

**Ref : WB(W) 206/32/20**  
**Group : 5**

**10 January 2002**

**Works Bureau Technical Circular No. 4/2002**

**Independent Auditing for Prevention of Sub-standard Works in  
Public Works Construction**

**Background**

The independent auditing system for the prevention of sub-standard works in public works construction has been in place since 1999. The Construction Industry Review Committee has also recommended that independent technical audits should be carried out on a regular basis as work progresses and any malpractices identified should be sanctioned as appropriate to deter foul play in the future. A recent review has also been carried out to discuss common audit findings and the measures to avoid recurrence.

**Scope**

2. This Circular sets out the general principles on conducting the audits for the prevention of sub-standard works in public works construction, the follow-up actions to be taken by works departments in response to the audit findings, and the reporting systems of the audit findings and the follow-up actions by works departments.

**Effective Date**

3. This Circular takes immediate effect.

## **Effective on Existing Circular**

4. This Circular supersedes WBTC No. 20/99 with immediate effect.

## **Principles on Auditing**

5. Works departments should devise their own auditing systems, in accordance with the following principles:

- (a) Audits should be carried out by auditors strictly independent of the concerned projects and site supervisory teams to be audited, and preferably by a dedicated team.
- (b) Auditors should be appointed by Head or Deputy Head of Department, or equivalent, and adequately empowered to conduct the audit.
- (c) Audits should be conducted on surprise/random basis. Priority should be given to strategic projects with significance.
- (d) Audits should cover critical site activities of works contracts including testing of end products rather than documentary checks of records.
- (e) Audits would be conducted in the presence and with the assistance of the concerned project and site supervisory teams.
- (f) Testing, if required, should be carried out by Public Works Central/Regional Laboratories as far as possible (departments should consult and provide Civil Engineering Department for the attention of Chief Geotechnical Engineer/Materials with the testing requirements in advance so as to allow the Laboratory to plan for the necessary resources for the testing).
- (g) Auditors should preferably possess the necessary auditing skills in addition to the general knowledge, experience and expertise relating to the activities to be audited.

6. As works departments operate differently with different nature and value of works, each department should decide on the staffing, frequency and procedures of the audits consistent with the above principles. The testing should normally be funded by the project votes.

### **Reporting of Audit Findings**

7. The audit reports should be submitted to the Head or Deputy Head of Department, or equivalent, with copies to the relevant Division/Unit heads and the Works Bureau. The Head or Deputy Head of Department, or equivalent, should determine the follow-up actions required and ensure their proper implementations.

### **Implementation of Follow-up Actions**

8. Works departments should critically review the audit findings and take follow-up actions with a view to rectifying the non-compliance and avoiding recurrence. If repeated non-compliances are identified, consideration should be given as to whether they are due to specifications that are over-stringent. Should this be the case, appropriate measures should be taken to remedy the shortcoming, e.g. issuing departmental instructions or circulars to suitably relax the over-stringent specifications.

9. For cases where defaulting parties are clearly identified, works departments should seriously consider establishing sanction against the defaulting parties, e.g. reflecting the cases in the contractors' or the consultants' performance reports, or taking appropriate disciplinary actions against the personnel involved, as the case may be. Appropriate sanctions can serve as deterrence to future foul play.

10. When audit findings identify areas for improvement necessitating changes of existing policies, such findings should be brought to the attention of Works Bureau by an officer at D2 level or above. If the areas for improvement are of common interest to other departments, the initiating department should keep other departments informed of the proposed improvements.

### **Reporting of Follow-up Actions to Works Bureau**

11. Works departments should submit reports to the Works Bureau annually on the audits carried out in each calendar year, reaching the Works Bureau before the first working day in March of the following calendar year. The reports should include, inter alia, a brief summary of the audits carried out, common non-compliance identified and also the follow-up actions taken. If the follow-up actions have not yet been completed at the time of reporting, their programme and progress should also be

provided. For cases where defaulting parties are clearly identified, the sanctions taken should also be included in the report. If no sanction has been taken for such cases, works departments should state in the report the reasons why not.

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Subsumed