

**SUPPLEMENTAL REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE  
ON  
REPORT NO. 40 OF THE DIRECTOR OF AUDIT  
ON  
THE RESULTS OF  
VALUE FOR MONEY AUDITS**

*November 2003*

*P.A.C. Report No. 40A*

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## I. INTRODUCTION

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**The Establishment of the Committee** The Public Accounts Committee is established under Rule 72 of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region, a copy of which is attached in *Appendix 1* to this Report.

2. **Membership of the Committee** The following Members are appointed by the President under Rule 72(3) of the Rules of Procedure to serve on the Committee:

**Chairman** : Dr Hon Eric LI Ka-cheung, GBS, JP

**Deputy Chairman** : Hon Emily LAU Wai-hing, JP

**Members** : Dr Hon David CHU Yu-lin, JP  
Hon SIN Chung-kai  
Hon Howard YOUNG, SBS, JP  
(with effect from 18 October 2003)  
Hon LAU Kong-wah, JP  
Hon Abraham SHEK Lai-him, JP  
Hon Tommy CHEUNG Yu-yan, JP  
(until 13 September 2003)

**Clerk** : Ms Miranda HON Lut-fo

**Legal Adviser** : Mr Jimmy MA Yiu-tim, JP

3. According to Rule 72(3) of the Rules of Procedure, the Committee consists of a chairman, a deputy chairman and five members. However, as Dr Hon Eric LI Ka-cheung, Dr Hon David CHU Yu-lin, Hon SIN Chung-kai and Hon Tommy CHEUNG Yu-yan had declared their personal interest in respect of the three chapters covered in this Report, the Committee agreed that they be exempted from the examination of these three chapters. Details of their declarations are given in the Deputy Chairman's opening remarks at the Committee's public hearing on 14 May 2003, in *Appendix 2*. Hon Howard YOUNG did not participate in the study of the three chapters covered in this Report.

## II. PROCEDURE

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**The Committee's Procedure** The practice and procedure, as determined by the Committee in accordance with Rule 72 of the Rules of Procedure, are as follows:

- (a) the public officers called before the Committee in accordance with Rule 72 of the Rules of Procedure, shall normally be the Controlling Officers of the Heads of Revenue or Expenditure to which the Director of Audit has referred in his Report except where the matter under consideration affects more than one such Head or involves a question of policy or of principle in which case the relevant Director of Bureau of the Government or other appropriate officers shall be called. Appearance before the Committee shall be a personal responsibility of the public officer called and whilst he may be accompanied by members of his staff to assist him with points of detail, the responsibility for the information or the production of records or documents required by the Committee shall rest with him alone;
- (b) where any matter referred to in the Director of Audit's Report on the accounts of the Government relates to the affairs of an organisation subvented by the Government, the person normally required to appear before the Committee shall be the Controlling Officer of the vote from which the relevant subvention has been paid, but the Committee shall not preclude the calling of a representative of the subvented body concerned where it is considered that such a representative could assist the Committee in its deliberations;
- (c) the Director of Audit and the Secretary for Financial Services and the Treasury shall be called upon to assist the Committee when Controlling Officers or other persons are providing information or explanations to the Committee;
- (d) the Committee shall take evidence from any parties outside the civil service and the subvented sector before making reference to them in a report;
- (e) the Committee shall not normally make recommendations on a case on the basis solely of the Director of Audit's presentation;
- (f) the Committee shall not allow written submissions from Controlling Officers other than as an adjunct to their personal appearance before the Committee; and

## PROCEDURE

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- (g) the Committee shall hold informal consultations with the Director of Audit from time to time, so that the Committee could suggest fruitful areas for value for money study by the Director of Audit.

2. **The Committee's Report** This Report contains the Public Accounts Committee's supplemental report on Chapters 8, 9 and 10 of Report No. 40 of the Director of Audit on the results of value for money audits which was tabled in the Legislative Council on 30 April 2003. Value for money audits are conducted in accordance with the guidelines and procedures set out in the Paper on Scope of Government Audit in the Hong Kong Special Administrative Region - 'Value for Money Audits' which was tabled in the Provisional Legislative Council on 11 February 1998. A copy of the Paper is attached in *Appendix 3*. The Committee's Report No. 40 was tabled in the Legislative Council on 9 July 2003.

3. **The Government's Response** The Government's response to the Committee's Report is contained in the Government Minute, which comments as appropriate on the Committee's conclusions and recommendations, indicates what action the Government proposes to take to rectify any irregularities which have been brought to notice by the Committee or by the Director of Audit and, if necessary, explains why it does not intend to take action. It is the Government's stated intention that the Government Minute should be laid on the table of the Legislative Council within three months of the laying of the Report of the Committee to which it relates.

### III. COMMITTEE PROCEEDINGS

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**Meetings** The Committee held a total of 13 meetings and 3 public hearings in respect of the subjects covered in this Report. During the public hearings, the Committee heard evidence from a total of 33 witnesses, including two Directors of Bureau. The names of the witnesses are listed in *Appendix 4* to this Report.

2. **Arrangement of the Report** The evidence of the witnesses who appeared before the Committee, and the Committee's specific conclusions and recommendations based on the evidence and on its deliberations on the relevant chapters of the Director of Audit's Reports, are set out in Chapters 1 to 3 below.

3. The audio record of the proceedings of the Committee's public hearings is available in the Library of the Legislative Council for the public to listen to.

4. **Acknowledgements** The Committee wishes to record its appreciation of the cooperative approach adopted by all the persons who were invited to give evidence. In addition, the Committee is grateful for the assistance and constructive advice given by the Secretary for Financial Services and the Treasury, the Legal Adviser and the Clerk. The Committee also wishes to thank the Director of Audit for the objective and professional manner in which he completed his Reports, and for the many services which he and his staff have rendered to the Committee throughout its deliberations.

## Chapter 1

### University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting

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Audit conducted a review to examine the adequacy of the governance and planning mechanism, and financial and performance reporting of the University Grants Committee (UGC) funded institutions in the provision of various higher-education services.

2. At the Committee's public hearing, **Prof Hon Arthur LI Kwok-cheung, Secretary for Education and Manpower**, declared that he had been the Vice-Chancellor of The Chinese University of Hong Kong (CUHK) during 1 August 1996 and 31 July 2002. In this capacity, he had served as the Chairman of the Board of Directors of The Chinese University of Hong Kong Foundation Limited, the Chairman of the Board of Directors of The Hong Kong Institute of Biotechnology Limited, and a member of the Council of The University of Hong Kong (HKU) during the period.

#### Corporate governance of institutions

3. The Committee noted that in May 2001, the Secretary for Education and Manpower commissioned the UGC to launch a comprehensive review of higher education. Led by Lord Sutherland, a senior member of the UGC and Principal and Vice-Chancellor of the University of Edinburgh of the United Kingdom, the review covered all aspects of higher education, including the governance of the eight UGC funded institutions. The UGC published its review report entitled "Higher Education in Hong Kong" (the Sutherland Report) in March 2002, and submitted its final recommendations to the Secretary for Education and Manpower in September 2002. The Government accepted most of the recommendations put forward by the UGC and announced in November 2002 a blueprint for the further development of higher education in Hong Kong. One of the recommendations accepted by the Government was that the eight UGC funded institutions should review their governance and management structures to ensure that they were "fit for purpose".

4. The Committee noted that the City University of Hong Kong (CityU) had not set up a Court as its advisory body, although the City University of Hong Kong Ordinance specified that there was to be a Court. The response provided by the CityU in paragraph 2.22 of the Audit Report stated that the Chairman of the Court was the Chancellor of the CityU (i.e. the Chief Executive of the Hong Kong Special Administrative Region). In view of the Chief Executive's schedule, the CityU did not find it practical to establish the Court under his chairmanship. The Committee doubted whether the Chief Executive's busy schedule was a good reason for not setting up a Court for the CityU. The Committee asked whether the CityU would consider amending the relevant legislative provision if it considered that there was no need to have a Court.

## **University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting**

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5. **Prof CHANG Hsin-kang, President of the CityU**, advised that:

- the issue of setting up a Court had been discussed by the CityU Council on a number of occasions. It was considered that the CityU might not be able to entice appropriate candidates to serve on its Court, if established, because of the relatively short history of the institution; and
- a Review Committee on Governance and Management had been established to review the governance and management structures of the CityU. The Review Committee would submit its report to the Council at its meeting in November 2003. The review would consider the appropriate time and the appropriate way of setting up a Court. The CityU hoped to set up a Court within a year if the proposal was supported by the Review Committee.

6. The Committee noted that although the Court of the HKU was specified as the supreme governing body in the University of Hong Kong Ordinance, it largely functioned as an advisory body, whereas its Council had much wider powers in administering the affairs of the institution other than those vested in the Ordinance. The Committee also noted that the HKU had appointed an international review panel (i.e. the Review Panel on Governance and Management) to review its governance structure. According to paragraph 2.23(b) of the Audit Report, the Review Panel had submitted its report to the HKU Council in February 2003 and the report would be considered for adoption by the end of April 2003. In this connection, the Committee enquired:

- whether the HKU Council had adopted the Review Panel's recommendation to recast the role of the Court as an advisory body and, if adopted, the timing of implementing the recommendation; and
- if the answer to the above was in the affirmative, whether the HKU would amend the University of Hong Kong Ordinance to ensure that the statutory roles of its Council and Court reflected their actual functions.

7. **Prof TSUI Lap-chee, Vice-Chancellor of the HKU**, informed the Committee that at its meeting on 27 April 2003, the HKU Council had approved the Review Panel's report. In endorsing the recommendations in the report, the Council had set up an Implementation Working Party to work out the mechanisms and procedures for implementing the recommendations by the end of December 2003.



## **University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting**

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8. On the question of whether the HKU would amend its Ordinance to ensure that the statutory roles of its Council and Court reflect their actual functions, the **Vice-Chancellor of the HKU** and **Mr Henry WAI, Registrar of the HKU**, stated at the public hearing and in the Vice-Chancellor's letters of 7 June 2003 and 8 July 2003, in *Appendices 5 and 6* respectively, that:

- the Review Panel was of the view that despite the fact that the University of Hong Kong Ordinance specified that the Court was the supreme governing body, it was clear from the powers of the Court and the Council as laid down in the relevant Statutes of the Ordinance that the Council was the *de facto* governing body, while the Court functioned as an advisory body. As such, the Review Panel did not consider it necessary to amend the Ordinance to clarify the role of the Court; and
- despite the advice of the Review Panel, the HKU had no objection to amending its Ordinance to define more clearly the role of its Court. If such amendment was considered necessary by the Public Accounts Committee, the HKU would initiate the necessary legal procedure, but it would need the Government's assistance in dealing with the complicated legal procedure involved.

9. The Committee noted from paragraph 2.27 of the Audit Report that the Council of the CUHK could appoint life members under Statute 11 of The Chinese University of Hong Kong Ordinance, but the maximum number of life members was not specified. On 11 September 2002, the Chairman of the Council had also been appointed as a life member, thus increasing the total number of life members from six to seven. As of that date, over 10% (i.e. seven out of 56) of the Council members were life members. According to Audit's findings, all of the six life members did not attend any of the nine Council meetings held between July 2000 and November 2002. The Committee understood that such findings did not include the attendance of the Council Chairman as no Council meeting was held between 11 September 2002 (i.e. the day the Council Chairman was appointed as a life member) and 30 November 2002.

10. While the Committee appreciated that life members had made valuable contributions to the CUHK, in view of their inability to attend the Council meetings due to various reasons, the Committee asked whether the CUHK would consider adopting other means that could help maintain an association with those persons who had made significant contributions to the institution, instead of appointing them as life members to the Council.

## **University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting**

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11. **Prof Ambrose KING Yeo-chi, Vice-Chancellor of the CUHK**, stated that the CUHK was most grateful to the life members for their enormous contributions to the CUHK in many aspects throughout the years. Although they might not be able to attend the Council meetings due to old age or other reasons, many of them still offered their wise counsel to the Council and the CUHK as a whole. The contributions made by the life members towards the institution should not merely be measured by their attendance at Council meetings.

12. The **Vice-Chancellor of the CUHK** advised, in his letter of 12 June 2003 in *Appendix 7*, that the CUHK would recommend to its Council that from now on, new life members should not be appointed. Subject to the Council's agreement, the CUHK would consider adopting other means to maintain a link with its Council members who had made significant contributions to the institution.

13. The **Secretary for Education and Manpower** supplemented that the main purpose of appointing life members was to maintain a link with these prominent members of the community. The appointment of life members was usually made in recognition of their valuable contributions. In reality, life members could contribute in many different ways, such as by participation in subcommittees of the Council and other activities of the institution. Attending Council meetings should not be considered as the only contribution life members were able to make.

14. To ascertain the level of participation of each Council member of the eight institutions in the governance and management of the respective institutions, the Committee requested the institutions to provide the following information:

- the attendance records of each of the external members of the Councils of the eight institutions in each of the three years of 2000-01 (July 2000 to June 2001), 2001-02 (July 2001 to June 2002) and 2002-03 (July to November 2002);
- their participation in subcommittees in the same period; and
- their years of service in the Councils.

The information was provided to the Committee via the **Secretary for Education and Manpower's** letter of 30 May 2003, in *Appendix 8*.

## **University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting**

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15. Based on the information provided, the Committee learned that three of the external members of the Council of the CUHK had not attended any of the Council meetings in all the three years. In the case of the HKU, there was one such member, who was Prof Arthur LI Kwok-cheung in his former capacity as Vice-Chancellor of the CUHK. In paragraphs 2.63(a) and 2.63(c) of the Audit Report, the Secretary for Education and Manpower stated that the Education and Manpower Bureau had attached importance to the attendance of external Court/Council members appointed by the Chief Executive or the Chief Executive in the capacity as the Chancellor of the institutions, and that attendance was one of the factors that would be taken into consideration in all re-appointment exercises. In this connection, the Committee enquired whether those Council members with “zero” attendance would not be re-appointed after their current term of office expired.

16. The **Secretary for Education and Manpower** replied in the affirmative. As regards the reason for his non-attendance at any of the HKU Council meetings, he explained that this was in accordance with a special arrangement agreed between the heads of the CUHK and the HKU. Under the arrangement, the head of each of the two universities was a member of the Council of the other university. The purpose was to enable the heads of the two institutions to be provided with the Council papers of the other university so as to facilitate them in understanding the development and strategic direction of each other. It was also agreed that the heads of the two universities were not required to attend each other’s Council meetings.

17. The **Vice-Chancellor of the CUHK** pointed out that the external Council members of the CUHK were all community-minded persons who served on the Council on a voluntary and non-remunerative basis. They had all along been very generous in contributing their time, efforts and other resources towards enhancing the development of the university. Since the CUHK Council was only one of many community or voluntary service organisations soliciting their support, members might have to be absent from a Council meeting where the date of the meeting clashed with their other commitments. At times, it was not always possible to reconcile the dates of Council meetings with external members’ travel plans. As far as he remembered, the three members mentioned by the Committee were out of town on the dates of the Council meetings concerned, and were thus unable to attend.

18. In view of the low attendance rate of the external members at the Council meetings of the CUHK and the relatively large size of its Council as compared to the other institutions, the Committee asked:

## **University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting**

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- whether the CUHK would consider amending The Chinese University of Hong Kong Ordinance to the effect that a Council member might be appointed for a period of three years or less, so as to cater for special circumstances such as where the member's attendance rate at the Council meetings was low; and
- whether the CUHK would consider reducing the size of its Council so as to make it function more effectively.

19. The **Vice-Chancellor of the CUHK** responded, in his letters of 9 July 2003 and 12 June 2003 in *Appendices 9 and 7* respectively, that:

- Statute 11.4 of The Chinese University of Hong Kong Ordinance stipulated that:

“(1A) If an elected member of the Council ceases to be a member under the proviso to subparagraph (1), the body which elected him shall duly elect a successor whose membership of the Council shall be for a period not exceeding 3 years. The successor shall be eligible for re-election to which subparagraph (2) shall apply.

(2) A body re-nominating or re-electing a member may re-nominate or re-elect, as the case may be, such member for a period of 3 years or for a period of less than 3 years.”;

- the CUHK would remind all nominating bodies (including the various constituent or related organisations of the CUHK) to take into consideration the attendance records of the Council members nominated by them when they considered re-nominating their representatives to continue to serve on the University Council; and
- the CUHK was conducting a review on the size and composition of its Council. It would inform the Committee of the outcome, which was expected to be available in the last quarter of 2003.

20. The **Registrar of the HKU** informed the Committee that the HKU's Review Panel had recommended that the appointment term of Council members should be no more than three consecutive three-year terms, and appointments should be made on the basis of recognised expertise and contribution. These measures would allow the appointment terms to be reviewed regularly, thereby enhancing the effectiveness of the Council.

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21. The Committee enquired about the number of serving Council members who would not be re-appointed to the Council if the above recommendation was adopted. The **Registrar of the HKU** responded that if such recommendation was put in place, five of its serving Council members would not be re-appointed as they had served on the Council for more than nine years.

22. According to paragraph 2.51 of the Audit Report, a good practice of corporate governance for institutions was that their Councils should consist of a majority of independent external members capable of exercising independent judgement on important issues. Audit also pointed out that, based on the respective ordinances of the eight institutions, there should be a majority of external members in the Councils of the institutions.

23. The Committee was concerned whether the external Council members present at the Council meetings of the eight institutions constituted a majority, and whether the existing practice of the institutions was in line with the good governance practice cited above. The Committee therefore requested the eight institutions to provide the attendance rates of their external and internal Council members at each of the Council meetings held in the three years 2000-01 (July 2000 to June 2001), 2001-02 (July 2001 to June 2002) and 2002-03 (July to November 2002).

24. Based on the information provided by the institutions, in *Appendices 10 to 24*, the Committee compiled a summary, in *Appendix 25*, of the attendance data. The Committee observed that:

- the attendance rates of external members at meetings of the Councils of the CityU and The Hong Kong Institute of Education (HKIEd) were generally low (i.e. below 50% at some meetings);
- the attendance rates of the Hong Kong Baptist University (HKBU), the CUHK and the HKU were particularly disappointing. While the HKBU held seven Council meetings, the CUHK held nine Council meetings, and the HKU held 19 Council meetings between July 2000 and November 2002, the attendance of the external members of these Councils constituted a majority (i.e. 50% or more) at only one, two and four meetings respectively; and
- as a result, when decisions were required to be made at meetings of those Councils, there might be over-reliance on the internal members.

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25. The two tables below contain figures relating to the attendance of external and internal members at the Council meetings of the five institutions with unsatisfactory attendance rates (i.e. the HKBU, the HKU, the CUHK, the CityU and the HKIEd). These figures provide useful reference for ascertaining whether the external members present at a particular Council meeting constituted a majority at the meeting.

**Table 1**

**Attendance of external and internal members at meetings  
of the Councils of the HKBU, the HKU and the CUHK**

Meeting	HKBU			HKU			CUHK		
	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)	Total no. of Council members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)
<b>2000-01 (July 2000 to June 2001)</b>									
1st	30 (External : 17 Internal : 13)	43%	57%	52 (External : 30 Internal : 22)	50%	50%	52 (External : 30 Internal : 22)	41%	59%
2nd	30 (External : 17 Internal : 13)	54%	46%	52 (External : 30 Internal : 22)	52%	48%	54 (External : 32 Internal : 22)	49%	51%
3rd	32 (External : 17 Internal : 15)	48%	52%	51 (External : 30 Internal : 21)	50%	50%	55 (External : 33 Internal : 22)	46%	54%
4th	31 (External : 16 Internal : 15)	37%	63%	47 (External : 26 Internal : 21)	43%	57%			
5th				50 (External : 29 Internal : 21)	48%	52%			
6th				49 (External : 29 Internal : 20)	39%	61%			
7th				47 (External : 28 Internal : 19)	39%	61%			
8th				45 (External : 28 Internal : 17)	45%	55%			

**University Grants Committee funded institutions -  
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Meeting	HKBU			HKU			CUHK		
	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)	Total no. of Council members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)
<b>2001-02 (July 2001 to June 2002)</b>									
1st	31 (External : 16 Internal : 15)	42%	58%	49 (External : 26 Internal : 23)	46%	54%	54 (External : 33 Internal : 21)	49%	51%
2nd	33 (External : 18 Internal : 15)	44%	56%	48 (External : 26 Internal : 22)	45%	55%	53 (External : 32 Internal : 21)	49%	51%
3rd	33 (External : 18 Internal : 15)	45%	55%	48 (External : 25 Internal : 23)	44%	56%	54 (External : 32 Internal : 22)	46%	54%
4th				48 (External : 25 Internal : 23)	47%	53%	52 (External : 32 Internal : 20)	51%	49%
5th				46 (External : 24 Internal : 22)	46%	54%			
6th				46 (External : 24 Internal : 22)	45%	55%			
7th				46 (External : 24 Internal : 22)	41%	59%			
<b>2002-03 (July to November 2002)</b>									
1st				45 (External : 24 Internal : 21)	35%	65%	53 (External : 33 Internal : 20)	53%	47%
2nd				44 (External : 23 Internal : 21)	42%	58%	53 (External : 33 Internal : 20)	47%	53%
3rd				45 (External : 24 Internal : 21)	46%	54%			
4th				45 (External : 24 Internal : 21)	52%	48%			
<b>Average attendance</b>	External members constituted a majority at <b>only 1 of the 7 meetings (i.e. 14%)</b> held during the period			External members constituted a majority at <b>only 4 of the 19 meetings (i.e. 21%)</b> held during the period			External members constituted a majority at <b>only 2 of the 9 meetings (i.e. 22%)</b> held during the period		

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Note (1) : denotes the actual number of Council members (broken down into external and internal members) as of the date of the Council meeting

Note (2) : denotes the percentage of the external members present at the Council meeting against all Council members present at that meeting (i.e. the total number of external members present at the Council meeting ÷ the total number of Council members present at that meeting x 100%)

Note (3) : denotes the percentage of the internal members present at the Council meeting against all Council members present at that meeting (i.e. the total number of internal members present at the Council meeting ÷ the total number of Council members present at that meeting x 100%)

**Table 2**

### Attendance of external and internal members at meetings of the Councils of the CityU and the HKIEd

Meeting	CityU			HKIEd		
	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)
<b>2000-01 (July 2000 to June 2001)</b>						
1st	31 (External : 17 Internal : 14)	42%	58%	27 (External : 16 Internal : 11)	54%	46%
2nd	30 (External : 16 Internal : 14)	50%	50%	27 (External : 16 Internal : 11)	47%	53%
3rd	32 (External : 18 Internal : 14)	44%	56%	27 (External : 16 Internal : 11)	41%	59%
<b>2001-02 (July 2001 to June 2002)</b>						
1st	31 (External : 18 Internal : 13)	58%	42%	27 (External : 16 Internal : 11)	53%	47%
2nd	33 (External : 19 Internal : 14)	52%	48%	27 (External : 16 Internal : 11)	53%	47%
3rd	32 (External : 18 Internal : 14)	48%	52%	27 (External : 16 Internal : 11)	52%	48%
4th				27 (External : 16 Internal : 11)	45%	55%
5th				27 (External : 16 Internal : 11)	48%	52%
6th				27 (External : 16 Internal : 11)	57%	43%



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Meeting	CityU			HKIEd		
	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)	Total no. of Council Members (Note 1)	External members present at the meeting (Note 2)	Internal members present at the meeting (Note 3)
<b>2002-03 (July to November 2002)</b>						
1st	31 (External : 17 Internal : 14)	39%	61%	27 (External : 16 Internal : 11)	44%	56%
2nd				27 (External : 16 Internal : 11)	80%	20%
3rd				27 (External : 16 Internal : 11)	47%	53%
<b>Average attendance</b>	External members constituted a majority at <b>only 3 of the 7 meetings (i.e. 43%)</b> held during the period			External members constituted a majority at <b>only 6 of the 12 meetings (i.e. 50%)</b> held during the period		

Note (1) : denotes the actual number of Council members (broken down into external and internal members) as of the date of the Council meeting

Note (2) : denotes the percentage of the external members present at the Council meeting against all Council members present at that meeting (i.e. the total number of external members present at the Council meeting ÷ the total number of Council members present at that meeting x 100%)

Note (3) : denotes the percentage of the internal members present at the Council meeting against all Council members present at that meeting (i.e. the total number of internal members present at the Council meeting ÷ the total number of Council members present at that meeting x 100%)

26. In the light of the attendance rates in Tables 1 and 2 above, the Committee doubted whether the Councils of the five institutions concerned were operating in line with the good governance practice for a publicly-funded organisation that there should be a majority of independent external members in the governing body when important decisions were made. The Committee asked the institutions whether and how they had ensured that there was no over-reliance on the internal members when important decisions had to be made at the Council meetings, especially in cases where the number of external members present at a Council meeting did not constitute a majority.

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27. In his letter of 14 July 2003, in *Appendix 10*, the **President and Vice-Chancellor of the HKBU** advised that:

- the number of regular Council meetings scheduled in each year was four. In order to enable all external members (and internal members as well) to attend all Council meetings, the dates of these scheduled meetings were fixed one year in advance and Council members notified accordingly so that they could set aside the time. Notwithstanding this, it was perfectly understandable that the external members, being leaders and senior executives in their own professions, often had to adjust their schedules to respond to urgent tasks. So there was in practice no sure way to effectively guarantee that external members would constitute a majority at every meeting;
- experience had clearly shown that when there were divided views on an important issue being debated by the Council, the situation in most cases was that the group which supported the issue was made up of both external and internal members, and similarly for the group which opposed the issue. In other words, it was the substance of the issue being debated which counted most, and thus it might be somewhat simplistic to infer from a mechanical interpretation of the attendance data that there was over-reliance on internal members whenever the number of external members present at a meeting did not constitute a majority;
- unlike similar bodies in other organisations, a university council was so constituted that the external members serving on it were not appointed (by the Government) to represent specifically the interests of certain groups of people in the university. On that understanding, the HKBU Council had been conducting its decision-making mainly through building consensus at meetings rather than depending too heavily on the counting of votes; and
- the Hong Kong Baptist University Ordinance set out explicitly the procedure for conducting the discussion and decision making of any matter for which a Council member (whether internal or external) had a pecuniary or personal interest. This was further elaborated in the guidelines of procedure adopted by the Council. According to the pertinent procedure, such a Council member would be required to withdraw from the meeting or refrain from voting.

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28. The **Vice-Chancellor of the HKU** advised at the public hearing and in his letter of 14 July 2003, in *Appendix 12*, that:

- the HKU's Review Panel did not consider that external members' attendance at Council meetings should be the only major consideration in assessing their contributions towards the institution, as many members were actively participating in the work of other committees;
- in its earlier review of the governance and management structures of the institution, the HKU Council resolved to revamp both the size and the composition of the Council. Following the international trend towards a smaller-size governing body, legislative amendments had been made by the HKU to change the size and composition of its Council and Senate. As a result, the size of the Council had been reduced to 24 members, with the ratio of external members to internal members being 2:1. Among the internal members, the Vice-Chancellor would be the only ex-officio member. All other members, external and internal, would be appointed or elected *ad personam* and served as trustee rather than delegate or representative of a particular constituency. This would not only provide for adequate presence of external members on the Council, but could also ensure that internal members, serving as trustees, would operate in the best interest of the entire institution;
- apart from the Council, the size of the Senate had also been reduced to no more than 50 members; and
- it was not uncommon in the past for members who were unable to attend Council meetings to submit written comments before the meetings.

The Committee noted that the change to the size and composition of the Council and Senate of the HKU had come into operation on 1 November 2003.

29. The **Vice-Chancellor of the CUHK** and **Mr Jacob LEUNG, University Secretary of the CUHK**, said at the public hearing and the **Acting Vice-Chancellor of the CUHK** stated in his letter of 14 July 2003, in *Appendix 14*, that:

- although non-staff Council members present at the Council meetings between July 2000 and November 2002 did not constitute a majority, the average numbers of non-staff Council members present, as set out below, were already quite large:

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	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Non-staff Council members (External members)	16 (44%)	19 (49%)	18 (50%)
Staff Council members (Internal members)	20 (56%)	20 (51%)	18 (50%)

- the Council did not and would not over-rely on the staff Council members when making important decisions at Council meetings;
- the non-staff Council members who were present at the Council meetings took an active part in the deliberation and their views were highly respected and taken into careful consideration. The Council resolutions were passed usually by consensus with support of the non-staff Council members present, after deliberations and debate; and
- Council members were able to participate in the deliberation of any matter on the agenda of a meeting by making their views known in writing or through another Council member attending the meeting even if they could not attend the meeting in person. Furthermore, Council business was transacted by circulation of papers between Council meetings.

30. The **Vice-Chancellor of the CUHK** added that he agreed that the Council should consist of a majority of external members. However, in his view, the staff Council members who represented different constituents or their own professions were also very independent. These members might not necessarily support all the proposals put forward to the Council.

31. In his letter of 11 July 2003, in *Appendix 16*, the **Acting President of the CityU** advised that:

- the CityU was well aware of the importance of good governance and believed that the participation and input from external members was crucial to this;
- the Council conducted its business through its own meetings and those of the Executive Committee and other Council Committees. These committees met at regular intervals and were chaired by external Council members, with some other external members serving as members;

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- the proposals and decisions from these committees were presented to the Executive Committee and/or the Council for approval or information. The Executive Committee, comprising the chairmen of the Council Committees, met five times a year and acted on behalf of the Council when there were no Council meetings. This tiered committee system had worked very well and ensured that proper debate on important issues could take place; and
- external Council members would provide input and ideas and participate in thorough deliberation of various issues and proposals. This mechanism ensured that proposals and recommendations presented to the Executive Committee and the Council were duly examined and considered, and consultation was carried out within and outside the University as and when appropriate. In their experience, the committee structure effectively prevented the Council from relying heavily on internal members in taking decisions on major issues.

32. Regarding the attendance rates of external members of the Council of The Hong Kong Polytechnic University (PolyU), **Prof POON Chung-kwong, President of the PolyU**, advised at the public hearing and the **Secretary to Council of the PolyU** said in his letter of 11 July 2003, in *Appendix 22*, that:

- the PolyU Council's mix of external and internal representation was a good assurance that there would not be over-reliance on internal members when decisions were made at Council meetings. The PolyU Council was made up of 20 external members from the business and professional sectors appointed by the Chief Executive, one external member from the alumni who was not an employee of the institution and appointed by the Council, and eight internal members (the President and Deputy President of the PolyU as ex-officio members, two Deans of Faculty, three elected staff members, and a student member elected by and from full-time students); and
- even when all the internal members were present and only 50% of the external members attended a meeting, which was unlikely, the number of external members would still outnumber the internal representatives. In fact, according to statistics of the past three years, on average external members made up about 69% of members present at Council meetings.

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33. The Committee noted that the attendance rates of external members of the Council of the Lingnan University (LU) was also encouraging. In response to the Committee, **Mr Valiant CHEUNG Kin-piu, Deputy Chairman of the Council of the LU**, said that effective cooperation between the Council Secretariat and Council members was conducive to the discharge of duties by Council members. The Council Secretariat of LU had provided Council members with ample opportunities to participate in the governance and management of the institution. LU Council members were always provided with useful background information papers on issues to be discussed, which facilitated them in deliberating the issues at Council meetings in a constructive and effective manner.

34. The **Secretary to the Council of the LU** advised in his letter of 14 July 2003, in *Appendix 24*, that external members constituted an absolute majority in the LU Council's membership. At any meeting, when external members were outnumbered by internal members, it would not be possible to form a quorum. The same situation also applied to other standing committees of the Council.

35. In his letter of 14 July 2003, in *Appendix 20*, the **Acting President of The Hong Kong University of Science and Technology (HKUST)** stated that:

- The Hong Kong University of Science and Technology Ordinance provided for a ratio of 18 external members to 11 internal members on the Council. Experience showed that the number of external members present at Council meetings consistently constituted a majority; and
- when important decisions were made at Council meetings, e.g. in the appointment of senior officers at the rank of Vice-Presidents and above, the Ordinance even reserved the right to only the external members.

36. In his letter of 26 May 2003, in *Appendix 26*, the **Secretary-General of the UGC** informed the Committee that all the eight institutions provided information packages and orientation for their new Council members to help them discharge their responsibilities. The types of information provided to new Council members were set out in the Annex to the Secretary-General of the UGC's letter.

37. According to paragraphs 2.69 to 2.71 of the Audit Report, a good corporate governance structure should have an audit committee which consisted of a majority of independent external members, who had the necessary financial expertise and time to examine the institution's financial affairs more vigorously than the governing body as a whole. The audit committee would assist the governing body by providing an independent

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review of the effectiveness of the auditing and financial reporting processes, internal controls and risk management systems of the institutions. It would also help enhance economy, efficiency and effectiveness and secure value for money in all areas of activities of the institution.

38. According to Audit's findings in Table 9 in paragraph 2.72 of the Audit Report, five of the eight institutions had not established an audit committee, which was not in line with good corporate governance practices. These five institutions were the CityU, the HKBU, the CUHK, the PolyU and the HKU. In the case of the HKBU, apart from not having an audit committee, it had neither an internal audit section nor a mechanism for reporting the internal audit findings to its Council. Other cases of deficiency detected by Audit included the LU's non-setting up of an internal audit section and the CUHK's non-reporting of the internal audit findings to its Council. On the other hand, the Committee noted that the HKIEd and the HKUST had set up both an internal audit section which reported to their Councils and an audit committee, which represented a significant step forward in achieving good corporate governance. The Committee asked the institutions to comment on Audit's findings and recommendation.

39. The **President of the CityU** said that the CityU's Review Committee on University Governance and Management would consider whether it was necessary to set up an audit committee in addition to the existing internal audit section which had been functioning effectively since its establishment in 1998. On average, the internal audit section submitted some 20 reports to the Council each year. The Review Committee aimed at submitting its recommendations to the Council at its meeting in November 2003.

40. The **President and Vice-Chancellor of the HKBU** said that in view of the relatively small size of the HKBU and the limited resources available, the HKBU would try to explore other ways to perform the internal audit function by using the least resources. He was prepared to take up the Audit's recommendation of setting up an audit committee in the context of the "fitness for purpose" review on the governance and management structures of the HKBU.

41. **Prof Edward CHEN Kwan-yiu, President of the LU**, advised that:

- because of the relatively small size of the LU, it was not practicable and economical to set up an internal audit section in view of the staff cost involved. In fact, the LU had established an internal audit committee to perform the functions of an internal audit section. The internal audit committee, which was similar to an audit committee, comprised a small

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number of external members of the Council. It would outsource the internal audit work to external professional consultants when required, and would report its work to the Council; and

- the LU was in the process of developing a five-year rolling internal audit programme.

42. The **Vice-Chancellor of the CUHK** responded that the CUHK had set up a professional and very rigorous internal audit section for a decade. Audit's recommendation for an audit committee to be established under the Council would be considered in the context of the governance review. The CUHK's decision on the audit committee proposal was expected to be available at the end of 2003 or in mid-2004.

43. The **President of the PolyU** informed the Committee that in the light of Audit's recommendation, the PolyU had recently set up an audit committee under the PolyU Council. The audit committee comprised three members. To enhance independence of the audit committee, all the three members would not participate in the work of any committees established under the Council.

44. In his letter of 29 July 2003, in *Appendix 13*, the **Vice-Chancellor of the HKU** informed the Committee that the HKU had recently adopted, for implementation, the report of the Review Panel on the governance and management structures of the HKU. The establishment of an audit committee, responsible directly to the Council, was among the proposals of the review report. The HKU was currently examining the role of an audit committee and its relationship with other committees and administrative units, before proposing the terms of reference for consideration by the new Council. The Council had requested that all the mechanisms and procedures recommended by the Review Panel be in place by the end of 2003. The HKU was aiming at setting up the audit committee before the end of 2003.

45. The response of some institutions revealed that they lacked the resources required for setting up an internal audit section but they would identify other ways to perform the internal audit function, such as by outsourcing their internal audit work to external professional consultants. The Committee asked whether such an arrangement was acceptable.



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46. **Mr Dominic CHAN Yin-tat, Director of Audit**, responded that outsourcing internal audit work to external professional consultants was also acceptable, as long as the internal audit function was performed independently and the audit findings were reported to the Council directly without involving the Head of Institution or other members of the senior management. But those institutions without an audit committee should set up one to strengthen their internal audit function and the corporate governance structure.

47. **Mr Peter CHEUNG Po-tak, Secretary-General of the UGC**, said that the UGC also saw the importance of the role of an independent audit committee in the institutions' governance structure. In her meeting with the Heads of Institutions in November 2002, the Chairperson of the UGC had asked the Heads of Institutions concerned to consider the proposal of establishing an audit committee under their Councils in the context of the review on their governance and management structures.

### **Financial reporting of institutions**

48. The Committee noted that in 1996, a Task Group on Uniform Accounting Policies and Practices, comprising finance directors of the institutions, had issued a Statement of Recommended Practice (SORP) for reference by the institutions for the preparation of their financial statements. The objective was to provide a standard to enhance the usefulness and comparability of the published financial information among the institutions. Because of the peculiarities of the institutions which had rendered some of the commonly accepted accounting standards inapplicable, the SORP allowed for deviations from the Statements of Standard Accounting Practice of Hong Kong (HKSSAPs) in the following three areas:

- recognition of expenses;
- accounting treatment of property, plant and equipment; and
- recognition of assets.

49. As the SORP had taken into account the HKSSAPs, where full compliance with the HKSSAPs was considered inappropriate, such departures were highlighted in the SORP and were required to be disclosed in the financial statements of the reporting institution. It implied that, in general, the institutions needed to comply with the HKSSAPs in all accounting treatments, except in the three areas mentioned above.

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50. Audit's examination of the institutions' financial statements for the year ended 30 June 2002 revealed that, apart from the three areas of departure covered by the SORP, some of the institutions had not complied with the accounting treatments laid down in some other HKSSAPs. There were two major areas of such departure. First, with the exception of the LU which did not have any subsidiary or associate, all the other seven institutions did not prepare consolidated financial statements to present their financial affairs and those of their subsidiaries and associates together. Second, all the eight institutions did not disclose transactions with related parties in their financial statements.

51. The Committee noted from paragraph 4.22 of the Audit Report that, in the CUHK's financial statements for the year ended 30 June 2002, the CUHK did not make disclosures of its subsidiary or associate. In its response in paragraph 4.24 of the Audit Report, the CUHK stated that compared to the account of the CUHK, the account of its subsidiary in question was not material. Therefore, no disclosure of such account was made in the CUHK's financial statements. This was a generally accepted accounting practice.

52. Audit considered it desirable for the institutions to, as far as possible, prepare consolidated financial statements to present their financial affairs and those of their subsidiaries and associates together. This practice was in line with the practices adopted by universities in advanced countries. The Committee asked whether the CUHK would take on board Audit's view and prepare consolidated financial statements to present its financial affairs and those of its subsidiaries and associates together. The **Vice-Chancellor of the CUHK** said that the CHUK would do so if such accounting arrangement was considered necessary.

53. According to paragraph 4.28 of the Audit Report, as required under the Statutes of the University of Hong Kong Ordinance, the HKU needed to prepare a balance sheet and an income and expenditure account, which were to be audited, for submission to the HKU Council every year. Audit considered that it was not desirable for the HKU to include the financial results, and the assets and liabilities of the HKU School of Professional and Continuing Education (HKU-SPACE) in its financial statements. This was because the HKU and the HKU-SPACE were separate legal entities which were individually required under different Ordinances to prepare their own financial statements. Therefore, there was a need for the HKU to prepare a set of financial statements of its own every year (without including the financial data of another legal entity). In this connection, the Committee asked whether the HKU would consider Audit's view and prepare a set financial statements of its own.

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54. **Mr Philip LAM, Director of Finance of the HKU**, said that:

- as the income of the HKU-SPACE accounted for 7.6% of the consolidated income of the HKU as a whole in 2001-02, the inclusion of the financial results as well as assets and liabilities of the HKU-SPACE in the HKU's accounts was desirable. This would enable the Council to better understand the HKU's overall financial position; and
- nevertheless, in the light of Audit's comment, the HKU would prepare a separate set of its own financial statements, which would exclude the financial data of the HKU-SPACE as another legal entity.

55. The Committee noted from Table 12 in paragraph 4.30 of the Audit Report that as at 30 June 2002, as disclosed in the institutions' subsidiaries' financial statements, the CUHK had made capital donations amounting to \$4,082,231 to a subsidiary. However, in its response in paragraph 4.31(b) of the Audit Report, the CUHK described this sum as capital injection. The Committee therefore sought clarification from the CUHK as to whether the money in question was capital donation or capital injection.

56. The **University Secretary of the CUHK** said at the public hearing and the **Vice-Chancellor of the CUHK** advised, in his letter of 30 May 2003 in *Appendix 27*, that:

- there was no giving away of the CUHK's assets to any external organisation by way of donation or otherwise. The amount of \$4,082,231 represented capital injection from the CUHK to the subsidiary, which was derived from licence income arising out of technology transfers. The subsidiary in question was The Chinese University of Hong Kong Foundation Limited, which was a non-profit-making company limited by guarantee established and wholly controlled by the CUHK Council. The five directors of this company were all Council officers or members appointed by the Council; and
- the company was established to facilitate the CUHK's engagement in technology transfer and technology development. The company itself did not undertake any business operation. It only served to hold the intellectual property rights and investments related to technology development for and on behalf of the CUHK.

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57. According to Table 12 in paragraph 4.30 of the Audit Report, the consolidated balance sheet of a subsidiary of the PolyU for the year ended 30 June 2002 showed that the group owed \$890,816 to the PolyU with no fixed term of repayment. The **President of the PolyU** advised that this amount represented the accrued expenses payable for services provided by the PolyU, and had now been fully settled.

58. In paragraph 4.48(b), Audit recommended that the Secretary-General of the UGC should collaborate with the eight institutions and the Hong Kong Society of Accountants (HKSA) to develop a set of revised SORP, which should comply with the HKSSAPs, for compiling the institutions' financial statements. However, it appeared to the Committee that the institutions' non-compliance with certain HKSSAPs was primarily attributed to the UGC funding rules, as revealed in the institutions' response in the Audit Report.

59. The **Secretary-General of the UGC** explained at the public hearing and in his memo to the Director of Audit of 30 May 2003, in *Appendix 28*, that:

- the preparation of financial statements to report on the financial performance of an institution was a statutory responsibility of the institution. The choice of accounting policy and practice was therefore a matter for the institutions to decide and their auditors to accept. Nevertheless, the UGC supported that the institutions should develop a SORP to harmonise accounting practices among themselves, in order to encourage good practices and facilitate comparison;
- apart from the statutory obligation, the institutions were required under the funding rules of the UGC to report on the use of grants allocated to them. The UGC provided institutions with different kinds of grants for different purposes (e.g. the capital grants to cover the building and capital works requirements, block grants to cover the bulk of the recurrent requirements of the UGC funded activities, and earmarked grants for some specific purposes like research projects);
- the UGC would need reports from the institutions to enable it to monitor how these individual grants had been committed and spent. Dependent upon the nature of the grant, reporting requirements might need to be on a different accounting basis. For example, where the cost of a building was fully covered by a capital grant, there should not be a depreciation charge in the block grants although, under the HKSSAPs, building costs were normally amortised in the recurrent account over the useful life of a building; and

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- the UGC appreciated the merits of institutions' running a system which satisfied both of the above requirements and was cost effective. However, as a matter of principle, the UGC considered that financial statements by and large should comply with the HKSSAPs, even if on specific items, the institutions would have to make adjustments for the particular purpose of a separate report to the UGC. Towards this, the UGC had been working with a Task Force on Review of the SORP, led by the Director of Finance of the HKBU, to devise the basic rules. Good progress was being made for the institutions to adopt a new set of SORP soon.

60. **Mr Alex SHUEN, Director of Finance of the HKBU**, stated that:

- throughout the years, all the institutions had appointed auditors, who were certified by the HKSA, to audit their annual published financial statements. All the audited financial statements prepared by the institutions were certified by their auditors to have presented a true and fair view of the state of their financial affairs for the financial year concerned. The auditors' report had consistently expressed an unqualified opinion in this respect;
- the existing accounting practices adopted by the institutions had evolved from the accounting practices of the Government and the funding rules prescribed by the then University and Polytechnic Grants Committee back in the 1970s. The major users of the financial statements were the University and Polytechnic Grants Committee, the funding bodies and the governing bodies of the institutions;
- the Task Force, under his chairmanship, worked through the whole of 2002 to review the SORP with a view to narrowing the variance in accounting practices as laid down in the SORP and the HKSSAPs; and
- a new funding arrangement had been put in place for about two years, which enabled the institutions to carry up to 20% of their respective recurrent grant in a triennium to the next as reserves. He believed that this arrangement could help address the concerns raised by Audit about financial reporting of the institutions, except the issue of depreciation of fixed assets as HKSSAP 17 stipulated that non-profit-making organisations (i.e. including the institutions) were exempted from this requirement.

