

**IV. Supplemental Report of the Public Accounts Committee  
on Report No. 40 of the Director of Audit on the Results  
of Value for Money Audits [P.A.C. Report No. 40A]**

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**Laying of the Report** Report No. 40 of the Director of Audit on the results of value for money audits was laid in the Legislative Council on 30 April 2003. The Committee's supplemental report (Report No. 40A) on Chapters 8, 9 and 10 of the Director of Audit's Report was tabled on 19 November 2003.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 40A was laid in the Legislative Council on 3 March 2004. A progress report on matters outstanding in the Government Minute was issued on 23 October 2004. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 8 below.

3. **University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting** (Chapter 1 of Part IV of P.A.C. Report No. 40A). The Committee was informed that:

**Corporate governance of institutions**

Review of the governance structure of the University of Hong Kong

- the University of Hong Kong (HKU) was carrying out in phases other measures, such as enhancing communications between the management and members of the HKU;

Amendment to the University of Hong Kong Ordinance regarding the statutory roles of the Council and Court of the University of Hong Kong

- the HKU had been working on amendments to the University of Hong Kong Ordinance so that the role of its Court would be more accurately defined and consistent with the HKU statutes in the Ordinance;

"Fitness for purpose" reviews of the governance structures of the other seven institutions

- the City University of Hong Kong (CityU) Council had established an Implementation Committee to follow up the CityU Review Committee's recommendations. According to the implementation plans approved by the CityU Council in March 2004, the various recommendations would be carried out in 2004 and 2005;

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- the Lingnan University (LU) Council completed a review of the membership and terms of reference of its standing committees in April 2004;
- The Chinese University of Hong Kong (CUHK) had implemented the recommendations stated in the interim report, including the establishment of an Executive Committee and an audit committee;
- the Task Force formed under The Hong Kong Institute of Education (HKIEd) Council completed the review of the HKIEd's governance structure in early 2004. The HKIEd had implemented the recommendation of the Task Force to streamline the structure of Council Committees by dissolving some Committees and subsuming some Sub-committees under other Committees;
- the Governance and Management Review Committee of The Hong Kong Polytechnic University (PolyU) completed its review of institutional governance and management structure in June 2004;

### Membership, attendance and attendance records in relation to Council meetings

- the CityU Council had approved the recommendations of its Review Committee on University Governance and Management to downsize the CityU Council so that there would be a clear majority of lay members. The Council, in consultation with the Administration, had been examining the necessary legislative amendments to the City University of Hong Kong Ordinance to implement the recommendations;
- to involve the external members in more aspects of the work of the CityU, the CityU Council had approved the recommendation of restructuring its committees so that lay members would be in the majority. The recommendation had been implemented starting from the 2004-05 academic year;
- the CUHK Council decided in February 2004 to publish the information on the attendance of each Council member on the CUHK's website;
- the HKIEd Council decided in February 2004 that, in order to enhance transparency, each Council member's attendance record at the Council and Council Committee meetings would be uploaded onto the HKIEd's website on an annual basis;
- the PolyU published the attendance records of its Council members on the PolyU's website in September 2004;

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- The Hong Kong University of Science and Technology (HKUST) Council resolved at its meeting in May 2004 that there would not be a quorum at any Council meeting unless external members constituted a majority. This new rule had been implemented with effect from that meeting;
- the HKUST Council also agreed to publish the attendance records of Council members at Council meetings in the 2003-04 Annual Report of the HKUST;
- the HKU Council agreed in April 2004 that the record of attendance of Council members should be made public;

### Proposal to set up an audit committee — City University of Hong Kong, Hong Kong Baptist University, The Chinese University of Hong Kong, and the University of Hong Kong

- the CUHK, the CityU and the HKU established their own audit committees in December 2003, March 2004 and April 2004 respectively;

### Proposal to conduct periodic reviews of the effectiveness of governing bodies

- the Review Committee on University Governance and Management of the CityU submitted a Code of Practice to the CityU Council for consideration in July 2004. Aiming at enhancing the effectiveness of the Council, the Code of Practice covered responsibilities of Council members, conduct of Council business, governance framework and legal status of the CityU, as well as financial affairs and staffing matters;
- the HKIEd Council had completed its review of governance structure and concluded that any review of the effectiveness of its governing body would be conducted as and when necessary, and in the light of the development of/changes in the Institute as well as the Hong Kong higher education sector as a whole;
- the HKUST Council agreed in May 2004 that periodic reviews of the HKUST governing body (i.e. the Council itself) should be conducted as and when appropriate;
- the HKU Council had agreed to carry out reviews of its own effectiveness once every five years, with the framework of the first review to be determined in the 2004-05 academic year; and

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**Performance reporting of institutions**

Performance-based funding scheme for the 2005-06 to 2007-08 triennium

- the University Grants Committee (UGC) had established a Performance and Role-related Funding Scheme Assessment Panel to consider the self-assessment documents submitted by the UGC-funded institutions and to assess their performance against role. The Panel carried out an assessment exercise in August 2004, and sought to test and verify the conclusions made by the institutions. Evaluation was carried out according to criteria and benchmarks suggested by the institutions. The UGC had accepted the findings and conclusions made by the Panel and would feature this element in its 2005-06 to 2007-08 triennial funding recommendations to the Administration.

4. The Committee wishes to be kept informed of further development on the subject.