control of Subdivided Units

## Funding Scheme to Support Transitional Housing Projects by Non-government Organisations

- Application for Funding
  - i. Guide to Application
  - ii. Application Form
- Delivery of Projects
  - i. Guideline for Delivery of Projects
  - ii. Corruption Prevention Tips for NGOs by Corruption Prevention Department, Independent Commission Against Corruption
  - iii. Template of Grant Agreement (English only)
- Assessment Committee

# ICAC's Tips for NGOs



Tips for NGOs  
Selection and Management of  
**WORKS CONSULTANCIES**  
for Transitional Housing Projects

Works consultants play a key role in transitional housing projects in assisting non-governmental organisations (NGOs) in the design work, selection and supervision of contractors, and contract administration. Past ICAC cases revealed that bribery involving consultants would not only result in financial loss to organisations, but also affect works quality and public safety. This pamphlet lists some common corruption risks with the relevant control measures in the selection and management of works consultancies to facilitate NGOs in detecting and deterring corrupt practices in the implementation of transitional housing projects. NGOs may also refer to ICAC's another pamphlet on "Letting and Administration of Works Contracts" to understand the related risks and control measures.

Tips for NGOs  
Letting and Administration of  
**WORKS CONTRACTS**  
for Transitional Housing Projects

Owing to the substantial amount of capital outlay and great complexity of construction works, the selection and management of works contractors are inherently corruption-prone. Corruption cases involving works contractors usually result in substandard works that undermine public safety and confidence. This pamphlet sets out the risks and control measures pertaining to the letting and administration of works contracts, to which non-governmental organisations (NGOs) may make reference in implementing transitional housing projects. NGOs may also refer to ICAC's another pamphlet on "Selection and Management of Works Consultancies" to understand the related risks and control measures.

Tips for NGOs  
**SELECTION OF TENANTS &  
ALLOCATION OF UNITS**  
in Transitional Housing Projects

Given the shortage of affordable homes and long waiting time for the public rental housing, there is a keen competition for a transitional housing unit. Ineligible applicants may resort to illicit means (e.g. fraudulent acts and/or bribery) in order to acquire the tenant qualification, while eligible applicants may be tempted to secure faster allocation and/or allocation of preferred units by devious means. Hence, the selection of tenants and allocation of transitional housing units are corruption-prone. This pamphlet, from a corruption prevention perspective, lists the integrity risks and provides the corresponding control measures pertaining to the selection of tenants and allocation of transitional housing units, to which non-governmental organisations (NGOs) may make reference when operating their transitional housing projects.



# Thanks



**Vetting/Audit Team  
Transitional Housing  
Task Force  
29 March 2022**



# Questions and Answers