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61. The **Director of Audit** pointed out that although HKSSAP 17 exempted non-profit-making organisations from compliance with the depreciation requirement, such organisations were encouraged to follow the accounting practices set out in this HKSSAP. Since compliance with the depreciation requirement would help the institutions show the full costs of operation in a financial period, the institutions, being publicly-funded organisations, were strongly encouraged to comply with this requirement in order to set a good example to the public. Indeed, Audit's research revealed that overseas universities also adopted depreciation accounting for their fixed assets.

62. The institutions in general had reservations about Audit's recommendation to adopt depreciation accounting for their fixed assets. The **President of the CityU**, the **Deputy Chairman of the Council of the LU**, the **President of the LU** and the **Vice-Chancellor of the HKU** said that:

- the institutions' buildings and capital works requirements were already covered by capital grants;
- the land on which the institutions were built was granted by the Government and thus there was not a market value. If the value of the land was required to be reflected in the institutions' financial statements, the institutions might need to artificially create a market value which, in the view of the institutions, would be of little or no reference value and would also waste human resources in handling the work involved; and
- the accounting treatments of fixed assets adopted by overseas universities might not be applicable to Hong Kong as some overseas universities were built on private land.

63. Having regard to the response from the PolyU and the HKU in paragraph 4.53(b) of the Audit Report that they would consider adopting all HKSSAPs if the UGC agreed to change its funding model and surplus assessment method for the institutions, the Committee enquired:

- whether the UGC would consider changing the existing funding arrangements applicable to the institutions; or
- whether the institutions were agreeable to the UGC's suggestion of preparing two sets of financial statements, one of which would be in compliance with the HKSSAPs while the other would serve as a report to the UGC on the use of grants allocated to them.

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64. **Mr Chris MONG, Associate Vice President & Director of Finance of the PolyU** and the **President of the CityU** said that it would be most desirable if the institutions were to prepare only one set of financial statements which was in compliance with the HKSSAPs and satisfied both their auditors and the UGC. If this was not possible, the institutions might need to first prepare a set of financial statements which was in compliance with the HKSSAPs for audit purpose and to reconcile this set of financial statements thereafter to cater for the requirements of the UGC.

65. The **Secretary-General of the UGC** and the **Director of Finance of the HKBU** informed the Committee that:

- the Task Force on Review of the SORP had finished the review. Comments from the institutions' auditors and the UGC had been sought and incorporated into the revised SORP;
- the revised SORP essentially recommended a full compliance with the prevailing HKSSAPs and gave further details on presentation of information in the financial statements to enhance comparability among the institutions; and
- the Task Force would submit the revised SORP to the HKSA for its comments. The HKSA would be specifically invited to advise whether the revised SORP was consistent with the HKSSAPs and whether those practices in the revised SORP not covered by the prevailing HKSSAPs would enable the institutions to present their financial statements in a true and fair manner.

66. In his letter of 9 October 2003, in **Appendix 29**, the **Director of Finance of the HKBU** provided a copy of a letter of 7 October 2003 from a Senior Director (Professional and Technical Development) of the HKSA, which set out the HKSA's comments on the revised SORP. In her letter of 7 October 2003, the **Senior Director (Professional and Technical Development)** provided the following response:

- although it was not currently possible, within the HKSA's standard setting framework, for the HKSA to offer official view or endorsement on the revised SORP, it was able to offer some observations on certain aspects of the document; and
- the institutions had already received professional opinion from their auditors on the materials contained in the revised SORP. This was appropriate because, bearing in mind that the accounting issues being discussed were for an extremely limited number of entities, the development and application of

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appropriate accounting policies should first and foremost rest with those within the entity who took responsibility for the financial statements. The auditor should then express an opinion as to whether the accounting policies were appropriate and whether they had been applied accordingly.

67. In her letter of 7 October 2003, the **Senior Director (Professional and Technical Development)** also highlighted the contents of paragraph 2 of HKSSAP 17, which dealt with accounting treatments of property, plant and equipment, as follows:

“Charitable, government subvented and not-for-profit organisations whose long-term financial objective was other than to achieve operating profits (e.g. trade associations, clubs and retirement schemes) are exempted from compliance with this Statement provided that full disclosure of their accounting policies is made. Nonetheless, these enterprises are encouraged to follow the accounting practices set out in this Statement.”

68. In his letter of 9 October 2003, the **Director of Finance of the HKBU** advised that further refinements would be made to the SORP in the light of the comments from the HKSA. Moreover, comments from the institutions’ auditors had been duly taken into account in the SORP and the auditors had, consistently in the past, certified the financial statements of the institutions to the effect of presenting a true and fair view of their financial affairs.

69. At the invitation of the Committee, the **Director of Audit** provided, in his letter of 17 October 2003 in **Appendix 30**, a response to the Senior Director (Professional and Technical Development)’s letter, as follows:

- Audit fully appreciated that non-compliance with HKSSAP 17 on the depreciation of assets *per se* by the institutions did not call into question whether their financial statements were SSAP-compliant. These were separate and different issues. Audit was aware that the scope of HKSSAP 17 on property, plant and equipment stated that charitable, government subvented and not-for-profit organisations whose long-term financial objective was other than to achieve operating profits were exempted from compliance with this Statement. However, it should be noted that the Statement also stated that such enterprises were encouraged to follow the accounting practices set out in the Statement; and



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- Audit's research had shown that universities in advanced countries usually adopted depreciation accounting for their property, plant and equipment. Therefore, Audit made a statement in paragraph 4.41 of the Audit Report that "it would be desirable for the institutions, which were the highest academic institutions for advancing accounting knowledge, to adhere to the international best practices on the preparation of financial statements".

### **70. Conclusions and recommendations**     The Committee:

#### **Corporate governance of institutions**

- expresses serious concern that:
  - (a) the attendance rates of external members at meetings of the Councils of the City University of Hong Kong (CityU) and The Hong Kong Institute of Education (HKIEd) were generally low (i.e. below 50% at some meetings). Those of the Hong Kong Baptist University (HKBU), The Chinese University of Hong Kong (CUHK) and The University of Hong Kong (HKU) were particularly disappointing. While the HKBU held seven Council meetings, the CUHK held nine Council meetings, and the HKU held 19 Council meetings between July 2000 and November 2002, the attendance of the external members of these Councils constituted a majority (i.e. 50% or more) at only one, two and four meetings respectively. As a result, when decisions were required to be made at meetings of those Councils, there might be over-reliance on internal members; and
  - (b) five of the eight institutions had not established an audit committee, which is not in line with good corporate governance practices;
- expresses concern that:
  - (a) the CityU had not set up a Court as its advisory body, although the City University of Hong Kong Ordinance specifies that there is to be a Court;
  - (b) the Court of the HKU largely functions as an advisory body, while the University of Hong Kong Ordinance specifies that the Court is the supreme governing body;
  - (c) the size of the governing bodies of the CUHK and the HKU is larger than that of the other six institutions and is not in line with the international trend towards a smaller-size governing body; and

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- (d) currently, over 10% (i.e. seven out of 56) of the Council members of the CUHK are life members; all of the six life members did not attend any of the nine Council meetings held between July 2000 and November 2002;
- commends the HKIEd and the HKUST for having set up both an internal audit section which reports to their Councils and an audit committee;
- acknowledges that:
  - (a) the institutions are reviewing the attendance of external members and will explore additional measures to facilitate high attendance of external members;
  - (b) legislative amendments have been made by the HKU to change the size and composition of its Council and Senate. As a result, the size of the Council has been reduced to 24 members, with the ratio of external members to internal members being 2:1, and the size of the Senate has been reduced to no more than 50 members;
  - (c) the CUHK is conducting a review of the size and composition of its Council, the outcome of which is expected to be available in the last quarter of 2003;
  - (d) the CUHK will recommend to its Council that new life members should not be appointed. It will also remind all nominating bodies (including the various constituent or related organisations of the CUHK) to take into consideration the attendance records of the Council members nominated by them when they consider re-nominating their representatives to continue to serve on the Council;
  - (e) the CityU hopes to set up a Court within a year if the proposal is supported by its Review Committee on Governance and Management, which plans to submit its report to the CityU Council in November 2003;
  - (f) in the light of Audit's recommendation, The Hong Kong Polytechnic University has set up an audit committee; and
  - (g) the HKU aims at setting up an audit committee before the end of 2003;

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- recommends that the Secretary-General of University Grants Committee (UGC) should request:
  - (a) all the institutions to adopt measures to ensure that external members will constitute a majority at the Council meetings;
  - (b) all the institutions to consider publishing the attendance records of their Council members and uploading the records onto their websites for the information of the public;
  - (c) that, as a matter of principle, the institutions should not re-appoint those Council and/or Court members whose attendance at Council and/or Court meetings is low;
  - (d) the HKU to amend the University of Hong Kong Ordinance to ensure that the statutory roles of its Council and Court reflect their actual functions;
  - (e) the CUHK to consider reducing the size of its Senate, apart from the Council, so as to enable it to function more effectively;
  - (f) the CityU, the HKBU and the CUHK to set up an audit committee to strengthen their internal audit function and the corporate governance structure; and
  - (g) the institutions to conduct periodic (say every five years) reviews of the effectiveness of their governing bodies;

### **Strategic planning of institutions**

- expresses concern that:
  - (a) the HKUST and the HKU have not prepared a strategic plan to set out the objectives, operational goals and actions for achieving the goals;
  - (b) the eight institutions have not developed an annual operational plan for implementing the strategic plan; and
  - (c) the eight institutions have not adopted the good practices of setting targets and reporting progress as in universities in advanced countries;

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- acknowledges that:
  - (a) the HKU is in the process of developing its strategic plan;
  - (b) to assist it in determining the allocation of funding for the 2005-08 triennium, the UGC will conduct another performance-based funding scheme which will comprehensively and qualitatively look at the institutions' overall vision, strategic orientation, development and operational plans, support mechanisms, efforts in key result areas and how they are to be measured; and
  - (c) the UGC will include community service as an element in the forthcoming performance-based funding exercise and in the Comprehensive Audit in future;
  
- recommends that the Secretary-General, UGC should request:
  - (a) the HKUST and the HKU to expedite action to finalise their strategic plans to set out their objectives, operational goals and actions for achieving the goals;
  - (b) the Lingnan University, the HKUST and the HKU to upload their strategic plans onto their websites for the information of the public;
  - (c) the eight institutions to develop annual operational plans to set out clear targets for achievement;
  - (d) the eight institutions to prepare annual progress reports to present the progress of achievement in respect of the targets set out in their annual operational plans;
  - (e) the eight institutions to upload their progress reports onto their websites for the information of the public; and
  - (f) the eight institutions to enhance their role in the provision of community services by setting relevant targets for achievement in their annual operational plans;

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### **Financial reporting of institutions**

- expresses concern that:
  - (a) the eight institutions did not comply with some of the Statements of Standard Accounting Practice of Hong Kong (HKSSAPs) in preparing their financial statements, which included the recognition of expenses, accounting treatment of property, plant and equipment, recognition of assets, presentation of consolidated financial statements and disclosure of related-party transactions;
  - (b) there was a delay in conducting a review of the Statement of Recommended Practice (SORP); and
  - (c) the HKU had included the financial results and the assets and liabilities of the HKU School of Professional and Continuing Education (HKU-SPACE), which is a separate legal entity, in the HKU's financial statements;
- acknowledges that:
  - (a) the Task Force commissioned by the finance directors of the institutions has been reviewing the SORP for the sector, which will take into account the need to comply with the generally acceptable accounting practices as set out in the HKSSAPs; and
  - (b) the HKU has undertaken to prepare a separate set of its own financial statements, which will exclude the financial data of the HKU-SPACE as another legal entity;

### **Performance reporting of institutions**

- expresses concern that:
  - (a) the UGC and the institutions did not disclose some of the institutions' performance information to the public. The information was gathered in the annual data collection exercises and included student retention rates, admission qualifications of programmes, language examination results of newly admitted students, student admission ratios and student unit costs; and
  - (b) compared with universities in advanced countries, the institutions had disclosed less performance information to the public;

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- acknowledges that the UGC, with the assistance of the Commissioner for Census and Statistics, is conducting a review on the data collection and reporting system;
- recommends that the Secretary-General, UGC should:
  - (a) based on good overseas practices, discuss and work out with the eight institutions a revised set of clear and quantifiable performance indicators for assessing and reporting the performance of the institutions;
  - (b) based on the agreed performance indicators, request the eight institutions to provide the UGC with their annual performance data;
  - (c) publish the performance data provided by the eight institutions in the UGC's annual reports;
  - (d) upload the institutions' performance data onto the UGC's website;
  - (e) collaborate with the eight institutions with a view to jointly engaging an independent firm to conduct common satisfaction surveys of the stakeholders of the institutions; and
  - (f) disclose the results of the common satisfaction surveys in the UGC's annual reports and website; and

### **Follow-up actions**

- wishes to be kept informed of:
  - (a) the progress of implementing the recommendations of the HKU Review Panel on the governance structure of the HKU;
  - (b) the progress of the HKU's action to amend the University of Hong Kong Ordinance regarding the statutory roles of its Council and Court;
  - (c) the results of the "fitness for purpose" reviews on the governance structures of the seven institutions;
  - (d) the result of the CUHK's review of the size and composition of its Council and Senate;

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- (e) the measures adopted by the institutions to ensure that external members will constitute a majority at the Council meetings;
- (f) the attendance rates of external members of the Councils and Courts of the institutions after measures to facilitate high attendance of external members have been taken by the institutions;
- (g) the decisions of the institutions on the proposal to publish the attendance records of their Council members and upload the records onto their websites;
- (h) the decisions and progress of the CityU, the HKBU and the CUHK, and the progress made by the HKU, in respect of the proposal to set up an audit committee;
- (i) the institutions' decisions on the proposal to conduct periodic reviews of the effectiveness of their governing bodies;
- (j) the progress of the HKUST and the HKU in preparing their strategic plans;
- (k) the progress of the UGC's performance-based funding scheme to assist it in determining the allocation of funding for the 2005-08 triennium; and
- (l) the UGC's review on the performance data collection and reporting system for the institutions.

## Chapter 2

### University Grants Committee funded institutions - General administrative services

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Audit conducted a review to examine the systems and arrangements in the eight University Grants Committee (UGC) funded institutions to examine whether cost-effective administrative support was being provided.

2. At the Committee's public hearing, **Prof Hon Arthur LI Kwok-cheung, Secretary for Education and Manpower**, declared that he was the Vice-Chancellor of The Chinese University of Hong Kong (CUHK) during 1 August 1996 and 31 July 2002. He had participated in the management and policy formulation of the CUHK during the period covered by the Audit review.

#### **Provision of senior staff quarters**

3. The Committee had examined the problem of vacant senior staff quarters (SSQ) in UGC funded institutions in 1998 and had urged the Secretary-General of the UGC and the Administration to take actions to improve their usage. In response, the Government had set up a Task Force on Usage of UGC-funded Institutions' Surplus Staff Quarters (Task Force), chaired by the Secretary-General of the UGC, with representatives of the institutions and the Administration as members, to monitor the status of surplus SSQ and the return of these quarters to the Government at an appropriate time. However, over the years, the vacancy position of SSQ in some institutions had deteriorated rather than improved. The Committee considered that if the Task Force had handled the matter properly, the vacancy rates of SSQ should have dropped. In this connection, the Committee asked about the reasons for the high vacancy rates of SSQ and the actions taken by the UGC and the Administration to improve the situation.

4. **Mr Peter CHEUNG Po-tak, Secretary-General of the UGC**, explained that:

- the increase in the vacancy rates of SSQ was mainly caused by the introduction of the Home Financing Scheme (HFS) to the institutions from October 1998. Since then, a large number of staff eligible for SSQ had opted to join the HFS. This had significantly reduced the demand for SSQ, thus rendering a large number of these quarters vacant;
- some institutions had tried to lease out the vacant SSQ in the open market with a view to reducing the vacancy rates. However, they had encountered difficulties in leasing them out at market rentals due to the SSQ's less favourable locations and conditions. For example, some SSQ were built on campus and thus were less conveniently located. On the other hand, some institutions with SSQ in their campus area were unwilling to lease them out to outsiders due to security considerations; and



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- the Task Force had been conducting regular reviews on the usage of SSQ in the institutions. Measures considered to be useful in reducing the vacancy rates had already been implemented, which included returning surplus SSQ to the Government, converting them into other uses, and selling or leasing them out in the open market. A possible way to help institutions secure more tenants was to allow them to determine the appropriate rental level flexibly.

5. The Committee noted the comments of the City University of Hong Kong (CityU) in paragraph 2.16(c) of the Audit Report that selling or leasing out institutions' SSQ to the private sector might infringe the land grant conditions and thus waiver had to be sought from the Government before the institutions could do so. The Committee asked about the problems the CityU had encountered in obtaining the Government's waiver for selling or leasing out its SSQ in the open market.

6. **Prof CHANG Hsin-kang, President of the CityU, and Mr Gabriel CHAN, Director of Finance of the CityU,** said that since the vacancy rate of SSQ in the CityU was not high all along, there was no imminent need to sell or lease them out in the open market. Thus, the CityU had not sought any waiver from the Government to enable it to do so. The CityU considered that even if it was granted the waiver, extra resources would be required to deal with day-to-day problems and disputes unless the SSQ, which were all built on campus, were sold or leased out in blocks with clear-cut liabilities and management responsibilities. Nevertheless, the CityU undertook to re-assess the current situation to ascertain if there was a need for it to sell or lease out its surplus SSQ in the open market. If such course of action was considered as necessary, the CityU would seek the Government's approval.

7. The **Secretary for Education and Manpower** informed the Committee that after the vacancy problem of SSQ was brought up by the Committee in 1998, some institutions had already applied for waivers to sell or lease out their SSQ in the open market as a measure to reduce their vacancy rates. Since such courses of action were not for profit-making purposes, all these applications had been approved by the Government. Based on this principle, he envisaged that similar applications by the CityU, if submitted, would also be approved.

8. According to paragraph 2.45(a) of the Audit Report, the Hong Kong Baptist University (HKBU) planned to return 21 SSQ to the Government. The Committee enquired about the timing of the HKBU implementing such a plan.

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9. **Mr Alex SHUEN, Director of Finance of the HKBU**, advised that the HKBU Council supported in principle the plan to return 21 SSQ to the Government. However, as the proposal of delinking university pay had been made known to the institutions only recently and there would most likely be changes to the arrangements for the provision of housing benefits to university staff under a delinked environment, the HKBU would need to conduct a careful study to re-assess the future demand for SSQ. If such demand was anticipated to be large, the HKBU might need to retain the 21 SSQ for use by its staff.

10. The **Secretary-General of the UGC**, informed the Committee that:

- after the implementation of the delinking proposal on 1 July 2003, the mandatory requirement to offer the HFS as the only form of housing benefit to newly appointed staff would be removed. The institutions would be free to determine the form of housing benefits to be provided to new staff. He believed that with such flexibility, the institutions would make use of the vacant SSQ for their new staff and thus the problem of vacant SSQ would not persist; and
- against this background, those institutions which had originally planned to return some of their SSQ to the Government might choose to retain them for use by staff after re-assessing their future demand for SSQ. The UGC Working Group on Housing Arrangement After Deregulation of University Salaries, with the Director of Finance of The Hong Kong University of Science and Technology (HKUST) as Convenor, was working on the arrangements for the provision of housing benefits to staff of the institutions after the delinking proposal had taken effect.

11. Referring to paragraph 2.21(b) of the Audit Report, the Committee questioned why The Hong Kong Polytechnic University (PolyU) had not required its staff who were in receipt of Private Tenancy Allowance (PTA) or Home Financing Allowance (HFA) and were occupying SSQ to pay an extra amount equal to the difference between the market rents of the SSQ they occupied and their entitlements to PTA or HFA. The Committee queried whether the absence of such a top-up requirement had resulted in additional housing benefits being given to these staff.

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12. **Prof POON Chung-kwong, President of the PolyU**, said that:

- the PolyU had commissioned a professional surveyor to conduct an evaluation on its SSQ located in Tsimshatsui East. According to the surveyor, the market rents of the SSQ were much lower than the rateable values assessed by the Rating and Valuation Department due to the age and poor condition of these quarters. The PolyU had also engaged private property agents to help lease out the SSQ, but these agents were also unable to offer assistance because of the poor condition of the SSQ;
- in view of the current economic climate and the changing education policy which might in turn have implications on the institutions' requirement for SSQ, it might not be opportune to spend a large sum of money on renovating the SSQ at this moment. Given the poor condition of the SSQ, he anticipated that the staff in receipt of PTA or HFA and were occupying SSQ would very likely move out if there was a top-up requirement; and
- an effective way to reduce the vacancy rates of SSQ was to adopt the market rents assessed by the surveyor in leasing out the SSQ.

13. According to paragraph 2.21(c) of the Audit Report, the HKBU, the CUHK and the HKUST had treated staff in receipt of PTA and HFA differently, i.e. the top-up requirement applied to staff in receipt of PTA only. The Committee asked about the reasons for the institutions adopting different treatments to these two categories of staff.

14. **Prof NG Ching-fai, President and Vice-Chancellor of the HKBU**, advised that:

- in the case of staff using PTA to rent SSQ, the HKBU had used the market rents as the basis for charging rental. After negotiation between the staff and the institution, the rentals charged were sometimes lower than the rateable values, whereas on some occasions the rentals were higher than the rateable values. The HKBU considered it an expedient way to reduce the vacancy rates of SSQ; and
- leasing out SSQ to outsiders might not be a desirable option as it might pose security problems. In his view, as long as the SSQ were used for education and research purposes, the institutions should be given a certain degree of flexibility in the allocation of their SSQ.

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15. **Mr Terrence CHAN, University Bursar of the CUHK, and Mr Paul Bolton, Acting President of the HKUST**, said that at a meeting to discuss the proposed HFS held on 10 July 1998 between the Administration, the UGC and the institutions, their institutions were under the impression that the Administration had agreed that the HFA should be deemed as equivalent to the market rental and that staff should be allowed to contribute their HFA for renting on-campus university accommodation. Hence, they only applied the top-up requirement to staff receiving PTA but not staff receiving HFA. The **Acting President of the HKUST** added that as a great number of staff of the HKUST were currently using HFA to rent on-campus accommodation, the imposition of a top-up requirement on them might result in their moving out of the quarters, which would further aggravate the vacancy position of these quarters.

16. **Mr Stanley YING, Deputy Secretary for the Financial Services and the Treasury**, said that:

- after further examination of the notes of the meeting on 10 July 1998, the Administration thought that the then Secretary for Education and Manpower had agreed with the then Secretary-General of the UGC that staff in receipt of PTA should be required to pay market rents for renting on-campus university accommodation. A representative of the former Finance Bureau said at that meeting that the Administration was prepared to allow the staff an option of using the HFA to rent on-campus university accommodation. The notional rental value would be deemed to be equivalent to the HFA rates in these cases and would be subject to sharing between the Administration and the institutions according to the 70:30 formula; and
- reading from these notes of meeting, the focus of discussion at that time was on the basis for determining the notional rental income for the purpose of income sharing, not the basis for determining the level of rent which the institutions should actually charge their staff who used the PTA or HFA to rent the SSQ.

### **Provision of guest quarters**

17. The Committee was concerned that the average vacancy rates of guest quarters (GQ) in the eight institutions for the period from July 2000 to October 2002 were generally high, especially the Lingnan University (LU) and The Hong Kong Institute of Education (HKIED) the vacancy rates of which stood at 63% and 62% respectively, as revealed in Table 10 of paragraph 4.4 of the Audit Report.

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18. Referring to the response provided by the LU and HKIEd in paragraphs 4.12 and 4.14 of the Audit Report, the Committee enquired how these two institutions would improve the occupancy of their GQ.

19. **Prof Edward CHEN Kwan-yiu, President of the LU**, replied that since the demand for staff quarters was anticipated to increase after the implementation of the delinking proposal, the LU planned to convert at least half of its existing GQ to staff quarters to meet the greater demand and to alleviate the burden brought about by the vacant GQ.

20. **Mr Norman NGAI, Vice President (Resources & Administrative Services) of the HKIEd**, stated that at present, the supply of SSQ in the HKIEd was only slightly larger than its demand. In view of the anticipated increasing demand for SSQ after the implementation of the delinking proposal, the HKIEd was considering converting its existing GQ to SSQ in order to better meet the needs of its staff. With a reduced number of GQ after the conversion, the vacancy rate of GQ was expected to drop correspondingly.

### **Student hostels**

21. In 1996, the Government endorsed a new policy on the provision of publicly-funded student hostel places. This represented the Government's efforts to enhance the quality of university education by fostering hostel life which would sharpen students' communication skills, nurture their leadership quality, encourage independent thinking and promote participation in community affairs. According to the findings in paragraph 5.7 of the Audit Report, as at 31 October 2002, of the 21,697 available hostel places, 1,821 (8.4%) were vacant. The Committee was concerned about the low occupancy rates of student hostel places, in particular the PolyU and the HKBU as their percentages of vacant places were 36.4% and 17.3% respectively.

22. The **President of the PolyU** said that:

- its student hostels had only come on stream in September 2002. At the time of construction of these hostels, the economy of Hong Kong was good and the hostel project was well received by students. The level of provision of student hostels in the PolyU (i.e. 3,004 places) was calculated in accordance with a set of criteria stipulated by the Government. Unfortunately, the economy was sluggish at the time the PolyU carried out its first round of admission exercise for the newly built hostels; and

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- since the admission rate was not encouraging initially, the PolyU had taken a series of measures to attract students to apply for hostel residence. One of these measures was the implementation of a Hall Resident Service Award Scheme, under which students residing in hostel were awarded one-day hostel residence free of charge, up to a maximum of 30 days, for every hour of voluntary service they performed. With the various measures in place, the occupancy rates of student hostels had gradually climbed up to a higher level, now reaching approximately 70%.

23. The Committee referred to paragraph 5.10(d) of the Audit Report which indicated that 80% of the respondents of a survey conducted by the PolyU considered that lowering the hostel fee would attract students to apply for hostel residence. In this connection, the Committee asked whether the PolyU had considered lowering its hostel fee for the purpose of admitting more students. It also enquired about the level of hostel fee in the institution.

24. The **President of the PolyU** replied that the hostel fee in the PolyU was \$40 per day, i.e. around \$1,200 per month. In his view, lowering the hostel fee was only one of the measures to enhance occupancy of student hostels. As not all students had financial difficulties, the PolyU had not adopted this measure. Instead, the PolyU was making continuous efforts to promote the educational objective of hostel life, e.g. by encouraging students to take up voluntary service in exchange for free hostel residence or to engage in part-time jobs in the institution. This not only alleviated the financial burden on students but was also conducive to their learning and personal development.

25. The Committee referred to paragraph 5.32(a) of the Audit Report, which stated that the HKBU saw no difficulty with taking up the Audit recommendations on improving the occupancy rates of student hostels. However, no specific improvement measures were mentioned by the HKBU. The Committee enquired about the specific measures that would be or had been adopted by the HKBU.

26. The **President and Vice-Chancellor of the HKBU** informed the Committee at the public hearing and in his letter of 13 June 2003, in *Appendix 31*, that the HKBU was in the process of implementing or had already implemented the following measures to improve the occupancy position of student hostels:

- actively promoting the value of hostel life by organising hall activities with participation from non-resident students;

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- expanding the scope of eligible applicants to include part-time undergraduate students, taught postgraduate students and Associate Degree students;
- increasing the number and amount of scholarships (through donations) on hall fees to outstanding undergraduate students;
- increasing the number and amount of bursaries (through donations) to undergraduate students with genuine financial difficulties;
- at the time of admission, offering to first year undergraduate students with good academic results or other achievements guaranteed hall places for the whole period of undergraduate study; and
- introducing shorter term residency, e.g. one semester or one month, though not encouraged.

27. The Committee enquired whether the HKBU would consider lowering the hostel fee in order to attract more students to apply for hostel residence. The **President and Vice-Chancellor of the HKBU** said that the HKBU considered it more appropriate to provide financial assistance to needy students in the form of scholarships and bursaries rather than reducing the hostel fee across the board as some students did not have genuine financial difficulties in taking up hostel residence.

28. The Committee noted from Tables 11 and 12 in paragraphs 5.4 and 5.7 of the Audit Report that the number of vacant hostel places in The University of Hong Kong (HKU) was 110, and there were 900 new places currently under construction and would be completed in early 2005. The Committee was concerned whether the vacancy position of student hostels in the HKU would worsen when the 900 new places became available in 2005. The Committee also asked whether the HKU would consider lowering its hostel fee to attract more students to live in hostels.

29. **Prof TSUI Lap-chee, Vice-Chancellor of the HKU**, informed the Committee that in view of the great demand for student hostels in the HKU, the current supply of hostel places, even including the 900 new places, was still short of the actual demand by some 600 places.

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30. As regards the reasons for having 110 hostel places vacant, the **Vice-Chancellor of the HKU** and **Mr Philip LAM, Director of Finance of the HKU**, explained that the vacancy position taken in early October 2002 was not an accurate indicator for the whole residential year. From experience, it was a norm that more students, especially first year students, would withdraw from their hostels at the beginning of the school year due to various reasons. Such withdrawals would not create financial burden on the HKU as the hostel fees collected would not be refunded unless there was another student taking up the returned hostel place. Normally, all the student hostel places in the HKU would be taken up.

31. The **President of the LU** stated that:

- the low occupancy rates of student hostels in many institutions were attributed to the lack of financial assistance provided by the Government. Although the Government had endorsed that hostel life was an integral part of higher education, there was no corresponding policy to help achieve this objective. Under the existing policy, the level of grants and loans for students was based on the living conditions of students. Hostel accommodation was not a factor for consideration in determining the level of grants and loans. He noted that a student living in Tseung Kwan O was able to obtain government financial assistance to subsidise his travelling expenses, but those who lived in student hostels were not given any financial support by the Government; and
- the existing policy on students' grants and loans should be reviewed to ensure that it matched the Government's objective to enhance the quality of university education by fostering hostel life.

32. The **President of the CityU** also considered that the lack of means of students was one of the reasons for the low occupancy rates of student hostels. He learned from family visits that a lot of the students of the CityU were from low-income families. He hoped that the Government would provide financial assistance to enable students to live in hostels.

33. According to Table 12 in paragraph 5.7 of the Audit Report, the vacancy rate of student hostels in the CityU was not serious (only 1.1%). However, there were 1,401 places under construction and some 600 under planning, as revealed in Table 11 of paragraph 5.4 of the Audit Report. The Committee was concerned whether these new places, once available, would exert pressure on the occupancy position of student hostels in the CityU.



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34. The **President of the CityU** responded that the CityU already had effective measures to help students take up hostel residence, e.g. the introduction of shorter term residency. It would continue to explore measures to promote hostel residence and was confident that there would not be a drastic drop in the occupancy rate of its student hostels in future.

35. According to paragraphs 5.12 and 5.17 of the Audit Report, the costs of the vacant hostel places, based on the total construction cost, were \$211 million and \$48 million for the PolyU and the HKBU respectively. The Committee asked if the institutions agreed that the total construction cost was relevant.

36. The **President of the PolyU** said that he did not agree with the method used by Audit for calculating the cost of vacant hostel places. **Mr Chris MONG, Associate Vice President & Director of Finance of the PolyU**, added that the PolyU had not commented on the way Audit presented its findings in the Audit Report, unless the information contained in the Report was factually incorrect.

37. The **President and Vice-Chancellor of the HKBU** said that the HKBU had offered its views, in paragraph 5.32(b) of the Audit Report, that it did not see the relevance of Audit bringing up the construction cost when calculating the cost of vacant hostel places.

38. **Mr Dominic CHAN Yin-tat, Director of Audit**, responded that Audit might include all its findings in the Audit Report as long as they were facts. He considered that the construction cost was relevant.

39. The Committee understood that the yearly hostel fee for each student was only approximately \$10,000, which was relatively small when compared to some \$200,000 of subsidy being provided to each student for a year of university education. Given that hostel life had great educational value, the Committee asked whether the Administration would provide subsidy to give needy university students an opportunity to experience hostel life.

40. The **Secretary for Education and Manpower** stated that the policy on the provision of publicly-funded student hostel places, as promulgated in 1996, clearly stipulated that the institutions were required to operate the student hostels on a self-financing basis. The level of hostel fees had to be determined by the institutions themselves, having regard to the recurrent operating costs of the student hostels.

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41. The **Secretary-General of the UGC** added that it had been a long-standing agreement between the Government and the institutions that hostel accommodation was not a factor for consideration under the grants and loans schemes. In view of the self-financing nature of the operation of student hostels, the institutions might consider raising funds from other sources for the provision of financial assistance to students in this regard.

42. In his letter of 10 July 2003, in *Appendix 32*, the **Secretary for Education and Manpower** supplemented that:

- students studying at UGC funded institutions might apply for financial assistance under the Local Student Finance Scheme (LSFS) and the Non-means Tested Loan Scheme (NLS). The LSFS provided financial assistance to eligible students for their tuition fees, academic expenses, compulsory union fees and general living expenses. In addition, NLS provided assistance to students for the difference between the maximum financial assistance under LSFS and the actual amount received by students, subject to the NLS loan maximum (equivalent to tuition fees payable) not being exceeded. In determining the level of grants and loans for students, hostel accommodation was not a specific factor for consideration; and
- the Administration constantly reviewed its policy on students' grants and loans, taking into account new developments in the sector and comments from relevant parties. Students' need for assistance in respect of accommodation would be considered in this context as appropriate.

43. **Conclusions and recommendations** The Committee:

### **Provision of senior staff quarters**

- expresses serious concern that:
  - (a) although the Public Accounts Committee had examined the problem of vacant senior staff quarters (SSQ) in University Grants Committee (UGC) funded institutions in 1998 and had urged the Secretary General, UGC and the Administration to take actions to improve their usage, the vacancy rates of SSQ in some institutions had deteriorated rather than improved; and

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- (b) some institutions did not require their staff who were in receipt of Private Tenancy Allowance (PTA) or Home Financing Allowance (HFA) and were occupying SSQ to pay an extra amount equal to the difference between the market rents of the SSQ they occupied and their entitlements to PTA or HFA. The absence of such a top-up requirement resulted in additional housing benefits being given to these staff;
- urges:
  - (a) the institutions with SSQ to take urgent action to make beneficial use of the vacant SSQ;
  - (b) the institutions with SSQ to partner with private property agents with a view to leasing out the vacant SSQ more efficiently;
  - (c) the institutions with SSQ, after the implementation of the delinking proposal, to expeditiously devise a system to reduce the number of vacant SSQ and address the problem of surplus SSQ; and
  - (d) the Task Force on Usage of UGC-funded Institutions' Surplus Staff Quarters (the Task Force) to closely monitor the status of all surplus SSQ and take all necessary actions to ensure that the institutions make optimal use of them, having regard to the observations in the Audit Report;

### **Provision of junior staff quarters**

- expresses concern that:
  - (a) a large number of junior staff quarters (JSQ) were provided to staff of the institutions on operational grounds although, under their conditions of service, the junior staff are not entitled to quarters as a housing benefit; and
  - (b) in some institutions, there was a high percentage of vacant JSQ;
- urges those institutions which are still providing JSQ for operational reasons to:
  - (a) critically review whether there is still an operational need to provide JSQ;

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- (b) closely monitor the vacancy position of JSQ; and
- (c) where necessary, draw up action plans to make optimal use of the vacant JSQ;

### **Provision of guest quarters**

- expresses concern that in some institutions, a high percentage of guest quarters (GQ) were vacant;
- acknowledges that, in order to improve the vacancy position of GQ:
  - (a) the Lingnan University plans to convert at least half of its existing GQ to staff quarters, after the implementation of the delinking proposal; and
  - (b) The Hong Kong Institute of Education is considering converting its existing GQ to SSQ, after the implementation of the delinking proposal;
- urges the institutions to:
  - (a) closely monitor the utilisation of their GQ, ascertain the reasons for the high vacancy rates and take effective measures to improve the utilisation of their GQ;
  - (b) critically review the future demand for the GQ, having regard to the high vacancy rates; and
  - (c) if the number of GQ is found to be in excess of their requirements, draw up action plans to properly dispose or make beneficial use of the surplus GQ;

### **Student hostels**

- expresses concern that the vacancy rates of student hostels in The Hong Kong Polytechnic University (PolyU) and the Hong Kong Baptist University were 36.4% and 17.3% respectively. The high level of vacant hostel places not only resulted in the loss of substantial amounts of hostel fees, but could also adversely affect the effectiveness of fostering hostel life;
- acknowledges that as the provision of student hostels in the PolyU was a new initiative, the PolyU had implemented a Hall Resident Service Award Scheme to attract students to apply for hostel residence, and would continue to explore ways to admit more occupants;

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- urges the institutions:
  - (a) in cases where the provision of student hostels is a relatively new initiative, to take appropriate measures to foster a strong culture of hostel life and enhance students' understanding of the educational objective of hostel life; and
  - (b) to critically review the operating costs of student hostels, in order to identify possible cost reduction measures;
- shares the concern of the President of the Lingnan University that hostel accommodation is not a factor for consideration in determining the level of grants and loans for students, and his view that the relevant grants and loans policy should be reviewed to ensure that it matches the Government's objective to enhance the quality of university education by fostering hostel life;
- recommends that the Secretary for Education and Manpower should consider reviewing the existing policy on students' grants and loans so as to enable students who have financial difficulties to live in student hostels;

### **Outsourcing of institutions' services**

- expresses concern that although there would be substantial savings from outsourcing institutions' services, some institutions (e.g. The Hong Kong University of Science and Technology and The University of Hong Kong) had outsourced their services at a much slower pace than the other institutions and maintained relatively large teams of in-house staff to perform various estates management functions;
- acknowledges that the institutions will continue to consider further outsourcing opportunities, taking into account the costs and benefits;
- recommends that the institutions should devise a long-term strategy for progressively increasing the extent of outsourcing and draw up an action plan to implement the strategy; and

### **Follow-up actions**

- wishes to be kept informed of:
  - (a) the outcome of the deliberations of the UGC Working Group on Housing Arrangement After Deregulation of University Salaries on the provision of housing benefits to staff of the institutions;

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- (b) the occupancy position of SSQ held by the institutions six months after the implementation of the delinking proposal, i.e. in January 2004;
- (c) the actions taken by the institutions regarding improving the vacancy position of SSQ and the rent charging practices in respect of staff occupying SSQ while receiving PTA or HFA;
- (d) the actions taken by the Task Force to ensure optimal use of the vacant SSQ;
- (e) the results of the reviews undertaken by the institutions with regard to the operational need for JSQ and the actions taken to make beneficial use of them;
- (f) the actions taken by the institutions to improve the vacancy position of GQ;
- (g) the actions taken by the institutions to improve the vacancy position of student hostels;
- (h) the outcome of any review by the Secretary for Education and Manpower of the existing policy on students' grants and loans; and
- (i) the actions taken by the institutions to widen the scope for outsourcing their services.

## Chapter 3

### University Grants Committee funded institutions - Staff remuneration packages and stipends

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Audit conducted a review to examine the basis of staff remuneration packages and stipends in the eight University Grants Committee (UGC) funded institutions.

2. At the beginning of the public hearing, **Prof Hon Arthur LI Kwok-cheung, Secretary for Education and Manpower**, declared that he was the Vice-Chancellor of The Chinese University of Hong Kong (CUHK) during 1 August 1996 and 31 July 2002. He was involved in the formulation of policies by the CUHK in the period covered by the Audit Report.

3. The **Secretary for Education and Manpower** then made an opening statement. He said that:

- the Education and Manpower Bureau (EMB) welcomed Audit's recommendations which were in line with the Government's policy on the future development of higher education in Hong Kong;
- the Administration agreed that it was no longer appropriate to link the salaries of the staff of UGC funded institutions to those of the civil service. Hence, in April 2003 the Administration proposed to the Finance Committee (FC) of the Legislative Council (LegCo) that university pay should be deregulated. The proposal was approved by the FC. Starting from 1 July 2003, the institutions were free to decide whether to retain their existing remuneration systems or devise new ones. Against this background, the Administration agreed with Audit's recommendation that the governing body of each institution should conduct reviews of its own remuneration packages, including contract gratuities and leave, and develop an effective mechanism for future annual pay adjustment;
- since the bulk of the salary payments to university staff came from public funds, there was a clear responsibility for disclosure to enhance transparency and accountability. The Administration agreed that information such as the institutions' salary structure and details of the fringe benefits and remuneration packages of senior teaching and administrative staff (whether paid for by public or private funds) should be disclosed;
- regarding the topping up of a Vice-Chancellor/President's salary, the EMB had no objection in principle to the institution's arrangement if only private funds were used and subject to the endorsement of the institution's own governing body. Approval from the Government and the FC was not necessary under a deregulated environment; but institutions should have an

## **University Grants Committee funded institutions - Staff remuneration packages and stipends**

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obligation of full disclosure to the donors/public and a sense of proportionality in determining the remuneration of their senior staff, taking into account the level of responsibility and comparable salaries in the market;

- as regards contract gratuity and administration of leave, the EMB generally agreed with Audit's recommendations. In addition, the EMB understood that the institutions had to honour their contractual obligations and comply with the provisions of the Employment Ordinance when amending the terms and conditions of service for their serving staff; and
- on the administration of stipends, the EMB agreed that the institutions should review and stipulate clear assessment criteria for the provision of stipends to research students. Their policy on setting stipend rates should also be clear.

4. **Prof Paul CHU Ching-wu, President of The Hong Kong University of Science and Technology (HKUST) and Convenor of the Heads of Universities Committee (HUCOM)**, also made an opening statement, the full text of which is in *Appendix 33*. In summary, he said that:

- the tertiary education sector of Hong Kong had made great strides in the past decade. Many more young people had had the opportunity to receive university education that previous generations could only dream of. A better-educated workforce had helped the economy to stay competitive. Institutions had developed remarkable strengths in different areas of research. In some areas, research capabilities and achievements had already reached international standards;
- tertiary institutions had created great value for the Hong Kong society in many different ways. Value was not just the money cost. A value-for-money audit could help review the cost-effectiveness of university operations. But the value of tertiary education could not be measured simply in dollars and cents. All along, institutions had taken great care in managing the public resources entrusted to them and managed these resources with due regard to the principles of transparency, accountability and productivity;
- tertiary institutions in Hong Kong operated in a very different environment from those in other countries. To stay competitive internationally, universities in Hong Kong could not rely only on local recruitment to satisfy their needs. But overseas academics had to overcome the difficulties in moving their families into a different environment. Therefore, institutions had to pay a premium to attract academics from overseas to accept positions



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in Hong Kong. This was particularly true in the building-up stage that some institutions were now in;

- simple comparisons between the average pay of Hong Kong academics and their United States (US) counterparts might not be very useful in understanding the real picture. In the US, aside from the different remuneration conditions, there were big differences in pay between universities, depending on an academic's responsibilities and performance. For example, the remuneration package for a university president varied from more than a million US dollars to only US\$100,000. There also existed a wide spread in faculty salaries, which depended on merit and could mean that some faculty were higher paid than the university president, the mayor, the governor, and until very recently the President of the US;
- care should also be exercised in comparing Hong Kong with the United Kingdom (UK). The UK had lost many of its talents in the past decade because of its uncompetitive pay. Just in the last ten years, the once almighty Oxford and Cambridge had tried to lure some of the most talented scholars from the US, especially their expatriates, back to the UK but failed; and
- money was necessary in the development of world-class status universities. One could easily find a simple yet rather reliable correlation between professors' pay and talent pool needed to develop a great society and economy, be it among countries, states or even within a university system. Universities were the great assets of Hong Kong. As with all other assets, their value might appreciate but it took a long time; however, it might depreciate overnight. It was hoped that this opportunity could be made to further enhance the value of these great assets, and make them a beacon of tertiary education in the region.

### **Pay structure**

5. According to paragraphs 2.53 to 2.57 of the Audit Report, the pay levels of the heads of institutions (HoIs) were set by the Government after systematic benchmarking against comparable civil service posts and counterparts in overseas universities. The pay levels were approved by the FC in June 1996. Audit's examination of the remuneration packages of the HoIs revealed that six universities topped up (by using non-UGC funds) the salaries of their Vice-Chancellors/Presidents, either in the form of higher pay or by way of cash allowance. The top-up amounts ranged from 3% to 98% of the salaries approved by the FC. In one case, the amount of cash allowance paid was about \$177,000 per month,

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which included about \$138,000 paid in lieu of housing benefits and leave passage. Only one university had sought and obtained agreement from the Administration regarding the top-up of the salary.

