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# **THE HONG KONG HOUSING AUTHORITY**

## **Memorandum for the Finance Committee**

### **Addressing the Year 2000 Challenge**

#### **PURPOSE**

This paper informs Members of the progress in addressing the *Year 2000 Challenge* (Y2K) in the Housing Authority (HA) and Housing Department (HD).

#### **BACKGROUND**

2. This is the sixth update in a series of reports (FC23/98, 54/98, 9/99, 28/99 and 41/99) submitted to the Finance Committee (FC) on the progress of HD's efforts on addressing the Y2K issue. The Housing Department Computer Committee (HDCC) which has assumed the role of overseeing the Y2K exercise continued to meet monthly to steer and monitor the work of our Compliance Programme. The HA was also briefed at its meeting on 7 October on the actions taken and the remaining focus of work on Y2K in the period leading to Year 2000.

#### **PRESENT POSITION**

##### ***Compliance Status***

3. Rectification work on all critical and non-critical IT systems, end-user developed systems, embedded systems, communication lines and office systems has been completed. For new building projects in the pipeline, they will be checked for Y2K compliance before acceptance and in-take of residents.

4. To ensure that systems tested/rectified would remain compliant, control procedures have been put in place and promulgated. We intend to freeze all enhancement work between now and end of the year unless the enhancements are absolutely unavoidable and only after thorough Y2K testing. Prior notice and endorsement from the Y2K Steering Committee will be required for proper change management.

### ***Business Partners***

5. Rectifying HA's own IT and embedded systems alone will not be adequate in shielding the Authority against the Y2K problem if our service suppliers and providers have not addressed the problem as well. Part of our Compliance Programme includes working closely with our business partners (e.g., contractors, private management agencies, banks) to ensure that they are taking corresponding actions to check and rectify date-sensitive items which may affect the services provided to us. This includes identifying our partners, conducting briefings and seminars to enhance mutual communication and understanding as well as seeking written confirmation of their compliance status. In assessing and analyzing the responses, regard is taken to the criticality of the business partners to our business and consequently the need for further verification of the compliance status.

6. As at end October, 99% of our 917 business partners are Y2K ready and less than 1% (3 contractors and 3 consultants) of them have not yet confirmed their compliance status. However, none of these 6 have any current business dealings with the Authority. We have already issued warning letters to them and will be making recommendations to the Building Committee in November to suspend these partners from any tendering opportunities. The compliance status of the business partners is highlighted at **Annex 1**.

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7. For HOS/PSPS, although they are not HA properties, we have nonetheless written to advise the PMAs and OCs on the need to deal with the Y2K issues.

### ***Contingency Plan***

8. A Y2K contingency plan has been developed setting out the arrangements to be activated in the event of unexpected Y2K situations during the rollover to Year 2000 and on 29 February 2001. A copy of the Plan has been circulated to FC Members vide Paper No. FC 54/99.

9. The Plan focuses on contingency measures for critical business operations and outlines the related pre-contingency preparations, contingency arrangements to be implemented in the event of a Y2K infection and recovery of operations. The Plan also sets out the command and control structure, logistic arrangements, internal/external communication channels, actions to be taken in response to degradation/loss of critical business services, etc.

10. The Plan was tested in August. It was a useful exercise and a number of recommended logistical improvements have been made to the Plan (e.g. strengthening the communication with estate staff members, enhancing the Y2K Contingency Centre to allow for more working space and installation of additional equipment). The Plan was also activated on the Year 2000 critical date of 9 September. No adverse incidents on the operations of our systems occurred. In end September, a further round of tests in each of the eight management districts was conducted and the results were satisfactory. We intend to carry out another department wide exercise on 3 December to test the mobilisation, coordination and cooperation of staff under emergency situations.

### ***Awareness Programme***

11. In June, a publicity programme was launched to inform staff and customers of the status of our Y2K readiness. Since August we have also been progressively briefing the Estate Management Advisory Committees. We will be launching another round of publicity at the end of this month. The focus will be on alerting our customers on the Y2K issue, the possible impact on them, the contingency arrangements in place including telephone hotline for enquiries, through the distribution of posters, leaflets and notices. In parallel, we have arranged another round of briefings for our staff on the subject.

### ***Quality Assurance and Reviews***

12. Housing Department's Internal Audit Section (IAS), being a participant of the Y2K Working Group which supports the Y2K Steering Committee, has been keeping management informed of its observations and recommended actions throughout the Compliance Programme. The IAS has submitted a full report in October to the Steering Committee on Management Audit Studies chaired by Director of Housing. The IAS will submit a report to FC Members at the meeting on 18 November.

