

S. C. W. P.

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# \$millions eaten up by 'ineffective' food buys

The Government is losing several million dollars a year through ineffective food purchases for hospitals, prisons and social welfare institutions.

This was revealed yesterday by the Director of Audit, Mr G.E. Lyth, who also noted that official records at some hospitals were improperly signed by staff to the effect that all items invoiced had been received, even though this was not the case.

Further, unofficial records were maintained in an endeavour to keep track of the

outstanding items. "Although this malpractice was reported to the Medical and Health Department I understand that it has not yet been stopped.

"But that is to be considered during a study of proposals relating to the dietary needs of patients which the Director of Medical and Health Services hopes to complete early this year," he said.

In his report on the Government's accounts for the year ended March 31 last year, Mr Lyth said about \$30

million a year was spent by the Government in the purchase of foodstuff for hospitals, prisons and social welfare institutions.

The contracts for the supplies were to be awarded after competitive tender, but Mr Lyth said:

"Since 1959 these contracts have been held by only one firm, and it appeared to me that the tendering system may have been rendered largely ineffective by a lack of adequate competition.

"It also seemed open to doubt whether the basis of

tendering was so designed as to secure the optimum benefit in the use of public funds," he said.

Explaining the poor response to the Government's invitations to tender for the contracts, Mr Lyth said that for 12 of the past 18 years surveyed by his department, no more than two tenders were received for the hospital food contract.

Even if more tenders could be attracted it seems probable that under the existing system the present contractor's entrenched position will still es-

cape serious challenge, for there is a clear reluctance by departmental officers to risk a change of contractor.

And this is to some extent understandable, because long familiarity with the contract must inevitably assist the incumbent in the efficiency of its execution, which if not matched by an alternate supplier may result in adverse consequences leading to the disruption of food supplies, he said.

Mr Lyth added that these considerations were in evidence in the award of a con-

tract for the period July 1977 to June 30 last year.

Departmental officers then argued strongly in favour of retaining the existing contractor, despite the receipt of a lower offer from another firm for a substantial portion of the contract, which could have resulted in a saving of more than \$2 million, he said.

Mr Lyth said the Director of Government Supplies has confirmed his views that there is more room for substantial savings in connection with the supply of foodstuff.

The latter said he has so

far been unsuccessful in devising a suitable system which will enable those savings to be produced, while guaranteeing an acceptable standard of provisions from a reliable source of supply.

The supplies director has also suggested the appointment of a specialist with the necessary qualifications and experience to improve the management of catering throughout the public service.

The recently-constituted Public Accounts Committee,

(Cont'd on Page 7, Col 6)

A.C.M.P.

11 Jan - 1979

# Millions lost on food purchases

(Cont'd from Page 1)

in its first reply, yesterday supported Mr Lyth's findings saying that the present system is unsatisfactory.

"We recommend strongly that modifications to tenders should not be permitted and that further consideration be given to the terms of future contracts to encourage more competitive tendering," it said.

As well as welcoming the appointment of a specialist, the committee said it has held discussions with the Deputy Financial Secretary on the function and procedures of the Central Tender Board.

The committee noted that the board can only operate satisfactorily to the extent that it is given the proper information and recommendations.

"As regards the food contracts in particular, it appeared to us that the board had not been properly advised."

In another development Mr Lyth reported weak procedural areas in the \$13.8 million subvented Alice Ho Miu Ling Nethersole Hospital.

The audit director said that while there is a satisfactory level of administration at the hospital, there is scope for improvement in areas where weaknesses in procedure have led to less than full value

being obtained for the expenditure of public money.

"A certain lack of control in the leasing of quarters, for example, had resulted in fruitless expenditure totalling some \$34,000, including the payment of rent on a flat which was allowed to stand vacant for eight months from the date from which the renewal of the lease had become effective," he said.

Mr Lyth said the hospital has the highest bed-staff ratios of any Government-financed hospital in Hongkong, having more staff per bed than the Queen Mary Hospital and only slightly fewer than the Queen Elizabeth Hospital.

The Nethersole Hospital, he said, contends that a more accurate measure of staff requirements is the number of patients treated, rather than the number of beds.

Even by this criterion, however, calculation has shown that the hospital treated only 47 in-patients per nurse in 1976, compared to 71 and 88 at the Queen Mary and Queen Elizabeth Hospitals respectively, he said.

"I have invited the attention of the Director of Medical and Health Services to certain discrepancies in the 1976 Finance Branch inspection report, which may have resulted in the approved nursing establishment of 316 for

the Nethersole Hospital being excessive and I have suggested that a re-examination of that establishment might now be appropriate," he said.

The Public Accounts Committee said the Medical and Health Director has agreed that the staff ratios at the hospital are large, but said this is due to a large extent to the particular nature of the hospital.

He said the over-staffing could have arisen because his department does not have the same control over subvented hospitals as it does over Government hospitals in this regard.

To achieve a better level of control, the committee said the director has recently established a Subvented Organisations Inspection Team, which will carry out inspections of the hospitals, and he said that the team will shortly visit the Nethersole Hospital.

The director added that general bed-staff ratios are not always applicable, but he will see what can be done in this respect.

Both these measures have been welcomed by the committee.