6. The Committee also noted the response of the Secretary-General of the UGC in paragraph 2.65(e) that the UGC considered that the governing bodies of the institutions should be given the flexibility in remunerating their HoIs but such should only be done by using non-public funds. In this regard, institutions were expected to observe the two general principles of “transparency” and “external participation”.

7. Against the above background, the Committee asked whether:

- the institutions were required to apply for the EMB’s approval for topping up the salaries of their Vice-Chancellors/Presidents by private funds; and
- the UGC had drawn up guidelines on the two principles of “transparency” and “external participation” and whether all institutions were aware of the principles.

8. The **Secretary for Education and Manpower** and **Mr Peter CHEUNG Po-tak, Secretary-General of the UGC**, replied that:

- the institutions were not required to apply for the EMB’s approval as only private funds were involved; and
- after the last salary review, the UGC had written to the institutions informing them that the LegCo’s approval was necessary if there were changes to their salaries paid for by government funds. There was no such requirement if they made use of funds from private sources. In March 2003, an institution approached the UGC for guidelines in this regard. Hence, the UGC drew up guidelines which emphasised the principles of “transparency” and “external participation”. All institutions were fully aware of the principles.

9. The Committee noted that The Hong Kong Polytechnic University (PolyU) paid a monthly cash allowance of about \$177,000 to its head. The Committee enquired about the source of the funds and whether the PolyU Council had discussed and approved the payment of the cash allowance.

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10. **Dr Sir Gordon WU Ying-sheung, Council Chairman of the PolyU**, responded that:

- the cash allowance was not paid for by public funds or donations to the PolyU. The money was secured by the PolyU itself, such as by undertaking joint projects with commercial organisations;
- the cash allowance was made up of two components, namely, the difference between Directorate Pay Scale (DPS) point D8 and 98% of DPS point D10, and housing benefits, which amounted to about \$30,000 and about \$130,000 respectively. The reason for topping up the President's salary was to make it on a par with the salaries of the heads of The University of Hong Kong (HKU), the CUHK, the HKUST and the City University of Hong Kong (CityU);
- as for housing benefits, the President was provided with a residence by the PolyU under his conditions of employment. In the past, the PolyU had to pay for the rent, rate, management fee, utility charges and maintenance cost of the President's rented residence. The PolyU considered that the total cost to the University would be less by paying a cash allowance to the President in lieu of housing benefits and leave passage. Moreover, he himself also objected to spending money on refurbishing rented premises because the University would have to pay for the refurbishment costs again whenever there was a new President; and
- the decision relating to the cash allowance to the President was made by the President's Personal Affairs Committee (PPAC) which comprised of some external members of the PolyU Council. There was a high degree of transparency in the PPAC's decision. The PolyU Council had all along delegated to the PPAC the authority to handle such detailed matters as the passage entitlement of the President.

11. **Mr Alexander TZANG, Council Secretary of the PolyU**, supplemented that:

- as the PolyU was a large organisation with a wide range of businesses to handle, the PolyU Council established committees and standing committees to take care of different aspects of work, such as strategic planning and fund raising. Before Sir Gordon WU assumed the position of Council Chairman and he himself Council Secretary, the PPAC had already been set up by the Council to look after matters concerning the President's employment contract. It was a committee with proper delegation by the Council; and

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- the PPAC was responsible for monitoring the performance of the President and the renewal of the President's employment contract, including the detailed conditions of employment upon the renewal of contract. According to usual practice, the PPAC did not report to the Council the details of its decisions. Similarly, the PPAC's decision relating to the President's cash allowance had not been reported to the Council. However, if any Council members wished to know the details, it was the PolyU's policy to disclose all the information to them.

12. Noting the reply of the Council Chairman and the Council Secretary of the PolyU, the Committee pointed out that section 9(3)(c) of The Hong Kong Polytechnic University Ordinance provided that the PolyU Council should not delegate to any committee appointed by it the power to approve the terms and conditions of service of persons in the employment of the University, other than persons in part-time or temporary employment. The Committee questioned whether, in the circumstances, the PolyU considered that the provision of section 9(3)(c) of the Ordinance had been complied with. The Committee also asked for the records of discussions of the PPAC relevant to its decision relating to cash allowance for the President.

13. The **Council Chairman of the PolyU** said at the public hearing and in his letter of 24 May 2003, in *Appendix 34*, that:

- the PolyU was of the opinion that the PolyU Council had complied with the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance as the Council did retain and exercise its authority and responsibility in **approving the standard terms and conditions of service**, i.e. salary scale or range, types of leave, types of housing benefits, medical and dental benefits and insurance, passage, and education allowances, etc. and their extent where applicable, **for all categories and grades of employees** of the University other than those in part-time or temporary employment;
- in the case of the President or previously the Director of the Hong Kong Polytechnic, their terms and conditions of service were approved by the Council. The standard terms and conditions of service for the present President were established by the Council when he first joined the institution in 1991;

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- the establishment and operation of the PPAC in fact followed a practice since the 1980's or perhaps earlier when the then Hong Kong Polytechnic established a Director's Personal Affairs Committee. The PPAC or its equivalent in the past, among other things, handled the detailed execution and implementation of the terms and conditions of service. It handled details of matters such as passage entitlement, class of air travel, rental limit for domestic accommodation, salary for domestic servant, limit of utility charges borne by the Institution as well as non-accountable entertainment allowance, within the framework of terms and conditions of service established by the Council;
- to ensure external participation, the PPAC was composed of a number of lay members of the Council. Currently it was composed of 7 lay members of the Council including the Council Chairman who served as Chairman of PPAC;
- the PolyU believed that the intent of the relevant stipulations in The Hong Kong Polytechnic University Ordinance was not to require the full Council to decide and approve individual package for each and every employee of the institution. That would be inappropriate and unrealistic as the Council was to attend to policy matters and could not attend to or handle details of personnel matters of an institution with around 3,000 employees; and
- to address the possibility of different interpretation of section 9(3)(c) of the Ordinance, the PolyU intended to seek further clarification from both the UGC and the Government and amendment or revision of The Hong Kong Polytechnic University Ordinance in the near future, so that the full Council would not degenerate into a human resource office.

14. On the records of discussions of the PPAC, the **Council Chairman of the PolyU** provided the relevant PPAC paper to the Committee in the same letter. He also advised that the decision on the matter of cash allowance for the President was made by circulation to members of the PPAC on 28 July 2001 following some informal discussions earlier. The PPAC was then composed of six lay members of the Council, including the Council Chairman who chaired the PPAC. The matter was approved unanimously.

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15. In response to the Committee's further enquiries, the **Council Chairman of the PolyU** replied, in his letter of 4 July 2003 in *Appendix 35*, that:

- following the approval of the PPAC, the President's letter of appointment and employment contract had been revised accordingly. In keeping with past practice, the revision had not been submitted to the PolyU Council for approval; and
- at its 34<sup>th</sup> meeting, the PolyU Council unanimously affirmed the PolyU's position and practice in this regard and that such practice did not breach the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance. At the meeting, lay members of the Council were also informed of the details of the President's compensation package.

16. The Committee asked for the UGC's view on whether or not the PolyU had complied with the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance.

17. In his letter of 9 July 2003, in *Appendix 36*, the **Secretary-General of the UGC** stated that the interpretation of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance was a legal issue on which the UGC was not in a position to offer a definitive view. At a practical level, however, the UGC could see a need for the PolyU Council to exercise certain repetitive functions through sub-committees; but how this should be arranged or legislated for was outside the terms of reference of the UGC.

18. At the invitation of the Committee, the **Director of Audit** offered his comments on the matter. In his letter of 31 July 2003, in *Appendix 37*, he said that:

- the payment of some \$177,000 monthly cash allowance to the President in lieu of housing benefits and leave passage was a significant variation in the standard terms and conditions of service as approved by the PolyU Council. Even putting the legal considerations aside, it would have been prudent to seek the Council's approval. In this connection, he noted that the PolyU Council had subsequently affirmed at its 34<sup>th</sup> meeting on 24 June 2003 the University's position and practice regarding the matter. Lay members of the Council were also informed about the details of the President's remuneration package at that meeting. To enhance governance and accountability, in future, the prior approval of the Council should be sought before offering any remuneration packages involving significant variations in the standard terms and conditions of service; and

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- the PolyU intended to seek further clarification from the Government/UGC and amendment/revision of the Ordinance in the near future, in order to address the possibility of different interpretations of section 9(3)(c) of the Ordinance. For the avoidance of doubt and for better governance and public accountability, the need to seek the prior approval of the Council for significant variations in the terms and conditions of service should be clearly stated in the Ordinance.

19. The Committee referred to FC Paper FCR(96-97)30, in *Appendix 38*, which was considered by the FC on 28 June 1996. The Committee noted that, in proposing the salary scale at the level of D8 for some of the HoIs (including that at the PolyU), the Government had taken into account the subvention policy that the terms of service of staff in the subvented sector should be broadly comparable to, but no better than, those of comparable grades in the civil service. Paragraph 5 of the paper also stated that “The Consultants also concluded that the remuneration levels received by HoIs in Hong Kong are ..... considerably lower than those of HoIs in Singapore in terms of total cash **but broadly in line in terms of total remuneration**”.

20. In the light of the FC paper, it appeared to the Committee that the total remuneration package (i.e. including the basic salary and cash allowance) of the HoIs should be subject to the “no better than” principle. The Committee queried whether the PolyU’s arrangement of paying its President a monthly cash allowance in lieu of housing benefits and leave passage, as a result of which his total salary was higher than that approved by the FC, was a breach of the “no better than” principle.

21. The Committee also understood that the President of the PolyU had received an allowance under the Home Purchase Scheme (HPS) for about six years when he was employed by another university. The Committee asked whether, in the circumstances, the PolyU’s arrangement of paying the President a monthly cash allowance in lieu of housing benefits and leave passage was a breach of the conditions of the HPS, such as the entitlement period.

22. In his letter of 4 July 2003, the **Council Chairman of the PolyU** responded that:

- in approving the proposal to pay the President a monthly cash allowance in lieu of housing benefits and leave passage, the PPAC did not consider that such an arrangement would be an act to pay the President a total “salary” that was higher than that approved by the FC or one that might constitute a breach of the “no better than” principle; and

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- the PPAC felt that it exercised flexibility in providing housing benefits and leave passage to the President at no extra cost to the PolyU and not at the expense of public funds. The cash allowance was to cover the said benefits which the President was entitled to, and was not a salary per se.

23. In his letter of 9 July 2003, the **Secretary-General of the UGC** said that:

- the UGC's understanding was that the "no better than" principle applied where public funds were involved. Since the monthly allowance for the President of the PolyU, provided in lieu of his housing benefits and leave passage, was borne by the University's non-public sources of funding, the UGC did not consider the arrangement a violation of the "no better than" principle; and
- since the monthly cash allowance payable to the President of the PolyU was not from public funds and was not under the Government-sponsored Home Financing Scheme, the UGC did not consider the 120-month entitlement period relevant.

24. The Committee understood from paragraph 2.57 of the Audit Report that quite a large number of senior staff quarters (SSQ) in the PolyU were vacant. Audit considered that there was a need for the PolyU to explore the possibility of using the vacant SSQ to provide housing to its key management staff, instead of resorting to the encashment of housing benefits. In this connection, the Committee enquired why the PolyU had not used its vacant SSQ to provide housing to its President so as to make full use of its existing resources.

25. The **Council Chairman of the PolyU** explained that:

- the idea had been considered before but was rejected because a residence converted from SSQ did not befit the status of a university President. The residence of a President should be of a reasonably substantial size and well-located. As the heads of the HKU, the CUHK, the HKUST, the CityU and the PolyU were of the same rank, they should be provided with residences of a similar standard. In this regard, the HKU and the HKUST were fortunate in having very grand residences for their heads; and



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- in the past the Government had given the PolyU a piece of land for constructing student hostels. At that time he had suggested that the PolyU should build a quality penthouse at the top of the student hostels. The proposal was not accepted for fear that putting the President's residence together with student hostels might infringe on the President's privacy.

26. The Committee asked for a comparison of the premises provided by the UGC funded institutions to their heads. It also enquired:

- whether there were any standards for the provision of accommodation to the HoIs; and
- about the alternative arrangements in respect of those institutions that did not provide accommodation to their heads.

27. The **Secretary-General of the UGC** provided information on the existing accommodation arrangements for the HoIs in his letter of 26 May 2003, in **Appendix 39**. He also informed the Committee that:

- there were no set standards for the provision of accommodation to HoIs, although by tradition, some HoIs were provided with accommodation on campus. However, where such facility was available, the accommodation was more in the nature of an "official residence", rather than staff quarters. The premises were very often used for official functions; and
- the President of The Hong Kong Institute of Education (HKIEd) and the Vice-Chancellor of the CUHK did not have accommodation provided. This was because they had joined the Home Financing Scheme before they were appointed as HoIs. The President of the PolyU was also not provided with accommodation as he was given a monthly cash allowance in lieu of housing benefits and leave passage.

28. Noting that a portion of the cash allowance payable to the President of the PolyU was to make up for the difference between the President's salary and the salaries of some other HoIs, the Committee asked whether, after the deregulation/delinking of the university pay structure, the institutions would be free to determine the salaries of their heads and whether the salaries could be paid for by public funds.

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29. The **Secretary for Education and Manpower** and the **Secretary-General of the UGC** explained that:

- the revised salary scales of the HoIs approved by the FC in 1996 had resulted in a downward adjustment of the salary level of the heads of the HKU, the CUHK and the HKUST. When considering the salary scales, the FC did not agree to the UGC's recommendation that the governing bodies of the three universities be given the flexibility to offer their respective incumbent heads, on expiry of their current contracts, the same salaries in dollar terms when entering into further contracts provided that the amount of salary would be frozen until the D8 salary level overtook it. After discussing with the institutions, the Administration and the UGC agreed that the institutions would be allowed to use non-government funds to pay their heads a salary higher than the D8 salary level. However, the FC's approval would be required if they were to pay a higher salary with government funds;
- in a delinked environment, the governing bodies of the institutions were free to determine the salary levels of their heads and staff. In doing so, the institutions should set up remuneration systems that were transparent and with sufficient external participation. The UGC would issue guidelines to the institutions to ensure that they observed the principles of transparency and external participation; and
- the deregulation of university pay was a cost neutral exercise. The Government would continue to allocate funds to the institutions on the basis of the existing salary scales of the HoIs. It would be up to the institutions to deploy the funds allocated to them.

30. On the disclosure of the remuneration package of university senior staff, the Committee noted Audit's comment in paragraph 2.51 of the Audit Report that there was a need for the institutions to enhance their transparency and public accountability by making public disclosure of the remuneration package of senior teaching and administrative staff. The Committee asked about the HoIs's view on the suggestion.

31. The **President of the HKUST and Convenor of the HUCOM** said that he welcomed the suggestion because transparency and accountability were important principles. All the institutions would be moving in this direction. However, as there were a lot of impending changes in the tertiary education sector, he hoped that the institutions would be given flexibility as regards the implementation timetable.

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32. **Prof TSUI Lap-chee, Vice-Chancellor of the HKU**, also said that he agreed to the suggestion. In fact, he was required to disclose his salary to the public when he was working in Canada.

33. **Prof Ambrose KING Yeo-chi, Vice-Chancellor of the CUHK**, stated that:

- in the CUHK, quite a number of the “executive” appointments, such as Pro-Vice-Chancellors and College Heads, were held by professors who received salaries for their substantive academic appointments. They were only paid a nominal responsibility allowance for taking up the additional executive roles. As such, disclosing the salaries of Pro-Vice-Chancellors and College Heads would in effect mean the disclosure of salaries of individual professors; and
- while he agreed that the range of salaries of professors should be disclosed, he was opposed to disclosing the salaries of individual professors. As regards the remuneration package of HoIs, he agreed that this could be disclosed.

34. **Prof Edward CHEN Kwan-yiu, President of the Lingnan University (LU)**, added that:

- he had no objection to the disclosure of the pay levels of professors by way of salary bands; and
- as the salaries of university staff were linked to the civil service pay scales which were approved by the FC every year, there was already transparency in the salary levels of different grades of staff at the universities. Moreover, the salaries of teaching staff in the professor grade could not exceed the professorial average salary limit.

35. **Prof K P SHUM, Chairman of the Federation of Hong Kong Higher Education Staff Associations (FHKHESA) and Council Member of the Chinese University Teachers’ Association**, said that:

- the FHKHESA supported openness and transparency in the salaries of different grades of staff in the universities. However, openness and transparency were not enough. In a delinked environment, there would be a lack of supervision on the universities as it would be up to the universities to decide how to spend the funds allocated to them by the Government. The FHKHESA was worried that if the governing bodies of the universities

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decided to substantially increase the salaries of the HoIs while reducing those of the teaching staff, there was no appeal channel in place for the staff to lodge complaints against their decision; and

- the deregulation of the university pay scales as well as the Audit Report had an adverse impact on the morale of the teaching staff. He hoped that the HoIs would communicate with the FHKHESA and front-line teaching staff.

36. In response to the Committee's enquiry, the **Secretary-General of the UGC** advised, in his letter of 26 May 2003, that the UGC would very soon start discussion with the institutions and the Administration on the disclosure guidelines based on the principles of "transparency" and "external participation". Depending on the progress, the UGC expected that the guidelines would be available within six months (i.e. by the end of November 2003).

37. The Committee noted from paragraphs 2.58 to 2.60 of the Audit Report that in seven of the eight UGC funded institutions, the Heads of Finance were the highest-paid non-academic staff (excluding Vice-Chancellors/Presidents and Pro-Vice-Chancellors/Vice-Presidents). Audit considered that the pay levels of some of these Heads of Finance appeared to be higher than those of their comparable civil service counterparts. There was a need for the institutions to take this into account in determining the appropriate pay levels in the future recruitment of Heads of Finance. The Committee asked for the HoIs' views on Audit's observations.

38. The **Vice-Chancellor of the HKU** responded that:

- the question basically concerned a judgement of the worthiness of the Heads of Finance. He had no knowledge about the work of the head of the finance division of a government department and hence could not tell how it should compare to that of the HKU's Director of Finance;
- as he pointed out in paragraph 2.67 of the Audit Report, in addition to the normal finance functions, the HKU's Director of Finance was also the Facilitator of its Estates Office, the Company Secretary of the HKU Foundation for Education Development and Research, and responsible for overseeing its efficiency unit and liaising and coordinating the operations of the HKU's subsidiary companies. The HKU considered that its Director of Finance was worthy of his salary; and

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- actually, the HKU's Director of Finance had been invited by other organisations to join them. The HKU was glad that he finally accepted its offer and agreed to stay with the University.

39. The **Vice-Chancellor of the CUHK** shared the view of the Vice-Chancellor of the HKU. He further said that in view of the complexity in the scope of work for the Heads of Finance in the institutions, a comparison with the pay level of the financial personnel in the private sector rather than that of the Government was more appropriate.

40. **Mr Dominic CHAN Yin-tat, Director of Audit**, said that, in determining the appropriate pay levels, a systematic benchmarking of university salaries should be conducted. As the university pay scales were linked with those of the civil service, Audit considered it proper to benchmark the salaries of the Heads of Finance against those of their comparable civil service counterparts, i.e. the relevant Treasury Grade staff.

41. To ascertain the appropriateness of the remuneration of the Heads of Finance of institutions, the Committee asked whether:

- the Administration was involved in determining the ranking and level of remuneration for the Head of Finance posts of the institutions; and
- in the UGC's view, the level of responsibility and the level of pay for the institutions' Heads of Finance should be compared to those of the head of the finance division of a large government department or those of a large private-sector company like the MTR Corporation.

42. In his letter of 26 May 2003, the **Secretary-General of the UGC** replied that:

- the eight UGC funded institutions were governed by their Councils set up under their respective ordinances. Prior to deregulation on 1 July 2003, the institutions were required to adopt various salary scales approved by the FC, including a common university salary scale for academic and equivalent administrative staff applicable to senior administrative staff such as the Heads of Finance. Nevertheless, under a block grant system and in the spirit of institutional autonomy, neither the Administration nor the UGC was involved in the ranking of specific posts;

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- the UGC did not see a compelling case for benchmarking the pay package of the Heads of Finance of universities against the Heads of Finance in government departments or against staff of any particular organisation, the operation of which did not bear sufficient resemblance to a university; and
- comparison of posts in different organisations for assessment of pay was inherently difficult. Posts with the same title might vary in terms of job content, require different skills and expertise and carry different responsibilities. However, as a general point of reference, the Director of Finance, or the Bursar as it was called in some other places, in a university was generally the Chief Finance Officer and was normally within the top three layers of a university's management structure.

43. According to paragraph 2.28 of the Audit Report, the existing linkage between the university salary scales and those of the civil service in Hong Kong, which had been in place since the 1970s, modelling on the practice in the UK at that time, had not been reviewed or revised for over 30 years, despite the significant changes in the tertiary education sector in Hong Kong and worldwide.

44. Paragraphs 2.37 to 2.39 of the Audit Report further revealed that in general, the average salaries of the academic staff of universities in Hong Kong appeared to be on the high side, compared to those in other English-speaking countries. Audit considered that there was a need to have due regard to the international pay levels for academic staff in advanced countries (e.g. the US, the UK, Australia and Canada) when the university pay structure was reviewed in future.

45. The Committee asked about the views of the Administration and HoIs on Audit's observations and suggestion. The **Secretary for Education and Manpower** responded that:

- it was true that despite the delinking of the salaries of the UK university teaching staff in 1991, the linkage between the university salary scales and those of the civil service in Hong Kong had not been reviewed correspondingly; and
- it was difficult to judge whether the salaries of the university teaching staff in Hong Kong were high or low and different persons would have different views on the question. Moreover, the circumstances of the universities in other countries were different from those in Hong Kong. For example, the

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cost of living in the UK was lower than that in Hong Kong. Academic staff in the US received salaries for only nine months in a year. The Administration therefore supported the deregulation of the university pay structure so that the institutions would be free to adopt remuneration systems that suited their own circumstances and were competitive globally.

46. The **Vice-Chancellor of the HKU** said that the HKU was conducting a comprehensive review of its governance and management structures. The review also covered the HKU's entire human resource (HR) policy to cater for changes inside and outside the university, including the deregulation of university salaries. As part of the review, a new remuneration system in the light of salary deregulation would be formulated.

47. The **Vice-Chancellor of the CUHK** said that:

- as pointed out in the Audit Report, the average salaries of the university academic staff in Hong Kong were lower than those of the public doctoral universities in the US. Over the past 20 years, the universities in Hong Kong were indeed competing with the upper segment of the market salaries of public doctoral universities, instead of the average salaries. In this regard, Hong Kong had been able to attract quality staff from the international academic community. In the case of the CUHK, 58% of the new appointees recruited from overseas in the past five years were from the leading universities in the US; and
- the university teaching staff in Hong Kong were well-paid. But their salaries were not disproportionately high, particularly when compared to the pay levels for the comparable professional positions, such as lawyers and accountants, in the private and public sectors.

48. The **President of the HKUST and Convenor of the HUCOM** supplemented that:

- he entirely agreed that it was difficult to compare the university salaries in Hong Kong with those of other jurisdictions. It was also inappropriate to simply compare the average pay of the Hong Kong academics and their US counterparts. Although the US academic staff received salaries for only nine months in a year, they could earn extra income from research work;

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- universities in Hong Kong had to pay a premium in order to attract overseas academics to accept positions in a different environment. This was also because of the less favourable research environment for the academics in Hong Kong; and
- the institutions accepted that they had to pay attention to accountability and transparency and make their remuneration systems as fair as possible because they were spending public money. The Audit Report provided a good reference point for them. At the same time, the institutions should also be given the flexibility to formulate salary scales that would fit their purpose.

49. The **Council Chairman of the PolyU** said that:

- the most important mission of the universities was to educate the next generation by making the best use of the funds from the Government and private donations. The universities in Hong Kong had made significant contributions to the community. For instance, the contributions of doctors and medical and healthcare personnel in the recent battle against the Severe Acute Respiratory Syndrome were beyond doubt and many of these personnel were graduates of the HKU and the CUHK;
- the universities should certainly take great care in spending the taxpayers' money. At the same time, in planning the future direction, the value and contributions of the universities should not be debased and the quality of university education must not be compromised; and
- the starting salary of professors in Hong Kong was in fact not high. The professors had spent considerable time and made great efforts before they obtained their doctorates. The universities would not be able to employ high-quality professors if the pay was not attractive enough.

50. The Committee referred to the submission of the FHKHESA of 12 May 2003 in *Appendix 40*, and Audit's response of 13 May 2003 in *Appendix 41*. In response to the Committee's enquiries, **Dr CHAN Chi-wei, Vice-chairman of the FHKHESA and Chairman of the Hong Kong University Academic Staff Association**, said that:

- the university academic staff in Hong Kong had to teach part-time courses at night and during Saturdays and Sundays, but they did not receive additional income for such duties. Moreover, they had to work five and a half days in a week whereas academic staff in the UK and the US only worked five days in a week. Hence, their workload was heavier; and



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- it was inappropriate for Audit to simply compare the university salaries between Hong Kong and other countries without taking into account the different circumstances of different places.

51. The **Director of Audit** responded that Audit had consulted some professors of the institutions and understood that some of the teaching staff who taught part-time courses did receive additional income. Although Audit would like to consult more staff, even students, in the course of the Audit review, it was unable to do so due to time and resource constraints, given the large number of students and teaching staff in the eight institutions.

52. Referring to the opening statement of the President of the HKUST and Convenor of the HUCOM that “the UK has lost many of its talents in the past decade because of its uncompetitive pay”, the Committee asked for information which would bear out this statement. It also asked why the institutions had concentrated on hiring academic staff from the US, but not other English-speaking countries such as India and Pakistan.

53. The **President of the HKUST and Convenor of the HUCOM** said that in the globalised environment nowadays, the best talents, be they in India, Pakistan or other places, were attracted to the US. Thus, the institutions had to look to the US for world-class academics. In his letter of 4 August 2003 in *Appendix 42*, he provided information to support the claim made in his opening statement about the situation in the UK.

54. As requested by the Committee, the **Acting President of the HKUST** provided information on the quality academics whom the universities were able to attract from the international community, in his letter of 26 May 2003 in *Appendix 43*. This letter, and the letter of the **Acting President of the HKUST** of 11 July 2003 (in *Appendix 44*), also contained the institutions’ elaboration on the recruitment and retention difficulties faced by them.

55. The Committee noted from paragraph 2.73(a) of the Audit Report that despite offering mainly degree and postgraduate courses, the HKIEd’s salary scales for its academic staff were significantly lower than those in the other seven UGC funded institutions. The Committee asked how this had affected the HKIEd’s ability to attract quality staff.

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56. **Prof Paul Morris, President of the HKIEd**, responded that the HKIEd had had difficulties in attracting staff with local experience because its salaries were about 20% lower than those of the other seven UGC funded institutions. The lack of university title had also significantly affected the institute's capacity to attract students.

57. The **Secretary for Education and Manpower** responded at the hearing and in his letter of 10 July 2003, in *Appendix 45*, that

- owing to historical developments, the common university salary scale applicable to staff engaged in degree-level work of the other UGC funded institutions had not been extended to the HKIEd, due mainly to the fact that initially the bulk of the HKIEd's programmes were at sub-degree level. With the deregulation of the salary scales of all UGC funded institutions from 1 July 2003, the HKIEd would have the flexibility to design its own remuneration packages for staff engaged in programmes at different levels of study, similar to other UGC funded institutions; and
- as for the status of the institute, the Government had upgraded the HKIEd to a degree-awarding institution. From the 2004-05 academic year onwards, all graduates of its pre-service training programmes for primary and secondary school teachers would be degree holders.

58. The Committee enquired about the progress made by the institutions in establishing a new remuneration system in the light of the impending deregulation of their salary scales. The **Secretary-General of the UGC** advised, in his letter of 26 May 2003, that under the delinking proposal, institutions were given the freedom to decide whether or not to adopt their own remuneration systems. Where there was a decision to delink, the timing was also left to their discretion. In the same letter, he provided information on the progress made by the institutions in this regard.

59. As regards the Administration's involvement, the **Secretary for Education and Manpower** stated, in his letter of 27 May 2003 in *Appendix 46*, that the EMB had been working with the UGC and the Financial Services and the Treasury Bureau on the detailed funding arrangements for the UGC sector under a deregulated environment, with a view to facilitating implementation of new remuneration systems by the institutions.

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### Contract gratuity

60. The Committee was concerned that, as revealed in paragraphs 3.6 to 3.10 of the Audit Report, during the period May 1999 to October 2002, some of the institutions did not follow the government guidelines on the provision of contract gratuity for non-professional and supporting staff. Many of those newly recruited staff were awarded a contract gratuity of 15%, instead of 10% as stipulated in the guidelines.

61. The Committee also noted from paragraph 3.16(a) of the Audit Report that in 1999, the CUHK did not implement the revised contract gratuity rate immediately because it wanted to wait for the Government's decision on changes in the civil service terms and benefits, in order to implement all changes in one go. In response to members' request, the **University Bursar of the CUHK** provided, in his letter of 16 May 2003 in *Appendix 47*, documents recording the CUHK's considerations at that time.

62. In reply to the Committee's enquiry, **Mr Norman NGAI, Vice President (Resources & Administrative Services) of the HKIEd**, said that as the salary scales of the HKIEd were less favourable than those of the other institutions, the HKIEd Council had wanted to wait for the decisions of the other institutions before implementing the revised contract gratuity rate. At the end of 2002, the HKIEd Council had approved changing the rate with effect from 1 April 2003.

63. The Committee asked about the PolyU's decision in this regard. In response, **Prof POON Chung-kwong, President of the PolyU** said that the PolyU would critically review the level of contract gratuity in conjunction with the impending review of the remuneration package. The rate of 10% of the basic salary was one of the indicators for the review.

64. The **President of the LU** said that:

- the LU had not ignored the government guidelines on contract gratuity. After receiving the guidelines, the LU had discussed the gratuity arrangements several times. But the revised rate was not implemented at that time because the LU had wanted to follow the arrangements of the other institutions. Moreover, the LU in principle doubted the rationale for setting the gratuity rate at 10% for staff with pay points below Master Pay Scale (MPS) point 34 and at 15% for staff with higher pay points; and

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- the LU had now approved changing the contract gratuity rate for staff with pay points below MPS point 34 to 10%.

### **Administration of leave**

65. The Committee referred to Audit's observation in paragraph 4.9 of the Audit Report that as far as the leave benefits of the institutions were concerned, the previous guiding principle that the terms and conditions of staff in the subvented sector should be broadly comparable to, and no better than, the civil service terms was not strictly complied with in the past. As a result, some staff of the institutions were currently still entitled to leave benefits which were better than those of the comparable staff in the civil service.

66. Table 6 in paragraph 4.7 revealed that for those non-clinical academic and equivalent senior administrative staff who were entitled to the old terms of leave benefits, the leave entitlements of the HKU staff were the most favourable among the institutions. According to paragraph 4.28, the HKU noted that more than half of the staff eligible for such favourable leave entitlements would continue to remain in service for over ten years. The Committee asked whether the HKU had any effective measures to address the problems associated with the excessive leave entitlements of its staff.

67. **The Vice-Chancellor of the HKU and Mr Philip LAM, Director of Finance of the HKU**, replied that:

- in addressing the problems, the HKU was bound by the need to honour its contractual obligations and the provisions of the Employment Ordinance whereby any unilateral alteration to an employee's terms and conditions of service without consent was liable to litigation;
- the HKU was conducting a review of its entire HR policy and hoped to devise, in a year's time, more effective measures to address the problems of excessive leave entitlements of its staff;
- out of the 5,000 staff of the HKU, only about 388 staff were entitled to long leave. They were permitted to accrue leave up to a maximum of 365 days beyond which leave days were forfeited automatically. Actually, it was rather common for the accumulated leave of these staff being in excess of the allowed limits to be forfeited. Moreover, some staff were still engaged in research or other academic pursuits while on leave; and

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- there would be financial burden on the HKU when these staff left the University as they might encash their accumulated untaken leave. The cost of paying for the untaken leave upon the departure of these staff would be met by freezing other posts.

68. In her letter of 22 May 2003, in *Appendix 48*, the **Senor Assistant Registrar (Vice-Chancellor's Office) of the HKU** provided a summary of the leave forfeited by the HKU staff who were entitled to long leave.

### **Stipends for research postgraduate students**

69. The Committee understood from Table 10 in paragraph 5.6 of the Audit Report that, based on the records of the institutions or information provided by the institutions upon Audit's enquiries, all institutions offered stipends wholly or partly for the purpose of providing financial assistance to research postgraduate students. Audit pointed out in paragraph 5.7 that as a form of financial assistance, stipends should only be provided to those students with genuine financial needs. However, the institutions granted stipends to almost all research students, without assessing their actual financial needs.

70. On the other hand, in paragraph 5.30(e), the HoIs had commented that research postgraduate studentships were scholarships and were not a purely financial assistance scheme to meet the individual financial needs of students. The Committee asked:

- why there was a discrepancy between the information provided by the institutions in response to Audit's enquiries and their later response; and
- whether the HoIs agreed that the institutions' present policies and regulations on the provision of stipends were not entirely clear, in particular as regards whether stipends were really intended to be financial assistance.

71. The **Vice-Chancellor of the HKU** said that the purpose of awarding stipends to research students was to provide some form of financial incentive to attract talented students to undertake research work.

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72. The **President of the LU** explained that:

- the discrepancy was due to the difficulty in defining stipends. In fact, stipends awarded to research students were something between scholarships which were awarded based on merit, and loans and grants given to undergraduates with financial difficulties. There was not an equivalent term for stipend in Chinese; and
- the LU had not specified the minimum academic attainments required for the award of stipend because it had already put in place stringent criteria for admitting research postgraduate students.

73. **Prof NG Ching-fai, President and Vice-Chancellor of the Hong Kong Baptist University (HKBU)**, added that:

- as research funds were limited, the universities would only admit research students with good academic attainments and high potential. There were always more applicants than the research postgraduate places available. Even if the minimum academic attainments for the award of students had been laid down, the institutions should still assess applicants by other parameters in addition to academic achievements, such as relevant experience; and
- postgraduate studentships were not a financial assistance scheme. A research student would not be deprived of studentship because he was rich. This was in line with the international practice.

74. The **President of the PolyU** said that:

- he entirely agreed that no university would waste funds on unsuitable research students as the universities had to spend a lot of teachers' time and research funds on each research student;
- each university had its own research policy. In the case of the PolyU, it emphasised application and professional training. Many of its research students had had working experience and wanted to obtain a higher degree for career development. Although some students' academic attainments were less satisfactory, their experience enabled them to perform well in research pursuits. For example, the PolyU offered design courses. A person with good academic achievements was not necessarily a good designer. Hence, a student's quality, experience and other achievements should all be taken into account in determining who should be awarded the studentship; and

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- many research students were expected to be financially independent and were not drawing support from their families. Stipends provided them with a means to support their living while engaging in full-time research pursuits. In the US, all research students were given stipends, which were neither scholarships nor financial assistance. Stipends were similar to some kind of remuneration which students received for undertaking research duties for the universities.

75. The Committee was concerned that in the absence of a formal UGC coordinating mechanism for the setting and reviewing of stipend rates, there was a risk that the institutions would compete with each other for the intake of research students by setting their stipend rates at levels higher than what were necessary to meet the actual needs of the students.

76. **Prof CHANG Hsin-kang, President of the CityU**, responded that:

- in the CityU, stipends were some form of scholarships mainly based on academic merit. The purpose of providing stipends was to nurture talents. It was not necessary or appropriate to focus all the attention on the definition of stipends or the small difference in the stipend rates among universities; and
- the suggestion that the institutions should standardise their stipend rates was in conflict with the Government's move to deregulate the common universities salary scale to foster competition among the eight institutions.

77. The Committee enquired about the views of the Administration and the UGC on Audit's observations.

78. The **Secretary for Education and Manpower** replied that the EMB agreed that the institutions should review and stipulate clear assessment criteria in the provision of stipends to research students. The EMB would discuss with the UGC in this regard.

79. The **Secretary-General of the UGC** said that in the tertiary education sector, it was clear that stipends were not entirely equivalent to financial assistance or scholarships. In principle, the institutions awarded stipends mainly based on merit. The UGC would discuss with the institutions the establishment of a formal coordinating mechanism for the setting and reviewing of stipend rates.

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80. According to paragraph 5.20(c) of the Audit Report, the CUHK and the HKUST had increased their stipend rates since 1997-98, despite the downward trend of the Composite Consumer Price Index (CPI) during the period. The Committee questioned why the CUHK had not followed its own policy to make the necessary downward adjustments to the stipend rate to reflect the changes in the cost of living.

81. **Mr Terence CHAN, University Bursar of the CUHK**, explained that compared to the stipend rates of the other seven institutions, the CUHK's current rate of \$13,615 was only in the middle of the scale. While it was the CUHK's policy to periodically review its stipend rate in the light of the cost of living, it also had to maintain its competitiveness in attracting prospective research students. In view of the present economic environment, the CUHK had reduced its stipend rate by \$1,000 in 2003-04.

82. The **President of the HKUST and Convenor of the HUCOM** said that the HKUST, in reviewing its stipend rate, had to consider its ability to compete with overseas universities for quality research students. He agreed that the cost of living should also be taken into account in determining the rate. The HKUST was working on the matter.

83. The **President of the PolyU** said that the PolyU had reduced its stipend rate by \$2,000 to \$13,500 in 2003-04, in the light of the drop in the cost of living. The PolyU's rates were high in the past because it had taken into account the fact that the PolyU had no student hostels for research students and they had to hire their own accommodation. As there were hostels for them now, the rate was reduced.

84. The **President of the LU** said that the LU's stipend rates had been reduced by more than the drop in the CPI due to the lack of funds.

85. **Conclusions and recommendations** The Committee:

### **Pay structure**

- expresses concern that:

- (a) the existing linkage between the university salary scales and those of the civil service in Hong Kong, which has been in place since the 1970s, modelling on the practice in the United Kingdom at that time, has not



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been reviewed or revised for over 30 years, despite the significant changes in the tertiary education sector in Hong Kong and worldwide;

- (b) in general, the average salaries of the academic staff of universities in Hong Kong appear to be on the high side, compared with those in other English-speaking countries;
  - (c) the pay levels of some of the key management staff of the University Grants Committee (UGC) funded institutions appear to be on the high side, compared with those of their comparable civil service counterparts; and
  - (d) although the UGC funded institutions are entrusted with huge sums of public money, there are currently no guidelines on the public disclosure of the remuneration of their senior staff;
- expresses serious concern that:
- (a) The Hong Kong Polytechnic University (PolyU) pays from its non-government fund its President a monthly cash allowance of about \$177,000, which includes about \$138,000 provided in lieu of housing benefits and leave passage. As a result, his total monthly cash remuneration (i.e. basic salary plus cash allowance) is not only higher than that approved by the Finance Committee, but is also the highest among the heads of all the institutions; and
  - (b) the President's Personal Affairs Committee (PPAC) of the PolyU had not sought the PolyU Council's prior approval to pay the President a monthly cash allowance in lieu of housing benefits and leave passage, which appears to be in breach of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance as it specifies that the PolyU Council shall not delegate to any committee the power to approve the terms and conditions of service of persons in the employment of the University, other than persons in part time or temporary employment;
- considers that even putting the legal considerations aside, it would have been prudent for the PPAC to seek the PolyU Council's prior approval;

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- acknowledges that:
  - (a) some of the institutions are formulating, while others will conduct a comprehensive review to consider formulating, a new pay structure for remunerating their staff, in the light of the Government's decision to deregulate/delink the university pay structure; and
  - (b) the UGC will, in consultation with the institutions and the Administration, develop guidelines on public disclosure of remuneration of the institutions' senior staff, and expects that the guidelines will be available by the end of November 2003;
  
- recommends that:
  - (a) the institutions should:
    - (i) in the comprehensive review of their pay structure, pay due regard to the international pay levels for university academic staff and the changes in local pay trend;
    - (ii) as part of the above comprehensive review and in consultation with the Universities Joint Salaries Committee (UJSC), develop an effective mechanism for future annual pay adjustment exercises;
    - (iii) critically review the current remuneration packages of all their key management staff and, in this regard, explore the possibility of using their vacant senior staff quarters to provide housing to their key management staff, instead of resorting to the encashment of housing benefits;
    - (iv) conduct a review to enhance, as far as possible, the transparency and accountability in the application of funds obtained from non-public sources; and
    - (v) in consultation with the Administration, review the future role and functions of the UJSC, including its role in the benchmarking and sharing of university staff remuneration information, both locally and internationally;
  - (b) the PolyU should further review the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application; and

## **University Grants Committee funded institutions - Staff remuneration packages and stipends**

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- (c) the Secretary for Education and Manpower should, having regard to the recent upgrade of The Hong Kong Institute of Education (HKIEd) to a degree-awarding institution, make sure that it is provided with adequate resources on a par with the other seven UGC funded institutions;

### **Contract gratuity**

- expresses concern that some of the institutions did not follow the government guidelines on the provision of contract gratuity for non-professional and supporting staff during the period May 1999 to October 2002;
- acknowledges that:
  - (a) some of the institutions have already reduced, while others (except the PolyU) will reduce, the contract gratuity rate for their non-professional and supporting staff; and
  - (b) the PolyU will critically review the level of contract gratuity for its non-professional and supporting staff, with the rate of 10% of the basic salary being one of the indicators for the review;

### **Administration of leave**

- expresses concern that:
  - (a) as far as the leave benefits were concerned, the previous subvention guiding principle that the terms and conditions of staff in the subvented sector should be no better than the civil service terms was not strictly complied with in the past;
  - (b) as a result, some staff of the institutions are currently entitled to leave benefits which are better than those of the comparable civil service staff; and
  - (c) the recurrent and/or one-off leave encashment schemes, which were implemented by some institutions to address the problems associated with the excessive leave entitlements of their staff, imposed a heavy financial burden on the institutions concerned, especially in times of financial stringency;
- acknowledges that some academic staff of the institutions are still engaged in research and other academic pursuits while on leave, and considers that this should be encouraged and commended;

## **University Grants Committee funded institutions - Staff remuneration packages and stipends**

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- notes that:
  - (a) the institutions will be free to devise their remuneration packages, including leave entitlements, under a deregulated/delinked environment; and
  - (b) The University of Hong Kong (HKU) is conducting a review of its entire human resources policy and hopes to devise, in a year's time, more effective measures to address the problems of excessive leave entitlements of its staff;
- recommends that the institutions should:
  - (a) critically assess the impact of the excessive leave entitlements of some of their academic and equivalent senior administrative staff on their overall staffing needs;
  - (b) take more effective measures to address the problems associated with such excessive leave entitlements;
  - (c) seek the UGC's advice before implementing any recurrent or one-off leave encashment schemes;
  - (d) explore the possibility of implementing a set of revised regulations on the accumulation of annual leave, in order to reduce the amount of untaken leave that may be accumulated in the future; and
  - (e) explore other ways and means of reducing the untaken long leave, such as by better management of staff vacation leave plans;

### **Stipends for research postgraduate students**

- expresses concern that:
  - (a) the present policies and regulations of the institutions on the provision of stipends are not entirely clear, in particular regarding whether stipends are intended to be financial assistance;
  - (b) apart from the HKU, none of the institutions has established clear requirements for the minimum academic attainments of students who are eligible for the award of stipends in the form of scholarships;

## **University Grants Committee funded institutions - Staff remuneration packages and stipends**

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- (c) in the absence of a clearly stated policy on the provision of stipends, including the basis and mechanism for the setting and reviewing of the stipend rates, there is a risk that the stipend rates may be set at an arbitrary level; and
  - (d) there is no formal coordinating mechanism among the institutions for the setting and reviewing of stipend rates;
- notes that the UGC has undertaken to discuss with the institutions the establishment of a formal coordinating mechanism for the setting and reviewing of stipend rates;
  - recommends that the institutions should:
    - (a) review the existing criteria for the award of stipends with reference to the institutions' policy on the provision of stipends; and
    - (b) for the award of stipends as scholarship, consider establishing clear requirements for the minimum academic attainments, including relevant experience, of students to ensure that such scholarships would only be awarded to those students who meet the requirements; and

### **Follow-up actions**

- wishes to be kept informed of:
  - (a) the progress of the institutions' reviews of their pay structure and the formulation of their own remuneration packages, in the context of the implementation of the Government's decision to deregulate/delink the university pay structure;
  - (b) the progress of the development of disclosure guidelines on the remuneration of senior staff of the institutions, in order to enhance the institutions' transparency and public accountability;
  - (c) the progress of any review undertaken by the institutions to enhance the transparency and accountability in the application of funds obtained from non-public sources;
  - (d) the results of the review of the future role and functions of the UJSC;

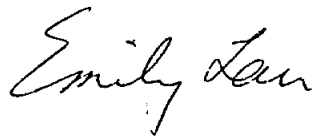
**University Grants Committee funded institutions -  
Staff remuneration packages and stipends**

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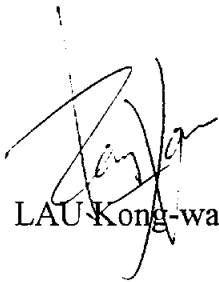
- (e) the result of any further review by the PolyU of the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application;
- (f) the measures taken by the Secretary for Education and Manpower to make sure that the HKIED is provided with adequate resources on a par with the other seven UGC funded institutions;
- (g) the result of the PolyU's review of the level of contract gratuity for its non-professional and supporting staff;
- (h) the measures devised by the HKU to address the problems of excessive leave entitlement of its staff;
- (i) the progress of the implementation of measures taken by the institutions to address the problems associated with the excessive leave entitlements and the encashment of leave; and
- (j) the progress of the implementation of measures taken by the institutions to improve the administration of stipends, including the establishment of a formal coordinating mechanism for setting and reviewing stipend rates.

