



Civil Engineering and Development Department Technical Circular No. 26/2004

Contingency Plan and Risk Assessment

Introduction

This circular promulgates guidelines on preparation and documentation of contingency plans and risk assessments for the delivery of time-critical works projects.

Effective Date

2. This circular shall take immediate effect.

Background

3. As a consequence of an audit review of a case where a works contract was drawn up with undue reliance upon an uncertain source of fill material, and without a documented viable fall back option, the Director of Audit made the following recommendations-

- (a) contingency measures should be incorporated in the implementation plan of time-critical works projects, so as to cope with unexpected events which may affect the completion of the projects; and
- (b) all assessments of available fall-back options made prior to making major decisions in implementing works projects should be properly documented.

4. In view of the above audit recommendations, the following guidelines on preparation of contingency plans and risk assessments should be followed in the delivery of time-critical works projects-

Guidelines

5. Contingency plans should be prepared for all time-critical works projects to cope with unexpected circumstances that may affect the completion of the projects. The contingency plan should include a detailed assessment of available options to mitigate delay, the associated risks and the recommended option(s) together with sound arguments fully documented and accepted by all parties concerned. Unless agreed otherwise by the parties concerned, the assessment should be prepared by the project office initiated the contingency plan. There is no

specific form that the assessment document must take but as a rule a full assessment of the financial liability for the Government must be included. Other risks like risks to life, political, social, economical risks should also be included if relevant.

6. The contingency plan and the risk assessment, including any of their updating (see paragraph 9 below), shall be endorsed by the Office Deputy Head concerned and properly documented in the project handbook.

7. If the contingency plan involves financial, contractual or programming implications on or contingent upon commitments from other contracts, agreement from the parties concerned must be sought at the earliest possible opportunity. The time required for seeking necessary approvals from the relevant authorities and for entering into any supplementary agreements with the affected contractors for such commitments, should be carefully assessed and allowed for when formulating the contingency plan.

8. The works progress of all inter-related contracts involved in a contingency plan must be closely and critically monitored against the agreed milestones so that any measures to mitigate delay can be implemented in a timely and cost-effective manner. Close liaison should be maintained among the parties concerned to review any need for additional contingency measures.

9. The contingency plan and the risk assessment should be updated where appropriate to accommodate any significant changes in the circumstances assumed in the original assessment.

Enquiries

10. Enquiries on this circular should be addressed to Technical Secretary/Headquarters.

Reference

- (a) [Director of Audit's Report No. 38, Chapter 9, Part 2](#)
- (b) S for W's memo ref. WB(CR) 172/59(2002) Pt. 1 dated 8 May 2002 on prudent project management

(T K TSAO)
Director of Civil Engineering and Development