

## Integrity and Quality Building Maintenance

### Preventive Measures

Risks	Preventive Measures
<u>Appointing Consultants and Contractors</u>	
Preparation	
<ul style="list-style-type: none"> <li>• Split order/work to circumvent tender requirement</li> <li>• Biased specifications or excessive standards or requirements to favour colluding consultants /contractors</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid/check the reason for repeated orders/work within a short period of time</li> <li>• Seek quotations and tenders according to the value of the contract as laid down in Building Management Ordinance and related Code of Practice</li> <li>• Set up a team of management committee members/owners to conduct the tender exercise. They should be required to declare any conflict of interest during any stage of the tender process</li> <li>• Draw up tender specifications according to the functional need and avoid rigid requirements or fixed brands which will limit choice and competition</li> <li>• Consult relevant government departments and professional bodies and share experience with other OCs which have recently conducted similar exercises</li> </ul>
Invitation	
<ul style="list-style-type: none"> <li>• Tender rigging</li> </ul>	<ul style="list-style-type: none"> <li>• Openly invite tenders and specify the minimum number of tenders to be invited/required</li> <li>• Include an anti-collusion clause in the tender document</li> <li>• Check the job references of consultants/contractors recommended by individual MC members, owners or property management company staff, who should be required to declare whether they have any interest in those being invited to tender. Add to the list other qualified consultants/contractors who are known to have performed well in similar projects</li> <li>• For employment of a contractor, the consultant should be required to provide job records of the recommended tenderers and declare whether he has any interest in those being invited to tender</li> <li>• Allow sufficient time for tender preparation and state clearly the closing date and time for accepting tenders</li> <li>• Display a copy of the tender invitation in a prominent</li> </ul>

Risks	Preventive Measures
	place in the building
Receipt	
<ul style="list-style-type: none"> <li>Leaking of tender information/ tampering with the tenders submitted/accepting late tenders for corrupt motive</li> </ul>	<ul style="list-style-type: none"> <li>Record the tenderers invited to bid</li> <li>Request tenderers to submit tenders in sealed envelopes without identifying themselves on the envelope to prevent leakage of tender information and interception of their tenders</li> <li>Deposit tenders in a strong double-locked box marked "Tender Box" and securely located at a prominent place in the building. The two keys of the tender box are to be kept separately by the chairman, secretary or treasurer</li> <li>Open the tenders after the closing time in the presence of at least 3 management committee members, sign and date each tender and against the quoted price and record the tender received</li> <li>Reject late tenders to prevent manipulation</li> <li>The team should circle and sign against all amendments found on the tenders upon opening</li> <li>Make copies of the tenders received to guard against tampering with the original documents and keep all tenders securely under lock and key before tender evaluation</li> </ul>
Evaluation	
<ul style="list-style-type: none"> <li>Favouring colluding tenderers through tailor-made evaluations to their advantage</li> </ul>	<ul style="list-style-type: none"> <li>Draw up objective evaluation criteria with a marking scheme for both price and quality considerations before inviting tenders</li> <li>Inform tenderers of the evaluation criteria in the tender invitation</li> <li>Document the evaluation results produced by the tendering team (members should be required to declare whether they have any interest in those being evaluated) and the justifications for accepting the tender for the approval of the management committee/owners</li> <li>For the appointment of a contractor, request the consultant to prepare a detailed tender analysis with a recommendation to assist the OC in the selection</li> <li>Ensure the selected tenderer meets the specified tender requirements. If the lowest bid is not recommended, the reasons should be recorded</li> <li>Communicate the tender result to owners and all</li> </ul>

Risks	Preventive Measures
	unsuccessful tenderers
Negotiation	
<ul style="list-style-type: none"> <li>Manipulating negotiation with tenderers especially after tender opening for corrupt motive</li> </ul>	<ul style="list-style-type: none"> <li>Avoid post-tender negotiation unless there are genuine needs. Define and justify the purposes of and the tenderers selected for the negotiation</li> <li>Keep relevant notes of meetings covering the suggestions of the tenderers, results of the negotiation and any other issues warranting attention</li> <li>Arrange the submission of the final offers after the negotiation according to the normal tender receiving procedures</li> </ul>
Contract Terms and Conditions	
<ul style="list-style-type: none"> <li>Unclear/unenforceable terms and conditions leading to supervision and execution problems</li> </ul>	<ul style="list-style-type: none"> <li>Define clearly the roles, rights, obligations and responsibilities of the parties to the contract; and make clear provisions regarding assignment and subcontracting arrangements. Make reference to the sample contract documents published by the professional bodies (e.g. the Hong Kong Institute of Surveyors and the Hong Kong Institute of Architects) if necessary</li> <li>Set clear performance requirements and standards with a system of appraisal</li> <li>Make provisions regarding time management including work commencement, completion and extension</li> <li>Lay down payment terms and the authority to certify payment and approve work variations, which should be kept to the minimum with justifications</li> <li>Keep all tender documents, contracts and receipts for at least six years and make them available for inspection by owners/tenants, their authorized representatives, registered mortgagees, and officers authorized by the Secretary for Home Affairs</li> </ul>
<u>Supervising Maintenance Works</u>	
Monitoring Performance	
<ul style="list-style-type: none"> <li>Lack of standards and system for assessing</li> </ul>	<ul style="list-style-type: none"> <li>Designate a team (preferably with different members from the tendering team) to monitor work progress or</li> </ul>