**SIGNATURES OF THE DEPUTY CHAIRMAN AND  
MEMBERS OF THE COMMITTEE WHO ARE INVOLVED  
IN THE EXAMINATION OF THE THREE CHAPTERS IN THIS REPORT**

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Emily LAU Wai-hing  
*(Deputy Chairman)*



LAU Kong-wah



Abraham SHEK Lai-him

5 November 2003

**CHAPTERS IN THE DIRECTOR OF AUDIT'S REPORT NO. 40 DEALT WITH  
IN THE PUBLIC ACCOUNTS COMMITTEE'S SUPPLEMENTAL REPORT**

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**Director of  
Audit's Report  
No. 40**

**P.A.C.  
Report  
No. 40A**

**Chapter**

**Subject**

**Chapter**

8	University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting	1
9	University Grants Committee funded institutions - General administrative services	2
10	University Grants Committee funded institutions - Staff remuneration packages and stipends	3



**RULES OF PROCEDURE OF  
THE LEGISLATIVE COUNCIL OF  
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

**72. Public Accounts Committee**

(1) There shall be a standing committee, to be called the Public Accounts Committee, to consider reports of the Director of Audit –

- (a) on the accounts of the Government;
- (b) on such other accounts required to be laid before the Council as the committee may think fit; and
- (c) on any matter incidental to the performance of his duties or the exercise of his powers as the committee may think fit.

(2) The committee shall also consider any report of the Director of Audit laid on the Table of the Council which deals with examinations (value for money audit) carried out by the Director relating to the economy, efficiency and effectiveness of any Government department or public body or any organization to which his functions as Director of Audit extend by virtue of any Ordinance or which receives public moneys by way of subvention.

(3) The committee shall consist of a chairman, deputy chairman and 5 members who shall be Members appointed by the President in accordance with an election procedure determined by the House Committee. In the event of the temporary absence of the chairman and deputy chairman, the committee may elect a chairman to act during such absence. The chairman and 2 other members shall constitute a quorum.

(4) A report mentioned in subrules (1) and (2) shall be deemed to have been referred by the Council to the committee when it is laid on the Table of the Council.

(5) Unless the chairman otherwise orders, members of the press and of the public shall be admitted as spectators at meetings of the committee attended by any person invited by the committee under subrule (8).

(6) The committee shall meet at the time and the place determined by the chairman. Written notice of every meeting shall be given to the members and to any person invited to attend a meeting at least 5 clear days before the day of the meeting but shorter notice may be given in any case where the chairman so directs.

(7) All matters before the committee shall be decided by a majority of the members voting. Neither the chairman nor any other member presiding shall vote, unless the votes of the other members are equally divided, in which case he shall have a casting vote.

(8) The chairman or the committee may invite any public officer, or, in the case of a report on the accounts of or relating to a non-government body or organization, any member or employee of that body or organization, to give information or any explanation or to produce any records or documents which the committee may require in the performance of its duties; and the committee may also invite any other person to assist the committee in relation to any such information, explanation, records or documents.

(9) The committee shall make their report upon the report of the Director of Audit on the accounts of the Government within 3 months (or such longer period as may be determined under section 12 of the Audit Ordinance (Cap. 122)) of the date on which the Director's report is laid on the Table of the Council.

(10) The committee shall make their report upon the report of the Director of Audit mentioned in subrule (2) within 3 months (or such longer period as may be determined by the Council) of the date on which the Director's report is laid on the Table of the Council.

(11) Subject to these Rules of Procedure, the practice and procedure of the committee shall be determined by the committee.

**Opening Remarks by  
Deputy Chairman of the Public Accounts Committee,  
the Hon Emily LAU Wai-hing, JP,  
at the Public Hearing of the Committee  
on Wednesday, 14 May 2003**

Good morning, ladies and gentlemen. The Director of Audit's Report No. 40 contains three chapters relating to the University Grants Committee (UGC) funded institutions. This morning, the Public Accounts Committee will only hold a public hearing on Chapter 10 which concerns the "Staff remuneration packages and stipends" of the UGC funded institutions, to receive evidence on the issues examined in this chapter. The Committee will hold a public hearing on Chapter 9 which concerns the "General administrative services" of the UGC funded institutions at another date. As regards Chapter 8 which concerns the "Governance, strategic planning and financial and performance reporting" of these institutions, the Committee has, for the time being, decided to seek further information from the institutions for its consideration in writing. The Committee will also hold a public hearing on this chapter as and when necessary.

I would like to draw your attention to the fact that my colleagues, Hon Eric LI (Chairman of the Committee), Dr Hon David CHU, Hon SIN Chung-kai and Hon Tommy CHEUNG, have declared interest in respect of Chapters 9 and 10.

Hon Eric LI has declared that he is a serving Member of the Court of The Hong Kong Polytechnic University. He was also a Member of the University Council from 1 April 1995 to 31 March 2001. Dr Hon David CHU has declared that he is a serving Member of the Hong Kong Baptist University Council. Hon SIN Chung-kai has declared that he is a serving Member of The Hong Kong University of Science and Technology Council. Hon Tommy CHEUNG has declared that his spouse is a member of the teaching staff of one of the UGC funded institutions. The Committee considers that it is proper for them to make the declaration because:

- (a) Hon Eric LI, Dr Hon David CHU and Hon SIN Chung-kai, being members of the governing bodies of some of the institutions, are involved in the formulation of policies by these institutions on some of the matters referred to in these two chapters; and
- (b) Hon Tommy CHEUNG's spouse is a member of the teaching staff of one of the UGC funded institutions. Matters referred to in these chapters include housing benefits for senior staff of the institutions (examined in Chapter 9), and pay structure, contract gratuity and leave benefits of staff of the institutions (examined in Chapter 10). The Member's spouse has an interest in these matters, which is of such a nature that the Member considers it necessary, in the present context, that he should be exempted from participating in the Committee's work on them.

In line with the Committee's practice, the members concerned have disclosed their personal interest in these particular chapters, so as to avoid any conflict of interest and in order that the impartiality and integrity of the Committee may be maintained. The Committee has agreed that the four members be exempted from the examination of these two chapters. They will not participate in the public hearing, nor in the discussion and compilation of the Committee's report on these chapters. Neither will they make any public comment on the issues relating to these chapters.

Today, in addition to the two Directors of Bureau and their colleagues, the UGC Secretary-General, and Heads of the eight institutions and their colleagues, the Committee has also invited the representatives of the Federation of Hong Kong Higher Education Staff Associations to appear before the Committee in response to their request for attending today's public hearing on Chapter 10.

Finally, I wish to mention that when addressing the Committee, witnesses other than Government officers are not covered by the protection and immunity provided under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382).

I now declare the Committee to be in session.

**Paper presented to the Provisional Legislative Council  
by the Chairman of the Public Accounts Committee  
at the meeting on 11 February 1998 on  
Scope of Government Audit in the  
Hong Kong Special Administrative Region -  
'Value for Money Audits'**

**SCOPE OF WORK**

1. The Director of Audit may carry out examinations into the economy, efficiency and effectiveness with which any bureau, department, agency, other public body, public office, or audited organisation has discharged its functions.
  
2. The term "audited organisation" shall include -
  - (i) any person, body corporate or other body whose accounts the Director of Audit is empowered under any Ordinance to audit;
  - (ii) any organisation which receives more than half its income from public moneys (this should not preclude the Director from carrying out similar examinations in any organisation which receives less than half its income from public moneys by virtue of an agreement made as a condition of subvention); and
  - (iii) any organisation the accounts and records of which the Director is authorised in writing by the Chief Executive to audit in the public interest under section 15 of the Audit Ordinance (Cap. 122).
  
3. This definition of scope of work shall not be construed as entitling the Director of Audit to question the merits of the policy objectives of any bureau, department, agency, other public body, public office, or audited organisation in respect of which an examination is being carried out or, subject to the following Guidelines, the methods by which such policy objectives have been sought, but he may question the economy, efficiency and effectiveness of the means used to achieve them.

## GUIDELINES

4. The Director of Audit should have great freedom in presenting his reports to the Legislative Council. He may draw attention to any circumstance which comes to his knowledge in the course of audit, and point out its financial implications. Subject to these Guidelines, he will not comment on policy decisions of the Executive Council and the Legislative Council, save from the point of view of their effect on the public purse.

5. In the event that the Director of Audit, during the course of carrying out an examination into the implementation of policy objectives, reasonably believes that at the time policy objectives were set and decisions made there may have been a lack of sufficient, relevant and reliable financial and other data available upon which to set such policy objectives or to make such decisions, and that critical underlying assumptions may not have been made explicit, he may carry out an investigation as to whether that belief is well founded. If it appears to be so, he should bring the matter to the attention of the Legislative Council with a view to further inquiry by the Public Accounts Committee. As such an investigation may involve consideration of the methods by which policy objectives have been sought, the Director should, in his report to the Legislative Council on the matter in question, not make any judgement on the issue, but rather present facts upon which the Public Accounts Committee may make inquiry.

6. The Director of Audit may also -

- (i) consider as to whether policy objectives have been determined, and policy decisions taken, with appropriate authority;
- (ii) consider whether there are satisfactory arrangements for considering alternative options in the implementation of policy, including the identification, selection and evaluation of such options;
- (iii) consider as to whether established policy aims and objectives have been clearly set out; whether subsequent decisions on the implementation of policy are consistent with the approved aims and objectives, and have been taken with proper authority at the appropriate level; and whether the resultant instructions to staff accord with the approved policy aims and decisions and are clearly understood by those concerned;

- (iv) consider as to whether there is conflict or potential conflict between different policy aims or objectives, or between the means chosen to implement them;
- (v) consider how far, and how effectively, policy aims and objectives have been translated into operational targets and measures of performance and whether the costs of alternative levels of service and other relevant factors have been considered, and are reviewed as costs change; and
- (vi) be entitled to exercise the powers given to him under section 9 of the Audit Ordinance (Cap. 122).

## **PROCEDURES**

7. The Director of Audit shall report his findings on value for money audits in the Legislative Council twice each year. The first report shall be submitted to the President of the Legislative Council within seven months of the end of the financial year, or such longer period as the Chief Executive may determine. Within one month, or such longer period as the President may determine, copies shall be laid before the Legislative Council. The second report shall be submitted to the President of the Legislative Council by the 7th of April each year, or such date as the Chief Executive may determine. By the 30th April, or such date as the President may determine, copies shall be laid before the Legislative Council.

8. The Director's report shall be referred to the Public Accounts Committee for consideration when it is laid on the table of the Legislative Council. The Public Accounts Committee shall follow the rules governing the procedures of the Legislative Council in considering the Director's reports.

9. A Government minute commenting on the action Government proposes to take in respect of the Public Accounts Committee's report shall be laid on the table of the Legislative Council within three months of the laying of the report of the Committee to which it relates.

10. In this paper, reference to the Legislative Council shall, during the existence of the Provisional Legislative Council, be construed as the Provisional Legislative Council.

**Witnesses who appeared before the Committee  
(in order of appearance)**

Prof Hon Arthur LI Kwok-cheung, GBS, JP	Secretary for Education and Manpower
Miss Irene YOUNG	Principal Assistant Secretary for Education and Manpower (Higher Education)
Mr Peter CHEUNG Po-tak, JP	Secretary-General, University Grants Committee
Prof Paul CHU Ching-wu	President, The Hong Kong University of Science and Technology, and Convenor, Heads of Universities Committee
Mr Paul Bolton	Vice-President for Administration and Business, The Hong Kong University of Science and Technology
Prof CHANG Hsin-kang, GBS, JP	President, City University of Hong Kong
Mr Gabriel CHAN	Director of Finance, City University of Hong Kong
Prof NG Ching-fai	President and Vice-Chancellor, Hong Kong Baptist University
Mr Alex P C SHUEN	Director of Finance, Hong Kong Baptist University
Prof Edward CHEN Kwan-yiu, GBS, JP	President, Lingnan University
Mr Herdip Singh	Comptroller, Lingnan University
Prof Ambrose KING Yeo-chi, SBS, JP	Vice-Chancellor, The Chinese University of Hong Kong
Mr Terence CHAN	University Bursar, The Chinese University of Hong Kong
Prof Paul Morris	President, The Hong Kong Institute of Education
Mr Norman NGAI	Vice President (Resources & Administrative Services), The Hong Kong Institute of Education



Dr Sir Gordon WU Ying-sheung, KCMG, FICE	Council Chairman, The Hong Kong Polytechnic University
Prof POON Chung-kwong, GBS, JP	President, The Hong Kong Polytechnic University
Mr Alexander TZANG	Deputy President and Council Secretary, The Hong Kong Polytechnic University
Prof TSUI Lap-chee	Vice-Chancellor, The University of Hong Kong
Mr Philip LAM	Director of Finance, The University of Hong Kong
Hon Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Stanley YING, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Prof K P SHUM	Chairman, Federation of Hong Kong Higher Education Staff Associations, and Council Member, Chinese University Teachers' Association
Dr CHAN Chi-wei	Vice-chairman, Federation of Hong Kong Higher Education Staff Associations, and Chairman, Hong Kong University Academic Staff Association
Mr Aaron LI Wing-yuen	President, Chinese University Staff Association
Dr CHAN Chun-wah	President, Hong Kong Poly University Staff Association
Mr Martin SIU	Assistant Secretary-General (Finance), University Grants Committee
Mr Valiant CHEUNG Kin-piu	Deputy Chairman of the Council, Lingnan University
Mr Chris MONG	Associate Vice President & Director of Finance, The Hong Kong Polytechnic University

Mr Philip WONG

Director of Finance, The Hong Kong  
University of Science and Technology

Mr Henry W K WAI

Registrar, The University of Hong Kong

Mr Jacob LEUNG

University Secretary, The Chinese University  
of Hong Kong

## THE UNIVERSITY OF HONG KONG

香 港



大 學

校長：徐立之教授  
Vice-Chancellor  
Professor Lap-Chee Tsui

香港薄扶林道  
Pokfulam Road, Hong Kong  
電話 Tel: (852) 2859 2100  
圖文傳真 Fax: (852) 2858 9435

June 7, 2003

The Hon. Ms. Emily Lau  
Deputy Chairman  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear the Hon. Ms. Lau,

Hearings on the Director of Audit's Report on the  
Results of Value for Money Audit, May 14 and June 2, 2003

I write to thank you and the Hon. Mr. Abraham Shek and the Hon. Mr. Lau Kong-wah for leading the PAC hearings on May 14 and June 2, 2003. I found the discussion most useful, and am grateful to all of you for allowing representatives from universities to express their views and explain the practices in their institutions. The hearings have also enabled us to understand better the comments and suggestions put forward by the Director of Audit.

2. At the hearing on June 2, 2003, I made reference to the governance and management structures reform which is being conducted by the University at this very moment. I enclose herewith a copy of the report of the review panel ("*Fit for Purpose*"), and would like to bring to your attention the following recommendations of the review panel which touch on the issues raised at the hearing:

*Size of Council and Proportion of Internal and External Members*

- (a) The size of the University Council will be significantly reduced after the reform, from 54 to 18-24. The ratio of the external to University members on the new Council will be 2:1. Among the internal members, the Vice-Chancellor will be the only *ex-officio* member. All the other internal members will be appointed or elected *ad personam*. This certainly will improve the "independence" of the Council.

The Role of Court

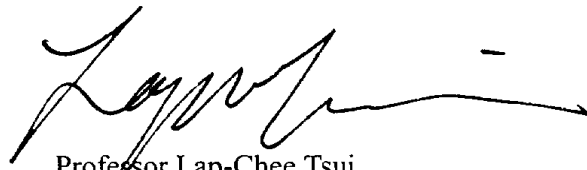
- (b) The three specialists on our review panel are of the view that despite the fact that the University Ordinance states that the Court is the supreme governing body of the University, it is clear from the powers of the Court and the Council as laid down in the relevant Statutes that the Council is the *de facto* governing body of the University, while the Court functions as an advisory body.
- (c) While our review panel does not feel that it is necessary for us to change the Ordinance to clarify the role of Court, the University has no objection to necessary changes to the Ordinance to define more clearly the Court's role. If such amendments to University Ordinance are regarded necessary, the University would need the assistance from the Government in dealing with the complicated legal procedure for Ordinance changes.

3. At the June 2 hearing and in connection with the discussion on student hostels, you indicated that you were interested in information on students' family background and living conditions. The University conducts a survey on the non-academic background of new full-time undergraduate students admitted each year. A copy of the report on the latest survey ("*A Profile of New Full-time Undergraduate Students 2002*") is attached. You may be interested in Section 5 (Living Conditions) and Section 6 (Family Background) of the report.

4. I am sure that the PAC will make fair and objective judgements, and provide guidelines for the institutions to better use their resources. I am looking forward to reading the Committee's report in due course.

With best regards,

Yours sincerely,



Professor Lap-Chee Tsui  
Vice-Chancellor

cc: The Hon. Mr. Lau Kong-wah } \_ with enclosure  
The Hon. Mr. Abraham Shek }  
Secretary-General, University Grants Committee

Encl.

**\*Note by Clerk, PAC:**

***The report of the review panel and the report entitled "A Profile of New Full-time Undergraduate Students 2002" not attached.***

THE UNIVERSITY OF HONG KONG



校長：徐立之教授  
Vice-Chancellor  
Professor Lap-Chee Tsui

香港薄扶林道  
Pokfulam Road, Hong Kong  
電話 Tel: (852) 2859 2100  
圖文傳真 Fax: (852) 2858 9435

July 8, 2003

Ms. Dora Wai  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms. Wai,


**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions -  
Governance, strategic planning and financial and performance reporting**

Thank you for your letter of June 27, 2003.

2. As I explained in my letter of June 7, 2003, the University *has no objection* to change the Ordinance to clarify the role of Court, although its Review Panel does not feel this is absolutely necessary as it is clear from the powers and duties of the Council that the Council is the *de facto* governing body of the University.
3. If the Public Accounts Committee feels that we should indeed amend our Ordinance to define more clearly the Court's role, we are happy to do so. We will initiate the necessary legal procedure (which involves the introduction of a "private bill") for the amendment as soon as we can on receipt of PAC's advice.
4. I hope the above answers your queries.

Yours sincerely,



Professor Lap-Chee Tsui  
Vice-Chancellor



THE CHINESE UNIVERSITY OF HONG KONG 香港中文大學

校長室 OFFICE OF THE VICE-CHANCELLOR



ADVANCE  
AND EXCEL  
香港中文大學四十周年  
40th Anniversary of CUHK

騰飛四十  
精進日新

Your Ref.: CB(3)/PAC/R40

Our Ref.: (03Jn/jl/0299)

12 June 2003

BY FAX AND POST (2537 1204)

Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

(Attention: Ms. Dora Wai)

Dear Ms Wai

The Director of Audit's Report on the  
results of value for money audits (Report No. 40)  
Chapter 8: University Grants Committee-funded institutions –  
Governance, strategic planning and financial and performance reporting

Thank you for your letter dated 6 June 2003. I would like to provide a reply to your questions as follows:-

- (a) Having regard to the recommendation of the Director of Audit in paragraph 2.36(a)(ii) of Chapter 8 of Report No. 40, recommendation will be made to the University Council that from now on, new Life Members should not be appointed. Subject to the University Council's agreement to the aforesaid recommendation, the University will consider adopting other means to maintain our link with the Council members concerned who have made significant contributions to the University.
- (b) The respective nominating bodies will be kept informed periodically about the attendance records at the University Council meetings of Council members nominated by them. These nominating bodies will be reminded to take the said attendance records into consideration when they consider re-nominating their representatives to continue to serve on the University Council.

Page 2  
(03Jn/jl/0299)

Clerk  
Public Accounts Committee  
Legislative Council  
(Attention: Ms. Dora Wai)

12 June 2003

- (c) The University will inform your Committee about the outcome of the review on the size and composition of the University Council when such information is available. Such an outcome is expected to be available by October and not later than December this year.

Yours sincerely



Ambrose Y C King  
Vice-Chancellor

cc Chairman of the Council



中華人民共和國香港特別行政區政府總部教育統籌局  
Education and Manpower Bureau  
Government Secretariat, Government of the Hong Kong Special Administrative Region  
The People's Republic of China

本局檔號 Our Ref. : EMB CR 2/2041/03 II

電話 Telephone : 2810 3023

來函檔號 Your Ref. :

傳真 Fax Line : 2804 6499

30 May 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon ,

**The Director of Audit's Report on the  
Results of Value for Money Audits (Report No. 40)**

I refer to your letter of 28 May 2003 and enclose the consolidated reply provided by the eight University Grants Committee (UGC)-funded institutions (**Annexes 1 to 8**). The Chinese translation will follow.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Irene Young', written over a large, stylized circular scribble.

(Irene Young)

for Secretary for Education and Manpower



## CITY UNIVERSITY OF HONG KONG

1. Attendance record for lay Council members for the period: July 2000 to November 2002, is provided in the table below.
2. Column 2 of the table shows their year of service.
3. As the University has not yet established its Court, there is no record.

Name of External Members	Years of Service (up to May 2003)	Attendance Record for Council Meetings			Participation in Sub-Committees (Jul 2000 to Nov 2002)
		7.00-6.01	7.01-6.02	7.02-11.02	
Mr Norman LEUNG Nai-pang	18.5 yrs	(3/3)	(3/3)	(1/1)	Executive Committee Honorary Awards Committee
Mr CHUNG Shui-ming	5 yrs	(2/3)	(1/3)	(1/1)	Executive Committee Finance Committee Honorary Awards Committee
Ms Ann CHIANG Lai-wan	5 yrs	(3/3)	(2/3)	(1/1)	Finance Committee
Mr Vincent CHOW Wing-shing	2.5 yrs	(2/2)	(2/3)	(1/1)	Staffing & Conditions of Service Committee
Mr Karl KWOK Chi-leung	5 yrs	(3/3)	(3/3)	(1/1)	Executive Committee Staffing & Conditions of Service Committee Honorary Awards Committee
Mrs Stella LAU Kun Lai-kuen	2.5 yrs	(2/2)	(3/3)	(1/1)	Advisory Committee for Graduate Employment Estates & Development Committee
The Hon LAU Ping-cheung	2 yrs	(1/1)	(3/3)	(0/1)	Estates & Development Committee
Mr Jack LEE Kwok-jing	4.5 yrs	(1/3)	(2/3)	(0/1)	Staffing & Conditions of Service Committee
Mr John LEE Luen-wai	5 yrs	(3/3)	(3/3)	(1/1)	Staffing & Conditions of Service Committee
Mr Richard LI Tzar-kai	5 yrs	(1/3)	(0/3)	(1/1)	Finance Committee

Name of Members	Years of Service (up to May 2003)	Attendance Record for Council Meetings			Participation in Sub-Committees (Jul 2000 to Nov 2002)
		7.00-6.01	7.01-6.02	7.02-11.02	
Miss Peggy LIU Pik-yun	6 yrs	(2/3)	(2/3)	(0/1)	Committee on Donations Committee on Statutes
Ms LO Kai-yin	2.5 yrs	(1/2)	(3/3)	(0/1)	Committee on Donations
Mr Raymond OR Ching-fai	2.5 yrs	(1/2)	(2/3)	(1/1)	Executive Committee Committee on Donations Honorary Awards Committee
Dr Dennis SUN Tai-lun	1.5 yrs	NA	(1/2)	(0/1)	Committee on Donations
Ms Marina WONG Yu-pok	4.5 yrs	(2/3)	(3/3)	(0/1)	Finance Committee Committee on Statutes
The following lay members have been newly appointed to the CityU Council from the 1 <sup>st</sup> January 2003					
Mr Edward CHENG Wai-sun	5 mths	NA	NA	NA	Estates & Development Committee
Mr Victor LO Chung-wing	5 mths	NA	NA	NA	Committee on Donations

## Information on external members of HKBU Council

Name	Attendance at Council meetings (no. of meetings attended/no. of meetings held)		Participation in Council committees <input type="checkbox"/>				Years of service
	7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002*	7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
	Mr. Moses M.C. Cheng, OBE, JP	4/4	3/3		HDC, PC	HDC, PC	
Mr. Wilfred Y.W. Wong	-	1/2		-	HDC	HDC	1
Dr. Michael P.K. Wu	3/4	2/3		CDC, FC	CDC, FC	CDC, FC	9
Dr. Cecil Shu-on Chan	2/4	0/3		CDC	CDC	CDC	6
Mr. Cheng Sing-yip	-	-		-	-	-	Appointed w.e.f. 1.1.2003
Mr. Cheng Yan-kee, JP	3/4	1/3		CDC	CDC	CDC	4
Dr. Chiu Hin-kwong, OBE, JP	4/4	3/3		FC, HDC	CDC, FC, HDC	CDC, HDC	4
Dr. the Hon. David Y.L. Chu, JP	1/2	0/3		FC	FC	FC	2
Ms. May M.G. Fung	-	2/2		-	FC	FC	1
Dr. Philip C.K. Kwok, JP	-	2/2		-	FC	FC	1
Mr. Andy S.C. Lee	3/4	1/3		FC	CDC, FC	CDC, FC	7
Dr. Lo Chi-keung	2/4	1/3		FC	FC	FC	4
Dr. Ronald Y.C. Lu	3/4	1/3		PC	PC	PC	7
Mr. Michael C.C. Sze, JP	-	1/2		-	PC	PC	1
Mr. Kennedy Y.H. Wong, JP	-	2/2		-	PC	PC	1
Mr. Raymond R. Wong, SBS	2/4	3/3		PC	PC	PC	4
Mr. Yeung Po-kwan, OBE, O.St.J., CPM, JP	1/2	2/3		CDC	CDC	CDC	2
Mr. Paul K.W. Yip	1/2	2/3		HDC	HDC	HDC	2

\* No meetings held during the period. The first meeting of the 2002-03 academic year (September 2002 to August 2003) was held in December 2002.  
 CDC = Campus Development Committee; FC = Finance Committee; HDC = Honorary Degrees Committee; PC = Personnel Committee.

**Lingnan University**  
**Attendance Records of Council Members**

	Full Name	Years of Service (Till Nov 2002)	Attendance Records		
			Jul 00 - Jun 01 (5 meetings were held)	Jul 01 - Jun 02 (5 meetings were held)	Jul 02 - Nov 02 (1 meeting was held)
1	Dr The Honourable LEUNG Chun-ying, GBS; Honourable DBA; JP (Chairman of the Council)	3 yrs	4	5	1
2	Mr CHEUNG Kin-piu, Valiant (Deputy Chairman of the Council)	3yrs	4	5	1
3	The Honourable CHAN Bernard Charnwut, JP (Treasurer of the Council)	3yrs	3	4	0
4	Mr CHAN Ka-yun	1 yr	-	4	0
5	Dr CHAN Pun, David, HonLLD	3 yrs	4	3	1
6	Mrs CHAN LAM Lai-bing, Alison	1 yr	-	4	1
7	Mr CHEUNG Kam-hung, William*	8 mths	-	3	0
8	Mr HUI Hon-chung, Stanley	1yr		2	1
9	Ms HUNG Siu-lin, Katherine	3yrs	4	3	0
10	Mr KAM Pok-man	3yrs	5	4	0
11	Mr KWOK Kwok-chuen, BBS	3 yrs	4	3	1
12	Mr Dennis LAU Wing-kwong, JP	2 yrs	3	-	-
13	Mrs LEE Gen-hwa, Gennie	3 yrs	4	4	1
14	Mr LEUNG Kwong-ho, Edmund, JP	3 yrs	5	4	1
15	Prof LIU Pak-wai, SBS	2 yrs	3	-	-
16	The Honourable NG Leung-sing, JP	3 yrs	5	3	1
17	Mr PANG Yiu-kai, JP	2 yrs	2	-	-
18	Mr Joseph PANG Yuk-wing, JP	2 yrs	5	-	-
19	Mr Bill POON Pak-wai	2 yrs	3	-	-
20	Dr SUN Tai-lun, Dennis, BBS; JP	3 yrs	3	0	1
21	Dr TONG Tin-sun, HonLLD; JP	3 yrs	4	5	0
22	Dr WAI Kee-kau, HonLLD	3 yrs	5	5	1
23	Mr WONG Chi-kwong, Patrick	3 yrs	4	4	1
24	Prof WONG Hoi-kwok, BBS; JP	3 yrs	4	4	0
25	Mr WONG Kai-man, JP	3 yrs	3	2	1
26	Mr WONG Pak-heung, Peter	3 yrs	4	4	0
27	Ms WONG Ying-kay, Ada, JP	3 yrs	4	4	1
28	Ms WU Anna, SBS; JP	3 yrs	3	4	0
29	Mr YUNG Kar-chark	2 yrs	3	-	-

\*Mr Cheung Kam Hung, William resigned on his own accord on 5 July 2002.

LINGNAN UNIVERSITY (22 October 1999 - 21 October 2001)

Finance Committee

Sub-Committees under Finance Committee

Council members/Committees	Appeals Committee	Campus Development and Management Committee	Christian Activities Committee	Ethics and Discipline Committee	Finance Committee	Main Tender Board	Sub-Committees under Finance Committee				Honorary Degrees Committee	Internal Audit Committee	Management Committee for Fong Sun Wood - Chang Hui Tsui Education Fund	Staffing Committee	Special Committee of the Council	Review Committee for the President	Review Committee for the Vice-President
							Investment Sub-Committee	Working Group on the Implementation of a Mandatory Provident Fund Scheme	Working Group on the Selection of the Mandatory Provident Fund Scheme Service Provider	Fundraising Committee							
1 Dr The Hon LEUNG Chun-ying (Chairman of the Council)					Chairman					Chairman							
2 Mr Joseph PANG Yuk-wing (Deputy Chairman of the Council)										Member			Chairman				
3 Mr Valiant CHEUNG Kin-piu (Treasurer of the Council)										Member							
4 The Hon Bernard Charwut CHAN					Vice-Chairman												
5 Dr David Pun CHAN		Chairman															
6 Ms Katherine HUNG Siu-lin																	
7 Mr KAM Pok-man																	
8 Mr KWOK Kwok-chuen																	
9 Mr Dennis LAU Wing-kwong	Co-opted Member	Member															
10 Mrs Gemme LEE Gen-hwa		Member	Member														
11 Mr Edmund LEUNG Kwong-ho		Member															
12 Professor LIU Pak-wai																	
13 The Hon NG Leung-sing					Member												
14 Mr PANG Yiu-kai																	
15 Mr Bill POON Pak-wai																	
16 Dr Dennis SUN Tai-lin					Member												
17 Dr TONG Tin-sun																	
18 Dr WAI Kee-kau		Member	Co-opted Member	Member													
19 Mr Patrick WONG Chi-kwong																	
20 Professor WONG Hoi-kwok																	
21 Mr WONG Kai-man																	
22 Mr Peter WONG Pak-heung																	
23 Ms Ada WONG Ying-kay					Member												
24 Ms Anna WU Hung-yuk																	
25 Mr YUNG Kar-chark	Member																Member

LINGNAN UNIVERSITY (22 October 2001 - 21 October 2004)

Council members/ Committees	Appeals Committee	Campus Development and Management Committee	Christian Activities Committee	Ethics and Discipline Committee	Finance Committee	Finance Committee Sub-Committees under Finance Committee				Honorary Degrees Committee Chairman	Internal Audit Committee	Management Committee for the Fong Sum Wood - Chang Han Tsui Education Fund	Staffing Committee
						Main Tender Board	Investment Sub-Committee	Fundraising Committee	Honorary Degrees Committee Chairman				
1 Dr The Hon LEUNG Chun-ying (Chairman of the Council)													
2 Mr Valiant CHEUNG Kin-piu (Deputy Chairman of the Council)									Member				Chairman
3 The Hon Bernard Charwut CHAN (Treasurer of the Council)					Chairman		Member	Chairman	Member				
4 Mr CHAN Ka-yun											Member		
5 Mrs CHAN LAM Lai-bing			Chairman					Member					
6 Dr David Pun Chan		Chairman											
7 Mr William CHEUNG Kam-hung*		Member					Member						
8 Mr Stanley HUI Hon-chung													Member
9 Ms Katherine HUNG Siu-lin													
10 Mr KAM Pok-man													
11 Mr KWOK Kwok-chuen													Member
12 Mrs Gennie LEE Gen-hwa		Member											Member
13 Mr Edmund LEUNG Kwong-ho		Member											
14 The Hon NG Leung-sing													
15 Dr Dennis SUN Tai-lin													
16 Dr TONG Tin-sun	Chairman												
17 Dr WAI Kee-kau	Co-opted Member	Member											
18 Mr Patrick WONG Chi-kwong			Member										Member
19 Professor WONG Hoi-kwok													
20 Mr WONG Kai-man													
21 Mr Peter WONG Pak-heung													Member
22 Ms Ada WONG Ying-kay													Member
23 Ms Anna WU Hung-yuk	Member												Member

## THE CHINESE UNIVERSITY OF HONG KONG

## 香港中文大學

## Attendance Records of External Council Members at the Council Meetings (from July 2000 to June 2001)

非教職員校董出席大學校董會會議的紀錄(二零零零年七月至二零零一年六月)

#	Name 姓名	2000-2001		Participation in Sub-committees** 以大學校董身分出任大學的委員會及由大學校董會委任的職務**
		No. of Attendance 出席次數	Attendance Rate 出席率	
1	Dr. Lee Hon-chiu (Chairman) (利漢釗博士 - 主席)	3 / 3	100.0%	3, 6, 11
2	The Honourable Chan Kam-lam (陳鑑林議員)	2 / 3	66.7%	--
3	Mr. Paul M.F. Cheng (鄭明訓先生)	1 / 3	33.3%	12, 31
4	Dr. Thomas H.C. Cheung (張焯基博士)	2 / 3	66.7%	8, 16, 35, 39
5	The Honourable Cheung Man-kwong (張文光議員)	3 / 3	100.0%	--
6	Professor G.H. Choa (蔡永棠教授)	0 / 3	0.0%	2, 4, 8, 17, 35
7	Dr. Chou Wen-hsien (周文軒博士)	3 / 3	100.0%	15
8	Dr. Fung Kwok-lun, William (馮國倫博士)	0 / 3	0.0%	12, 15
9	Dr. Ho Tim (何添博士)	0 / 3	0.0%	16
10	Dr. Hung Hon-cheung, George (熊翰章博士)	2 / 3	66.7%	2, 4, 14, 44
11	Sir Yuet-keung Kan (簡悅強爵士)*	0 / 3	0.0%	--
12	Dr. Clark Kerr*	0 / 3	0.0%	--
13	Dr. Raymond P.L. Kwok (郭炳聯博士)	2 / 3	66.7%	2, 3, 9, 10, 11, 43
14	Mr. Kwong Ki-chi (鄺其志先生)	1 / 1	100.0%	--
15	Mr. Lau Sai-yung (劉世鏞先生)	3 / 3	100.0%	--
16	Dr. Deanna Lee Rudgard (利德馨博士)	0 / 3	0.0%	6, 14, 35, 40
17	Dr. J.S. Lee (利榮森博士)*	0 / 3	0.0%	21, 30, 35
18	Mr. Lee Kam-chung (李金鐘先生)	3 / 3	100.0%	--
19	Dr. the Honourable Lee Quo-wei (利國偉博士)*	0 / 3	0.0%	10, 43
20	Mr. Lee Woo-sing (李和聲先生)	3 / 3	100.0%	17
21	Mr. Roger K.H. Luk (陸觀豪先生)	3 / 3	100.0%	2, 3, 5, 8, 10, 11, 12, 36, 37, 38, 41, 42
22	Mr. Anthony Neoh (梁定邦先生)	1 / 3	33.3%	5, 8, 35, 41
23	Mrs. Ng Fong Siu-mei, Mei (吳方笑靚女士)	2 / 2	100.0%	--
24	Mr. Robert Ng (黃志祥先生)	0 / 3	0.0%	2
25	Dr. the Honourable Run Run Shaw (邵逸夫博士)*	0 / 3	0.0%	16
26	Mr. Shum Choi-sang (岑才生先生)	2 / 3	66.7%	16
27	Dr. David W.K. Sin (洗為堅博士)	3 / 3	100.0%	3, 5
28	Mr. Tai Hay-lap (戴希立先生)	2 / 2	100.0%	15
29	Dr. Edwin Tao (陶學邦博士)	3 / 3	100.0%	2, 8, 9, 15, 35
30	The Honourable James P.C. Tien (田北俊議員)	2 / 3	66.7%	--
31	Mr. Wang Shui-chung, Patrick (汪穗中先生)	0 / 3	0.0%	12
32	Dr. the Honourable P.C. Woo (胡百全博士)*	0 / 3	0.0%	6, 16, 35
33	Ms. Yan Hau-ye, Lina (殷巧兒女士)	3 / 3	100.0%	31

Note:

\* Life Member (終身校董)

\*\* List of sub-committees of or related to the University Council is in the Attachment (大學校董會附屬或有關之委員會的名單詳列於附件)。

29th May, 2003

THE CHINESE UNIVERSITY OF HONG KONG

香港中文大學

Attendance Records of External Council Members at the Council Meetings (from July 2001 to June 2002)

非執職員校董出席大學校董會會議的紀錄(二零零一年七月至二零零二年六月)

#	Name 姓名	2001-2002		Participation in Sub-committees** 以大學校董身分出任大學的委員會及由大學校董會委任的職務**
		No. of Attendance 出席次數	Attendance Rate 出席率	
1	Dr. Lee Hon-chiu (Chairman) (利漢釗博士 - 主席)	3 / 4	75.0%	3, 6, 7, 11, 13
2	The Honourable Chan Kam-lam (陳鑑林議員)	3 / 4	75.0%	-
3	Mr. Paul M.F. Cheng (鄭明訓先生)	3 / 4	75.0%	12, 31, 32
4	Dr. Thomas H.C. Cheung (張煌昌博士)	4 / 4	100.0%	8, 16, 32, 35, 39
5	The Honourable Cheung Man-kwong (張文光議員)	3 / 4	75.0%	-
6	Professor G.H. Choa (蔡水業教授)	0 / 1	0.0%	2, 4, 7, 8, 17, 35
7	Dr. Chou Wen-hsien (周文軒博士)	3 / 4	75.0%	15
8	Dr. Fung Kwok-lun, William (馮國倫博士)	2 / 4	50.0%	8, 12, 15, 32
9	Dr. Ho Tim (何添博士)	0 / 4	0.0%	16
10	Dr. Hung Hon-cheung, George (熊粉榮博士)	4 / 4	100.0%	2, 4, 14, 44
11	Sir Yuet-keung Kan (簡悅強爵士)*	0 / 4	0.0%	-
12	Dr. Clark Kerr*	0 / 4	0.0%	-
13	Dr. Raymond P.L. Kwok (郭炳聯博士)	3 / 4	75.0%	2, 3, 9, 10, 11, 13, 32, 43
14	Mr. Kwong Ki-chi (鄧其志先生)	4 / 4	100.0%	4
15	Mr. Lau Sai-yung (劉世鏞先生)	4 / 4	100.0%	-
16	Dr. Deanna Lee Rudgard (利德蓉博士)	0 / 4	0.0%	6, 14, 35, 40
17	Dr. J.S. Lee (利榮森博士)*	0 / 4	0.0%	21, 30, 35
18	Mr. Lee Kam-chung (李金鐘先生)	4 / 4	100.0%	-
19	Dr. the Honourable Lee Quo-wei (利國偉博士)*	0 / 4	0.0%	10, 43
20	Mr. Lee Woo-sing (李和聲先生)	4 / 4	100.0%	17
21	Mr. Roger K.H. Luk (陸觀豪先生)	3 / 4	75.0%	2, 3, 5, 7, 8, 10, 11, 12, 13, 32, 36, 37, 38, 41, 42
22	Mr. Anthony Neoh (梁定邦先生)	1 / 4	25.0%	5, 7, 8, 13, 35, 41
23	Mrs. Ng Fong Siu-mei, Mei (吳方笑毓女士)	3 / 4	75.0%	-
24	Mr. Robert Ng (黃志祥先生)	0 / 4	0.0%	2
25	Dr. the Honourable Run Run Shaw (邵逸夫博士)*	0 / 4	0.0%	16
26	Mr. Shum Choi-sang (岑才生先生)	4 / 4	100.0%	16
27	Mr. Tai Hay-lap (戴希立先生)	4 / 4	100.0%	15
28	Dr. Edwin Tao (陶學邨博士)	4 / 4	100.0%	2, 8, 9, 15, 35
29	The Honourable James P.C. Tien (田北復議員)	3 / 4	75.0%	-
30	Mr. Wang Shui-chung, Patrick (汪穗中先生)	0 / 4	0.0%	7, 12, 32
31	Mr. Wong Wai-kay, Ricky (王維基先生)	4 / 4	100.0%	17, 25
32	Dr. the Honourable P.C. Woo (胡百全博士)*	0 / 4	0.0%	6, 16, 35
33	Ms. Yan Hau-ye, Lina (殷巧兒女士)	4 / 4	100.0%	31, 32

Note:

\* Life Member (終身校董)

\*\* List of sub-committees of or related to the University Council is in the Attachment (大學校董會附屬或有關之委員會的名單詳列於附件)

29th May, 2002



THE CHINESE UNIVERSITY OF HONG KONG

香港中文大學

Attendance Records of External Council Members at the Council Meetings (from July to November 2002)

非教職員校董出席大學校董會會議的紀錄(二零零二年七月至十一月)

#	Name 姓名	2002-2003		Participation in Sub-committees** 由大學校董會身分出任大學的委員會及由大學校董會委任的職務**
		No. of Attendance 出席次數	Attendance Rate 出席率	
1	Dr. Lee Hon-chiu (Chairman) (利漢釗博士 - 主席)	2 / 2	100.0%	3, 6, 7, 11, 13, 33, 34
2	The Honourable Chan Kam-lam (陳鑑林議員)	1 / 2	50.0%	--
3	Ms. Cheng Kit-yin, Kelly (鄭潔賢女士)	1 / 2	50.0%	17
4	Mr. Paul M.F. Cheng (鄭明訓先生)	2 / 2	100.0%	12, 31, 32, 34
5	Dr. Thomas H.C. Cheung (張煊昌博士)	1 / 2	50.0%	8, 16, 32, 35, 39
6	The Honourable Cheung Man-kwong (張文光議員)	1 / 2	50.0%	--
7	Dr. Chou Wen-hsien (周文軒博士)	1 / 2	50.0%	15
8	Dr. Fung Kwok-lun, William (馮國倫博士)	0 / 2	0.0%	8, 12, 15, 32
9	Mr. Heung Shu-fai (香港輝先生)	2 / 2	100.0%	4, 15
10	Dr. Ho Tim (何添博士)	0 / 2	0.0%	16
11	Dr. Hung Hon-cheung, George (熊翰章博士)	2 / 2	100.0%	2, 4, 14, 44
12	Sir Yuet-keung Kan (殷悅強爵士)*	0 / 2	0.0%	--
13	Dr. Clark Kerr*	0 / 2	0.0%	--
14	Dr. Raymond P.L. Kwok (郭炳聯博士)	1 / 2	50.0%	2, 3, 9, 10, 11, 13, 32, 43
15	Mr. Kwong Ki-chi (鄒其志先生)	1 / 2	50.0%	4
16	Mr. Lau Sai-yung (劉世鏞先生)	2 / 2	100.0%	9
17	Dr. Deanna Lee Rudgard (利德蓉博士)	1 / 2	50.0%	6, 14, 35, 40
18	Dr. J.S. Lee (李榮森博士)*	0 / 2	0.0%	21, 30, 35
19	Mr. Lee Kam-chung (李金鐘先生)	2 / 2	100.0%	--
20	Dr. the Honourable Lee Quo-wei (利國偉博士)*	0 / 2	0.0%	10, 43
21	Mr. Lee Woo-sing (李和聲先生)	2 / 2	100.0%	17
22	Mr. Roger K.H. Luk (陸觀榮先生)	2 / 2	100.0%	2, 3, 5, 7, 8, 10, 11, 12, 13, 32, 33, 34, 36, 37, 38, 41, 42, 43
23	Mr. Anthony Neoh (梁定邦先生)	1 / 2	50.0%	5, 7, 8, 13, 33, 35, 41
24	Mrs. Ng Fong Siu-mei, Mei (吳方笑儀女士)	2 / 2	100.0%	--
25	Mr. Robert Ng (黃志祥先生)	0 / 2	0.0%	2
26	Dr. the Honourable Run Run Shaw (邵逸夫博士)*	0 / 2	0.0%	16
27	Mr. Shum Choi-sang (岑才生先生)	2 / 2	100.0%	16
28	Mr. Tai Hay-lap (戴希立先生)	2 / 2	100.0%	15
29	The Honourable James P.C. Tien (田北俊議員)	1 / 2	50.0%	--
30	Mr. Wang Shui-chung, Patrick (汪穗中先生)	0 / 2	0.0%	7, 12, 32
31	Mr. Wong Wai-kay, Ricky (王維基先生)	2 / 2	100.0%	17, 25
32	Dr. the Honourable P.C. Woo (胡百全博士)*	0 / 2	0.0%	6, 16, 35
33	Ms. Yan Hau-yeg, Lina (殷巧兒女士)	2 / 2	100.0%	16, 31, 32, 33, 34

