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Ref. : DEVB(W)400/33/05  
Group : 5

1 October 2018

**Development Bureau**  
**Technical Circular (Works) No. 9/2018**

**Project Surveillance System for Capital Works Projects**

**Scope**

This Circular sets out the policy on the promulgation of the Project Surveillance System (PSS) for Category A projects under the Capital Works Programme (CWP).

**Effective Date**

2. This Circular takes effect on **1 October 2018**.

**Effect on Existing Circulars and Circular Memoranda**

3. This Circular has no effect on existing circulars.

## **Background**

4. In recent years, occasional delay and cost overrun of public works projects have undermined the credibility of Government. There is a rising aspiration from the public on better project management. Early identification of challenges is essential to enhance the performance of public works projects, as well as to managing the overall project cost.

5. The PSS is established based upon the cashflow data of over 600 projects completed in the past 20 years, and has taken into account all the typical characteristics of the projects under the CWP. It is a powerful tool for monitoring project progress and can provide predictive analysis for forecasting the cost and time performance of on-going projects.

6. The PSS is generally applicable to all capital works projects including projects with multiple works contracts, works contracts using NEC, etc.

## **Policy**

7. The objective of the PSS is for facilitating works departments to foresee challenges or potential problems of on-going projects and providing early warning signals to the senior management for necessary early step-in.

8. The PSS shall be adopted for all Category A projects under the CWP implemented by works agents including all the Works Departments<sup>1</sup>, the Environmental Protection Department and the Hospital Authority<sup>2</sup>, except the following -

- (i) projects already substantially completed before the enactment of this Circular;
- (ii) projects with construction duration<sup>3</sup> shorter than 2 years; and
- (iii) projects involving consultancy studies and investigation works only.

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<sup>1</sup> For the avoidance of doubt, Works Departments include Architectural Services Department (ArchSD), Civil Engineering and Development Department (CEDD), Drainage Services Department (DSD), Electrical and Mechanical Services Department (EMSD), Highways Department (HyD) and Water Supplies Department (WSD).

<sup>2</sup> excluding the Head 708 projects

<sup>3</sup> "Construction duration" in this Circular refers to the period from project commencement date to completion date as stated in the Public Works Subcommittee (PWSC) submission.

9. Exemption of projects from PSS may be applied on exceptional grounds<sup>4</sup>. Such applications for exemption shall be made by the relevant Controlling Officer with detailed justifications.

### **Implementation, Management and Maintenance of PSS**

10. The implementation mechanism of the PSS is set out in **Annex I**.

11. The Project Cost Management Office (PCMO) of Development Bureau (DEVB) shall be responsible for managing and maintaining the PSS. The PSS shall be reviewed on a yearly basis.

### **Enquiries**

12. Enquiries on this Circular should be addressed to PCMO of DEVB.

**(C K HON)**  
**Permanent Secretary for Development (Works)**

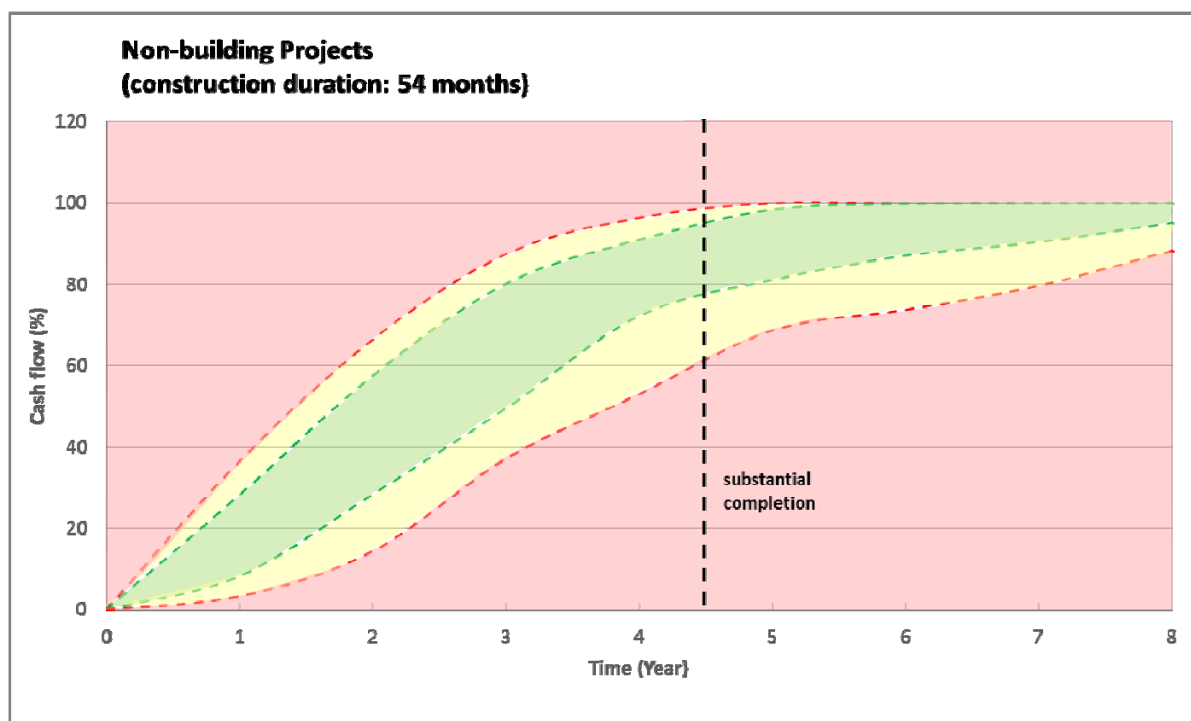
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<sup>4</sup> Examples of exceptional grounds include construction duration longer than 10 years, long operation period included in the project duration, etc.

