

Drainage Services Department
Technical Circular No. 11/2006

Financial Control of Consultancy Agreements

Background

The Stores & Procurement Regulations (SPR) stipulates strict financial limits and other conditions under which departments may authorize variations to a consultancy contract. To ensure that expenditure on each consultancy agreement would not inadvertently exceed the authority delegated to the department, it is considered necessary to set up a system within the department to monitor the financial position of consultancies.

Scope

2. This Circular sets out the departmental system for monitoring the financial position of consultancies under the purview of EACSB/AACSB/CCSB and provides guidelines on the management of these consultancies to avoid possible over-commitment of the approved financial limits as a result of additional services instructed.

Effective Date

3. This Circular takes immediate effect.

Effect on Existing Circulars

4. This Circular supersedes DSD Technical Circular No. 3/2000, which is hereby cancelled.

Variation to Consultancy Contract

5. Project staff managing consultancies should be aware that, for the purpose of financial control, any services which may attract additional fees under a lump-sum agreement would be regarded as a variation to the contract. Such services may include additional work not specified in the Brief (but within the scope of the consultancy), or extension of duties which are already specified in the Brief and for which the consultant is entitled to additional fees under the Conditions of Employment.

6. Before instructing the consultant to carry out any work which may be viewed as additional services under the consultancy agreement, the responsible project staff should always examine the relevant agreement to determine if additional fees are payable. Unless the case is very clear, it is a good practice to seek the consultant's view and preferably their agreement on whether the required services would be subject to additional fees or not. Instructions to proceed with the work should not be given until the necessary financial authority has been obtained to cover the estimated additional fees in compliance with the conditions stipulated in Appendix V (B) of SPR.

Financial Monitoring and Control

7. Monitoring the financial position of consultancy agreements shall be established centrally via the departmental Consultants Review Committee. To facilitate the establishment of a database covering the financial data of consultancy agreements, Division Heads managing consultancies are required to submit every 3 months a financial statement on each consultancy agreement under their control to Technical Secretary 1 in the format as shown in **Appendix A**.

8. The updated financial statement described in para. 7 shall normally be submitted together with the reports on consultants' performance. In addition,

13
it shall also be submitted as an appendix to the memo requesting approval from the Director's Representative for additional work under the consultancy agreements.

Procedures

9. Staff responsible for managing consultancy agreements should familiarize themselves with the prevailing SPR and the EACSB Handbook, particularly on the financial limits and the relevant procedures to seek approval for work exceeding those limits.

10. All submissions to EACSB seeking approval for additional work shall be routed through the Deputy Director.



(C K WONG)
Director of Drainage Services

Financial Situation on Consultancy Agreement No. _____ (as at _____)

PWP Item No. / Cat D Item No. :
 APE :

Title of Consultancy Agreement : _____

(a) Approved Lump Sum Fee
 Approved Lump Sum Fee = _____
 Date of Approval = _____

(b) Approved fee ceiling for additional Services

	<u>Date</u>	<u>Amount (\$)</u>
(i) Original "fee ceiling for additional Services" approved by EACSB		
(ii) Department's delegated authority for variations (20% increase of Lump Sum Fee or \$1.3M, whichever is the greater - SPR Clause 520)		
(iii) Increased "fee ceiling for additional Service" approved by EACSB		
<u>Current maximum ceiling for additional Services [(i) + (ii) + (iii) = C1]</u>	:	_____

(c) Approved additional Services and the sum paid

<u>Approved additional Services</u>	<u>Approval Date</u>	<u>Approved Ceiling (\$)</u>	<u>Sum Paid (\$)</u>	<u>Outstanding Payment (\$)</u>
Total approved ceiling value of additional Services already instructed [=C2] :				

Fee ceiling remaining for additional Services [= C1 - C2] :				

(d) Additional Services pending approval

<u>Description of additional Service</u>	<u>Estimated Amount (\$)</u>
Total	:

Level/rank of officer authorised to approve under Section BII in SPR Appendix V(B) :
D1 / D2 / D3 / Controlling Officer (delete where inappropriate)

(e) Potential additional Services being discussed with Consultants

<u>Description of potential additional Service</u>	<u>Estimated Amount (\$)</u>
Total	:

(f) Claims for additional payments by Consultants

<u>Description of claims</u>	<u>Estimated Ammount (\$)</u>
Total	: _____

(g) Reimbursable Items (Out-of-pocket expenses)

<u>Description of items</u>	<u>Approved Ceiling (\$)</u>	<u>Sum paid (\$)</u>	<u>Outstanding Payment (\$)</u>
Total :	_____		

Total of all reimbursable items already approved : _____

(h) Other payments

<u>Description of items</u>	<u>Approved Ceiling (\$)</u>	<u>Sum paid (\$)</u>	<u>Outstanding Payment (\$)</u>
Total :	_____		

Sum of other payments already approved : _____

(i) Summary

Lump Sum Fee	:	
Total approved additional Services	:	
Total approved reimbursable items	:	
Sum of other payments	:	
Grand Total	:	
 APE	 :	

(j) Commitment Against Provisions for Each Stage of the Consultancy Agreement

(a) Feasibility Study

<u>Breakdown</u>	<u>Commitment</u>	<u>Up-to-date Payment</u>	<u>PWP Item No.</u>	<u>Sum Allowed in APE</u>
Consultancy fee				
Additional Services (approved + anticipated)				
Out-of-pocket expenses				
Other payments				

(b) Preliminary Report (Investigation) Stage

<u>Breakdown</u>	<u>Commitment</u>	<u>Up-to-date Payment</u>	<u>PWP Item No.</u>	<u>Sum Allowed in APE</u>
Consultancy fee				
Additional Services (approved + anticipated)				
Out-of-pocket expenses				
Other payments				

(c) Design and Contract Stage

<u>Breakdown</u>	<u>Commitment</u>	<u>Up-to-date Payment</u>	<u>PWP Item No.</u>	<u>Sum Allowed in APE</u>
Consultancy fee				
Additional Services (approved + anticipated)				
Out-of-pocket expenses				
Other payments				

(d) Contract and Completion Stage

<u>Breakdown</u>	<u>Commitment</u>	<u>Up-to-date Payment</u>	<u>PWP Item No.</u>	<u>Sum Allowed in APE</u>
Consultancy fee				
Additional Services (approved + anticipated)				
Out-of-pocket expenses				
RSS expenses				
Other payments				

Prepared by : _____

Name :
Post : Project Engineer

Checked by : _____

Name :
Post : Senior Engineer