Note:

\* Life Member (終身校董)

\*\* List of sub-committees of or related to the University Council is in the Attachment (大學校董會附屬或有關之委員會的名單詳列於附件)

29th May, 2003

THE CHINESE UNIVERSITY OF HONG KONG  
香港中文大學  
Years of Service of Current External Council Members  
現任非教職員校董出任大學校董年期

#	Name 姓名	Years of Service 出任校董年期** (Up to 30.11.2002) (至二零零二年十一月三十日)
1	Dr. Lee Hon-chiu (Chairman) (利漢釗博士 - 主席)*	10.5
2	The Honourable Chan Kam-lam (陳鑑林議員)	2.1
3	Ms. Cheng Kit-yin, Kelly (鄭潔賢女士)	0.5
4	Mr. Paul M.F. Cheng (鄭明訓先生)	10.9
5	Dr. Thomas H.C. Cheung (張煊昌博士)	11.7
6	The Honourable Cheung Man-kwong (張文光議員)	2.1
7	Dr. Chou Wen-hsien (周文軒博士)	7.6
8	Dr. Fung Kwok-lun, William (馮國綸博士)	4.5
9	Mr. Heung Shu-fai (香樹輝先生)	0.5
10	Dr. Ho Tim (何添博士)	17.1
11	Dr. Hung Hon-cheung, George (熊翰章博士)	9.0
12	Sir Yuet-keung Kan (簡悅強爵士)*	38.4
13	Dr. Clark Kerr*	38.3
14	Dr. Raymond P.L. Kwok (郭炳聯博士)	8.0
15	Mr. Kwong Ki-chi (鄺其志先生)	1.7
16	Mr. Lau Sai-yung (劉世鏞先生)	8.4
17	Dr. Deanna Lee Rudgard (利德蓉博士)	7.4
18	Dr. J.S. Lee (利榮森博士)*	39.2
19	Mr. Lee Kam-chung (李金鐘先生)	3.1
20	Dr. the Honourable Lee Quo-wei (利國偉博士)*	39.2
21	Mr. Lee Woo-sing (李和聲先生)	3.2
22	Mr. Roger K.H. Luk (陸觀豪先生)	5.0
23	Mr. Anthony Neoh (梁定邦先生)	8.0
24	Mrs. Ng Fong Siu-mei, Mei (吳方笑薇女士)	2.0
25	Mr. Robert Ng (黃志祥先生)	5.0
26	Dr. the Honourable Run Run Shaw (邵逸夫博士)*	25.7
27	Mr. Shum Choi-sang (岑才生先生)	10.7
28	Mr. Tai Hay-lap (戴希立先生)	2.0
29	The Honourable James P.C. Tien (田北俊議員)	2.1
30	Mr. Wang Shui-chung, Patrick (汪穗中先生)	4.5
31	Mr. Wong Wai-kay, Ricky (王維基先生)	1.1
32	Dr. the Honourable P.C. Woo (胡百全博士)*	39.2
33	Ms. Yan Hau-yee, Lina (殷巧兒女士)	6.4

Note:

\* Life Member (終身校董)

\*\* Periods of Council membership which precede any break in service of more than one month have not been included (如校董任期曾中斷超過一個月者，則之前的任期並沒有計算在內)。

29th May, 2003

## Sub-committees of or related to the University Council

## 大學校董會附屬或有關之委員會

No.	Name of Committee	委員會名稱
1	Administrative and Planning Committee	行政與計劃委員會
2	Campus Planning and Building Committee	校園計劃及建設委員會
3	Committee on Donations	捐贈委員會
4	Distinctive Marks and Ceremonial Dress Committee	校徽及禮袍設計委員會
5	Finance Committee	財務委員會
6	Honorary Degrees Committee	榮譽學位委員會
7	Honorary Fellowship Committee	榮譽院士委員會
8	Terms of Service Committee	教職員服務規則委員會
9	University Tender Board	大學投標管理委員會
10	The Chinese University of Hong Kong Foundation Limited	香港中文大學基金會有限公司
11	Task Force on Sites B and F Development	「B址及F址發展」專責小組
12	Task Force on the Development and Financing of the University in the Next Decade and beyond	「大學在未來十年及更長時間的發展與資助」專責小組
13	Task Force on University Governance	「大學管治」專責小組
14	Board of Trustees, Chung Chi College	崇基學院校董會
15	Board of Trustees, New Asia College	新亞書院校董會
16	Board of Trustees, United College	聯合書院校董會
17	Board of Trustees, Shaw College	逸夫書院校董會
18	Advisory Board of Continuing Studies	校外進修諮詢委員會
19	Advisory Board of the Faculty of Engineering	工程學院諮詢委員會
20	Advisory Board of the Hong Kong Institute of Educational Research	香港教育研究所顧問委員會
21	Advisory Board of the Institute of Chinese Studies	中國文化研究所顧問委員會
22	Advisory Board of the MBA Programmes	工商管理碩士課程顧問委員會
23	Advisory Board on Accounting Studies	會計學諮詢委員會
24	Advisory Committee on Automation and Computer-aided Engineering	自動化與計算機輔助工程學諮詢委員會
25	Advisory Committee on Electronic Engineering	電子工程學諮詢委員會
26	Advisory Committee on Environmental Science	環境科學諮詢委員會
27	Advisory Committee on Hotel and Tourism Management	酒店及旅遊管理學諮詢委員會
28	Advisory Committee on Information Engineering	訊息工程學諮詢委員會
29	Architecture Academic Advisory Committee	建築學教育諮詢委員會
30	Art Museum Management Committee	文物館管理委員會
31	Career Development Board	就業諮詢委員會
32	40th Anniversary Celebration Organizing Committee	「四十周年校慶籌備委員會」

<u>No.</u>	<u>Name of Committee</u>	<u>委員會名稱</u>
33	Task Force to Advise on Institutional Integration	探討「大學整合」專責小組
34	Search Committee for the Appointment of the Vice-Chancellor	校長遴選委員會
35	Board of Advisers for Staff Appointment	敘聘諮詢委員會
36	Wei Lun Foundation Endowment Fund	偉倫基金
37	Ho Sin-Hang Education Endowment Fund	何善衡教育基金
38	“Mr. Li Koon Chun Memorial Fund” and “Dr. Simon Li Fook Sean and Madam Yang Yen Ying Fund”	「李冠春先生紀念基金」及 「李福善博士及李楊延茵女士基金」管理委員會
39	Endowment Fund Committee of United College	聯合書院基金委員會
40	Management Committee for The Esther Yewpick Lee Millennium Scholarship Scheme	「利黃瑤璧千禧獎學金」計劃管理委員會
41	Staff Superannuation Schemes Trustees	教職員公積金計劃信託人
42	Universities Joint Salaries Committee	大學聯合薪酬委員會
43	The Hong Kong Institute of Biotechnology Limited	香港生物科技研究院有限公司
44	Standing Committee on Campus Geotechnical Matters	校園岩土事務委員會

**The Hong Kong Institute of Education**  
**External Council members**

**2000/01 (25 April 2000 – 24 April 2001)**

Name	Years of service <sup>(Note 1)</sup>	Council and Standing Committee attendance <sup>(Note 2)</sup>	Participation in Committee/ Sub-committees <sup>(Note 3)</sup>
Mr. Simon Ip Sik On, JP	9	8/8	HDC
Dr. Thomas LEUNG Kwok Fai, JP	9	4/8	SC
Mr. Peter LEE Ting Chang, JP	9	5/8	FC
Mr. Alfred CHAN Wing Kin	5	2/3	AC, FRC, SC, SSRC, SMSMC
Mr. Philip CHEN Nan Lok, JP	6	2/3	AC, FC
Mr. Edward CHENG Wai Sun	2	2/3	ECDC, FC, HDC
Mrs. Eva CHENG-LI Kam Fun	2	0/3	SC, SSRC, SMSMC
Mrs. Angela CHEUNG-WONG Wan Yiu, JP	5	5/8	ECDC, ExCo, FRC
Sir William TAYLOR, CBE	5	2/3	PAC
Prof. Amy TSUI Bik May	5	3/3	HDC, PAC, SC
Mr. Anthony WU Ting Yuk	5	3/8	AC, FC, FCTB, FRC, SMSMC
Ms. Leona LAM Wai Ling	3	2/3	ECDC, ExCo, SMSMC
Mrs. MAK-CHEN Wen Ning	3	2/3	ECDC, ExCo, FCTB
Miss Annie WU Suk Ching, JP	3	0/3	FC, FCTB

- Note: (1) Appointments and reappointments to Council are made effective 25 April of each year.
- (2) Subject to any limitation as imposed by the HKIED Ordinance, the Standing Committee acts for the Council on all matters in between plenary sessions of the Council. During the year, the Council and the Standing Committee held 3 and 5 meetings respectively.
- (3) AC = Audit Committee  
 ECDC = Estates and Campus Development Committee  
 ExCo = Executive Committee of HKIED Schools Limited  
 FC = Finance Committee  
 FCTB = Finance Committee Tender Board  
 FRC = Fund-raising Committee  
 HDC = Honorary Degrees Committee  
 PAC = Professorial Appointments Committee  
 SC = Staffing Committee  
 SSRC = Staff Selection and Review Sub-committee  
 SMSMC = The Superannuation and MPF Schemes Management Committee

**2001/02 (25 April 2001 – 24 April 2002)**

<b>Name</b>	<b>Years of service</b> <sup>(Note 1)</sup>	<b>Council and Standing Committee attendance</b> <sup>(Note 2)</sup>	<b>Participation in Committee/ Sub-committees</b> <sup>(Note 3)</sup>
Mr. Simon Ip Sik On, JP	9	11/11	HDC
Dr. Thomas LEUNG Kwok Fai, JP	9	7/11	SC
Mr. Peter LEE Ting Chang, JP	9	8/11	FC
Mr. Alfred CHAN Wing Kin	5	4/6	AC, FRC, SC, SSRC, SMSMC
Mr. Philip CHEN Nan Lok, JP	6	2/6	AC, FC
Mr. Edward CHENG Wai Sun	2	2/6	FC, HDC
Mrs. Eva CHENG-LI Kam Fun	2	1/6	SC, SSRC, SMSMC
Mrs. Angela CHEUNG-WONG Wan Yiu, JP	5	8/11	ECDC, ExCo, FRC
Mr. CHEUNG Pak Hong	2	6/6	ECDC, SC, SSRC
Mr. LIN Man Sheung	2	4/6	ECDC, ExCo, SMCMC
Sir William TAYLOR, CBE	5	2/6	PAC
Prof. Amy TSUI Bik May	5	1/6	HDC, PAC, SC
Ms. Jan WESTRICK	2	4/6	ExCo, FC, FCTB
Mr. Anthony WU Ting Yuk	5	6/11	AC, FC, FCTB, FRC, SMSMC

- Note: (1) Appointments and reappointments to Council are made effective 25 April of each year.
- (2) Subject to any limitation as imposed by the HKIEd Ordinance, the Standing Committee acts for the Council on all matters in between plenary sessions of the Council. During the year, the Council and the Standing Committee held 6 and 5 meetings respectively.
- (3) AC = Audit Committee  
 ECDC = Estates and Campus Development Committee  
 ExCo = Executive Committee of HKIEd Schools Limited  
 FC = Finance Committee  
 FCTB = Finance Committee Tender Board  
 FRC = Fund-raising Committee  
 HDC = Honorary Degrees Committee  
 PAC = Professorial Appointments Committee  
 SC = Staffing Committee  
 SSRC = Staff Selection and Review Sub-committee  
 SMSMC = The Superannuation and MPF Schemes Management Committee

**25 April 2002 – November 2002**

<b>Name</b>	<b>Appointment period</b> <sup>(Note 1)</sup>	<b>Council and Standing Committee attendance</b> <sup>(Note 2)</sup>	<b>Participation in Committee/ Sub-committees</b> <sup>(Note 3)</sup>
Mr. Simon Ip Sik On, JP	9	5/6	HDC
Mr. Alfred CHAN Wing Kin	5	6/6	AC, SC
Mr. Anthony WU Ting Yuk	5	2/6	FC, FRC
Mr. CHEUNG Pak Hong, BBS	2	5/6	ECDC, SC, SSRC
Mrs. Angela CHEUNG-WONG Wan Yiu, JP	5	4/6	ECDC, ExCo, FRC
Mr. Peter LEE Ting Chang, JP	9	3/4	FC
Dr. Thomas LEUNG Kwok Fai, JP	9	1/4	SC, SMSMC
Mr. LIN Man Sheung	2	2/4	ECDC, ExCo, FCTB, SMSMC
Mr. Eddie NG Hak Kim	1	4/6	SC, SSRC, SMSMC
Mr. PANG Yiu Kai, JP	1	2/4	AC, FC, FCTB, FRC, SMSMC
Sir William TAYLOR, CBE	5	0/4	PAC
Prof. Amy TSUI Bik May	5	1/4	HDC, PAC, SC
Ms. Jan WESTRICK	2	4/6	ExCo, FC, FCTB, HDC
Ms. Ada WONG Ying Kay, JP	1	3/4	AC, ECDC, ExCo, FC

- Note: (1) Appointments and reappointments to Council are made effective 25 April of each year.
- (2) Subject to any limitation as imposed by the HKIED Ordinance, the Standing Committee acts for the Council on all matters in between plenary sessions of the Council. During the period, the Council and the Standing Committee held 4 and 2 meetings respectively.
- (3) AC = Audit Committee  
 ECDC = Estates and Campus Development Committee  
 ExCo = Executive Committee of HKIED Schools Limited  
 FC = Finance Committee  
 FCTB = Finance Committee Tender Board  
 FRC = Fund-raising Committee  
 HDC = Honorary Degrees Committee  
 PAC = Professorial Appointments Committee  
 SC = Staffing Committee  
 SSRC = Staff Selection and Review Sub-committee  
 SMSMC = The Superannuation and MPF Schemes Management Committee

**THE HONG KONG POLYTECHNIC UNIVERSITY**

Attendance of Council lay members at Council meetings  
and participation in committees during the period July 2000 to November 2002

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
Victor CHA Mou-zing	3	0/1	N.A.	N.A.	Member, Finance Committee (up to Dec 2000)
Raymond CHAN	3	2/3	4/4	0/1	Member, Executive Committee (from Apr 2002) Member, President's Personal Affairs Committee (from Apr 2002)
Jonathan CHOI Koon-shum	1.5	N.A.	2/3	1/1	Member, Finance Committee (from Jun 2002)
CHOW Yei-ching	0.2		N.A.		N.A.



Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
York CHOW Yat-ngok	5.	3/3	4/4	1/1	Chairman, Estates Committee (from Apr 2001) Member, Executive Committee Member, Honorary Degrees Committee (from Apr 2001) Member, President's Personal Affairs Committee Chairman, Tender Board
Roy CHUNG Chi-ping	4	3/3	4/4	1/1	Chairman, Executive Committee (from April 2002) Member, Executive Committee (from Apr 2001 to Mar 2002) Member, Fund-raising Committee (from Jul 2002) Member, Honorary Degrees Committee (from Apr 2002) Member, President's Personal Affairs Committee (from Apr 2001)

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
Patrick FUNG Yuk-bun *	8	2/2	N.A.	N.A.	Chairman, Executive Committee (up to Mar 2001) Member, Fund-raising Committee (from Jul 2002) Member, Honorary Degrees Committee (up to Mar 2001) Member, President's Personal Affairs Committee (up to Mar 2001)
Jeffrey LAM Kin-fung *	9	1/2	N.A.	N.A.	Member, Executive Committee (up to Mar 2001) Member, President's Personal Affairs Committee (up to Mar 2001)
Kenneth LAM Yiu-kin *	6	2/3	2/3	N.A.	Chairman, Finance Committee (up to Mar 2002) Member, Executive Committee (up to Mar 2002) Member, Honorary Degrees Committee (up to Mar 2002) Member, President's Personal Affairs Committee (up to Mar 2002)

\* Former member

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
Lawrence LAM Yin-ming *	9	3/3	3/3	N.A.	Chairman, Executive Committee (from Apr 2001 to Mar 2002) Member, Executive Committee (up to Mar 2001) Member, Fund-raising Committee (from Jul 2002) Member, Honorary Degrees Committee (up to Mar 2002) Member, President's Personal Affairs Committee (up to Mar 2002)
Gilbert LAU Wai-kwong	2	1/1	4/4	1/1	Member, Estates Committee (from Jun 2002) Alternate Member, Tender Board
David Chris LEE Tsung-hei	5	3/3	4/4	1/1	Member, Executive Committee Member, Estates Committee Member, President's Personal Affairs Committee Member, Tender Board

\* Former member

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
Eric LI Ka-cheung *	6	1/2	N.A.	N.A.	Nil
LIANG Xiaoting *	3	0/1	N.A.	N.A.	Nil
Joseph LO Kin-ching	2	1/1	4/4	1/1	Chairman, Finance Committee (from April 2002) Member, Finance Committee (from Apr 2001 to Mar 2002) Member, Executive Committee (from Apr 2002) Member, Fund-raising Committee (from Jul 2002) Member, Honorary Degrees Committee (from Apr 2002) Member, President's Personal Affairs Committee (from Apr 2002)

\* Former member

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
James LU Shien-hwai	2.5	1/2	3/4	0/1	Member, Estates Committee (from Apr 2001)
Susie LUM	2	1/1	3/4	0/1	Nil
NG Man-kung *	4	2/3	3/4	1/1	Member, Finance Committee
Katherine NGAN NG Yu-ying	2	1/1	4/4	1/1	Member, Finance Committee (from Jun 2002) Member, Fund-raising Committee (from Jul 2002)
Camille TANG YEH *	3	2/3	3/3	N.A.	Member, Estates Committee (up to Mar 2002)

\* Former member

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
Kenneth TING Woo-shou	8	2/3	2/4	1/1	Nil
Herbert TSOI Hak-kong	1	N.A.	1/1	1/1	Nil
Carlye TSUI Wai-ling *	6	1/1	N.A.	N.A.	Member, Estates Committee (up to Dec 2000)
TUNG Chee-chen	7	1/3	1/4	1/1	Member, Finance Committee Chairman, Fund-raising Committee (from Jul 2002) Member, Honorary Degrees Committee (from Jul 2002)
Thomas WAN Kwan-cheung	1	N.A.	1/1	1/1	Nil

\* Former member

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
Kenneth WANG Kuk-kei	2.5	2/2	2/4	1/1	Member, Estates Committee (from Apr 2001)
Betty WOO Shuk-sing *	6	1/1	N.A.	N.A.	Member, Estates Committee (up to Dec 2000)
Albert WU I-ming *	6	1/2	N.A.	N.A.	Member, Estates Committee (up to Mar 2001)
Gordon WU Ying-sheung	6	3/3	4/4	1/1	Chairman, Honorary Degrees Committee Chairman, President's Personal Affairs Committee

\* Former member

Name	Year of service	Attendance at Council meetings from July 2000 to Nov 2002			Participation in committees from July 2000 to Nov 2002
		7/2000 – 6/2001	7/2001 – 6/2002	7/2002 – 11/2002	
Henry WU King-cheong	2	1/1	3/4	1/1	Nil
YU Kwok-chun	3	2/3	3/4	1/1	Member, Executive Committee (from Jun 2002) Member, Finance Committee (from Apr 2001 to Jun 2002) Member, Fund-raising Committee (from Jul 2002) Member, President's Personal Affairs Committee (from Jun 2002)
Alice YUK Tak-fun *	1	N.A.	1/1	1/1	Nil

\* Former member



Hong Kong University of Science and Technology  
External Council Members

Name (in alphabetical order)	Years of service on Council	July 2000 - June 2001		July 2001 - June 2002		July 2002 - November 2002		Participation in Council sub-committee(s) :										
		Attendance	Total %	Attendance	Total %	Attendance	Total %	Standing Committee	Audit Committee	Finance Committee	Honorary Awards Committee	Human Resources Committee	Public Affairs Steering Committee					
Dr Laura M Cha	7	1/3	33.33	1/3	33.33	1/1	100			Yes								
Dr John C C Chan	5 *	N/A	N/A	1/1	100	1/1	100	Yes			Yes							
Dr Robin Y H Chan	4	1/3	33.33	3/3	100	0/1	0											
Mr Ronnie C Chan	9	2/3	66.66	2/3	66.66	0/1	0											
Mr Philip N L Chen	8	2/3	66.66	1/3	33.33	1/1	100	Yes	Yes		Yes							Yes
Mr Linus W L Cheung	7	1/3	33.33	N/A	N/A	N/A	N/A											
Dr Raymond K F Chien	8	1/2	50	N/A	N/A	N/A	N/A	Yes					Yes					
Mr Lester G Huang	3	1/1	100	3/3	100	1/1	100											Yes
Mr Roger King	5	2/3	66.66	3/3	100	1/1	100	Yes		Yes				Yes				
Mr Leo Kung Lin-Cheng	3	0/1	0	1/3	33.33	1/1	100	Yes										
Mr Kuok Khoon-Ean	1	N/A	N/A	N/A	N/A	1/1	100		Yes									
Ms Ruth Kuok	6	1/3	33.33	1/3	33.33	N/A	N/A		Yes									
Dr Charles Lee Yeh-Kwong	5	2/3	66.66	2/3	66.66	0/1	0						Yes					
Dr Thomas K Leung	5	2/3	66.66	2/3	66.66	0/1	0	Yes						Yes				
Dr Vincent H S Lo	6	3/3	100	2/2	100	N/A	N/A	Yes						Yes				Yes
Miss Christine Loh Kung-Wai	4	3/3	100	2/3	66.66	0/1	0	Yes										
Mr Tim Lui Tim-Leung	4	3/3	100	3/3	100	1/1	100	Yes	Yes		Yes							
Professor Ng Ching-Fai	3	3/3	100	1/3	33.33	N/A	N/A											
Dr Steven K L Poon	13	2/2	100	N/A	N/A	N/A	N/A											
The Hon Sin Chung-Kai	3	1/1	100	3/3	100	1/1	100	Yes										
Dr Helmut Sohmnen	1	N/A	N/A	N/A	N/A	1/1	100											
Dr Lawrence T Wong	7	2/3	66.66	1/3	33.33	1/1	100							Yes				
Mr Peter T S Wong	2	N/A	N/A	1/1	100	0/1	0											
Mr Wong Ying-Wai, Wilfred	7	3/3	100	2/3	66.66	1/1	100	Yes	Yes	Yes	Yes							Yes
Mrs Carrie Yau	2	0/1	0	0/1	0	N/A	N/A											Yes
		Average : 65.87%		Average : 66.66%		Average : 66.66%		Average : 66.66%										

\* including three years outside the period of July 2000 to November 2002

## THE UNIVERSITY OF HONG KONG

Member	Years of service@	Attendance rate of external members for the Council meetings for the years 2000-03			
		July 2000-June 2001	July 2001-June 2002	July - Nov 2002	July - Nov 2002
Mr. Francis S.Y. Bong	5.6	5/8	2/7	4/4	4/4
Mr. John C.C. Chan (until 07.05.02)	8.8	7/8	3/4	NA	NA
The Hon Mr. Justice P. Chan	2.5	3/4	5/7	3/4	3/4
Mr. Christopher W.C. Cheng	5.6	7/8	5/7	3/4	3/4
Mr. Linus W.L. Cheung	3.7	5/8	7/7	4/4	4/4
Dr. George Choa	14.8	5/8	7/7	1/4	1/4
Dr. John R. Choa	11.8	6/8	7/7	3/4	3/4
Mr. David Eldon (until 31.05.01)	1.3	4/7	NA	NA	NA
Mr. Henry H.L. Fan	5.6	7/8	7/7	3/4	3/4
Dr. Victor K.K. Fung	5.6	5/8	7/7	4/4	4/4
Ms. Wendy K.S. Gan	2.1	1/1	5/7	2/4	2/4
Dr. Stanley Ho	18.6	0/8	1/7	1/4	1/4
Mr. J. Hughes-Hallett	3.9	3/8	3/7	2/4	2/4
The Hon. Michael D. Kadoorie	9.5	3/8	3/7	0/4	0/4
Mr. Raymond P.L. Kwok (until 15.10.00)	3.0	2/3	NA	NA	NA
Dr. Peter C. Y. Lee	35.0	4/8	5/7	3/4	3/4
Mr. Andrew K.F. Lee	6.3	6/8	7/7	4/4	4/4
Dr. the Hon. David K.P. Li (until 31.12.01)	12.0	5/8	2/2	NA	NA
Mr. Victor T.K. Li (until 28.02.03)	3.0	3/8	0/8	0/4	0/4
Prof. Arthur K.C. Li (until 31.07.02)	5.8	0/8	0/8	0/1	0/1
The Hon. Mr. Justice Litton (until 14.09.00)	6.0	1/3	NA	NA	NA
Mrs. Mary Rodrigues	10.4	2/8	3/7	1/4	1/4
Mr. Jack So	2.5	3/4	2/7	1/4	1/4
Dr. J.E. Strickland	7.0	7/8	7/7	4/4	4/4
Dr. T.T. Tsui (until 15.10.00)	3.0	3/3	NA	NA	NA
Mr. Frederick C.L. Wai	0.7	NA	NA	2/2	2/2
Mr. Patrick S.C. Wang	5.6	3/8	0/8	0/4	0/4
Mr. Allan C.Y. Wong	5.6	2/8	0/8	0/4	0/4
Dr. James S.W. Wong (until 31.05.02)	6.0	3/8	5/7	NA	NA
Dr. Philip K.H. Wong	8.6	7/8	5/7	2/4	2/4
Dr. the Hon. Rosanna Y.M. Wong (until 19.04.01)	3.5	4/6	NA	NA	NA
Dr. P.S. Woo (until 15.10.00)	3.0	2/3	NA	NA	NA
Dr. the Hon. T.L. Yang (until 31.08.01)	16.0	8/8	NA	NA	NA
Mr. Christopher K. Y. Yiu	3.7	3/8	1/7	2/4	2/4
Mr. Francis T.F. Yuen	2.5	2/4	6/7	2/4	2/4

N/A: Not Applicable (as the person was not a member at that time)

\* Shown as a fraction of the number of meetings eligible to attend over the stated time period

e.g. 3/8 = having attended 3 of the 8 meetings held during the specified period

@ as at May 29, 2003

29-May-03

**THE UNIVERSITY OF HONG KONG**

**Participation of External Council Members in University Committees**

<i>Member</i>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
Mr. Francis S. Y. Bong	Robert Black College Committee of Management	Estates Committee Institute of Molecular Biology Supervisory Board Robert Black College Committee of Management	Estates Committee Institute of Molecular Biology Supervisory Board Robert Black College Committee of Management
Mr. John C.C. Chan	Committee on the 9 <sup>th</sup> Decade and Beyond	Committee on the 9 <sup>th</sup> Decade and Beyond	N/A
The Hon Mr. Justice Patrick Chan	Nil	Nil	Nil
Mr. Christopher W.C. Cheng	Graduate House Committee of Management Committee on Honorary University Fellows	Graduate House Committee of Management Committee on Honorary University Fellows	Graduate House Committee of Management Committee on Honorary University Fellows
Mr. Linus W.L. Cheung	Finance Committee	Finance Committee	Finance Committee
Dr. George Choa	Committee on Honorary University Fellows	Committee on Honorary University Fellows	Committee on Honorary University Fellows
Dr. John R. Choa	Convocation Standing Committee Robert Black College Committee of Management	Robert Black College Committee of Management	Robert Black College Committee of Management
Mr. David Eldon	Finance Committee	N/A	N/A
Mr. Henry H.L. Fan	Conditions of Service Committee Estates Committee Finance Committee	Committee on the 9 <sup>th</sup> Decade and Beyond Conditions of Service Committee Estates Committee Finance Committee	Committee on the 9 <sup>th</sup> Decade and Beyond Conditions of Service Committee Estates Committee Finance Committee

<i>Member</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>
Dr. Victor K.K. Fung	Joint Committee of the Council and the Academic Staff Association Honorary Degrees Committee	Joint Committee of the Council and the Academic Staff Association Honorary Degrees Committee	Joint Committee of the Council and the Academic Staff Association Honorary Degrees Committee
Ms. Wendy K.S. Gan	Convocation Standing Committee	Convocation Standing Committee	Convocation Standing Committee
Dr. Stanley Ho	Committee on the Foundation for Educational Development and Research Honorary Degrees Committee	Committee on the Foundation for Educational Development and Research Honorary Degrees Committee	Committee on the Foundation for Educational Development and Research Honorary Degrees Committee
Mr. James Hughes-Hallett	Robert Black College Committee of Management	Finance Committee Robert Black College Committee of Management	Finance Committee Robert Black College Committee of Management
The Hon Michael D. Kadoorie	Court Life Membership Committee	Court Life Membership Committee	Court Life Membership Committee
Mr. Raymond P.L. Kwok	Nil	N/A	N/A
Dr. Peter C. Y. Lee	Joint Committee of the Council and the Academic Staff Association Committee on the 9 <sup>th</sup> Decade and Beyond Committees Review Committee Conditions of Service Committee Board for Continuing and Professional Education (CPE) and Lifelong Learning Convocation Standing Committee Committee of Management of the School of Chinese Medicine Committee for the Selection of Wardens and Hall Tutors	Committee on the 9 <sup>th</sup> Decade and Beyond Committees Review Committee Conditions of Service Committee Board for Continuing and Professional Education (CPE) and Lifelong Learning Committee of Management of the School of Chinese Medicine Committee for the Selection of Wardens and Hall Tutors	Committee on the 9 <sup>th</sup> Decade and Beyond Committees Review Committee Conditions of Service Committee Board for Continuing and Professional Education (CPE) and Lifelong Learning Committee of Management of the School of Chinese Medicine Committee for the Selection of Wardens and Hall Tutors

<i>Member</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>
Mr. Andrew K.F. Lee	Estates Committee Retirement Review Board Committee for the Selection of Professional and Administrative Staff Committee for the Selection of Wardens and Hall Tutors	Retirement Review Board Committee for the Selection of Professional and Administrative Staff Committee for the Selection of Wardens and Hall Tutors	Retirement Review Board Committee for the Selection of Professional and Administrative Staff Committee for the Selection of Wardens and Hall Tutors
Dr. the Hon. David K.P. Li	Committee on the 9 <sup>th</sup> Decade and Beyond Finance Committee Honorary Degrees Committee	Committee on the 9 <sup>th</sup> Decade and Beyond Finance Committee Honorary Degrees Committee	N/A
Mr. Victor T.K. Li	Nil	Nil	Nil
Prof. Arthur K.C. Li	Nil	Nil	Nil
The Hon. Mr. Justice Litton	Honorary Degrees Committee	N/A	N/A
Mrs. Mary Rodrigues	Committee on the 9 <sup>th</sup> Decade and Beyond Convocation Standing Committee Graduate House Committee of Management University Press Committee	Committee on the 9 <sup>th</sup> Decade and Beyond Graduate House Committee of Management University Press Committee	Committee on the 9 <sup>th</sup> Decade and Beyond Graduate House Committee of Management University Press Committee
Mr. Jack C.K. So	Nil	Estates Committee	Estates Committee
Dr. John E. Strickland	Nil	Finance Committee Honorary Degrees Committee	Finance Committee Honorary Degrees Committee
Dr. T.T. Tsui	Nil	N/A	N/A

<i>Member</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>
Mr. Frederick C.L. Wai	N/A	N/A	Nil
Mr. Patrick S.C. Wang	Nil	Nil	Nil
Mr. Allan C.Y. Wong	Nil	Nil	Nil
Dr. James S.W. Wong	Committees Review Committee Finance Committee	Committees Review Committee Finance Committee	N/A
Dr. Philip K.H. Wong	Committee on the 9 <sup>th</sup> Decade and Beyond Board for Continuing and Professional Education (CPE) and Lifelong Learning Joint Committee of the Council and the Academic Staff Association Committee on the Foundation for Educational Development and Research Honorary Degrees Committee Committee on Honorary University Fellows Committee of Management of the School of Chinese Medicine	Committee on the 9 <sup>th</sup> Decade and Beyond Board for Continuing and Professional Education (CPE) and Lifelong Learning Joint Committee of the Council and the Academic Staff Association Committee on the Foundation for Educational Development and Research Honorary Degrees Committee Committee on Honorary University Fellows Committee of Management of the School of Chinese Medicine	Committee on the 9 <sup>th</sup> Decade and Beyond Board for Continuing and Professional Education (CPE) and Lifelong Learning Joint Committee of the Council and the Academic Staff Association Committee on the Foundation for Educational Development and Research Honorary Degrees Committee Committee on Honorary University Fellows Committee of Management of the School of Chinese Medicine
Dr. the Hon. Rosanna Y.M. Wong	Honorary Degrees Committee	N/A	N/A
Dr. P.S. Woo	Nil	N/A	N/A
Dr. the Hon. T.L. Yang	Institute of Molecular Biology Supervisory Board Joint Committee of the Council and the Academic Staff Association Honorary Degrees Committee	N/A	N/A

<i>Member</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>
Mr. Christopher K.Y. Yiu	Nil	Nil	Nil
Mr. Francis T.F. Yuen	Nil	Nil	Nil

N/A = Not applicable (as the person was not a member of the Council)

May 29, 2003



THE CHINESE UNIVERSITY OF HONG KONG 香港中文大學

校長室 OFFICE OF THE VICE-CHANCELLOR



ADVANCE  
AND EXCEL  
香港中文大學四十周年  
40th Anniversary of CUHK

騰飛四十  
精進日新

Your Ref.: CB(3)/PAC/R40  
Our Ref.: (03Jy/jl/0369)

9 July 2003

BY FAX ONLY (2537 1204)

Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

(Attention: Ms Dora Wai)

Dear Ms Wai

The Director of Audit's Report on the  
results of value for money audits (Report No. 40)  
Chapter 8: University Grants Committee-funded institutions –  
Governance, strategic planning and financial and performance reporting

Thank you for your letter dated 27 June 2003. I would like to reply as follows:-

- (a) The respective nominating bodies include all parties concerned including the University itself; and
- (b) Statute 11.4 of The Chinese University of Hong Kong Ordinance states:

“(1A) If an elected member of the Council ceases to be a member under the proviso to subparagraph (1), the body which elected him shall duly elect a successor whose membership of the Council shall be for a period not exceeding 3 years. The successor shall be eligible for re-election to which subparagraph (2) shall apply.”

“(2) A body re-nominating or re-electing a member may re-nominate or re-elect, as the case may be, such member for a period of 3 years or for a period of less than 3 years.”

Yours sincerely

Ambrose Y C King  
Vice-Chancellor

cc Chairman of the Council





香港浸會大學  
HONG KONG BAPTIST UNIVERSITY

From the President and Vice-Chancellor

校長：吳清輝教授

Prof. Ng Ching-Fai  
BE(Chem), MSc, PhD

Ref.: PDO/0307/118

14 July 2003

Ms. Dora WAI  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms. Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions –  
Governance, strategic planning and financial and performance reporting**

In response to your letter dated 27 June 2003 on the captioned subject, please find enclosed the completed form providing information on the attendance rates of external and internal members at Council meetings of this University for the indicated periods.

2. As has been pointed out in your letter, the ordinance of this University has stipulated that the University Council should be so composed that there is a majority of external members. The number of regular Council meetings scheduled in each year is four. In order to enable all external members (and internal members as well) to attend all Council meetings, the dates of these scheduled meetings are fixed one year in advance and Council members notified accordingly so that they can set aside the time. Notwithstanding this, it is perfectly understandable that the external members, being leaders and senior executives in their own professions, often have to adjust their schedules to respond to urgent task. So there is in practice no sure way to effectively guarantee that at every meeting the attendance is such that external members will constitute a majority of all members present.

3. Having said that, experience has shown clearly that when there are divided views on an important issue being debated by the Council, the situation in most cases is that the group which supports the issue is made up of both external and internal members, and similarly for the group which opposes the issue. In other words, it is the substance of the issue being debated which counts most, and thus it may be somewhat simplistic to infer from a mechanical interpretation of the attendance data that there is an over-reliance on internal members whenever the number of external members present does not constitute a majority.

4. In that connection, it is worth mentioning that unlike similar bodies in other organizations, a university council is so constituted that the external members serving on it are not appointed (by the Government) to represent specifically the interests in the university of certain groups of people. On that understanding, the HKBU Council has been conducting its decision-making mainly through building consensus at meetings rather than depending too heavily on the counting of votes.

5. One final point – the HKBU ordinance has set out explicitly the procedure for conducting the discussion and decision making of any matter for which a Council member (whether internal or external) has a pecuniary or personal interest. This is further elaborated in the guidelines of procedure adopted by the Council. According to the pertinent procedure, such a Council member will be required to withdraw from the meeting or refrain from voting.

6. I trust you find this response in order. If there is any point to clarify, please contact my colleague, Mr. P K Chiu (Director of General Administration) at 3411 7950 (phone), 2338 7644 (fax) or [pkchiu@hkbu.edu.hk](mailto:pkchiu@hkbu.edu.hk) (email), in the first instance.

Yours sincerely,



C F Ng  
President & Vice-Chancellor

Name of institution: Hong Kong Baptist University

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	19 October 2000	30	9	43%	12	57%
(2)	14 December 2000	30	14	54%	12	46%
(3)	15 March 2001	32	14	48%	15	52%
(4)	14 June 2001	31	9	37%	15	63%
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	13 December 2001	31	10	42%	14	58%
(2)	25 March 2002	33	11	44%	14	56%
(3)	20 June 2002	33	10	45%	12	55%
(4)						
(5)						
(6)						
<b>2002-03 (July to November 2002)</b>						
(1)	No meetings held during the period.					
(2)						
(3)						
(4)						
(5)						
(6)						

Remark: Please photocopy this form for use if the space provided is insufficient



香港浸會大學  
HONG KONG BAPTIST UNIVERSITY

From the President and Vice-Chancellor

校長：吳清輝教授

Prof. Ng Ching-Fai  
BE(Chem), MSc, PhD

Ref.: PDO/0307/126  
23 July 2003

Ms. Dora Wai  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms. Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions –  
Governance, strategic planning and financial and performance reporting**

With reference to your letter of 22 July 2003 on the captioned subject,  
please find enclosed the information required, in both Chinese and English.

If you have any queries, please contact me at 3411 7950.

Yours sincerely,

P.K. Chiu  
for President and Vice-Chancellor

Encl.

PKC/HT/cl

Name of institution: Hong Kong Baptist University

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members (no. of external members/ no. of internal members)	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	19 October 2000	30 (17/13)	9	43%	12	57%
(2)	14 December 2000	30 (17/13)	14	54%	12	46%
(3)	15 March 2001	32 (17/15)	14	48%	15	52%
(4)	14 June 2001	31 (16/15)	9	37%	15	63%
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	13 December 2001	31 (16/15)	10	42%	14	58%
(2)	25 March 2002	33 (18/15)	11	44%	14	56%
(3)	20 June 2002	33 (18/15)	10	45%	12	55%
(4)						
(5)						
(6)						
<b>2002-03 (July to November 2002)</b>						
(1)	No meetings held during the period.					
(2)						
(3)						
(4)						
(5)						
(6)						

Remark: Please photocopy this form for use if the space provided is insufficient

THE UNIVERSITY OF HONG KONG

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校長：徐立之教授  
Vice-Chancellor  
Professor Lap-Chee Tsui

香港薄扶林道  
Pokfulam Road, Hong Kong  
電話 Tel: (852) 2859 2100  
圖文傳真 Fax: (852) 2858 9435

July 14, 2003

Clerk  
Public Accounts Committee  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Attn: Ms Dora Wai

Dear Ms. Wai,

**The Director of Audit's Report  
on the results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions -  
Governance, strategic planning and financial and performance reporting**

Thank you for your letter of June 27, 2003.

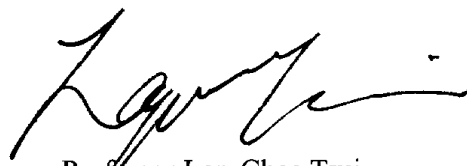
2. To facilitate the deliberations of the Public Accounts Committee (PAC) of the attendance rates of the Council members of the University, I enclose herewith the duly completed form, showing the attendance of lay members *vis-à-vis* internal members for the past three years, *viz.* from July 2000 to June 2001, July 2001 to June 2002 and July to November 2002, as requested.

3. As you can see from the present composition of the University Council, among the existing 54 members, 30 are lay members. It has always been the intention of the University to have a governance body with lay members constituting the majority of the membership. However, as the number of Council lay members is only marginally greater than that of internal members, it was quite often the case where there were more internal members attending meetings of the Council. However, it should be mentioned that it was not uncommon in the past for members who were not able to attend Council meetings to submit written comments before the meetings.

4. The Council recognized this inherent consequence and in its earlier review of the University governance and management, resolved to revamp both the size and the composition of the Council. Following the international trend which is towards smaller governing bodies, the size of the Council is now reduced to 24, with a clear majority, *viz.* 16 being lay members. All members, whether internal or external, will be appointed/elected *ad personam* and serving as trustee rather than delegate or representative of a particular constituency. This will not only provide for adequate presence of lay members on the Council (ratio of lay and internal members being 2:1), but also ensure that internal members, serving as trustee, will operate with the interest of the entire University (instead of sectoral interest) at heart.

5. I hope this provides the Public Accounts Committee with an adequate account. Please let us know if any additional information is required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lap-Chee Tsui', written in a cursive style.

Professor Lap-Chee Tsui  
Vice-Chancellor

Encl.

Name of institution: The University of Hong Kong

Attendance rates of external and internal members at Council meetings

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	No. of external members present at the meeting $\times 100\%$ No. of Council members present at the meeting	No. of internal members present at the meeting	No. of internal members present at the meeting $\times 100\%$ No. of Council members present at the meeting	
2000-01 (July 2000 to June 2001)						
(1)	July 25, 2000	52	17	50%	17	50%
(2)	September 1, 2000	52	23	52%	21	48%
(3)	September 6, 2000	51	21	50%	21	50%
(4)	October 31, 2000	47	16	43%	21	57%
(5)	December 19, 2000	50	16	48%	17	52%
(6)	March 27, 2001	49	13	39%	20	61%
(7)	April 24, 2001	47	12	39%	19	61%
(8)	June 26, 2001	45	13	45%	16	55%
2001-02 (July 2001 to June 2002)						
(1)	September 25, 2001	49	18	46%	21	54%
(2)	November 27, 2001	48	15	45%	18	55%
(3)	January 29, 2002	48	16	44%	20	56%
(4)	January 29, 2002	48	15	47%	17	53%
(5)	May 13, 2002	46	16	46%	19	54%
(6)	May 28, 2002	46	14	45%	17	55%
(7)	May 28, 2002	46	11	41%	16	59%
2002-03 (July to November 2002)						
(1)	July 30, 2002	45	8	35%	15	65%
(2)	August 12, 2002	44	11	42%	15	58%
(3)	September 24, 2002	45	16	46%	19	54%
(4)	November 26, 2002	45	16	52%	15	48%



THE UNIVERSITY OF HONG KONG

香

港



大

學

校長：徐立之教授  
Vice-Chancellor  
Professor Lap-Chee Tsui

香港薄扶林道  
Pokfulam Road, Hong Kong  
電話 Tel: (852) 2859 2100  
圖文傳真 Fax: (852) 2858 9435  
July 29, 2003

Clerk  
Public Accounts Committee  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Attn: Ms Dora Wai

Dear Ms. Wai,

**The Director of Audit's Report  
on the results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions -  
Governance, strategic planning and financial and performance reporting**

Thank you for your letter of July 22, 2003, asking for a breakdown of the number of Council members into external and internal members.