## Implementation Mechanism of Project Surveillance System

### *The System*

1. The Project Surveillance System (PSS) is a web-based application which can be accessed via the Departmental Portal. A user manual of the system can be downloaded from the web page of the system. A flowchart on its implementation is at **Appendix**.
2. The PSS comprises of a series of standardized project cashflow graphs which were devised based on the past cashflow data of capital works project. The project cashflow graphs are categorized into building and non-building projects with various construction durations.
3. In the project cashflow graphs, 3 colour zones are demarcated by certain levels of project expenditures along the time. A typical project cashflow graph is shown below:



4. Based on the cashflow (i.e. the cashflow at the current month and the forecasted cashflow) of the project under monitoring, there are 3 types of project performance which would trigger different follow-up action:-

- (a) normal performance – project cashflow falling within the green zone
- (b) yellow performance – project cashflow falling within the yellow zone
- (c) red performance – project cashflow falling within the red zone

5. There is no follow-up action for projects with normal performance. The cashflow data of these projects will be recorded in the PSS for future system update and review.

6. For projects with yellow performance, they shall be submitted for review by the Controlling Officers in departmental project management meetings<sup>5</sup>. The risk of cost overrun and programme delay for these projects shall be assessed and appropriate recovery measures shall be formulated, if necessary.

7. For projects with red performance, they shall be handled according to the procedures suggested in paragraph 6 for yellow performance projects. In addition, red performance project shall also be specifically monitored by a top management meeting chaired by the Permanent Secretary for Development (Works) (PSW). The concerned departments shall submit details of these projects for scrutiny and review.

8. Projects having yellow/red performance in the past but with cashflow falling back within green zone can be regarded as projects with normal performance at the latest reporting.

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<sup>5</sup> Departmental project management meetings include PWPMC of CEDD, CAPCOM of DSD, DHy Meeting of HyD, CWPDRM of WSD, etc. or any other meetings designated by the Controlling Officer, if required.

*Tiers of users in PSS*

9. The users in PSS will be divided into 3 tiers:-
- (a) Project Officer – an officer in professional/senior professional ranks, or equivalent ranks, responsible for day-to-day management of the project
  - (b) Project Overseer – an officer in at least D1 rank, responsible for high-level management of the project
  - (c) Departmental Coordinator – a departmental representative designated by the Controlling Officer, who shall normally be an officer at least in senior professional rank or equivalent, responsible to oversee the project progress or expenditure in departmental level
10. The duties of Project Officer, Project Overseer and Departmental Coordinator are detailed in the paragraphs 11 – 23.

*Duties of Project Officer*

11. The Project Officer shall lodge the basic information of projects under their management in the PSS and update the project cashflow in monthly basis.
12. When situations arise that changes in the latest project estimate and/or the project completion date<sup>6</sup> is necessary, the Project Officer can propose in the PSS and input the project cashflow based on the revised project estimate and/or revised project completion date.
13. The Project Officer shall confirm and submit the project cashflow via the PSS, to the Project Overseer for endorsement before the 5<sup>th</sup> working day of each month.
14. For newly commenced projects, the Project Officer shall complete the actions listed in paragraphs 11 – 13, within one month after the project commencement date.

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<sup>6</sup> The project completion date refers to the completion date as stated in the PWSC submission.

*Duties of Project Overseer*

15. The Project Overseer shall vet the project cashflow, as well as any proposed changes in the latest project estimate and/or project completion date, submitted by the Project Officer.

16. If there is a need to revise the submitted project cashflow, the Project Overseer can reject them through the PSS for the Project Officer to revise and re-submit. If the Project Overseer is satisfied with the submissions by the Project Officer after vetting, he shall confirm and submit to the Departmental Coordinator through the PSS.

17. The Project Overseer shall confirm and submit the cashflow of all the projects under his management before the 10<sup>th</sup> working day of each month.

*Duties of Departmental Coordinator*

18. The Departmental Coordinator shall ensure that the cashflow of all the projects under their departmental jurisdiction have been updated and confirmed in the PSS by the Project Overseer before the deadline.

19. The Departmental Coordinator shall submit all projects with yellow or red performance, as well as the projects with proposed changes in latest project estimates and/or project completion date, for review by the concerned Controlling Officer in departmental project management meetings at a quarterly basis.

20. The risk of cost overrun and programme delay for these projects shall be assessed by the Controlling Officer. Appropriate recovery measures shall be formulated, if necessary, and lodged in the PSS.

21. If there is a need to revise the project cashflow in the view of the Controlling Officer, the Departmental Coordinator can reject them through the PSS for revision and re-submission.

22. After review and endorsement by the Controlling Officer, all the project expenditures and changes in latest project estimate and/or project completion date, shall be confirmed in the PSS by the Departmental Coordinator.

23. Projects with red performance shall be specifically monitored by a top management meeting chaired by PSW. Upon request by PCMO, the Departmental Coordinator shall submit further details of these projects for scrutiny and review.

*Reporting Deadline*

24. For smooth running of the PSS, all departments and project offices shall strictly observe the deadlines for submitting, vetting and confirming the project cashflow in the system.



**Flowchart on Implementation of Project Surveillance System**