13. Between April to July this year, the Audit Commission conducted a review to examine the latest Y2K position across the government and non-government organisations which provide essential services to the public. HA/HD was one of the agencies included in the review. The Commission's report was tabled in LegCo in October. In so far as HA/HD are concerned, the Commission concluded that our overall progress in achieving Y2K compliance was considered satisfactory. Several areas for attention were highlighted for further action and we have taken follow-up actions accordingly. Details are at **Annex 2**.

## **RESOURCE IMPLICATIONS**

14. To date, we have spent about \$37 million on the exercise. The major spending has been used to engage external service providers and consultants to assist in the rectification exercise. In addition to five dedicated in-house staff, all staff concerned (amounting to about 97 man-year effort) are participating in the exercise as part of their normal duties.

## **INFORMATION**

15. This paper is for Members' information.

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File Ref. : HD/DP/7/30/2

Date : 11 November 1999

## ANNEX 1

### Business partners' Year 2000 compliance status as at end October 1999

Branch	Number of Business Partners					
	Total	Confirmed to be Year 2000 compliant or ready	To re-set clock to 19XX	No further action required	Rectification in progress	Outstanding Response which requires follow-up actions
Corporate Services	48	48	0	0	0	0
Finance and Accounting	103	103	0	0	0	0
Allocation and Marketing	40	40	0	0	0	0
Development and Construction	359	353	0	0	0	6 <sup>3</sup> contr 3 consult 3
Management	357	139	1 <sup>1</sup>	217 <sup>2</sup>	0	0
Commercial and Business Development	10	10	0	0	0	0
<b>Total</b>	<b>917</b>	<b>693</b>	<b>1</b>	<b>217</b>	<b>0</b>	<b>6</b>
		<b>75%</b>		<b>24%</b>		<b>1%</b>

#### Note

- <sup>1</sup> The clock of the system used by the business partner will be re-set to 19XX to maintain normal operation.
- <sup>2</sup> The nature of the services provided by the business partners to the Department are solely manual and does not involve any elements of computer operations. Hence, no further action is required for the outstanding response (e.g. Cleansing, decoration, security, horticulture i.e. manual operators)
- <sup>3</sup> Development and Construction Branch issued a warning letter to contractors/consultants who had not responded to the Department's confirmation requests. Deadline was on 9 October. Recommendation to Building Committee to suspend new tendering opportunities to be made in November.

## DIRECTOR OF AUDIT' S RECOMMENDATIONS

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<b>Recommendation</b>	<b>Actions Taken</b>
<p>HD to report the implementation progress of redeveloped systems to Information Technology and Broadcasting Bureau / Information Technology Services Department</p>	<ul style="list-style-type: none"> <li>• Reported already</li> <li>• Total 3 systems, 2 compliant in June and 1 in October</li> </ul>
<p>HD to re-examine the need to test those MISIS functions which user has reclassified as non-critical</p>	<ul style="list-style-type: none"> <li>• Y2K Steering Committee re-examined and was satisfied with those MISIS functions reclassified by user as non-critical.</li> <li>• The Steering Committee on Management and Audit Studies chaired by Director of Housing and represented by the Business Directors endorsed that MISIS is business compliant.</li> <li>• No further testing is necessary; contingency arrangement is in place should any unlikely Y2K incident occur.</li> </ul>
<p>HD to draw up and promulgate the change control procedures for end-user developed computer systems</p>	<ul style="list-style-type: none"> <li>• Guidelines have been drawn up and issued reminding users to follow the procedures</li> </ul>
<p>HD to continue monitoring the progress and results of the independent testing of line communication systems</p>	<ul style="list-style-type: none"> <li>• All compliance tests completed successfully by August</li> </ul>

<p>IAS to submit its report as early as possible</p>	<ul style="list-style-type: none"> <li>• IAS has been keeping Management aware of its observation and necessary action taken throughout the course of our Compliance Programme.</li> <li>• Full report was submitted to Steering Committee on Management and Audit Studies on 15.10.1999</li> <li>• No major events identified</li> <li>• Recommendations / observations being / already followed up (e.g. continue with contingency planning ; further test the IT infrastructure to add confidence; continue to follow up with business partners' Y2K status; avoid enhancements)</li> </ul>
<p>HD to prepare a strategy on how to handle Y2K readiness of business partners</p>	<ul style="list-style-type: none"> <li>• Strategy in place including identifying partners, checking their Y2K status, analysing returns, following up with critical partners and checking thoroughly the “products” before acceptance</li> <li>• 99% partners compliant</li> <li>• 1% (3 contractors, 3 consultants) non-active partners with status non yet confirmed; recommending to Building Committee to suspend their tendering opportunities</li> </ul>

<p>HD to continue working on contingency plan</p>	<ul style="list-style-type: none"> <li>• Contingency Plan prepared, tested in Aug and Sept., activated</li> </ul>
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on 9.9.99 and being refined.

- Contingency Plan is now in its 5th version
- Will continue to test, refine and communicate
- Will conduct another rehearsal on 3 December.

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