2. I now enclose a revised form, incorporating the breakdown, as requested.
3. I understand that you have enquired about the progress of the establishment of an audit committee in the University. As you are aware, the University has recently adopted, for implementation, a report by an international review panel of external experts on its governance and management structures. A key recommendation of the report is to revamp the size and composition of the Council. Amendments to Statutes have been placed before the Legislative Council to enable the report's recommendations to take effect from November 1, 2003 when the new Council will come into being. The establishment of an audit committee, responsible directly to the Council, is also among the proposals of the review report. HKU is currently examining the role of an audit committee and its relationship with other committees and administrative units, before proposing the terms of reference for consideration by the new Council. Our Council has requested all the mechanisms and procedures recommended by the review panel to be in place before the end of 2003. We therefore are aiming at setting up the audit committee before the end of this calendar year.
4. I hope this provides the Public Accounts Committee with the required information. If any additional information is required, please let me know.

Yours sincerely,

Professor Lap-Chee Tsui  
Vice-Chancellor

Name of institution: The University of Hong Kong

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members		External member		Internal member	
	external member	internal member	No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$
<b>2000-01 (July 2000 to June 2001)</b>						
(1) July 25, 2000	30	22	17	50%	17	50%
(2) September 1, 2000	30	22	23	52%	21	48%
(3) September 6, 2000	30	21	21	50%	21	50%
(4) October 31, 2000	26	21	16	43%	21	57%
(5) December 19, 2000	29	21	16	48%	17	52%
(6) March 27, 2001	29	20	13	39%	20	61%
(7) April 24, 2001	28	19	12	39%	19	61%
(8) June 26, 2001	28	17	13	45%	16	55%
<b>2001-02 (July 2001 to June 2002)</b>						
(1) September 25, 2001	26	23	18	46%	21	54%
(2) November 27, 2001	26	22	15	45%	18	55%
(3) January 29, 2002	25	23	16	44%	20	56%
(4) January 29, 2002	25	23	15	47%	17	53%
(5) May 13, 2002	24	22	16	46%	19	54%
(6) May 28, 2002	24	22	14	45%	17	55%
(7) May 28, 2002	24	22	11	41%	16	59%
<b>2002-03 (July to November 2002)</b>						
(1) July 30, 2002	24	21	8	35%	15	65%
(2) August 12, 2002	23	21	11	42%	15	58%
(3) September 24, 2002	24	21	16	46%	19	54%
(4) November 26, 2002	24	21	16	52%	15	48%

Remark: Please photocopy this form for use if the space provided is insufficient



THE CHINESE UNIVERSITY OF HONG KONG 香港中文大學

校長室 OFFICE OF THE VICE-CHANCELLOR



騰飛四十  
精進日新

ADVANCE  
AND EXCEL  
香港中文大學四十周年  
40th Anniversary of CUHK

14 July 2003

Your Ref.: CB(3)/PAC/R40  
Our Ref.: (03Jy/jl/0374)

**BY FAX ONLY** (2537 1204)

Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

(Attention: Ms Dora Wai)

Dear Ms Wai

The Director of Audit's Report on the  
results of value for money audits (Report No. 40)  
Chapter 8: University Grants Committee-funded institutions –  
Governance, strategic planning and financial and performance reporting

Thank you for your letter dated 27 June 2003. I would like to reply as follows:-

1. The attendance record of Council members are provided in the Attachment using your prescribed form.
2. Although it is true that non-staff Council members present at the Council meetings in 2000-01, 2001-02 and 2002-03 (July to November 2002) did not constitute the majority, the average numbers of non-staff Council members present were already quite large.

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Non-staff Council members ( <i>External members</i> )	16 (44%)	19 (49%)	18 (50%)
Staff Council members ( <i>Internal members</i> )	20 (56%)	20 (51%)	18 (50%)

3. The Council did not and will not over-rely on the staff Council members when making important decisions at Council meetings.

Page 2  
(03Jy/jl/0374)

Clerk  
Public Accounts Committee  
Legislative Council  
(Attention: Ms Dora Wai)

14 July 2003

4. The non-staff Council members who were present at the Council meetings took an active part in the deliberation and their views were highly respected and taken into careful consideration. The Council resolutions were passed usually by consensus with support of the non-staff Council members present, after deliberations and debate.
5. Council members were able to participate in the deliberation of any matter on the agenda of a meeting by making their views known in writing or through another Council member attending the meeting even if they could not attend the meeting in person. Furthermore, Council business was transacted by circulation of papers between two Council meetings.

Yours sincerely



Pak Wai Liu  
Acting Vice-Chancellor

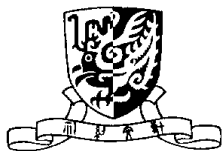
Enc  
cc Chairman of the Council

**The Chinese University of Hong Kong**

**Attendance Rates of External and Internal Members at Council Meetings**

Date of Meeting	Total No. of Council Members	External Member		Internal Member	
		No. of External Members Present at the Meeting	$\frac{\text{No. of External Members Present at the Meeting}}{\text{No. of Council Members Present at the Meeting}} \times 100\%$	No. of Internal Members Present at the Meeting	$\frac{\text{No. of Internal Members Present at the Meeting}}{\text{No. of Council Members Present at the Meeting}} \times 100\%$
<b>2000-01 (July 2000 to June 2001)</b>					
(1) 6 November 2000	52	13	41%	19	59%
(2) 16 January 2001	54	19	49%	20	51%
(3) 29 May 2001	55	17	46%	20	54%
<b>2001-02 (July 2001 to June 2002)</b>					
(1) 6 November 2001	54	18	49%	19	51%
(2) 15 January 2002	53	18	49%	19	51%
(3) 6 February 2002	54	18	46%	21	54%
(4) 7 May 2002	52	20	51%	19	49%
<b>2002-03 (July to November 2002)</b>					
(1) 5 July 2002	53	19	53%	17	47%
(2) 10 September 2002	53	17	47%	19	53%

14 July 2003



THE CHINESE UNIVERSITY OF HONG KONG 香港中文大學

校長室 OFFICE OF THE VICE-CHANCELLOR



ADVANCE  
AND EXCEL  
香港中文大學四十周年  
40th Anniversary of CUHK

騰飛四十  
精進日新

Your Ref.: CB(3)/PAC/R40

Our Ref.: (03Jy/jl/0414)

29 July 2003

BY FAX ONLY (2537 1204)

Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

(Attention: Ms Dora Wai)

Dear Ms Wai

The Director of Audit's Report on the  
results of value for money audits (Report No. 40)  
Chapter 8: University Grants Committee-funded institutions –  
Governance, strategic planning and financial and performance reporting

Thank you for your letter dated 22 July 2003. I am pleased to provide you with a breakdown of the total number of Council Members into external and internal members as set out in the attached table.

Yours sincerely

Ambrose Y C King  
Vice-Chancellor

cc Chairman of the Council

**The Chinese University of Hong Kong**

**Number of External and Internal Members at Council Meetings**

Date of Meeting	Total No. of Council Members	Number of External Council Members	Number of Internal Council Members
<b>2000-01 (July 2000 to June 2001)</b>			
(1) 6 November 2000	52	30	22
(2) 16 January 2001	54	32	22
(3) 29 May 2001	55	33	22
<b>2001-02 (July 2001 to June 2002)</b>			
(1) 6 November 2001	54	33	21
(2) 15 January 2002	53	32	21
(3) 6 February 2002	54	32	22
(4) 7 May 2002	52	32	20
<b>2002-03 (July to November 2002)</b>			
(1) 5 July 2002	53	33	20
(2) 10 September 2002	53	33	20

29 July 2003

**BY FAX & MAIL**

香港城市大學  
City University  
of Hong Kong

香港九龍達之路  
Tat Chee Avenue, Kowloon,  
Hong Kong

11 July 2003

Ms Dora Wai  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

唐叔賢 教授  
副校長(學術)  
物理學講座教授  
Professor David Shuk-yin Tong  
Vice-President (Academic Affairs)  
Professor (Chair) of Physics

電話 Tel: (852) 2788 7825  
圖文傳真 Fax: (852) 2788 7741  
電子郵件 E-mail: apdtong@cityu.edu.hk

Dear Ms Wai

**The Director of Audit's Report on the result of value for money audits (Report No. 40)  
Chapter 8 : University Grants Committee funded institutions –  
Governance, strategic planning and financial and performance reporting**

Thank you for your letter of 27 June 2003 seeking further information on the attendance rate of the Council members. The information required is provided in the proforma attached to your letter.

With regard to the concern of the Public Accounts Committee on the balance in the external and internal membership of the Council and their participation and contribution to discussion and decision making by the Council, I would like to provide the following information and observations.

As you have mentioned, the University Ordinance stipulates that there should be a majority of external members in the Council. According to the Ordinance, the Council comprises a maximum of 14 internal members including the President, 18 lay members, the President of the Students' Union and the Chairman of the Convocation. All lay members are drawn from industry, commerce, the professions and a wide spectrum of the community and are appointed by the Chief Executive. The University is happy that it can seek advice and expertise from the lay members' on a range of issues and their support related to the activities and development of the University.

The University is well aware of the importance of good governance and believes that the participation and input from lay members is crucial to this. The Council conducts its business through its own meetings and those of the Executive Committee and other Council Committees. The Council has established standing committees to oversee and scrutinize issues of a strategic nature related to the University in the area of financial management, campus development and planning, human resources policy and terms and conditions of services and external relations and donations. These committees meet at regular intervals and are chaired by external Council members and other external Council members also serve on them. The proposals and decisions from these committees are presented to the Executive Committee and/or the Council for approval or information. The Executive



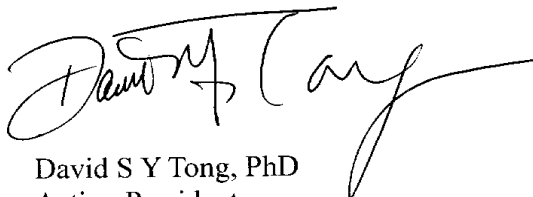
Committee which comprises the chairmen of the Council Committees meets five times a year and act on behalf of the Council when there are no Council meetings. This tiered committee system has worked very well and ensures that proper debate on important issues can take place. External Council members will provide input and ideas and contribute to thorough deliberation of issues and proposals. This mechanism ensures that proposals and recommendations presented to the Executive Committee and the Council are duly examined and considered and consultation within and outwith the University sought as and when appropriate. In our experience, the committee structure effectively prevents Council from relying heavily on internal members in taking decisions on major issues.

The University also benefits substantially from the participation and involvement of external members in activities and events outside the formal committee structure. We are able to obtain professional advice freely on a number of issues and their support for University developments such as the student hostel fund raising initiatives.

The Public Accounts Committee may wish to note that in response to Lord Sutherland's Report of the UGC, the Council has established a Review Committee on University Governance and Management in November 2002 to look into the issue of governance. The Review Committee will examine, inter alia, the composition and size of the Council and aims to submit its recommendations to the Council for consideration in its November meeting.

I hope you would find the information provided useful for your purpose. Should you require further information, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David S Y Tong', with a long, sweeping flourish extending to the right.

David S Y Tong, PhD  
Acting President

Encl

cc Secretary to Council

Name of institution: \_\_\_\_\_ City University of Hong Kong \_\_\_\_\_

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	27 Nov 2000	31	10	42%	14	58%
(2)	26 Mar 2001	30	14	50%	14	50%
(3)	26 June 2001	32	11	44%	14	56%
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	26 Nov 2001	31	15	58%	11	42%
(2)	15 Apr 2002	33	15	52%	14	48%
(3)	24 June 2002	32	11	48%	12	52%
<b>2002-03 (July to November 2002)</b>						
(1)	25 Nov 2002	31	9	39%	14	61%

Remark: Please photocopy this form for use if the space provided is insufficient



香港城市大學  
City University  
of Hong Kong

28 July 2003

Ms Dora Wai  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

張信剛  
校長及大學講座教授  
H. K. Chang  
President and University Professor

Dear Ms Wai,

**The Director of Audit's Report on the result of value for money audits (Report No. 40)  
Chapter 8 : University Grants Committee funded institutions –  
Governance, strategic planning and financial and performance reporting**

Thank you for your letter dated 22 July 2003 seeking further information on the attendance rate of the external and internal Council members of the University. I am pleased to provide the data in the attached proforma with the breakdown of the figures into external and internal members as requested.

I hope the Committee will find the information helpful. Should you require any further information, please let me know. Thank you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H K Chang'.

H K Chang  
President and University Professor

Encl

cc Secretary to Council

Name of institution: City University of Hong Kong

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	No. of external members	No. of internal members	External member		Internal member		
				No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>								
(1)	27 Nov 2000	31	17	14	10	42%	14	58%
(2)	26 Mar 2001	30	16	14	14	50%	14	50%
(3)	26 June 2001	32	18	14	11	44%	14	56%
<b>2001-02 (July 2001 to June 2002)</b>								
(1)	26 Nov 2001	31	18	13	15	58%	11	42%
(2)	15 Apr 2002	33	19	14	15	52%	14	48%
(3)	24 June 2002	32	18	14	11	48%	12	52%
<b>2002-03 (July to November 2002)</b>								
(1)	25 Nov 2002	31	17	14	9	39%	14	61%



From the Vice President (Resources and Administrative Services)  
副校長 (資源及行政服務)  
Norman W. Y. Ngai 倪偉雄

Our Ref.: RAS/SARD/03/02(C)/649  
Your Ref.: CB(3)/PAC/R40

11 July 2003

**BY FAX** (No.: 2537 1204)

Clerk  
Public Accounts Committee,  
Legislative Council,  
Hong Kong Special Administrative Region,  
Legislative Council Building,  
8 Jackson Road,  
Hong Kong.  
Attn.: Ms. Dora Wai

Dear Ms. Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

I refer to your letter of 10 July 2003, addressed to Professor Morris who is currently on leave, and return the revised form with the information requested.

Please let me know if you require any clarification on the information provided or additional information.

Yours sincerely,



Norman W. Y. Ngai  
Vice President  
(Resources & Administrative Services)

c.c. UGC  
Encl. as stated  
NN/cs

Name of institution: The Hong Kong Institute of Education

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	30.11.2000	27	13	54%	11	46%
(2)	29.3.2001	27	9	47%	10	53%
(3)	28.6.2001	27	7	41%	10	59%
(4)						
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	5.7.2001	27	9	53%	8	47%
(2)	18.10.2001	27	10	53%	9	47%
(3)	31.10.2001	27	12	52%	11	48%
(4)	29.11.2001	27	9	45%	11	55%
(5)	21.3.2002	27	10	48%	11	52%
(6)	27.6.2002	27	13	57%	10	43%
<b>2002-03 (July to November 2002)</b>						
(1)	23.8.2002	27	7	44%	9	56%
(2)	12.9.2002	27	12	80%	3**	20%
(3)	28.11.2002	27	9	47%	10	53%
(4)						
(5)						
(6)						

Remark: Please photocopy this form for use if the space provided is insufficient

\* Includes the President and 3 Vice Presidents of the Institute.

\*\* According to The Hong Kong Institute of Education Ordinance, the President and staff/student Council Members were not eligible to attend that meeting.



From the Vice President (Resources and Administrative Services)  
副校長 (資源及行政服務)  
Norman W. Y. Ngai 倪偉耀

Our Ref.: RAS/SARD/03/02(C)/656

30 July 2003

**BY FAX** (No.: 2537 1204)

Clerk  
Public Accounts Committee,  
Legislative Council,  
Hong Kong Special Administrative Region,  
Legislative Council Building,  
8 Jackson Road,  
Hong Kong.  
Attn.: Ms. Miranda Hon


Dear Ms. Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

Further to your telephone conversation with our Miss Connie Wong of yesterday, I enclose the Institute's updated "Attendance rates of external and internal members at Council meetings" for your attention.

Regards,

Yours sincerely,

  
pp - Norman W.Y. Ngai  
Vice President  
(Resources & Administrative Services)

c.c. UGC  
Encls. as stated  
NN/CW/cs

Name of institution: The Hong Kong Institute of Education

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members		External member			Internal member *	
			No. of external members present at the meeting	No. of external members present at the meeting No. of Council members present at the meeting	x 100%	No. of internal members present at the meeting	No. of internal members present at the meeting No. of Council members present at the meeting
	external	internal					
<b>2000-01 (July 2000 to June 2001)</b>							
(1) 30.11.2000	16	11	13	54%		11	46%
(2) 29.3.2001	16	11	9	47%		10	53%
(3) 28.6.2001	16	11	7	41%		10	59%
(4)							
(5)							
(6)							
<b>2001-02 (July 2001 to June 2002)</b>							
(1) 5.7.2001	16	11	9	53%		8	47%
(2) 18.10.2001	16	11	10	53%		9	47%
(3) 31.10.2001	16	11	12	52%		11	48%
(4) 29.11.2001	16	11	9	45%		11	55%
(5) 21.3.2002	16	11	10	48%		11	52%
(6) 27.6.2002	16	11	13	57%		10	43%
<b>2002-03 (July to November 2002)</b>							
(1) 23.8.2002	16	11	7	44%		9	56%
(2) 12.9.2002	16	11	12	80%		3 **	20%
(3) 28.11.2002	16	11	9	47%		10	53%
(4)							
(5)							
(6)							

Remark: Please photocopy this form for use if the space provided is insufficient.

\* Includes the President and 3 Vice Presidents of the Institute.

\*\* According to The Hong Kong Institute of Education Ordinance, the President and staff/student Council Members were not eligible to attend that meeting



校長辦公室  
Office of the President



香港科技大學  
HONG KONG  
UNIVERSITY OF  
SCIENCE &  
TECHNOLOGY

香港九龍清水灣  
Clear Water Bay  
Kowloon,  
Hong Kong

電話 Tel: (852) 2358 6101  
傳真 Fax: (852) 2358 0029

14 July 2003

Ms Dora WAI  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions –  
Governance, strategic planning and financial and performance reporting**

Thank you for your letters dated 27 June and 10 July 2003.

As requested, the attendance rates of the external and internal members at HKUST' Council meetings are attached. One can see that on no occasion did the number of internal members present exceed the number of external members present. The figures provided are based on head counts.

The HKUST Ordinance provides for a ratio of 18 external members to 11 internal members on the Council. Experience shows that the number of external members present at Council meetings consistently constitutes a majority. When important decisions are made at Council meetings, e.g. in the appointment of senior officers at the rank of Vice-Presidents and above, the Ordinance even reserves the right to only the external members.

I trust the above addresses the concern of the Public Accounts Committee. If additional information is needed, please let me know.

Thank you.

Yours sincerely,

P A Bolton  
Acting President

c.c. Secretary-General, University Grants Committee

Name of institution: The Hong Kong University of Science and Technology

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	10 Nov 2000	29	11	50%	11	50%
(2)	22 Feb 2001	28	13	61.90%	8	38.10%
(3)	29 Jun 2001	28	13	59.09%	9	40.91%
(4)						
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	9 Nov 2001	28	12	57.14%	9	42.86%
(2)	27 Mar 2002	28	13	61.90%	8	38.10%
(3)	12 Jun 2002	28	10	55.56%	8	44.44%
(4)						
(5)						
(6)						
<b>2002-03 (July to November 2002)</b>						
(1)	8 Nov 2002	28	12	54.55%	10	45.45%
(2)						
(3)						
(4)						
(5)						
(6)						

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副校長辦公室 (行政及總務)  
Office of the Vice-President for  
Administration & Business



香港科技大學  
HONG KONG  
UNIVERSITY OF  
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香港九龍清水灣  
Clear Water Bay,  
Kowloon,  
Hong Kong

電話 Tel: (852) 2358 6151  
傳真 Fax: (852) 2358 0285

29 July 2003

Ms Dora WAI  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions –  
Governance, strategic planning and financial and performance reporting**

Thank you for your letter of 22 July 2003 to our President, Professor Paul CHU Ching-wu and I was instructed to reply on his behalf.

The requested information is attached (English and Chinese version). You may wish to replace the tables submitted by us on 14 July 2003 with those attached to this reply.

Yours sincerely,

Billy Tam  
Executive Assistant to  
Vice-President for Administration and Business

c.c. Secretary-General, University Grants Committee

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	10 Nov 2000	29 (18 external 11 internal)	11	50%	11	50%
(2)	22 Feb 2001	28 (18 external 10 internal)	13	61.90%	8	38.10%
(3)	29 Jun 2001	28 (18 external 10 internal)	13	59.09%	9	40.91%
(4)						
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	9 Nov 2001	28 (18 external 10 internal)	12	57.14%	9	42.86%
(2)	27 Mar 2002	28 (18 external 10 internal)	13	61.90%	8	38.10%
(3)	12 Jun 2002	28 (18 external 10 internal)	10	55.56%	8	44.44%
(4)						
(5)						
(6)						
<b>2002-03 (July to November 2002)</b>						
(1)	8 Nov 2002	28 (18 external 10 internal)	12	54.55%	10	45.45%
(2)						
(3)						
(4)						
(5)						
(6)						

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校董會及顧問委員會秘書處  
**Council and Court Secretariat**

Hung Hom, Kowloon, Hong Kong  
Tel: (852) 2766 5201 Fax: (852) 2364 7084  
E-Mail: ppcs@polyu.edu.hk

校長: 潘宗光 教授  
President: Prof. Poon Chung-kwong  
*GBS, PhD, DSc, JP*

校董會及顧問委員會秘書:  
曾慶忠 事務副校長  
Secretary to Council and Court:  
Alexander Tzang *Deputy President*

11 July 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

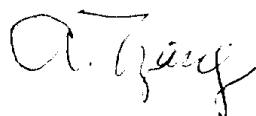
Dear Ms Hon

I refer to your letter of 27 June 2003 to our President Professor Poon Chung-kwong and am pleased to supply you with the attendance rates of our Council's external and internal members at meetings for the period from July 2000 to November 2002 in the proforma provided by your office as requested.

In response to your Committee's concern regarding external members' participation in decision making, we wish to point out that the PolyU Council's mix of external and internal representation is a good assurance that there will not be over-reliance on internal members when decisions are made at Council meetings. The PolyU Council is made up of 20 lay members from the business and professional sectors appointed by the Chief Executive, one lay member from the alumni who is not an employee of the University and appointed by Council, and 8 internal members (the President and Deputy President of the University as ex-officio members, two Deans of Faculty, three elected staff members, and a student member elected by and from the full-time students). Even in the unlikely scenario when all the internal members were present and only 50 per cent of the external members attended the meeting, the number of external members would still outnumber the internal representatives. In fact, according to statistics of the past three years, external members made up about 69 per cent of members present at meetings on average.

Thank you for your attention.

Sincerely yours



Alexander Tzang  
Secretary to Council

c.c.: President

Encl.

Name of institution: The Hong Kong Polytechnic University

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	22 Sept 2000	29	16	66.7%	8	33.3%
(2)	23 Mar 2001	27	14	63.6%	8	36.4%
(3)	22 Jun 2001	28	15	71.4%	6	28.6%
(4)						
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	21 Sept 2001	27	16	69.6%	7	30.4%
(2)	14 Dec 2001	29	16	69.6%	7	30.4%
(3)	22 Mar 2002	29	18	69.2%	8	30.8%
(4)	21 Jun 2002	29	17	70.8%	7	29.2%
(5)						
(6)						
<b>2002-03 (July to November 2002)</b>						
(1)	24 Sept 2002	29	18	72%	7	28%
(2)						
(3)						
(4)						
(5)						
(6)						

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THE HONG KONG  
POLYTECHNIC UNIVERSITY  
香港理工大學

**By fax & post**

28 July 2003

Ms Dora Wai  
Public Accounts Committee  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Wai

I refer to your letter of 22 July 2003 to Prof. Poon Chung-kwong. As requested, I am pleased to provide herewith a breakdown of the total number of Council members in the proforma attached.

Thank you for your attention.

Sincerely yours

Alexander Tzang  
Secretary to Council

cc: President

Encl.

校董會及顧問委員會秘書處  
**Council and Court Secretariat**

Hung Hom, Kowloon, Hong Kong  
Tel: (852) 2766 5201 Fax: (852) 2364 7084  
E-Mail: ppees@polyu.edu.hk

校長: 潘宗光 教授  
President: Prof. Poon Chung-kwong  
*GBS, PhD, DSc, JP*

校董會及顧問委員會秘書:  
曾慶忠 常務副校長  
Secretary to Council and Court:  
Alexander Tzang *Deputy President*

Name of institution: The Hong Kong Polytechnic University

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	22 Sept 2000	External : 21 Internal : 8 Total : 29	16	66.7%	8	33.3%
(2)	23 Mar 2001	External : 19 Internal : 8 Total : 27	14	63.6%	8	36.4%
(3)	22 Jun 2001	External : 20 Internal : 8 Total : 28	15	71.4%	6	28.6%
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	21 Sept 2001	External : 19 Internal : 8 Total : 27	16	69.6%	7	30.4%
(2)	14 Dec 2001	External : 21 Internal : 8 Total : 29	16	69.6%	7	30.4%
(3)	22 Mar 2002	External : 21 Internal : 8 Total : 29	18	69.2%	8	30.8%
(4)	21 Jun 2002	External : 21 Internal : 8 Total : 29	17	70.8%	7	29.2%
<b>2002-03 (July to November 2002)</b>						
(1)	24 Sept 2002	External : 21 Internal : 8 Total : 29	18	72%	7	28%

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嶺南大學  
LINGNAN UNIVERSITY

校長室(校董會及諮議會/校友事務) Office of the President (Council and Court Business/Alumni Affairs)

Ref: III(30) in Adm/500/1

14 July 2003

The Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central, Hong Kong

Attention: Ms Dora Wai

Dear Ms Wai,

**The Director of Audit's Report on the  
Results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions-  
Governance, strategic planning and financial and performance reporting**

I would like to refer to your letter dated 27 June 2003 to the President requesting information of the attendance rates of external and internal Council members in each of the three years 2000-01 (July 2000 to June 2001), 2001-02 (July 2001 to June 2002) and 2002-03 (July 2002 to November 2002).

Enclosed herewith is the pro forma provided via your letter dated 10 July 2003 duly completed with the required information. Please note that on the "Total no. of Council members" column, the total number of Council members are broken down into external and internal members for ease of reference.

As regards how the University ensures that there was no over-reliance on the internal members for important decisions made at Council meetings, please note that external members constitute an absolute majority in the Council membership. At any meeting, when external members are out-numbered by internal members, it will not be possible to form a quorum. The same situation also applies to other standing committees of the Council.

Yours sincerely,

Li Kam-kee  
Secretary to the Council

Encl.  
c.c. Chairman of the Council  
President

香港 屯門 嶺南大學 Lingnan University, Tuen Mun, Hong Kong  
Tel: (852) 2616 8966 Fax: (852) 2456 1352 E-mail: poadm@ln.edu.hk

**Lingnan University**

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member	
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$
<b>2000-01 (July 2000 to June 2001)</b>					
(1) 13-7-2000	33 (External : 25 Internal : 8 )	18	72%	7	28%
(2) 11-11-2000	33 (External : 25 Internal : 8 )	23	77%	7	23%
(3) 22-2-2001	32 (External : 25 Internal : 7)	18	72%	7	28%
(4) 26-4-2001	32 (External : 25 Internal : 7)	19	76%	6	24%
(5) 14-6-2001	31 (External : 25 Internal : 6)	17	77%	5	23%
<b>2001-02 (July 2001 to June 2002)</b>					
(1) 25-9-2001	31 (External : 25 Internal : 6)	18	75%	6	25%
(2) 18-12-2001	30 (External : 23 Internal : 7)	17	74%	6	26%
(3) 1-3-2002	30 (External : 23 Internal : 7)	19	73%	7	27%

Ref: III(30) in Adm/500/1-Attachment(Eng)

(4)	2-5-2002	31 (External : 23 Internal : 8)	19	73%	7	27%
(5)	27-6-2002	31 (External : 23 Internal : 8)	14	67%	7	33%
<b>2002-03 (July to November 2002)</b>						
(1)	27-11-2002	30 (External : 22 Internal : 8)	12	60%	8	40%

Name of institution: Hong Kong Baptist University

## Attendance rates of external and internal members at Council meetings

Date of meeting	Total no. of Council members (no. of external members/ no. of internal members)	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	19 October 2000	30 (External : 17 Internal : 13)	9	43%	12	57%
(2)	14 December 2000	30 (External : 17 Internal : 13)	14	54%	12	46%
(3)	15 March 2001	32 (External : 17 Internal : 15)	14	48%	15	52%
(4)	14 June 2001	31 (External : 16 Internal : 15)	9	37%	15	63%
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	13 December 2001	31 (External : 16 Internal : 15)	10	42%	14	58%
(2)	25 March 2002	33 (External : 18 Internal : 15)	11	44%	14	56%
(3)	20 June 2002	33 (External : 18 Internal : 15)	10	45%	12	55%
(4)						
(5)						
(6)						
<b>2002-03 (July to November 2002)</b>						
(1)	No meetings held during the period.					
(2)						
(3)						
(4)						
(5)						
(6)						

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Name of institution: The University of Hong Kong

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member	
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$
<b>2000-01 (July 2000 to June 2001)</b>					
(1) July 25, 2000	52 (External : 30 Internal : 22)	17	50%	17	50%
(2) September 1, 2000	52 (External : 30 Internal : 22)	23	52%	21	48%
(3) September 6, 2000	51 (External : 30 Internal : 21)	21	50%	21	50%
(4) October 31, 2000	47 (External : 26 Internal : 21)	16	43%	21	57%
(5) December 19, 2000	50 (External : 29 Internal : 21)	16	48%	17	52%
(6) March 27, 2001	49 (External : 29 Internal : 20)	13	39%	20	61%
(7) April 24, 2001	47 (External : 28 Internal : 19)	12	39%	19	61%
(8) June 26, 2001	45 (External : 28 Internal : 17)	13	45%	16	55%
<b>2001-02 (July 2001 to June 2002)</b>					
(1) September 25, 2001	49 (External : 26 Internal : 23)	18	46%	21	54%
(2) November 27, 2001	48 (External : 26 Internal : 22)	15	45%	18	55%
(3) January 29, 2002	48 (External : 25 Internal : 23)	16	44%	20	56%
(4) January 29, 2002	48 (External : 25 Internal : 23)	15	47%	17	53%
(5) May 13, 2002	46 (External : 24 Internal : 22)	16	46%	19	54%
(6) May 28, 2002	46 (External : 24 Internal : 22)	14	45%	17	55%
(7) May 28, 2002	46 (External : 24 Internal : 22)	11	41%	16	59%
<b>2002-03 (July to November 2002)</b>					
(1) July 30, 2002	45 (External : 24 Internal : 21)	8	35%	15	65%
(2) August 12, 2002	44 (External : 23 Internal : 21)	11	42%	15	58%
(3) September 24, 2002	45 (External : 24 Internal : 21)	16	46%	19	54%
(4) November 26, 2002	45 (External : 24 Internal : 21)	16	52%	15	48%

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The Chinese University of Hong Kong

Attendance Rates of External and Internal Members at Council Meetings

Date of Meeting	Total No. of Council Members	External Member		Internal Member	
		No. of External Members Present at the Meeting	$\frac{\text{No. of External Members Present at the Meeting}}{\text{No. of Council Members Present at the Meeting}} \times 100\%$	No. of Internal Members Present at the Meeting	$\frac{\text{No. of Internal Members Present at the Meeting}}{\text{No. of Council Members Present at the Meeting}} \times 100\%$
<b>2000-01 (July 2000 to June 2001)</b>					
(1) 6 November 2000	52 (External: 30 Internal: 22)	13	41%	19	59%
(2) 16 January 2001	54 (External: 32 Internal: 22)	19	49%	20	51%
(3) 29 May 2001	55 (External: 33 Internal: 22)	17	46%	20	54%
<b>2001-02 (July 2001 to June 2002)</b>					
(1) 6 November 2001	54 (External: 33 Internal: 21)	18	49%	19	51%
(2) 15 January 2002	53 (External: 32 Internal: 21)	18	49%	19	51%
(3) 6 February 2002	54 (External: 32 Internal: 22)	18	46%	21	54%
(4) 7 May 2002	52 (External: 32 Internal: 20)	20	51%	19	49%
<b>2002-03 (July to November 2002)</b>					
(1) 5 July 2002	53 (External: 33 Internal: 20)	19	53%	17	47%
(2) 10 September 2002	53 (External: 33 Internal: 20)	17	47%	19	53%

Name of institution: City University of Hong Kong

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	27 Nov 2000	31 (External : 17 Internal : 14)	10	42%	14	58%
(2)	26 Mar 2001	30 (External : 16 Internal : 14)	14	50%	14	50%
(3)	26 June 2001	32 (External : 18 Internal : 14)	11	44%	14	56%
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	26 Nov 2001	31 (External : 18 Internal : 13)	15	58%	11	42%
(2)	15 Apr 2002	33 (External : 19 Internal : 14)	15	52%	14	48%
(3)	24 June 2002	32 (External : 18 Internal : 14)	11	48%	12	52%
<b>2002-03 (July to November 2002)</b>						
(1)	25 Nov 2002	31 (External : 17 Internal : 14)	9	39%	14	61%

Remark: Please photocopy this form for use if the space provided is insufficient

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member *		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	30.11.2000	27 (External: 16 Internal: 11)	13	54%	11	46%
(2)	29.3.2001	27 (External: 16 Internal: 11)	9	47%	10	53%
(3)	28.6.2001	27 (External: 16 Internal: 11)	7	41%	10	59%
(4)						
(5)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	5.7.2001	27 (External: 16 Internal: 11)	9	53%	8	47%
(2)	18.10.2001	27 (External: 16 Internal: 11)	10	53%	9	47%
(3)	31.10.2001	27 (External: 16 Internal: 11)	12	52%	11	48%
(4)	29.11.2001	27 (External: 16 Internal: 11)	9	45%	11	55%
(5)	21.3.2002	27 (External: 16 Internal: 11)	10	48%	11	52%
(6)	27.6.2002	27 (External: 16 Internal: 11)	13	57%	10	43%
<b>2002-03 (July to November 2002)</b>						
(1)	23.8.2002	27 (External: 16 Internal: 11)	7	44%	9	56%
(2)	12.9.2002	27 (External: 16 Internal: 11)	12	80%	3**	20%
(3)	28.11.2002	27 (External: 16 Internal: 11)	9	47%	10	53%
(4)						
(5)						

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\* Includes the President and 3 Vice Presidents of the Institute.

\*\* According to The Hong Kong Institute of Education Ordinance, the President and staff/student Council Members were not eligible to attend that meeting.



**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	10 Nov 2000	29 (External : 18 Internal : 11)	11	50%	11	50%
(2)	22 Feb 2001	28 (External: 18 Internal: 10)	13	61.90%	8	38.10%
(3)	29 Jun 2001	28 (External : 18 Internal : 10)	13	59.09%	9	40.91%
(4)						
(5)						
(6)						
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	9 Nov 2001	28 (External : 18 Internal : 10)	12	57.14%	9	42.86%
(2)	27 Mar 2002	28 (External : 18 Internal : 10)	13	61.90%	8	38.10%
(3)	12 Jun 2002	28 (External : 18 Internal : 10)	10	55.56%	8	44.44%
(4)						
(5)						
(6)						
<b>2002-03 (July to November 2002)</b>						
(1)	8 Nov 2002	28 (External : 18 Internal : 10)	12	54.55%	10	45.45%
(2)						
(3)						
(4)						
(5)						
(6)						

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Name of institution: The Hong Kong Polytechnic University

**Attendance rates of external and internal members at Council meetings**

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	No. of internal members present at the meeting	$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	22 Sept 2000	29 (External : 21 Internal : 8)	16	66.7%	8	33.3%
(2)	23 Mar 2001	27 (External : 19 Internal : 8)	14	63.6%	8	36.4%
(3)	22 Jun 2001	28 (External : 20 Internal : 8)	15	71.4%	6	28.6%
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	21 Sept 2001	27 (External : 19 Internal : 8)	16	69.6%	7	30.4%
(2)	14 Dec 2001	29 (External : 21 Internal : 8)	16	69.6%	7	30.4%
(3)	22 Mar 2002	29 (External : 21 Internal : 8)	18	69.2%	8	30.8%
(4)	21 Jun 2002	29 (External : 21 Internal : 8)	17	70.8%	7	29.2%
<b>2002-03 (July to November 2002)</b>						
(1)	24 Sept 2002	29 (External : 21 Internal : 8)	18	72%	7	28%

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Lingnan University

Attendance rates of external and internal members at Council meetings

Date of meeting	Total no. of Council members	External member		Internal member		
		No. of external members present at the meeting	No. of external members present at the meeting	No. of internal members present at the meeting	No. of internal members present at the meeting	
			$\frac{\text{No. of external members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$		$\frac{\text{No. of internal members present at the meeting}}{\text{No. of Council members present at the meeting}} \times 100\%$	
<b>2000-01 (July 2000 to June 2001)</b>						
(1)	13-7-2000	33 (External : 25 Internal : 8 )	18	72%	7	28%
(2)	11-11-2000	33 (External : 25 Internal : 8 )	23	77%	7	23%
(3)	22-2-2001	32 (External : 25 Internal : 7)	18	72%	7	28%
(4)	26-4-2001	32 (External : 25 Internal : 7)	19	76%	6	24%
(5)	14-6-2001	31 (External : 25 Internal : 6)	17	77%	5	23%
<b>2001-02 (July 2001 to June 2002)</b>						
(1)	25-9-2001	31 (External : 25 Internal : 6)	18	75%	6	25%
(2)	18-12-2001	30 (External : 23 Internal : 7)	17	74%	6	26%
(3)	1-3-2002	30 (External : 23 Internal : 7)	19	73%	7	27%
(4)	2-5-2002	31 (External : 23 Internal : 8)	19	73%	7	27%
(5)	27-6-2002	31 (External : 23 Internal : 8)	14	67%	7	33%
<b>2002-03 (July to November 2002)</b>						
(1)	27-11-2002	30 (External : 22 Internal : 8)	12	60%	8	40%

本署檔號 OUR REF.: L/M to UGC/GEN/103/1/4

來函檔號 YOUR REF.:

2524 1795

電 話 TELEPHONE:

中國香港灣仔港灣道 6 至 8 號瑞安中心 7 樓  
7/F Shui On Centre, 6-8 Harbour Road  
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26 May 2003

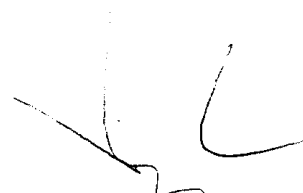
Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
Results of value for money audits (Report No. 40)**

I refer to your letters of 16 and 19 May 2003. Consolidated replies in English are enclosed at Annexes A and B respectively. Chinese version will follow as soon as possible.

Yours sincerely,



( P T Cheung )  
Secretary-General  
University Grants Committee

Encl.  
cc SEM  
Hols

*\*Note by Clerk, PAC: Annex B not attached.*

### Issues raised in the letter of 16 May

#### Chapter 8 : UGC-funded institutions – Governance, strategic planning and financial and performance reporting

**(Q) *Whether the University Grants Committee (UGC) funded institutions will, upon the appointment of a Member to their Councils, provide information, such as the operation of the institution and the Member's role and responsibilities, to facilitate the discharge of his duties and, if so, details of the information provided : -***

**Ans :** All UGC-funded institutions provide information package and orientation for their new Council members to help them discharge their responsibilities. Details are as follows :

#### **CityU**

With the formal notification of their appointments by the Government, new members will receive a welcoming letter together with an information set from the Secretary to Council. The items in the set provide general information on the University, including the Ordinance, Statutes, Strategic Plan, Annual Report, Prospectuses, facts and figures of the University, Council Committees and their terms of reference, etc. New members will also be invited to an orientation visit on campus, during which the President will make a presentation on the background and development of the University, followed by a campus tour and visit to departments and research centres.

Upon members' requests separate visits to specific points of interests in the University will also be arranged.

#### **HKBU**

The Council Secretariat of the HKBU provides detailed written materials to every new external Council Member upon his/her appointment to the Council, about the operation of the University in general, and the operation of the Council and its Committees under the Council in particular. These materials include, amongst many others, (a) the HKBU Ordinance and the HKBU Statutes which set out, *inter alia*, the functions and authority of the Council; (b) the guidelines of procedure of the Council; (c) the terms of reference and membership compositions of the various Council Committees; and (d) HKBU Calendar/Bulletin.

In addition, the University holds briefing sessions for these new external Council Members to help them understand the multi-facet work and development plan of the University. These briefing sessions are presided over by the P/VC, and assisted by various senior officers and the secretaries of the Council Committees. Additional materials, such as latest annual report and financial report, are provided to Council Members in connection with these briefing sessions.

## LU

In October 1999 when the first Council of Lingnan University was appointed, the University management designed an orientation programme for the new Council Members to help them to understand the University's mission to be a liberal arts university, its management structure and various operational procedures as well as their roles and responsibilities as a Council Member. They toured the campus and heard a presentation by the President on the liberal arts education at Lingnan, the curricula and departments, the University management and operational procedures. Each Council Member was provided with an information package about the Council and its Standing Committees.

Each Council Member is appointed to at least one of the ten Council Standing Committees which are established by the Council to carry out duties and exercise powers as provided in the Lingnan University Ordinance. The appointments of members to all the Standing Committees were made at a Council meeting after thorough discussion of the terms of reference and membership composition of each of the Standing Committees.

## CUHK

All new Members of the Council of CUHK are provided with information about the University as set out in an introductory brochure, the latest University Bulletin and Annual Report, the Ordinance and Statutes of the University, and the University Calendar. The roles and functions of the Council are also made known to the new Members. The Secretary of the Council pays a visit personally to new Members of the Council (particularly those who are not staff of the University) soon after their appointments to acquaint them with the materials and answer any question they may have in relation to the aforesaid matters.

## HKIED

It has been the HKIED's usual practice to provide relevant information to all newly appointed Council Members to facilitate their discharge of duties. The Council Secretary, upon the announcement of the appointments of new Members, writes to new Members to welcome them to the Council on behalf of the Council Chairman and send them the following documents:

- a. The HKIED Ordinance;
- b. List of Council Members;
- c. Standing Orders of the Council;
- d. Meeting schedule for Council meetings; and
- e. HKIED's Annual Report for the last three years.

These documents aim to provide new Members with an overview of the work of the Institute and its Council. In addition, new Members are also invited to an orientation meeting with the senior management of the Institute and to tour around the campus.

The orientation meeting provides an opportunity for new Members and the senior management of the Institute to discuss and exchange ideas on different aspects of the work of the Institute in an informal and open manner.

### PolyU

The PolyU provides all new Council Members with information such as the PolyU Ordinance, terms of reference of the Council, operation of the Council Committees, etc, upon their appointment. Informal briefing on the operation and management of the University and visit to campus are also arranged.

### HKUST

Newly appointed members of the Council are currently provided with a copy of the University Ordinance and Statutes together with a copy of the Standing Orders of the Council. As an important supplement, they are offered the opportunity of fuller briefings on the work of the Council, and the operation of the University, by the Chairman of the Council, the President and other senior members of the University.

### HKU

Since the Ordinance and Statutes of the University of Hong Kong provide in detail the machinery of government and lay down the governance of the University, including the role, responsibility and procedures of the Council, Council members, upon their appointment to the Council, are given a copy of the Ordinance and Statutes. The information will provide Council members with a general overview of the operation of the University. The constitution and role and powers of the Council are set out in Statute XVIII "The Council" and Statute XIX "Powers of the Council" to which Council members' attention are particularly drawn.

As the Council has delegated many of its powers and duties to its committees, Council members are normally engaged also in the committees' activities. To facilitate the discharge of their duties, members will also be given the terms of reference, powers and duties, and appropriate previous meeting papers of the committees on which they serve.

At present, "induction" of new Council members is on an informal basis (e.g. informal briefing by the Secretary). However, as recommended in the Report on the Review of the University Governance and Management (*Fit for Purpose*), adopted by the Council, more formal induction and continuing development programmes will be made available in future to members to enhance further their contribution to the Council.



