

\$1.3m slip-up in dental spending

A SERIES of lapses in government control and undue haste in procurements have been blamed for anomalies totalling \$1.32 million in dental equipment at two facilities.

The Public Accounts Committee (PAC) was told yesterday that the errors occurred at the Prince Philip Dental Hospital and the Hongkong Polytechnic.

It was established that:

- There were no clear lines of authority, terms of reference and accountability in the contract's management.

One glaring error was that while the Director of Medical and Health Services was the controlling officer for hospital equipment management, the former secretary of the University and Polytechnic Grants Committee (UPGC) was acting as chairman of the government-appointed ad hoc vetting committee which scrutinised the selection and ordering of the equipment.

- The Director of the MHS, Dr K.I. Thong, admitted that he had

taken a "passive role" in controlling expenditure on the equipment, because of the special circumstances surrounding the building of the dental school.

- The government-appointed ad hoc vetting committee relied entirely on the advice of three overseas experts in choosing the supplier for the \$18-million purchase of dental equipment for the Prince Philip hospital.

- Because of fears that the supplier would "default on the contract," the vetting committee decided to revise the contract terms to provide for a 30 per cent down-payment, plus 65 per cent paid upon shipment, leaving only five per cent as retention money.

- The same supplier was recommended by the UPGC to supply the Hongkong Polytechnic with \$3.9 million worth of dental equipment needed to train dental technicians.

But equipment valued at \$132,000 was not delivered and \$195,000 in UK Value-Added Tax was not recovered from the contractor.

- Despite the haste in approving the tender and purchasing the equipment for both institutions, the delivered goods had to be stored for one year at Victoria Barracks because of a delay in the hospital's completion.

In both cases, the PAC refused to pinpoint responsibility, as it concluded that the officers and institutions concerned were "victims of circumstance"

brought on by the fact that the showcase dental hospital needed to be built inside a limited period.

At the time it was felt that the equipment should be bought in time for the start of clinical training in September 1981.

An absence of "criminal intent" to defraud the government was also stressed by the controlling officers interviewed.

But the PAC said the two cases should serve as "lessons to the government" when extreme pressures to deliver resulted in unfulfilled contracts.

An earlier audit probe by the auditor, Mr Norman Stalker, had revealed that 23 per cent of the equipment supplied to the hospital was faulty, with the government having to fork out another \$1 million to repair it.

This was apart from other "unquantifiable costs" in administrative, legal and other professional fees.

Another audit revealed that \$327,000 had been lost by the Hongkong Polytechnic in its \$3.9-million equipment contract with the same British supplier.

The polytechnic had unsuccessfully tried to recover the money since the anomaly was discovered in December 1978.

All of the equipment in question was supplied by Parkinson-Bishop.

Six controlling officers were subjected to 55 minutes of intense questioning by the seven-member PAC, chaired by a nominated member of the Legislative Council, Mr Chen Shou-lum.

Yesterday's probe did not deal with how the \$1.37-million anomaly came about, but touched on "fundamental issues" concerning government procedure.

Before the questioning started, Dr Thong told committee members that the inquiry should be taken in the light of two "major factors" surrounding the building of the Prince Philip hospital in 1978.

These factors were:

- That there was no local experience or expertise available for teaching purposes or equipment supply when this "very special dental hospital" was conceived.

- That the understanding was that the government intended to complete the hospital within four years.

Chen then asked how the vetting committee had approved the tender purely on the recommendation of the overseas experts when the company, in the words of the auditor, was "small and was relatively unknown in the dental trade."

He also wanted to know why the terms of the contract were changed from the original conditions, which provided for 20 per cent to be left as retention money as some sort of guarantee

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against non-delivery.

The current secretary of the UPGC, Mr Tony Frost, told the committee that the auditor's description of the supplier "was a matter of opinion."

He said the company was known in the dental trade and was familiar to the people advising the committee.

The controlling officers agreed that they had taken the recommendation of the experts and had not delved too deeply into the company's background, experience and financial condition.

When it became known that the company was in dire financial straits, they decided to change the contract terms

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"to assist the company in meeting its bills."

Hongkong University's finance officer, Mr K.C. Lange, said the change in contract terms had achieved what they wanted — delivery of the goods.

"This gave us a great headache. There was a possibility of default."

Ironically, when the equipment was delivered, it had to be stored at Victoria Barracks because the hospital had not been completed.

They also admitted that they did not use any standard procedures for choosing the supplier. The usual government procedure for procuring through the Government Supplies Department was dispensed with in the case of the dental hospital, with use being made instead of the "simpler and quicker" tender procedures of HKU.

The Deputy Financial Secretary, Mr Selwyn Alleyne, said he had initially opposed the change of procedure, but was later "persuaded by the arguments advanced in the ad hoc committee to withdraw the proposal."

PAC's Mr Bill Brown insisted that the Director of Government Supplies could have been involved, but Frost said there would have been a delay in getting the equipment by the time the building was due to be

finished.

He stressed that the government supplies director also might not have diagnosed the supplier's weakness.

"I don't think it (the equipment irregularity) could have been avoided."

Another PAC member, Stephen Cheong, asked why no specifications for the equipment could be drawn up. Frost said he could not answer that question.

The HKU's Lange said it would have taken longer to determine the specifications before the contract was drawn up.

"Everything happened very fast indeed. The supplier was in town, ready to go and we started ordering."

The committee asked Dr Thong why he had taken a "passive role" in the whole affair.

Thong replied: "Under very special circumstances with special procedures having been established, it would be quite inappropriate for me to insist. It is a corporate decision. We accept the responsibility."

Chen said it would have been more appropriate if the ad hoc chairman had also been the controlling officer.

Thong said that that was the original intention but since government funds were to be moved through a government department, "my

department happened to be a convenient one."

He added that he was satisfied his department had done its best.

Frost said the UPGC did not see any grounds for disciplinary action against any departmental staff.

"The execution was made in committee. But I don't think there was any criminal intent."

In the Hongkong Polytechnic case, the dental equipment was all delivered by October 1978, after a delay of a month.

But it was not until December, when the polytechnic conducted a physical check on the delivery, and discovered that some of the goods were missing.

Mr Dickson, the finance officer, said this was because the crates had had to be stored prior to the completion of the hospital.

He said the hospital had approached the company over the shortfall, but without success.

But he pointed out that 97 per cent of the contracted supplies had been delivered in "quick time and in good order."

It had been "critical" at that time to have one supplier for both the polytechnic and hospital for uniformity of training.

Dickson admitted that the hospital had not informed the UPGC about the problems with the equipment, which could have prevented the later problems experienced by the hospital.

Chen noted that in both cases, the dental equipment had to be stored after its purchase because the hospital was not finished.

"In both cases, the great haste in procuring the dental equipment was not justifiable. A pity things went that way," he said.