<b>Risks</b>	<b>Preventive Measures</b>
<p>performance of consultants/contractors</p> <ul style="list-style-type: none"> <li>• Negligence and conniving at substandard work/services</li> </ul>	<p>service performance with regular reporting to the management committee/owners. They should be required to declare any conflict of interest when such a situation arises</p> <ul style="list-style-type: none"> <li>• Where a project consultant is employed, agree with the consultant, before the commencement of the works contract, on a site supervision plan covering the details of the site inspection arrangements including the personnel carrying out the site inspection, the works to be inspected, the frequency of inspections, and tests required</li> <li>• When works are in progress, require the project consultant to report regularly on <ul style="list-style-type: none"> <li>- progress of work;</li> <li>- any non-compliance with specifications;</li> <li>- any expected or actual delay;</li> <li>- remedial actions taken or proposed to rectify any non-compliance or delay; and</li> <li>- any variation orders issued.</li> </ul> </li> <li>• For all hidden works, require the consultant to take photos of the site before and after the completion of the works</li> <li>• Request the contractor/consultant to provide a work programme showing the stages and deliverables of the maintenance works and samples of construction materials approved for use in the project. If practical, display the samples in the public area of the building for the information of OC members and owners/tenants</li> <li>• Make surprise checks in addition to routine inspection to verify the records and reports prepared by the project consultant or the building contractor</li> </ul>
<b>Work Variations</b>	
<ul style="list-style-type: none"> <li>• Ordering of unnecessary work variations</li> </ul>	<ul style="list-style-type: none"> <li>• Include all works items in the contract. If necessary, may make reference to the sample contract documents published by the professional bodies (e.g. the Hong Kong Institute of Surveyors and the Hong Kong Institute of Architects)</li> <li>• Request the consultant to provide a cost estimate and seek the approval of the MC before the issuance of any variation orders to the consultant/contractor</li> <li>• Define financial limits on the maximum amount of variations that the MC is authorized to approve and</li> </ul>

Risks	Preventive Measures
	above which approval from the OC should be sought <ul style="list-style-type: none"> <li>• Make known to owners by a notice posted in a prominent place in the building any work variations and the costs involved</li> </ul>
<b>Acceptance of Work/Services</b>	
<ul style="list-style-type: none"> <li>• Accepting incomplete/inferior work/services for corrupt motive</li> </ul>	<ul style="list-style-type: none"> <li>• Inspect and assess work/services according to agreed standards and contract terms and conditions</li> <li>• Keep proper records, including photos, to show works that are hidden from view upon completion, work progress and completion. Request the responsible persons to certify the work acceptance records</li> <li>• Request the consultant and/or the contractor to jointly conduct an inspection of the completed works and compile a list of items for rectification to be given to the contractor for follow-up action</li> <li>• Obtain user feedback on the consultant's/contractor's performance and report findings/results to the management committee/owners</li> <li>• For a project carried out under a statutory order/direction, request the consultant and/or the contractor to inform the department concerned upon completion of the relevant works and obtain a compliance letter from the department</li> </ul>
<b>Payment</b>	
<ul style="list-style-type: none"> <li>• False claims/payments for incomplete/ unnecessary work/services</li> <li>• Speeding up or delaying payments for corrupt motive</li> </ul>	<ul style="list-style-type: none"> <li>• Segregate the duty/authority for certifying and approving the work done/services provided from that for processing payments to prevent collusion</li> <li>• Set the processing time for certification and payment upon receipt of the necessary documents</li> <li>• Require the project consultant, if employed, to submit regular reports on financial statements of the project account to the MC for monitoring</li> <li>• Make payments according to work progress and contract terms, supported by proper documents/records, and obtain proper authorization for variations</li> <li>• Post the financial statements in a prominent place in the building for owner monitoring and information</li> <li>• For interim payments to contractors, request the consultant to assess the cost of works satisfactorily completed and issue an interim payment certificate</li> <li>• With the completion of all rectification works, release</li> </ul>

<b>Risks</b>	<b>Preventive Measures</b>
	<p>the retention money only after the project consultant has issued a Final Certificate</p> <ul style="list-style-type: none"> <li>• Cheques for payment to be signed jointly by the treasurer and at least two designated MC members</li> <li>• File all payment vouchers and supporting documents for future reference and audit purposes. For large and complicated maintenance projects, employ a consultant Quantity Surveyor to assess contract payments and exercise cost control</li> </ul>
<b>Defects Liability Period (DLP)</b>	
<ul style="list-style-type: none"> <li>• Deferring the follow-up to any defects observed</li> <li>• Speeding up the release of the retention money for corrupt motive</li> </ul>	<ul style="list-style-type: none"> <li>• DLP commences from the date of Practical Completion to the date specified in the works contract, lasting from 3 months to 1 year normally. Check the works completed and refer any defects observed to the contractor for repair through the consultant before the expiry of the DLP</li> <li>• Invite owners and residents to report any defects before the end of the DLP</li> </ul>