THE CHINESE UNIVERSITY OF HONG KONG 香港中文大學

校長室 OFFICE OF THE VICE-CHANCELLOR



ADVANCE  
AND EXCEL  
香港中文大學四十周年  
40th Anniversary of CUHK

騰飛四十  
精進日新

Your Ref.: CB(3)/PAC/R40

Our Ref.: (03My/jl/0281)

30 May 2003

BY FAX ONLY (2537 1204)

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon

The Director of Audit's Report on the  
results of value for money audits (Report No. 40)  
Chapter 8: University Grants Committee-funded institutions –  
Governance, strategic planning and financial and performance reporting

May I refer to your letter dated 28 May 2003 on the captioned subject. As requested, I would like to provide in the Attachment both the English and Chinese versions of the information about The Chinese University of Hong Kong Foundation Limited.

Yours sincerely

Ambrose Y C King  
Vice-Chancellor

Enc



**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 8: UGC-funded institutions – Governance, strategic planning and financial and performance reporting**

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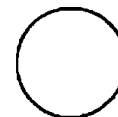
1. The subsidiary mentioned in Table 12 of paragraph 4.30 of Chapter 8 of the Audit Report is The Chinese University of Hong Kong Foundation Limited. It is a company limited by guarantee established and wholly controlled by the Council of The Chinese University of Hong Kong. The directors of this company are all Council Officers/Members appointed by the Council of the University to serve as directors of the company. The current directors are:

Dr. Raymond P.L. Kwok, Vice-Chairman of the Council  
Mr. Roger K.H. Luk, Treasurer of the University  
Professor Ambrose Y.C. King, Vice-Chancellor of the University  
and Council Member  
Professor Kenneth Young, Pro-Vice-Chancellor and Council Member  
Professor P.C. Ching, Dean of the Faculty of Engineering and Council Member

They shall cease to be directors if they cease to be Council Members or cease to hold the offices by virtue of which they have been appointed.

2. The company was established by the Council of the University to facilitate the University's engagement in technology transfer and technology development. This company itself does not undertake any business operation and serves to hold the intellectual property rights and investments of the University related to technology development for and on behalf of the University. There was no giving away of the University's assets to any external organization by way of donation or otherwise. Therefore, the issue of conflict of interest did not arise.
3. The Chinese University of Hong Kong Foundation Limited is a company limited by guarantee and is non-profit-making.

30 May 2003



**MEMO**

<p><i>From</i>      Secretary-General, University Grants Committee</p> <p><i>Ref.</i>        (30) in UGC/GEN/290/96</p> <p><i>Tel. No.</i>    2524 1795</p> <p><i>Fax No.</i>     2526 8436</p> <p><i>Email</i>       ptcheung@ugc.edu.hk</p> <p><i>Date</i>        30 May 2003</p>	<p><i>To</i>          Director of Audit</p> <p><i>(Attn.: Mr Albert Wong )</i></p> <p><i>Email</i>       _____</p> <p><i>Your Ref.</i> (14) in U1/UGC/GOV/0</p> <p><i>Dated</i>      29.5.2003    <i>Fax No.</i>    2587 9741</p> <p><i>Total Pages</i>      2</p>
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**The Director of Audit's Report on the  
Results of value for money audits (Report No. 40)**

**Chapter 8: University Grants Committee funded institutions –  
Governance, strategic planning and financial and performance reporting**

Thank you for your memo under reference.

2.            UGC is of the view that the preparation of financial statements to report on the financial performance of an institution as a whole is a statutory responsibility of the institution. The choice of accounting policy and practice is therefore primarily a matter for the institutions to decide and their auditors to accept. Nevertheless, UGC supports that institutions should develop a Statement of Recommended Practice (SORP) to harmonise accounting practices among themselves, in order to encourage good practices and facilitate comparison.
  
3.            Apart from the statutory obligation above, the institutions are required under the funding rules of the UGC to report on the use of grants allocated to them.
  
4.            UGC provides institutions with different kinds of grants for different purposes (e.g. the capital grants to cover the building and capital works requirements, block grants to cover the bulk of the recurrent requirements of the UGC-funded activities and earmarked grants for some specific purposes, like research projects). The Committee will need reports from institutions in order to monitor how these individual grants have been committed and spent. Dependent upon the nature of the grant, reporting requirements may need to be on a different accounting basis. For example, where the cost of a building is fully covered by a capital grant, there should not be a depreciation charge in the block grants; although by the SSAPs, normally building costs can be amortised in the recurrent account over the useful life of building.

5. We can understand the merits of institutions' running a system which satisfies both of the above requirements and which is cost effective. However, as a matter of principle, we subscribe that financial statements by and large should comply with the SSAPs, even if on specific items, the institutions will have to make adjustments for the particular purpose of a separate report to the UGC. Towards this, we have been working with a task force of the institutions to devise the basic rules and we believe that good progress is being made for the institutions to adopt a new set of SORP soon.

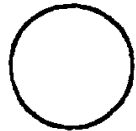
A handwritten signature in black ink, appearing to be 'P T Cheung', written over a horizontal line.

( P T Cheung )  
Secretary-General  
University Grants Committee

c.c. C, PAC (Fax: 2810 1691)

Urgent by Fax

MEMO



<i>From</i>	Director of Audit	<i>To</i>	Secretary-General, University Grants Committee		
<i>Ref.</i>	(14) in UI/UGC/GOV/0	<i>(Att.:)</i>	Mr P CHEUNG		
<i>Tel. No.</i>	2829 4307	<i>Your Ref.</i>	in _____		
<i>Fax No.</i>	2587 9741	<i>dated</i>	_____	<i>Fax. No.</i>	2523 1522
<i>Date</i>	29 May 2003	<i>Total Pages</i>	1		

**The Director of Audit's Report on the results of value for money audits (Report No. 40)**

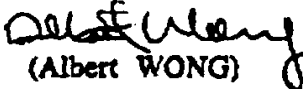
**Chapter 8: University Grants Committee funded institutions — Governance, strategic planning and financial and performance reporting**

In paragraph 4.53(a) of the Audit Report, the President, The Hong Kong Polytechnic University (PolyU) and the Vice-Chancellor, The University of Hong Kong (HKU) have said that the annual audited accounts have been historically referred to by the University Grants Committee (UGC) for assessing whether any unspent balance at the end of a triennium is required to be refunded by the institutions to the UGC. It was for this reason that the institutions could not adopt certain Statements of Standard Accounting Practice of Hong Kong (HKSSAPs), such as those on depreciation of fixed assets, the recognition of expenses based on goods/services received instead of orders placed, etc.

2. Members of the Public Accounts Committee (PAC) of the Legislative Council have asked for clarification on this matter, particularly whether the failure of the institutions to adopt certain HKSSAPs was attributable to the particular funding arrangements.

3. It is noted that on 23 February 2001, in order to provide an incentive to save money for future use, the Finance Committee approved the arrangement for the institutions to carry up to 20% of their respective recurrent grant in a triennium to the next as reserves with effect from the 1998/99 to 2000/01 triennium. With this new arrangement in place, please advise us whether you consider the institutions still need to adopt the SORP referred to in paragraph 4.8 of the Audit Report.

4. I should be grateful for your comments on the said arrangements. Please let me have your comments by 31 May 2003 for onward submission to the PAC.

  
(Albert WONG)  
for Director of Audit

c.c. Clerk, PAC



Ref: C/SPE5  
(Total No. of Pages: 5)  
9 October 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon

**Statement of Recommended Accounting Practice (“SORP”) for  
the University Grants Committee-funded Institutions**

Attached please find a reply from the Hong Kong Society of Accountants (“HKSA”) to our letter of 16 July 2003 on the captioned subject. The content of their reply is self-explanatory. Further refinements will be made to the Statement of Recommended Accounting Practice in light of the comments from the HKSA. We would like to draw the attention of the Public Accounts Committee to the fact that comments from the auditors of the UGC-funded institutions were duly taken into account in the SORP and the auditors have, consistently in the past, certified the financial statements of the institutions to the effect of presenting a true and fair view of their financial affairs.

Should the Public Accounts Committee require further information, please let me know.

Yours sincerely

Alex Shuen  
Director of Finance

Encl

cc: Mr John Chu, Audit Commission  
Mr Martin Siu, UGC  
Mr Gabriel Chan, CityU  
Mr Herdip Singh, LU  
Mr Terence Chan, CUHK  
Ms Sarah Wong, HKIEd  
Mr Chris Mong, PolyU  
Mr Philip Wong, HKUST  
Mr Philip Lam, HKU



By e-mail & Post ([apcshuen@hkbu.edu.hk](mailto:apcshuen@hkbu.edu.hk))

Our Ref.: C/FASC, M22500

7 October 2003

Mr. Alex Shuen  
Hong Kong Baptist University,  
Finance Office,  
8/F, Sir Run Run Shaw Building,  
Kowloon Tong, Hong Kong

Dear Mr. Shuen,

**Statement of Recommended Accounting Practice for  
University Grants Committee-funded Institutions**

Thank you for your letter dated 16 July 2003 and related material contained in faxes dated 23 July 2003 and 2 September 2003.

I have pleasure in responding on behalf of the Society on the query raised in your letter, which primarily involves whether the HKSA could offer an official comment on the document known as a "Statement of Recommended Accounting Practice for UGC-Funded Institutions" (UGC Statement).

I should perhaps comment from the outset that the HKSA does not offer ad hoc (non-authoritative) opinions on proposed accounting treatments of the nature proposed in the UGC Statement promulgated by a third party outside the HKSA's accounting standard setting due process. As background to this requirement, you may wish to note that the HKSA issues authoritative statements on financial reporting standards in accordance with a Statement of due process<sup>1</sup>. The Foreword<sup>2</sup> to Hong Kong Accounting Standards promulgated by the HKSA also sets out the processes for issuing, and the form of, HKSA authoritative pronouncements on financial reporting standards. The Foreword is due to be updated and replaced by another Statement known as the "Preface to Hong Kong Financial Reporting Standards"<sup>3</sup>, the exposure draft version of this document is available for viewing on the HKSA website. The links to all the documents mentioned in this letter are provided in the footnotes to this letter.

The HKSA Due Process and Preface exist to ensure that the standards and supporting guidance promulgated by the HKSA are of high quality and support the HKSA's policy to converge financial reporting requirements applicable in Hong Kong with international best practice. Accordingly, the due process would necessarily be followed prior to an expression of any official view or endorsement by the HKSA of the guidance proposed in the UGC Statement.

- <sup>1</sup> HKSA Statement of Standard-setting Due Process is published on the HKSA's website at <http://www.hksa.org.hk/professionalttechnical/accounting/dueprocess/statementofdueprocess.pdf>.
- <sup>2</sup> "Foreword to Hong Kong SSAPs" is available on the HKSA website at [http://www.hksa.org.hk/professionalttechnical/pronouncements/handbook/volume2a/2\\_0.htm](http://www.hksa.org.hk/professionalttechnical/pronouncements/handbook/volume2a/2_0.htm).
- <sup>3</sup> ED "Preface to Hong Kong Financial Reporting Standards" is published at [http://www.hksa.org.hk/professionalttechnical/accounting/exposedraft/ED\\_Preface\\_I2C.pdf](http://www.hksa.org.hk/professionalttechnical/accounting/exposedraft/ED_Preface_I2C.pdf).

..... HKSA Submission Page 1

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香港金鐘道八十九號力寶中心二座四樓  
4th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong  
Tel: 2287 7228 Fax: 2865 6603 / 2865 6776  
<http://www.hksa.org.hk> E-mail: [hksa@hksa.org.hk](mailto:hksa@hksa.org.hk)

In setting authoritative pronouncements, the HKSA would take a number of factors into consideration, including but not necessarily limited to the utility of the document (for example, a document has greater utility with the greater number of entities affected), the degree to which existing accounting guidance fails to prescribe appropriate accounting treatment.

We believe there are a number of flaws (see below) in the version of the UGC Statement supplied to us with your letter dated 16 July 2003, which would prevent the HKSA from considering the UGC Statement at the present time. Furthermore, the purpose being served by the UGC Statement, and the limited number of entities to which the Statement would apply, may cause the HKSA's standard setting committee to assign a low priority to the project, relative to the busy project agenda currently being attended to by the HKSA.

Although it is not currently possible, within the HKSA's standard setting framework, for the HKSA to offer our official view or endorsement on the proposed UGC Statement, we are able to offer some observations on certain aspects of the Statement, the purpose being served by the Statement, the relevance of the limited number of reporting entities directly affected by the UGC Statement, and the Report of the Audit Commission regarding the Value-for-Money Audit of UGC Institutions (an extract of this was supplied to us by Ms Wong on 2 September).

The following is provided based on a limited technical review on the Statement:

1. The UGC Statement, in its present form and content, is closest to an Accounting Guideline except that the UGC Statement would appear to prohibit accounting treatments permitted under SSAPs (paragraph 53 of the Statement is but one of many examples) and to permit treatments not otherwise permitted under the SSAPs (paragraph 48 for example), contrary to the general requirement of SSAP 1. Furthermore, a number of paragraphs appear to be superfluous (paragraphs 57 to 60, for example). Per the proposed Preface, the purpose of an Accounting Guideline is to offer guidance additional to that found in the SSAPs rather than to contradict or limit the application of accounting policies permissible under the SSAPs.
2. We note that one purpose served by the UGC Statement is to standardise accounting treatment between the eight UGC-funded entities. In principle the UGC Statement appears to serve a useful purpose to the limited number of entities who apply that document in the preparation and presentation of their financial statements, to attain consistency in the financial reporting of UGC-funded entities.
3. SSAP 17 paragraph 2 (available on the HKSA website)<sup>4</sup> states: "Charitable, government subvented and not-for-profit organisations whose long-term financial objective is other than to achieve operating profits (e.g. trade associations, clubs and retirement schemes) are exempted from compliance with this Statement provided that full disclosure of their accounting policies is made. Nonetheless, these enterprises are encouraged to follow the accounting practices set out in this Statement".

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<sup>4</sup> HK SSAP 17 is published at [http://www.hksa.org.hk/professionaltchnical/pronouncements/handbook/volume2a/2\\_117.htm](http://www.hksa.org.hk/professionaltchnical/pronouncements/handbook/volume2a/2_117.htm).

4. The Audit Commission Report makes no mention of the exemption provided by SSAP 17 paragraph 2 and asserts, incorrectly, that UGC-funded entities' financial statements are not in compliance with SSAPs because property plant and equipment is accounted for in a manner that differs from the requirements of SSAP 17. It is clear that UGC-funded entities are (currently) exempt from SSAP 17. The fact that such entities apply policies that may not comply with SSAP 17 does not therefore instantly call into question whether their financial statements are SSAP-compliant (contrary to paragraphs 4.16 to 4.18 of the Audit Commission Report).
5. The question appropriately raised, however, is if entities such as UGC-funded entities, are entitled to prepare their financial statements in compliance with SSAPs and yet are not required to apply SSAP 17, what should be done instead?

The answer we will give is to apply the general requirement in SSAP 1 particularly paragraphs 10-23<sup>5</sup>, i.e., Standards issued by the International Federation of Accountants (IFAC) Public Sector Committee (PSC) may be of relevance. For example, International Public Sector Accounting Standard 17 on property plant and equipment<sup>6</sup>.

6. The PSC has issued other guidance, which may be of relevance to not-for-profit, quasi-public sector, and government subvented organisations such as those funded by the UGC. One example is the PSC material developed on the transition from a cash basis to an accrual basis of accounting<sup>7</sup>, which we presume will be of relevance to the UGC-funded entities when they prepare for full compliance with SSAP 17. (Note that Point 7 below on the impending revision to SSAP 17 is also relevant.)
7. The recommendation in paragraph 4.45(b)-(e) of the Audit Commission Report are not consistent with the general requirement under SSAP 1 referred to above. However, it should be noted that the SSAP 17, along with many other SSAPs, is currently under revision with the ED issued last year<sup>8</sup>. Impending developments to the SSAPs (note that the Related Parties SSAP is also proposed for revision) resulting from this ED would necessitate a revision to the UGC Statement as currently drafted. Finalisation of the proposals put forward in the ED is dependent on progress made by the International Accounting Standards Board of the equivalent International Statements, on which Hong Kong Accounting Standards promulgated by the HKSA are based.

<sup>5</sup> HK SSAP 1 is published at [http://www.hksa.org.hk/professionaltechnical/pronouncements/handbook/volume2a/2\\_101a.htm](http://www.hksa.org.hk/professionaltechnical/pronouncements/handbook/volume2a/2_101a.htm).

<sup>6</sup> IPSAS 17 on Property Plant and Equipment is published at the IFAC website at <http://www.ifac.org/Store/Details.tmp?SID=105188782956670>.

<sup>7</sup> IFAC PSC "Transition from a Cash Basis to an Accrual Basis of Accounting". See <http://www.ifac.org/Store/Category.tmp?Category=Public%20Sector%20Accounting&Cart=1062580409211641>.

<sup>8</sup> ED on revised SSAP 17: <http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/edimprovements.pdf> and <http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/02-imp-ed.pdf>.



8. The UGC-funded entities have already received professional opinions from their auditors on the material contained in the UGC Statement. This is appropriate because, bearing in mind we are discussing accounting issues for an extremely limited number of entities, the development and application of appropriate accounting policies is first and foremost rests with those within the entity who take responsibility for the financial statements. The auditor then expresses an opinion as to whether the accounting policies are appropriate and whether they have been applied accordingly.

We have attempted to cover as many matters as we see relevant in this communication from you at this time, but there may be additional matters that come to light as a result of further correspondence and/or the application of a standard setting due process should we get to that stage.

I trust that you will find the above comments helpful. If you have any questions on any of the points covered in this letter, please do not hesitate to contact us. Please direct your enquiries to Mr. Simon Riley, our Deputy Director (Accounting) in the first instance.

Yours sincerely,



WINNIE C.W.CHEUNG  
SENIOR DIRECTOR  
PROFESSIONAL & TECHNICAL DEVELOPMENT  
HONG KONG SOCIETY OF ACCOUNTANTS

WCC/SR/ky



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電話 Telephone : 2829 4303

本署檔號 Our Ref. : UB/BAR/ENG/41

來函檔號 Your Ref. :

17 October 2003

Ms Miranda HON  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon,

**Statement of Recommended Accounting Practice for  
the UGC-funded Institutions**

I refer to the letter dated 7 October 2003 (ref. C/FASC, M22500) issued by the Senior Director, Professional & Technical Development of the Hong Kong Society of Accountants (HKSA), which was copied to me by the Director of Finance of the Hong Kong Baptist University on 9 October 2003.

In her letter, the Senior Director of the HKSA made reference to some paragraphs of Chapter 8 of Report No. 40 of the Director of Audit on University Grants Committee (UGC) funded institutions — Governance, strategic planning and financial and performance reporting (the Audit Report). In response, I would like to make the following clarifications.

***Paragraph 4 of Page 3 of the Senior Director's letter  
on Statement of Standard Accounting Practice of Hong Kong (HKSSAP) 17***

Audit fully appreciated that non-compliance with HKSSAP 17 on the depreciation of assets *per se* by the institutions did not call into question whether their financial statements were SSAP-compliant. These are separate and different issues. We were aware that the Scope of HKSSAP 17 on property, plant and equipment states that charitable, government subvented and not-for-profit organisations whose long-term financial objective is *other than* to achieve operating profits are exempted from compliance with this Statement. **However, it should be noted that the Statement also states that such enterprises are encouraged to follow the accounting practices set out in the Statement.**

Furthermore, our research had shown that universities in advanced countries usually adopt depreciation accounting for their property, plant and equipment. Therefore, Audit made a statement in paragraph 4.41 of the Audit Report that “it would be desirable for the institutions, which are the highest academic institutions for advancing accounting knowledge, to adhere to the international best practices on the preparation of financial statements”.

***Paragraph 7 of Page 3 of the Senior Director’s letter on HKSSAP 1***

In paragraph 7 of page 3 of her letter, the Senior Director said that “The recommendation in paragraph 4.45(b)-(e) of the Audit Commission Report are (*sic*) not consistent with the general requirement under HKSSAP 1 referred to above”. It should be noted that paragraph 4.45(a) to (e) of the Audit Report only reported the views of the members of the Task Force on Review of the Statement of recommended practice for UGC-funded institutions in Hong Kong (SORP). Paragraph 4.45 of the Audit Report is restated below for your reference:

“In early 2002, a Task Force on Review of SORP was formed comprising members from the eight institutions. The terms of reference of the Task Force was to review and revise the SORP for the preparation of financial statements of the institutions. The objective was to ensure that the financial statements will give a true and fair view of the financial affairs of the institutions. At its first meeting held in March 2002, members of the Task Force agreed that the review would take into account the following materials:

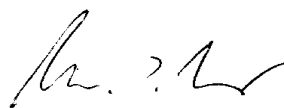
- (a) the HKSA’s HKSSAPs;
- (b) the UK Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- (c) Accounting Standards and publications issued by the Financial Accounting Standards Board;
- (d) International Accounting Standards; and
- (e) UGC’s Guidance Notes.”

Audit has said that (see para. 4.47 of the Audit Report), in the Task Force’s review of the SORP, consideration should be given to overseas practices and standards, in addition to the HKSA’s HKSSAPs.

*General*

I hope the above will help the Public Accounts Committee in its consideration of the matter. I have no other comments on the HKSA's letter dated 7 October 2003. With hindsight, it would have been better if the Senior Director of the HKSA had asked us for an informal interlocution before issuing her letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. M. T. Leung', with a stylized flourish at the end.

(David M T LEUNG)  
for Director of Audit



校長：吳清輝教授

**Prof. Ng Ching-Fai**  
BE(Chem), MSc, PhD

Ref: PDO/0306/100  
13 June 2003

Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Attn: Ms Dora Wai

Dear Ms Wai,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 9: University Grants Committee funded institutions –  
General administrative services**

I refer to your letter of 6 June 2003 on the captioned subject, requesting for additional information relating to paragraphs 5.32(a) and 5.44 of the Audit Report. Please note that in order to improve the occupancy situation of the Student Hostels, the University has or is in the process of implementing the following measures:

- (a) Actively promote the value of hostel life by organizing hall activities with participation from non-resident students;
- (b) Expand the scope of eligible applicants to include all part-time undergraduate, taught postgraduate students and Associate Degree students;
- (c) Increase the number and amount of scholarships (through donations) on hall fees to outstanding undergraduate students;
- (d) Increase the number and amount of bursaries (through donations) to undergraduate students with genuine financial difficulties bursaries;
- (e) At the time of admission, offer to first year undergraduate students with good academic results or other achievements guaranteed hall places for the whole period of undergraduate study; and
- (f) Introduce shorter term residency, e.g. one semester or one month, though not encouraged.

Should you have any questions on the above, please feel free to contact our Director of Finance, Mr Alex Shuen at 3411-7914. The Chinese translation for the above will be sent to you at a later date.

Yours sincerely,



C F Ng  
President & Vice-Chancellor

cc: Secretary for Education and Manpower  
Secretary-General, University Grants Committee  
Director of Audit

教育統籌局



EDUCATION AND MANPOWER BUREAU

PAC/R40/CH9/GEN(3)

本局檔號 Our Ref.: EMB(MPE) CR 2/2041/03 III  
 來函檔號 Your Ref.:

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10 July 2003

Clerk  
 Public Accounts Committee  
 Legislative Council  
 Legislative Council Building  
 8 Jackson Road  
 Central  
 Hong Kong  
 (Attn: Ms Dora Wai)

Dear Ms Wai ,

**The Director of Audit's Report on the  
 Results of Value for Money Audits (Report No. 40)**

**Chapter 9 : University Grants Committee funded institutions –  
 General administrative services**

I refer to your letter of 26 June 2003 and set out our response below.

- (a) Students studying at University Grants Committee (UGC)-funded institutions may apply for financial assistance under the Local Student Finance Scheme (LSFS) and the Non-means Tested Loan Scheme (NLS). The LSFS provides financial assistance to eligible students for their tuition fees, academic expenses, compulsory union fees and general living expenses. In addition, NLS provides assistance to students for the difference between the maximum financial assistance under LSFS and the actual amount received by students, subject to the NLS loan maximum (equivalent to tuition fees

payable) not being exceeded.

In determining the level of grants and loans for students, hostel accommodation is not a specific factor of consideration.

- (b) The Administration constantly reviews its policy on students' grants and loans, taking into account new developments in the sector and comments from relevant parties. Students' need for assistance in respect of accommodation will be considered in this context as appropriate.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Irene Young', written in a cursive style.

(Irene Young)

for Secretary for Education and Manpower

c.c. Secretary-General, University Grants Committee  
Controller, Student Financial Assistance Agency



**Opening Remarks by Prof Paul CHU Ching-wu,  
President, The Hong Kong University of  
Science and Technology, and  
Convenor, Heads of Universities Committee,  
at the Public Hearing of the Public Accounts Committee  
on Wednesday, 14 May 2003**

Honourable Members,

On behalf of the Heads of Universities Committee, I would like to thank you for inviting us to this meeting.

Thanks to the Government's far-sighted investment in universities, the tertiary education sector of Hong Kong has made great strides in the past decade. Many more young people have had the opportunity to receive the university education that previous generations could only dream of. A better-educated workforce has helped the economy to stay competitive. Institutions have developed remarkable strengths in different areas of research. In some areas, research capabilities and achievements have already reached international standards, such as nanotechnology, biotechnology and medical science, just to mention a few. Technologies developed in university laboratories have been transferred to industries and businesses, helping improve both their products and productivity. As early as 1993, HKUST launched the HK SuperNet, the first licensed Internet service provider in Hong Kong. HK SuperNet was once voted the best Internet service provider in Asia. It attracted strong interest from investors and was later sold to a private company. I'm sure other sister institutions also have similar successful stories to tell.

Tertiary institutions have indeed created great value for the Hong Kong society in many different ways. Value is not just the money cost. A Value-for-Money Audit can help review the cost-effectiveness of university operations. But the value of tertiary education cannot be measured simply in dollars and cents.

Nevertheless, the Audit Director's Report has reminded us of the trust the public puts in universities. All along, institutions take great care in managing the public resources entrusted with them. We manage these resources with due regard to the principles of transparency, accountability and productivity. During a period of economic difficulty, universities are fully prepared to share the burden with other members of the community. We have been examining every possible way of improving productivity and saving costs. And we welcome suggestions and discussions.

Of all elements essential to the success of university education, a quality teaching and research team is most important. Thanks to Hong Kong's ability to attract talents from the international academic community, and the tireless endeavors of staff and students, universities in Hong Kong have produced results that we can be all proud of.

Tertiary institutions in Hong Kong operate in a very different environment from those in other countries. To stay competitive internationally, universities in Hong Kong cannot rely only on local recruitment to satisfy their needs. But overseas academics have to overcome the difficulties in moving their families into a different environment. Therefore, we have to pay a premium to attract academics from overseas to accept positions in Hong Kong. This is particularly true in the building up stage that we are now in. For example, in Houston, the universities have to offer much more attractive packages of pay and research support than Harvard, Princeton or Berkeley to recruit and to retain prominent faculty. By doing so, Rice University succeeded in keeping, Professor Rick Smalley, the 1996 Nobel Laureate in Chemistry, in Houston.

Simple comparisons between the average pay of Hong Kong academics and their US counterparts may not be very useful in understanding the real picture. In the US, aside from the different remuneration conditions, there are big differences in pay between universities, depending on an academic's responsibilities and performance. For example, the remuneration package for a university president varies from more than a million US dollars to only US\$100k. For instance, in public universities, Professor Mark Yudof of UT is paid US\$800k and Professor Art Smith of UH is paid US\$550k, while some presidents in Utah are paid only \$105k. There also exists a wide spread in faculty salaries, which depends on merit and can mean some faculty are higher paid than the university president, the mayor, the governor, and until very recently the President of the US.

We should also be careful in comparing HK with the UK. The UK has lost many of its talents in the past decade because of its uncompetitive pay. Just in the last ten years, the once almighty Oxford and Cambridge tried to lure some of the most talented scholars from the US, especially their expatriates, back to the UK but failed. From personal experience, three of my good friends, one at UTA, one at Berkeley and one in Houston, finally decided to stay in the US because of the low salaries offered in the UK.

We all know that money is not everything. But money is necessary in the development of world-class status universities. One can easily find a simple yet rather reliable correlation between professors' pay and talent pool needed to develop a great society and economy, be it among countries, states or even within a university system. Our universities are the great assets of Hong Kong. As with all other assets, their value may appreciate but takes a long time; however, it may depreciate overnight. We hope that we can make use of this opportunity to further enhance the value of these great assets, and make them a beacon of tertiary education in our region.



THE HONG KONG  
POLYTECHNIC UNIVERSITY

香港理工大學

24 May 2003

Public Accounts Committee  
Legislative Council of Hong Kong SAR  
Legislative Council Building  
8 Jackson Road  
Hong Kong

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Hung Hom, Kowloon, Hong Kong  
Tel: (852) 2766 5201 Fax: (852) 2364 7084

校董會主席  
胡應湘 爵士  
*Council Chairman*  
Dr Sir Gordon Y.S. Wu  
*KT, MGC, FICG, BNF, DBA, DLing, HonD*

Attention: Ms. Miranda Hon, Clerk, Public Accounts Committee

Dear Ms. Hon,

Thank you for your letter dated 19 May 2003. I am pleased to provide the following response and information as requested.

- (1) Records of the discussions of the President's Personal Affairs Committee (PPAC) relevant to its decision relating to cash allowance for the President.

The decision on the matter of cash allowance for the President was made by circulation to Members of PPAC dated 28 July 2001 following some informal discussion earlier. The Committee was then composed of 6 lay members of the Council including the Council Chairman who chairs the Committee. The matter was approved unanimously. A copy of the circular and the paper which contains points discussed are herewith attached.

- (2) Whether the University considers that section 9(3)(c) of The Hong Kong Polytechnic University Ordinance (Cap. 1075) has been complied with and the basis of the University's view.

2.1 We are of the opinion that the Council of the Hong Kong Polytechnic University (PolyU) has complied with the provision of Section 9 (3) (c) of The Hong Kong Polytechnic University Ordinance Chapter 1075 as the Council does retain and exercise its authority and responsibility in **approving the standard terms and conditions of service**, i.e. salary scale or range, types of leave, types of housing benefits, medical and dental benefits and insurance, passage, and education allowances, etc. and their extents where applicable, **for all categories and grades of employees** of the University other than those in part-time or temporary employment.

2.2 In the case of the President or previously the Director of the Hong Kong Polytechnic, their terms and conditions of service are approved by the Council. The standard terms and conditions of service for the present President were established by the Council when he first joined the institution in 1991. The establishment and operation of the PPAC in fact follows a practice since the 80's or perhaps earlier when the then Hong Kong Polytechnic established a Director's Personal Affairs Committee (DPAC). This Committee or its equivalent in the past, among other things,

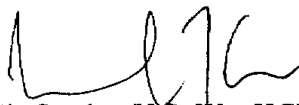
handles the detailed execution and implementation of the terms and conditions of service. To ensure external participation, PPAC is composed of a number of lay members of the Council. This Committee currently is composed of 7 lay members of the Council including the Council Chairman who serves as Chairman of PPAC. We note that this Committee or its equivalent in the past handled details of matters such as passage entitlement, class of air travel, rental limit for domestic accommodation, salary for domestic servant, salary and limit of utility charges borne by the Institution as well as non-accountable entertainment allowance, within the framework of terms and conditions of service established by the Council.

- 2.3 We re-iterate our belief that the intent of relevant stipulations in the Hong Kong Polytechnic University Ordinance is not to require the full Council to decide and approve individual package for each and every employee of the institution. This would be inappropriate and unrealistic as the Council is to attend to policy matters and cannot attend to or handle details of personnel matters of an institution with around 3,000 employees.

We hope your Committee will note that the Ordinance for some other universities do not contain the same provision of Section 9 (3) (c) of The Hong Kong Polytechnic University Ordinance Chapter 1075. We hope your Committee will also note that, as far as we understand, even those universities whose Ordinance carry the same stipulation also deal with matters relating to their President's or Vice Chancellor's personal affairs or that of other categories of employees in the same or similar manner as the PolyU does. To address the possibility of different interpretation of this Section of the Ordinance, the PolyU intends to seek further clarification from both UGC and the Government and amendment or revision of The Hong Kong Polytechnic University Ordinance in the near future so that the full Council will not be degenerated into a human resource office.

Please let me know if your Committee requires further information.

Sincerely yours,



Sir Gordon Y.S. Wu, KCMG FICE  
Council Chairman

ENCL:

***\*Note by Clerk, PAC: The circular and the PPAC paper not attached.***



THE HONG KONG  
POLYTECHNIC UNIVERSITY

香港理工大學

香港 九龍 紅磡  
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4 July 2003

Public Accounts Committee  
Legislative Council of Hong Kong SAR  
Legislative Council Building  
8 Jackson Road  
Hong Kong

校董會主席  
胡應湘 爵士  
Council Chairman  
Dr Sir Gordon Y.S. Wu  
*KCMG, FICE, BSE, DBA, DEng, HonD*

Attention: Ms. Miranda Hon, Clerk, Public Accounts Committee

Dear Ms. Hon,

Thank you for your letter dated 25 June 2003 requesting me to provide further information relating to the remuneration of the President of The Hong Kong Polytechnic University (PolyU), as requested by the Public Accounts Committee (PAC). I am pleased to submit the following:

- (1) In approving the proposal to pay the President a monthly Cash Allowance in lieu of housing benefits and leave passage, the President's Personal Affairs Committee (PPAC) did not consider that such arrangement would be an act to pay the President a total 'salary' that is higher than that approved by the Finance Committee (FC) or one that might constitute a breach of the 'no better' principle.

PPAC felt that it exercises reasonable flexibility in providing housing benefit and leave passage to the President at no extra cost to the University and not at the expenses of public fund. Please note that this Cash Allowance is to cover the said benefits which the President is entitled to, and is not a salary per se.

- (2) (A) Following the approval of PPAC, the President's letter of appointment and employment contract had been revised accordingly.
- (B) An extract of the revisions made on the terms and conditions of employment of the President, indicating details before and after the revision is attached, as requested.

Following past practice, the revision had not been submitted to the University Council for its approval. The reason for not having done so has been provided in paragraph (2) of our letter to you dated 24 May 2003. A copy of the said letter is attached herewith for your ready reference.

May I further add, for your information, that at its 34th meeting, the Council has unanimously affirmed our University's position and practice in this regard and that such practice did not breach the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance (Cap. 1075). Lay members of the Council were also informed the details of the President's compensation package at this meeting.

I hope the above is useful to your Committee.

Thank you.

Sincerely yours,

Sir Gordon Y. S. Wu, KCMG FICE  
Council Chairman

***\*Note by Clerk, PAC:***

***The revisions made on the terms and conditions of employment of the PolyU President not attached.***

***See Appendix 34 for the letter of 24 May 2003.***

ENCL:

本署檔號 OUR REF.: UGC/CON/103/1/4/2002(5)  
來函檔號 YOUR REF.:  
電話 TELEPHONE: 2524 1795

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9 July 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

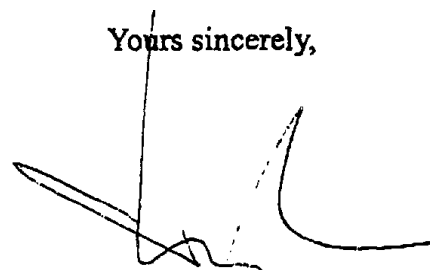
Dear Ms Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 10: UGC funded institutions –  
Staff remuneration packages and stipends**

I refer to your letter of 25 June 2003 and enclose our reply in both English and Chinese.

Yours sincerely,



( P T Cheung )  
Secretary-General  
University Grants Committee

Encl.  
c.c. SEM  
VC, CUHK  
P, PolyU  
Council Chairman, PolyU

(a) Housing benefits of the Vice-Chancellor, The Chinese University of Hong Kong

- (i) Yes, Professor King is still in receipt of Home Financing Allowance (HFA).
- (ii) No, Professor King is not in receipt of other forms of housing benefits, other than HFA.
- (iii) The present contract for Professor King as Vice Chancellor will expire shortly (not later than 31 December 2003), and he has no plans to move into the Vice-Chancellor's residence.
- (iv) The rental paid by Professor Li for his premises in CUHK is \$68,600 per month, which is the market value assessed by an independent surveyor firm.
- (v) Pursuant to rules of the HFS, an increase in HFA of \$14,080 was given to Professor King when he was appointed as Vice-Chancellor, corresponding to the HFA rate table. The amount can be offset by the rental received from the Vice-Chancellor's residence.
- (vi) No additional expense has been incurred by the University as a result of Professor King's not residing on the CUHK's premises.
- (vii) It was deliberated and decided by a designated Council Committee with powers delegated from the Council to determine and approve the terms and conditions of the Vice-Chancellor.

(b) Land lease conditions of the on-campus houses

- (i) Of the five institutions referred to in the question, only the relevant land lease of Lingnan University (LU) requires the President's lodge to be occupied by the President, LU.
- (ii) As mentioned, the land lease of CUHK does not require the VC's lodge to be occupied by the VC.

(c) Remuneration of the President, The Hong Kong Polytechnic University (PolyU)

The UGC's understanding is that the "no better than" principle applies where public funds are involved. Since the monthly allowance for President, PolyU, provided in lieu of his housing benefits and leave passage, is borne by the University's non-public sources of funding, the UGC does not consider the arrangement a violation of the "no better than" principle.



- (d)(i) Since the monthly cash allowance payable to President, PolyU is not from public funds and is not under the Government-sponsored Home Finance Scheme, the UGC does not consider the 120-month entitlement period relevant.
- (d)(ii) Interpretation of section 9(3)(c) of the Hong Kong Polytechnic University Ordinance is a legal issue on which the UGC is not in a position to offer a definitive view. At a practical level, however, we can see a need for the PolyU Council to exercise certain repetitive functions through sub-committees; but how this should be arranged or legislated for is outside the terms of reference of the UGC.



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本署檔號 Our Ref.: UB/PAC/VFM/40

來函檔號 Your Ref.: CB(3)/PAC/R40

31 July 2003

Ms Miranda HON  
Clerk  
Public Accounts Committee  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road  
Central, Hong Kong

[Fax No. 2537 1204]

Dear Ms Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 10: University Grants Committee funded institutions —  
Staff remuneration packages and stipends**

Thank you for your letter of 22 July 2003, in which you expressed the concern of the Public Accounts Committee (PAC) that the decision of the President's Personal Affairs Committee of the PolyU to pay the President a monthly cash allowance in lieu of housing benefits and leave passage had not been submitted to the PolyU Council for approval. You have asked me to comment on this arrangement, having regard to section 9(3)(c) of The Hong Kong Polytechnic University Ordinance (Cap 1075), which specifies that the PolyU Council shall not delegate to any committee the power to approve terms and conditions of service of persons in the employment of the University, other than persons in the part time or temporary employment thereof. My comments are as follows.

It is clearly stated in section 9(3)(c) that the Council shall not delegate to any committee or person the power to approve the terms and conditions of service of employees of the University, other than part time or temporary staff. Whether the views of the Council Chairman in the first sub-paragraph of paragraph 2.4 of his letter dated 24 May 2003 are acceptable is subject to legal interpretation and I am not in a position to offer a definitive view on this issue.

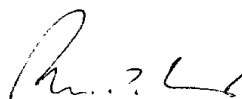
Furthermore, I consider that the payment of some \$177,000 monthly cash allowance to the President in lieu of housing benefits and leave passage is a significant variation in the standard terms and conditions of service as approved by the Council. Even putting the legal considerations aside, it would have been prudent to seek the Council's approval. In this connection, I note that the Council subsequently affirmed at its 34th meeting the University's position and practice regarding the matter (para. (2)(B) of Council Chairman's letter dated 4 July 2003 to the PAC refers). Lay members of the Council were also informed about the details of the President's remuneration package at that meeting. To enhance governance and accountability, I consider that in future the prior approval of the Council should be sought before offering any remuneration packages involving significant variations in the standard terms and conditions of service. The Council Chairman has said that the Council, at its 34th meeting on 24 June 2003, had unanimously affirmed that the University's position and practice did not breach the provision of section 9(3)(c). It seems that this case is similar to that recently dealt with by the PAC regarding the interpretation of Regulation 76 of the Education Regulations, Cap 279A for primary education (see my letter to you dated 23 April 2003 ref. UB/PAC/ENG/39-4, copy attached).

----

I have reservations about the Council Chairman's view that the provision of section 9(3)(c) was not breached. In order to put the above issues to rest (i.e. whether the practice of appointing permanent staff, including the President, is in order and not in contravention of section 9(3)(c), and whether the President's remuneration package was a significant variation in the terms and conditions of service requiring the approval of the full Council), the PAC may wish to seek an independent legal interpretation of section 9(3)(c).

I note that the PolyU intends to seek further clarification from the Government/UGC and amendment/revision of the Ordinance in the near future, in order to address the possibility of different interpretations of section 9(3)(c) of the Ordinance (para. 2.4 of Council Chairman's letter dated 24 May 2003 to the PAC refers). For the avoidance of doubt and for better governance and public accountability, I would suggest that the need to seek the prior approval of the Council for significant variations in the terms and conditions of service should be clearly stated in the Ordinance. The PAC may wish to be kept informed of the development of this matter.

Yours sincerely,



( David M T LEUNG )  
for Director of Audit

Encl.

*\*Note by Clerk, PAC: The letter of 23 April 2003 not attached.*

**For discussion  
on 28 June 1996**

**FCR(96-97)30**

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 190 - UNIVERSITY GRANTS COMMITTEE Subhead 492 Grants to UGC-funded institutions**

Members are invited to approve -

- (a) the new salary scales, with effect from 1 July 1996, for the heads of the University of Hong Kong (HKU), the Chinese University of Hong Kong (CUHK), the Hong Kong University of Science and Technology (HKUST), the Hong Kong Polytechnic University (PolyU), City University of Hong Kong (CityU), Hong Kong Baptist University (HKBU) and Lingnan College (LC);
- (b) the transitional arrangement concerning the application of the new salary scales to the incumbent heads of HKU, CUHK and HKUST and the designated head of CUHK; and
- (c) the arrangement whereby the heads of PolyU, CityU, HKBU and LC should, like their counterparts in the other three University Grants Committee-funded universities, determine the salaries of their senior administrative staff in consultation with the governing bodies of the respective institutions.

**/PROBLEM .....**

**PROBLEM**

We need to revise the salary scales of the heads of HKU, CUHK, HKUST, PolyU, CityU, HKBU and LC to take account of the change in the nature and scale of their responsibilities and those of senior positions in the Civil Service.

**PROPOSAL**

2. On the advice of the University Grants Committee (UGC), we propose -

- (a) the following salary scales<sup>1</sup> for the heads of HKU, CUHK, HKUST, PolyU, CityU, HKBU and LC -

<b>Head of Institution</b>	<b>Existing Scale</b>	<b>Proposed Scale</b>
Vice-Chancellor, HKU	98% of the Chief Secretary's salary	D8
Vice-Chancellor, CUHK	98% of the Chief Secretary's salary	D8
President, HKUST	98% of the Chief Secretary's salary	D8
President, PolyU	D7	D8
President, CityU	D7	D8
President and Vice-Chancellor, HKBU	D6	D7
President, LC	D5	D6

- (b) that the heads of institutions at PolyU, CityU, HKBU and LC should, in line with the current practice at HKU, CUHK and HKUST, determine in consultation with the governing body of respective institutions the salaries for the senior administrative staff (at the level of Pro-Vice-Chancellor / Vice-President / Associate Vice-President and above), provided that the average salaries of all professors and equivalent senior administrative staff do not exceed the professorial average, and that any resultant revisions must have regard to internal relativity and must be in line with the agreed policy of keeping the terms of service of the staff concerned broadly comparable to, but no better than, those of comparable grades in the Civil Service.

/(c) .....

<sup>1</sup> The salary points shown in the table are the respective points in the Civil Service Directorate Pay Scale.

- (c) the proposed arrangements in (a) and (b) above should take effect from 1 July 1996, i.e. the beginning of the 1996-97 academic year of the UGC-funded institutions, save for the downward revision of salary which would not be applied to the incumbent heads of HKU, CUHK and HKUST and the designated head of CUHK during the validity period of their respective contracts.

### **JUSTIFICATION**

3. At present, we link the salaries of the Heads of the UGC-funded Institutions (HoIs) to that of senior civil servants. We set the salaries of the heads of HKU, CUHK and HKUST at 98% of the Chief Secretary's salary, and those of PolyU and CityU at D7 and HKBU and LC at D6 and D5 respectively. At our request, the UGC commissioned a consultancy in September 1995 to review the salaries of the heads of the seven tertiary institutions subject to its funding purview. The review takes into account -

- (a) the change in the nature and scale of responsibilities of the HoIs and senior civil servants in recent years;
- (b) the subvention policy that the terms of service of staff in the subvented sector should be broadly comparable to, but no better than, those of comparable grades in the Civil Service; and
- (c) the remuneration packages of heads of leading overseas universities which use English as the medium of instruction in the Asia Pacific region, the UK and the USA.

### **Findings of the Consultancy**

4. Based on the job evaluation results, the Consultants concluded that -

- (a) the heads of HKU, CUHK, HKUST, PolyU and CityU are within the same job evaluation boundaries as policy secretaries in the Civil Service (D8 rank);
- (b) the President and Vice-Chancellor of HKBU is within the same job evaluation boundaries as Heads of Group I departments in the Civil Service (D7 rank); and

/(c) .....

- (c) the President of LC is within the same job evaluation boundaries as Heads of Group II departments in the Civil Service (D6 rank).

5. The Consultants also concluded that the remuneration levels received by HoIs in Hong Kong are somewhat lower than those of HoIs at private non-religious universities in USA; considerably lower than those of HoIs in Singapore in terms of total cash but broadly in line in terms of total remuneration; somewhat higher than those of HoIs in the UK and at public universities in USA; and considerably higher than those of HoIs in Australia.

6. On comparison between the salary levels of HoIs and those of the Chief Executive Officers (CEOs) in the private sector, the Consultancy Report shows that the salaries of HoIs in all countries or territories under study are lower than those for CEOs in the private sector and that the difference between the salaries of HoIs and CEOs in Hong Kong appears greater than that in the UK and USA. Finally, the salary levels of HoIs in Singapore, Australia and USA are generally lower than those of the Prime Minister/President and in line with the Cabinet Minister/Secretary whereas for the UK, the salaries of HoIs are higher than those of the Prime Minister but lower than those of the Permanent Secretary of the Cabinet.

Encl. 7. A summary of the findings of the consultancy is in the Enclosure.

#### **UGC's Recommendations and Administration's Assessment**

8. Based on the above findings, the Consultants and the UGC have recommended that the heads of the UGC-funded institutions should be remunerated at the levels described in paragraph 2(a) above.

9. Currently all academic staff in the Professor grade at the seven UGC-funded institutions and all senior administrative staff at HKU, CUHK and HKUST, who are normally designated as Deputy Vice-Chancellor, Pro-Vice-Chancellor or Vice-President, are remunerated on the basis of individual merits. Their salaries are determined by the Vice-Chancellor/President in consultation with the governing bodies of the respective institutions. This arrangement gives the HoIs flexibility in attracting suitably qualified staff to take up the posts concerned. In line with the spirit of the common salary scales for all UGC-funded institutions approved by Members in July 1992, the UGC recommends that the

/above .....

above practice be extended to the senior administrative staff at CityU, HKBU, LC and PolyU. In practical terms, the institutions would be allowed to offer appropriate salaries and allowances on an individual basis, provided that the average salaries of all professors and equivalent senior administrative staff do not exceed the professorial average<sup>2</sup>, and that any resultant revisions must have regard to internal relativity and be in line with the agreed policy of keeping the terms of service of the staff concerned broadly comparable to, but no better than, comparable grades in the Civil Service.

10. The UGC has suggested that the proposals should take effect from November 1994 when the former City Polytechnic of Hong Kong (CPHK), Hong Kong Polytechnic (HKP) and Hong Kong Baptist College (HKBC) legally acquired university status and title. The LC has yet to receive self-accrediting and university status but the UGC recommends that in order to maintain relativity with academic staff on university salary scales at other institutions, the remuneration of the head should also be backdated to November 1994. We have difficulties in accepting this recommendation because it is Government's established practice not to backdate the implementation of salary reviews in the Civil Service, and this should apply equally to subvented organisations. We therefore recommends that the proposals should take effect from a current date, i.e. 1 July 1996.

11. As regards the salaries of the heads of HKU, CUHK and HKUST, we accept the UGC's view that we should honour existing contractual obligations and hence its recommendation that the proposed salary scale (which would result in a downward adjustment of the present salary level) should not apply to the incumbents in HKU, CUHK and HKUST and the designated head of CUHK during the validity period of their respective contracts. However, all new appointees will be remunerated at D8.

12. The UGC has further recommended that the governing bodies of HKU, CUHK and HKUST may offer the incumbent, on expiry of his current contract, the same salary in dollar terms when entering into a further contract on condition that the amount of salary would be frozen until the D8 salary level overtakes it. In principle, we accept the UGC's recommendation for staff

/management .....

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<sup>2</sup> Professorial average applies to the salaries for professors in all seven UGC-funded institutions. On the basis of a minimum salary level, currently at \$83,935 (broadly equivalent to D1 in the Civil Service Directorate Pay Scale), the salary level may vary from individual to individual but the average salary of all professors should not exceed the "professorial average", currently at \$103,815 (broadly equivalent to D2 in the Civil Service). The minimum and "professorial average" salaries are revised annually in accordance with the civil service pay rise. At present, the salaries of the equivalent senior administrative staff at HKU, CUHK and HKUST are set in line with the above arrangement.



management and continuity reasons. However, we consider it premature to seek Members' approval of this recommendation at this stage in the absence of an actual case. We propose to examine the cases as they arise in future and, where justified, seek Members' approval in the normal way then.

### **FINANCIAL IMPLICATIONS**

13. The upward salary adjustments for the heads of CityU, HKBU, LC and PolyU would cost about \$340,000 annually, while the savings from the downward salary adjustments for the heads of HKU, CUHK and HKUST would amount to about \$980,000. However, since the downward salary adjustments will not affect the incumbents, the savings would not be realised until the contracts of the incumbents expire or the incumbents leave the service before the end of their contracts.

14. The proposed new arrangement for determining the salary of senior administrative staff of CityU, HKBU, LC and PolyU may result in an upward salary adjustment requiring additional funds of about \$870,000 annually. We estimate this by applying the same percentage increase on salary of the heads to that of the senior administrative staff. The actual requirements, however, would depend on the precise salaries as determined by the HoIs in consultation with the respective governing body. The institutions will meet from their triennial grants any additional funding requirements arising from the implementation of the proposed new salary arrangements for both their heads and the senior administrative staff.

### **BACKGROUND INFORMATION**

15. The UGC is currently funding seven institutions of higher education, namely HKU, CUHK, HKUST, PolyU, CityU, HKBU and LC. The salaries for the heads and senior administrative staff of these institutions are not uniform.

16. In July 1982, Members approved the formula for setting the salaries of the Vice-Chancellors of HKU and CUHK at 98% of the Chief Secretary's salary (FC Item No. B61 dated 28 July 1982). The same formula was applied to the President of HKUST when Members approved the general principle for setting the salary scales and conditions of service for staff of HKUST in June 1988 (FCR(88-89)28).

/17. ....

**FCR(96-97)30**

17. In approving the new salary scales for staff engaged primarily in degree level work at the then CPHK, HKP, HKBC and LC in July 1992 (FCR(92-93)54), Members noted that, pending a further review, we would retain the salary scales for the Heads and senior administrative staff of these four institutions. The four institutions subsequently submitted proposals to the Administration to seek revisions in these salary scales. We decided that the UGC should conduct a comprehensive review of the salaries of the heads of all seven UGC-funded institutions, having regard to the change in nature and scale of the responsibilities of senior civil servants in recent years and the subvention policy that the terms of service of staff in the subvented organisations should be broadly comparable to, and no better than, those of comparable grades in the Civil Service.

18. The review took place during the period September 1995 to March 1996. The UGC submitted its recommendations to the Administration in May 1996.

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Education and Manpower Branch  
June 1996

# REVIEW OF THE SALARY SCALES OF THE HEADS OF UGC-FUNDED INSTITUTIONS

## SUMMARY OF FINDINGS AND RECOMMENDATIONS

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### 1 SUMMARY OF FINDINGS

#### 1.1 RESULTS OF POSITION ASSESSMENT BETWEEN CIVIL SERVICE AND UGC HEADS OF INSTITUTION

- A. The job evaluation results for the Hols for CityU, CUHK, HKU, HKUST and PolyU are within the same job evaluation boundaries as Policy Secretaries.
- B. The job evaluation results for the Hol for HKBU is within the same job evaluation boundaries as Heads of Group 1 Departments.
- C. The job evaluation results for the Hol for LC is within the same job evaluation boundaries as Heads of Group 2 Departments.

#### 1.2 RESULTS OF MARKET COMPARISON

- A. Salary levels of Hols in Hong Kong vs those in Singapore, Australia, the US, and the UK.

Salary levels of Hols in Hong Kong vs Hols in:	
Singapore	<ul style="list-style-type: none"> <li>• Considerably lower in terms of total cash</li> <li>• In line in terms of total remuneration</li> </ul>
Private non-religious universities in the US	Somewhat lower
UK and public universities in the US	Somewhat higher
Australia	Considerably higher

## 1.2 RESULTS OF MARKET COMPARISON (CONT'D)

## B. Salary levels of Hols vs those of CEOs within the same geographical circumscription

- In all geographical circumscriptions the salaries of the Hols are lower than those for CEOs in the private sector.
- The difference between the salaries of Hols and CEOs in Hong Kong appears greater than that in the UK and the US.

## C. Salary levels of Hols vs those of senior government officials the same geographical circumscription

Singapore	Salaries of Hols are much lower
Australia	Salaries are lower than those of the Prime Minister, and basically in line with those of the Deputy Prime Minister and the Cabinet Minister
United States	Lower than those of the President. For comprehensive universities basically in line with those of a Cabinet Secretary. For Research and Doctoral Granting Universities salaries higher than those of a Cabinet Secretary
United Kingdom	Salaries of Hols are higher than those of the Prime Minister and the Cabinet Minister, but lower than those of the Permanent Secretary of the Cabinet.

## 2 RECOMMENDATION

To the extent that the salary scales for the heads of UGC-funded institutions are to be set against a reference to the pay of the Chief Secretary and policy secretaries of the civil service, we would make the following recommendation. Our suggested approach takes into account the following requirements:

- the need to maintain broad comparability with directorate level positions in the Civil Service by linking the salaries of all the Hols to a reference with the Chief Secretary/Policy Secretary
- the need to remain competitive both locally and globally with all organisations in the knowledge industry
- the need to reward the performance of individual heads who manage to establish internationally recognised centres of academic excellence

Given the above, the following actions are warranted:

- Set UGC-funded salaries for Heads of Institutions at:
  - γ D6 for the President of Lingnan College
  - γ D7 for the President of HKBU
  - γ D8 for the Presidents of PolyU and of HKUST, and the Vice-Chancellors of CityU, HKU, and of CUHK

本署檔號 OUR REF.: L/M to UGC/GEN/103/1/4  
來函檔號 YOUR REF.: 2524 1795  
電 話 TELEPHONE:

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26 May 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
Results of value for money audits (Report No. 40)**

I refer to your letters of 16 and 19 May 2003. Consolidated replies in English are enclosed at Annexes A and B respectively. Chinese version will follow as soon as possible.

Yours sincerely,



( P T Cheung )  
Secretary-General  
University Grants Committee

Encl.  
cc SEM  
HoIs

Chapter 10 : UGC-funded institutions – Staff remuneration packages and stipends

***(Q) The progress made by the institutions in establishing a new remuneration system in the light of the impending deregulation of their salary scales: -***

Ans : Under the delinking proposal, institutions are given the freedom to decide whether or not to adopt their own remuneration systems. Where there is a decision to delink, the timing is also left to their discretion. From the information we have gathered, the following institutions have started preliminary process to examine the issue.

CityU

Various options for the University's remuneration schemes have been explored by working groups and the Management Board. The Staff Association has also hosted an open forum for all staff at which the University management reported on the progress made and listened to views expressed by staff. Concrete proposals, including grievances procedures relating to staff remuneration, will be formulated as the University further examines its future funding position.

HKBU

The Council of HKBU would base its decision of whether (or not) to approve delinking/deregulation of the HKBU salary scales from those of the civil service on 3 main factors: (a) a careful examination of the implementation details in the pertinent proposal from the Government (especially with regard to the issue of housing benefits), (b) a rigorous analysis of the benefits to HKBU which are derivable from delinking, and (c) the views gathered from the consultations with staff on this subject.

To do the necessary groundwork in relation to these 3 factors mentioned above, and for conducting due consultations with staff, it is estimated that a long lead time is required. As an indication, the drafting of a scheme for the new scales and packages for the various grades of academic and non-teaching staff of the University, and consultations with staff, will be among the key targets to be achieved in the next 9 months or so.

LU

LU is now undertaking the task of setting up a new remuneration system. In view of the probable impact of the new remuneration system on all the staff members, the University management has taken the additional step to consult its staff members at staff forums. There have been two rounds of staff forum on cost-savings measures to be contemplated by the University.

A proposed new remuneration system has just been deliberated in the Human Resources Committee (HRC) of the management. The outcome of the HRC

deliberations would be put up for consultation at another round of staff forum in early June. After that, the proposed new remuneration system after incorporating the feedback from staff members if necessary will be submitted to the Staffing Committee for consideration. The Staffing Committee will, after consideration, endorse the proposal for Council's consideration of approval. It is hoped that the Council will consider the proposed new remuneration system by the end of June this year.

### CUHK

Due to the deregulation of salary scales, CUHK takes note that it is opportune to review and devise an appropriate remuneration package to attract and retain appointees of the right calibre. As this will have long term implications, a comprehensive and thorough study is required and the University's relevant committees will review and address the various issues.

In fact, CUHK has always kept its systems under review to make timely adjustments to respond to various demands and for prudent cost-effective management practices. In the past two years, the University has initiated several revisions to its staff management and remuneration systems to facilitate an assurance of quality performance and prudent use of resources.

### HKIEd

The Staffing Committee of the HKIEd Council has been considering actively the various issues in relation to the introduction of a new pay structure for staff of the Institute. A firm of consultants will very soon be engaged by the Institute to carry out a job evaluation exercise on all the academic equivalent administrative staff and to propose a pay structure for all non-academic staff, having regard to the pay levels in the private sector as well as other semi-Government bodies. An internal steering committee will be established to facilitate the work of the consultant as well as to review/recommend a pay structure for academic staff. It is planned that recommendations from both the consultant and the internal steering committee will be submitted to the Council's Staffing Committee for careful deliberation. It is planned that the Staffing Committee will formulate appropriate recommendations and submit these to the HKIEd Council for consideration/approval early next year. Subject to the direction and approval of the Council, the HKIEd senior management will conduct open forums for all staff before the actual implementation a new pay structure.

### PolyU

The PolyU has established a working group chaired by the Deputy President with senior executives of the Human Resources Office and Finance Office as members. They have, since many months ago, made studies on job market and reference to other relevant information, and are now formulating proposals on salary range and other terms and conditions of services. The Group hopes to be able to have a human resource policy and system that will be in line with those of other sister institutions in Hong Kong. The Group plans to complete its study towards the end of 2003 and



present such to the University management and Council for their consideration.

HKUST

HKUST will be considering in the coming months the extremely complex question of the possible introduction of a new remuneration system.

HKU

HKU sees the need for an overhaul of its existing human resource (HR) policy and strategy and is reviewing its entire HR policy with a view to introducing new strategy to cater for changes inside and outside the University, including the Government's recent decision to deregulate university salaries.

The Council, at its meeting on 29 April 2003, formally endorsed the University's plan to review and reform its HR policy and strategy. The Council at the same time authorized the Vice-Chancellor to study, as part of the University's overall HR strategy and in consultation with staff members as necessary, the actions and measures required to enable the University to benefit from the deregulation by the Government of university salaries.

With the endorsement of the Council, the Vice-Chancellor and his senior colleagues will consult staff members of the University in the coming months, and formulate proposals in new HR policy and strategy which will include a new remuneration system in the light of salary deregulation.

Issues raised in letter of 19 May 2003

**Q. Timetable for developing and issuing disclosure guidelines on the remuneration of senior teaching and administrative staff in all UGC funded institutions (paragraph 2.65(d) of the Audit Report refers) :-**

A. The UGC will very soon start discussion with the institutions and the Administration on the disclosure guidelines based on the principles of “transparency” and “external participation”. Depending on progress, the UGC expects that the guidelines will be available within 6 months.

Housing benefits of the Heads of UGC-funded institutions

**(a) Whether there are any standards for the provision of accommodation to the HoIs and if so, what are the details :-**

Ans : There are no set standards for the provisions of accommodation to HoIs, although by tradition, some Heads are provided with accommodation on campus. However, where such is available, the accommodation is more in the nature of an “official residence”, rather than staff quarters. The premises are very often used for official functions.

**(b) In respect of those institutions which provide accommodation to their Heads, a comparison of the accommodation provided including the type of the premises, the size of the premises and the expenditure incurred :-**

Ans : A table showing the existing accommodation arrangements is attached.

**(c) For those institutions which do not provide accommodation to their Head, what are the arrangements for the provision of housing benefits to the HoIs :-**

Ans : Prof Paul Morris and Prof Ambrose King do not have accommodation provided. This is because they had joined the Home Financing Scheme before they were appointed as Heads of Institutions.

President, PolyU is also not provided with accommodation. He is given a monthly cash allowance in lieu of his housing benefits and leave passage.

Remuneration of the Heads of Finance of UGC-funded institutions

**(d) Whether the Administration was involved in determining the ranking and level of pay of the heads of finance posts when such posts were created and if so, details of the justifications for the ranking and pay level :-**

Ans : The 8 UGC-funded institutions are governed by their Councils set up under their respective ordinances. Prior to deregulation on 1 July 2003, the institutions are required to adopt various salary scales approved by the Finance Committee, including a common university salary scale for academic and equivalent

administrative staff applicable to senior administrative staff such as the heads of finance. Nevertheless, under a block grant system and in the spirit of institutional autonomy, neither the Administration nor the UGC is involved in the creation or ranking of specific posts.

- (e) ***Whether, in the UGC's views, the level of responsibility and the level of pay of the institutions' heads of finance should be compared to the head of finance of a large government department or a large private-sector company like the MTR Corporation: -***

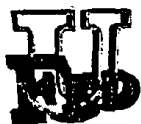
Ans : The UGC does not see a compelling case to benchmark the pay package of the head of finance of universities against the heads of finance in government departments or against staff of any particular organization, the operation of which does not bear sufficient resemblance to a university.

Comparison of posts in different organizations for assessment of pay is inherently difficult. Posts with the same title may vary in terms of job content, require different skills and expertise and carry different responsibilities. However, as a general point of reference, it is relevant to say that the Director of Finance, or the Bursar as it is called in some other places, in a university is generally the Chief Finance Officer and is normally within the top three layers of a university's management structure.

**Annex B**

<b>Institution</b>	<b>Type of Premises</b>	<b>Size of Premises (square feet)</b>	<b>Expenditure Incurred (2001/02) (Recurrent expenditure including utilities, housekeeping and maintenance, etc)</b>
CityU	Off-campus rented detached house	5,400	\$1,700,555 (\$1,626,400 was for rent and rates)
HKBU	On-campus detached house	3,643	\$98,000 (not a normal full year since there was a renovation period of 5 months)
LU	On-campus detached house	4,020	\$162,000
HKUST	On-campus detached house	4,850	\$231,000
HKU	On-campus detached house	6,620	\$277,000

Note: Heads of CUHK, HKIEd and PolyU are not provided with accommodation.



Federation of Hong Kong Higher Education Staff Associations  
香港高等院校教職員會聯會

李家祥議員  
賬目委員會主席  
(Fax: 2845-2444)

二零零三年五月十二日

尊敬的李議員，

我們對審計署最近發表對香港的大學的運作的報告，有如下的意見：

甲. 大學教職員薪酬過高之歪論

- 一、審計署缺乏相關的專業知識來對大學的薪酬作檢討，大學教職員的薪酬應有特設委員會來檢討，非由審計處來指指點點。
- 二、英、美等國的大學員工每週工作五天，但香港的大學員工每週工作五天半，故此在工作天的數量已比英、美等國的大學多了百分之十。
- 三、香港的大學教員很多都需要晚上教授兼讀課程，往往晚上八、九時才能下班。平均來說，每天的工作時數比外國大學教員多兩小時。
- 四、香港的大學教員和其他專業人士的工作時間，比外國的大學教員多出百分之三十以上。因此若以「時薪」計算，香港的大學教員的「時薪」實在比美國的大學教員低兩至三成，而跟英國的大學教員相差不遠。
- 五、由於英國的大學教員薪酬比英國的商業機構職員低，故此該地的大學大幅增加講座教授的比例藉此吸引人材。講座教授的比例比香港的大學高出兩、三倍，因此，不能只比較相同名稱的職級的薪酬而不顧各職級所佔比例。
- 六、大學教員沒有「代課老師」之設，如因病缺課，須在銷假後補回欠了的課。換言之，大學教師是沒有病假的。
- 七、綜合以上各點，可見審計署對大學教員薪酬的結論是閉門造車，忽視事實的，亦反映出審計署沒有足夠的專業知識去檢討大學教職員的薪酬。
- 八、審計署的報告並沒有把大學教員的薪酬與本地專業人士如醫生、律師、會計師等作比較。大學不單須向世界各地招攬人才，也要在本地吸引優秀人才服務大學。何況，在大學須教授各項課程，也要作研究，故此沒有合理的薪酬福利難以跟商界競逐人才。

乙. 薪酬脫鉤可引致大學高層「無王管」

- 一、審計署報告內說「大學實行政府的脫鉤決定時」須如何如何。然而審計署報告在三月三十一日發表，但脫鉤建議在四月十一日才在立法會討論。何以審計署預定脫鉤建議必獲通過？
- 二、審計署報告已指出現時有些大學額外大幅增加了其高層的薪酬福利。在「薪酬掛鉤」的制度下這是不能容許的。審計署報告卻沒有提出政府為何坐視不理。
- 三、脫鉤後高層自肥的問題將沒有制度規限，但可惜審計署既能預知薪酬將脫鉤卻不提出監管的制度。

香港高等院校教職員會聯會主席 岑嘉評

\*Note by Clerk, PAC: Chinese version only.

## 審計署對香港高等院校教職員會聯會函件的回應

本署剛於五月十三日收到貴委員會轉介的三封香港高等院校教職員會聯會致貴委員會的函件，現綜合回應如下：

### 香港中文大學教師協會主席關海山教授的公開信和香港高等院校教職員會聯會主席岑嘉評教授題為“香港高等教育的非典型症狀問題”的函件

由於這兩封信所提出的事項主要關乎政府的政策，本署認為宜由教育統籌局處理，故本署在此不予置評。

### 香港高等院校教職員會聯會主席岑嘉評教授五月十二日的函件

有關岑教授在信中提出的各點，本署的回應如下：

關於甲一點，本署必須指出，檢討院校薪酬是否合乎既定政策是本署的職責所在。本署僅在這方面作出整體的比較，至於個別院校教研人員的薪酬則由院校自行釐訂；

關於甲二點，據了解，各院校的教研人員並沒有正式規定的辦公時間，所以難以與海外教研人員的工作時間作出比較；

關於甲三及四點，各院校乃至同一院校各學院的教研人員的工作量都不同，而本署相信，甚多海外大學教研人員的工作量都不比本地大學教研人員為輕。此外，據知，部分教授兼讀課程的教研人員會獲發額外薪酬；

關於甲八點，據本署了解，在現時的經濟環境下，許多專業人士的薪酬均已大幅下調；

關於乙一點，事實上，早在二零零二年十一月，行政會議已決定把大學教職員的薪酬脫鉤；及

關於乙二及三點，本署已在報告書第 10 章提出建議，要求教資會澄清經財委會批准的薪級點是否仍然適用。

教育統籌局局長大致同意本署對薪酬結構的建議。

審計署

二零零三年五月十三日

*\*Note by Clerk, PAC: Chinese version only.*

校長辦公室  
Office of the President



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August 4, 2003

Ms Miranda Hon  
Clerk, Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 10: University Grants Committee funded institutions –  
Staff remuneration packages and stipends**

Thank you very much for your letter on the above subject dated July 22, 2003.

HUCOM takes pleasure in providing further additional information to the Public Accounts Committee (PAC).

Prof Lap-Chee Tsui, Vice-Chancellor of The University of Hong Kong, would like to draw to the attention of PAC members an article headlined "Ryan quits as 'ill-paid' Oxford don" in *The Times Higher (Education Supplement)*, May 31, 2002, plus letters on related topics, June 7, 2002 (Attachment 1).

Members of PAC may also wish to note further additional information shared with me by Prof Ambrose King, Vice-Chancellor of The Chinese University of Hong Kong (Attachment 2).

Sincerely yours,

Paul Chu  
President

c.c. Mr Peter Cheung, Secretary-General, University Grants Committee  
HUCOM Members

# RYAN QUILTS AS 'ILL-PAID' OXFORD DON

THE TIMES HIGHER, MAY 31 2002

NEWS 5

## Ryan quits as 'ill-paid' Oxford don

Phil Baty

One of Oxford University's most senior academics confirmed his departure to join one of America's top institutions this week, arguing that "no rational person" would work in British higher education.

Alan Ryan, warden of New College, Oxford, who was tipped to be the university's next vice-chancellor, railed against the "incoherence and stupidity" of government policy and the "incessant interference by managers and officialdom", when he confirmed to *The THES* that he was leaving British academe to go to Stanford University.

He said he would return to Oxford after a year but only because of his unique affiliation to New College.

He told *The THES*: "I feel that no rational person would work in the British higher education sys-

tem, and that anyone who enters it under present conditions is engaged in a self-destructive act; it is an ill-paid, overworked line of work, and has lost almost all of the old pleasures, particularly the freedom from incessant interference by managers and officialdom."

Dr Ryan, director of Oxford's Rothermere American Institute and former professor of politics at Princeton University, is going to Stanford's Center for Advanced Studies in the Behavioral Sciences. "I like New College too much to think of bailing out again and heading back to Princeton, but I can't think why anyone who doesn't have my peculiar reasons for doing this sort of job would stay here rather than go."

Dr Ryan sat his BA and MA at Oxford in the 1960s, and earned a DPhil at the university in 1993.

He is a vociferous supporter of



Alan Ryan believes 'no rational person' would work in British higher education

a more market-driven approach to higher education, and believes universities should be freed from national funding formulae more in line with the private universities of America.

He launched a blistering attack on government higher education policy.

"Working against government policy of the degree of incoherence and stupidity as we currently do is simply not an activity for grown-up people," he said.

"It is just about imaginable that the government will eventually form a coherent view of what

higher education is for, and how much they will pay for which bit, but the signs are not good."

Dr Ryan joins a lengthening list of senior Oxford academics who have left the university with stinging criticisms of the British system, raising concern that Oxford, and UK higher education in general, are losing their international nature.

In 1999, John Kay resigned as director of the Saïd Business School, arguing that Oxford was "striving in a morass of committees, unable to take decisions that might enable it

to compete with the world's best".

Robert Stevens, when he retired as master of Pembroke College last year, warned that "inward-looking complacency in the university, and mindless political opportunism in new Labour, may well be doing damage which will be impossible to repair".

The university also received a blow last September when Peter Williams, seen as a modernising saviour for the university, announced his resignation as master of St Catherine's College, 18 months after he took the post.

Soapbox, page 14

Is that blood running down his tie? No. - Ed.

Front page headline, page 5 article by Phil Baty, "Why I..." confession by Ryan, page 14, in *The Times Higher (Education Supplement)*, 31st May 2002, plus letters, 7th June.

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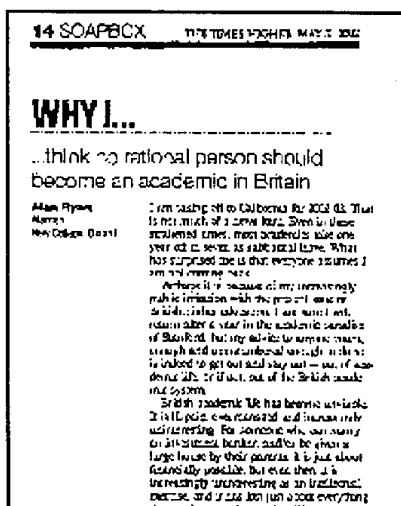
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## Ryan's soapbox, page 14: WHY I... ..think no rational person should become an academic in Britain



I am taking off to California for 2002-03. That is not much of a news item. Even in these straitened times, most academics take one year off in seven as sabbatical leave. What has surprised me is that everyone assumes that I am not coming back.

Perhaps it is because of my increasingly public irritation with the present state of British higher education. I am sure I will return after a year in the academic paradise of Stanford, but my advice to anyone young enough and unencumbered enough to do so is indeed to get out and stay out - out of academic life, or if not, out of the British academic system.

British academic life has become unviable. It is ill-paid, overmanaged and increasingly uninteresting. For someone who can marry an investment banker, and/or be given a large house by their parents, it is just about financially possible, but even then it is increasingly uninteresting as an intellectual

exercise, and it has lost just about everything that made it worth pursuing 40 years ago.

In the 1960s, the bargain was a good one; you gave up the chance of wealth, power and fame and got the life of a free spirit in exchange. Now, you get Margart Hodge, John Randall and Howard Newby, and a salary that City firms would hesitate to offer their receptionists. In the 1960s, professors were paid much the same as GPs, MPs and under-secretaries in the civil service and, by the end of the decade, most of Camden Town could be purchased on a lecturer's salary. But you didn't expect to be a lecturer much beyond the age of 30 anyway. Following the Robbins report and the expansion of the university sector, you could have tenure at 24 and a chair at 30. Nor was fame entirely given up. Young sociologists at the London School of Economics were vastly more glamorous than even their director is today.

More crucially, what was on offer was freedom and optimism, and what has replaced them is a deep, sullen pessimism. The post-Robbins assumption was that it would be possible to create new universities that would run rings round Oxbridge: on the one hand, liberal arts colleges, and, on the other, the British offspring of Berkeley. Nobody in 2002 could read Albert Sloman's Reith Lectures in which he imagined that Essex might be the Berkeley of the UK system without realising that it is not only money that the present higher education system has run out of.

The contrast between the 1960s promise of indefinite expansion of new courses and new institutions, coupled with an influx of enthusiastic and well-qualified new students, and the contemporary world of reluctant and ill-qualified students filling crumbling, ill-equipped institutions, is too obvious to need belabouring. Oxbridge students in 2002 receive in real terms the funding of Essex students in 1979; and Essex students in 2002 have had the money spent on them cut by a third. Whether more means worse is arguable; that more means less well provided for - is undeniable.

In those distant days, the much-reviled "binary" system presented university lecturers with a spectacle of how the other half lived - teachers in polytechnics were at the mercy of local authorities, put upon by their principals and departmental chairs, by the chairmen of education committees and managers of very modest abilities. Now, the binary line has gone, and this is the fate of the entire sector.

Asking why anyone who could bail out to the US doesn't do so in the face of all this is a bit like wondering why Marx never quite gave up on the revolution. On the one hand, it is impossible to believe that rational human beings will go on making such a mess of a not entirely unmanageable system and on the other hand, anyone who worked in the system before it was wrecked finds it hard to walk away from the wreckage rather than hanging around to try to save something in the hope of better times ahead.

## Wages for sages: letters, 7th June

from D.A. Trotter, Department of European Languages, Univesity of Wales, Aberystwyth

Alan Ryan sensibly suggests that "British academic life has become unviable". On other pages, the School of Oriental and African Studies advertises for a director of a project on endangered languages with "a salary and benefits that are commensurate with a senior academic post that are competitive within higher education", salary negotiable from £41,500, inclusive of London allowance.

Directly opposite, the University of Lincoln seeks a higher education planning manager, salary circa £45K, plus relocation.

On the next page, the University of Bristol wants a director of academic affairs with a salary "in excess of £60,000" and a director of student administration ("c. £45,000").

Are these advertisements and Ryan's column related? I think we should be told.

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from Alan Ryan, Warden, New College, Oxford

As an admirer of your former editor, I enjoyed the front-page suggestion that she and I might non-accidentally have left our jobs simultaneously ("Ryan quits", *THES*, May 31). Still, it's funny to ask me whether I am leaving, and when I say I'm not, to go on to report that I am. Is this post-modernist news-gathering or have I missed some irony?

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NOW GO TO The things people say - for more extraordinary fall-out quotes, including Ryan's departure puff and literary plan in *The Independent*, 13/6/02, "Sell off OUP" suggestion made by New College Bursar David Palfreyman in *The Oxford Magazine*, 14/6/02 and a delicious Beloff boast from a profile in *The Guardian*, 18/6/02.

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Click to return to the top of this file

Click for related Cherwell article, 7th June.

Click for ANDREW'S LITTLE SHOP OF HORRORS - full-page finale article by Reg Little in *The Oxford Times*, 21st June 2002.

Click to return to the Malcolm v Oxford 2001-2 Index.

For the earlier case files:

Click to go to Lightman's judgment of 1990, The Court of Appeal judgment, 1990 or the 1990 Judgment extracts, or the original Case History, or the 1991 Damages Assessment findings, or to McGregor on Royalties (transcribed from the assessment hearing, 1991).

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Go/return to The Remedy + options, to AKME's Law Library index, the Oxford Cuttings library, to Making Names, or to The History of AKME.

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校長室 OFFICE OF THE VICE-CHANCELLOR

By fax and by mail  
(Fax no.: 23580029)  
Total: 29 pages



ADVANCE  
AND EXCEL  
香港中文大學四十周年  
40th Anniversary of CUHK

騰飛四十  
精進日新

(03Jy/sl/0415)

28 July 2003

Professor Paul Chu  
HUCOM Convenor & President  
The Hong Kong University of Science and Technology  
Clear Water Bay  
Kowloon

Dear

**Further Additional Information to Public Accounts Committee**

Arising from the letter from Public Accounts Committee (PAC) to you dated 22 July 2003, we have looked into two references which may be of some help in addressing the queries made by PAC.

**I. The Future of Higher Education**

**Presented to Parliament by the Secretary of State for Education and Skills by Command of Her Majesty Jan 2003 (Appendix 1)**

Paragraphs 1.16 and 1.17 may be particularly useful to show that the UK loses the top notch researchers to other countries (notably US) because of the striking difference between top end salaries of UK and US best researchers.

**II. Recruitment and Retention of staff in UK higher Education (A Survey and Case Studies) 2001**

**Commissioned by the HEFCE, SCOP, UCEA and UUK (Appendix 2)**

This report is divided into 2 parts - (a) a Survey and (b) Case Studies. The relevant pages, which are attached for reference, may be useful to show that

...../2

Page 2  
(03Jy/sl/0415)

28 July 2003

Professor Paul ~~Chu~~

- (1) Major reasons for recruitment difficulties of academic staff are remuneration and competition from other employers.
- (2) The UK higher education loses quality academic staff particularly in the areas of computing, business-related areas, regimenting and health studies etc. The major reason for retention difficulties is competition from the public and private sectors which are offering more attractive salary levels.

The full document may be downloaded from:  
<http://www.scop.ac.uk/downloads/RR%20Research%20Report.pdf>

I hope the above is of help in your collating a response to PAC. With best regards,

Yours sincerely



Ambrose YC King  
Vice-Chancellor

Enc

cc Mr Jacob Leung, University Secretary, CUHK  
Mr Terence Chan, Bursar, CUHK  
Mrs Sophie Lau, Director of Personnel, CUHK



# The future of higher education

Presented to Parliament by  
the Secretary of State for Education and Skills  
by Command of Her Majesty  
January 2003

## The danger of decline

1.11 Higher education in England therefore has a good story to tell. Nonetheless, the whole system is undoubtedly under severe pressure and at serious risk of decline. Decisions must be taken now to maintain the excellence of the sector as a whole.

1.12 The challenges are clear. Many of our economic competitors invest more in higher education institutions than we do. France, Germany, the Netherlands and the USA all contribute 1 per cent of GDP in public funding to higher education institutions, and Japan is planning to increase public investment from 0.4 per cent to 1 per cent. This compares to 0.8 per cent in the UK, rising to approximately 0.9 per cent by 2005 because of our generous spending review settlement.<sup>7</sup> Our competitors see – as we should – that the developing knowledge economy means the need for more, better trained people in the workforce. And higher education is becoming a global business. Our competitors are looking to sell higher education overseas, into the markets we have traditionally seen as ours.

1.13 There are challenges internal to higher education here too:

- to recruit, retain and reward the calibre of academic staff needed to sustain and improve both teaching and research.
- to maintain the infrastructure for research and teaching.
- to make sure the investment in higher education – whether paid for by the taxpayer, the student, their employer or someone else – is used to best effect.

## RESEARCH

1.14 There is a real danger that our current strength in the world will not be maintained. The Research Assessment Exercise, in which research funding through the Higher Education Funding Council for England (HEFCE) is distributed according to quality and volume of research, has undoubtedly led to an overall increase in quality over the last 15 years. But there is growing competition from other countries. Looking at Nobel prizes, or at citation rates for scientists, indicates that although our position is still strong it is declining. And we may not be making the best use of inevitably limited research funds at home. International comparisons show that other countries, like Germany, the Netherlands and the USA (where research and the award of research degrees is confined to 200 out of 1600 'four year' institutions) concentrate their research in relatively few institutions. Similarly, the Chinese Government is planning to concentrate research

<sup>7</sup> These figures relate to spending on Higher Education institutions, and do not include student support. The figure for 2005 is an estimate which might vary depending on the rate of growth in GDP.

funds through the creation of ten world-class universities; and in India there is a national Institute of Technology, on five sites across the country. This suggests we need to look again at how our research is organised, and make sure we capture the benefits of concentration, and that we have a number of institutions able to compete with the best in the world.

**1.15** The Transparency Review, which looked for the first time at the distribution of expenditure on research and teaching in HEIs across the UK, showed that research was under-funded, and the deficit was made up at the expense of investment in the research infrastructure, or of teaching.<sup>8</sup> The effect was particularly marked in institutions which were not research-intensive. Approximately half of the higher education estate was built, to relatively low and inflexible specifications, in the 1960s and early 1970s. Much of it is nearing the end of its design life, and new requirements arise from scientific and technological advance, as well as recent growth in research volumes. The reports commissioned from JM Consulting by HEFCE<sup>9</sup> found that there was an infrastructure backlog of about £8 billion, consisting of a research infrastructure backlog of £3.2 billion, and a teaching infrastructure backlog of £4.6 billion, plus a need to double spending on maintenance.

**1.16** And there are continuing concerns about our ability to recruit, retain and reward the best researchers who provide the essential research leadership. Although the overall figures show a 'brain-gain' rather than a 'brain-drain' in flows of scientists into and out of the country, figures from the Royal Society support the hypothesis that the researchers moving out of the country – typically to the USA – are among our best. A survey of Royal Society Fellows found that in 1999 26 per cent of Fellows worked outside the UK (12 per cent in the USA). We need to consider how to attract and retain the best researchers internationally, and how to maintain a steady flow of the brightest and best young people into research.

**1.17** Average earnings have risen considerably faster than academic pay over the last 20 years. Comparing USA and UK academic salaries, it is striking that the difference in average salary scales is far smaller than the difference in salaries at the top end, for the best researchers. This raises questions about whether our institutions are using salaries to the best possible effect in recruiting and retaining excellent researchers. International comparisons suggest we should also be thinking hard about whether institutions could do more to help the best researchers focus on research, rather than teaching and administrative duties.

<sup>8</sup> Investing in Innovation – A strategy for science, engineering and technology (July 2002).

<sup>9</sup> Study of Science Research Infrastructure, Report to OST, March 2002, and Teaching and Learning Infrastructure in Higher Education, Report to the HEFCE by JM Consulting, June 2002.



## TEACHING

**1.18** Teaching has for too long been the poor relation in higher education. Promotion for academics is based largely on research excellence, rather than teaching ability. There is no respected and defined separate professional career track for higher education teaching in its own right. Only around 12 per cent of academic staff in higher education are members of the Institute for Learning and Teaching in Higher Education, and not all of those necessarily have any formal teaching qualification. And here again there are recruitment difficulties. HEFCE's annual survey<sup>10</sup> reveals a recruitment situation that has steadily deteriorated since the survey was inaugurated in 1998. Over 60 per cent of institutions reported difficulties in recruiting lecturers. Recruitment difficulties were particularly concentrated in certain subjects, notably computing/IT, business-related subjects, science, engineering, medicine-related subjects and education.

**1.19** Students have insufficient information on how good the teaching is when applying for courses. And here again there is a story of decline: staff-student ratios have fallen from just over 1:10 in 1983 to 1:18 in 2000 and this tends to mean that students write fewer assignments and have less face-to-face contact with staff.<sup>11</sup> There is too little collaboration between higher education institutions (HEIs), which can raise standards; support the development of modules and courses particularly at the introductory level; and promote the innovative use of ICT and credit accumulation and transfer.

## HE AND BUSINESS

**1.20** The proportion of businesses using information from HEIs to help with innovation has increased over recent years, and is now 16 per cent of companies. But this is still a small minority.<sup>12</sup> When universities were asked to benchmark themselves, fewer than half declared that they had more than a restricted or partially implemented plan for business support.<sup>13</sup> A succession of employer surveys reveals concerns about the skills of graduates, particularly in terms of communication and other 'soft' skills. And although UK institutions are growing stronger in knowledge transfer, their exploitation of intellectual property – to take one example – is weak by international standards.<sup>14</sup>

**1.21** These weaknesses are not all of HEIs' making. Universities have often experienced difficulties in transferring knowledge to business through research and development work, and businesses are often unclear about what they want. And, though the new Regional Development Agencies are now building graduate-level skills into their planning, this is in many cases a relatively recent development. There is clearly scope for the higher education

<sup>10</sup> Recruitment and Retention of Staff in UK higher education 2001, HEFCE.

<sup>11</sup> cf. Evidence in Independent Review of Higher Education Pay and Conditions, 1999.

<sup>12</sup> Community Innovation Survey; DTI (2001).

<sup>13</sup> HE Business Interaction Survey; HEFCE (2001).

<sup>14</sup> Research expenditure per patent in the UK is almost double that in the USA and Canada – *Higher education-business interaction survey*; A report by the Centre for Urban and Regional Development Studies, University of Newcastle upon Tyne (2001), table 5.7.

4.19 But good practice must become universal. All institutions need to develop strategies and systems for recruitment, performance management, training and career development which explicitly value teaching and reward and promote individual teachers. Critical to this will be strategies for pay.

### Fair pay in higher education

4.20 If university managers are to deliver the high quality we expect from higher education, it is essential that institutions are able to recruit and then retain staff of the highest calibre. The recent annual HEFCE survey provided evidence of a worrying rise in unfilled vacancies across the university workforce. Among academics, particular recruitment difficulties were reported in a range of subjects (IT/computing, business-related subjects, professions allied to medicine, science, and engineering) where higher salaries were on offer elsewhere.<sup>23</sup> At the same time, as reported in the recent Roberts review, there are anecdotal reports of a decline in the quality of new applicants for academic jobs.<sup>24</sup>

4.21 The Government invested £50 million in 2001–02, £110 million in 2002–03 and has planned for £170 million for 2003–04 to underpin the recruitment, retention and reward plans set out in HEIs' human resources strategies. HEFCE has distributed this money to institutions in return for human resource strategies that address issues of recruitment and retention, staff and management development, equal opportunities, rewarding good performance and tackling poor performance. This process has successfully kick-started the modernisation of human resource management in higher education, allowing institutions to play to their strengths and reward excellence.

4.22 Over the coming period, the Government will pursue a twin-track strategy for academic pay. Firstly, it will build on the progress achieved through this funding for institutional-level human resources plans. In addition to that funding, the government is providing an extra £50 million in 2004–05 and £117 million in 2005–06. We want to remove the bureaucracy of the ring-fence, and give higher education institutions the freedom to spend this money as they see fit, but we also want to sustain the cultural change that the human resource strategies have begun. So, once individual institutions have human resource strategies that demonstrate to HEFCE that they will take steps to move towards market supplements or other differentiated means of recruiting and retaining staff, and commit themselves to rewarding good performance, their earmarked funding will be transferred into block teaching grant.

4.23 Secondly, we are especially keen to see better pay differentiation for teachers, with institutions rewarding those who teach well. Therefore, from the additional funding for

<sup>23</sup> Recruitment and retention of staff in UK higher education 2001.

<sup>24</sup> SET for success, The supply of people with science, technology, engineering and mathematics skills, The report of the Sir Gareth Roberts Review, April 2002, esp. 5.34–5.

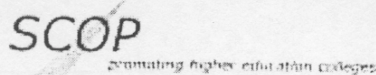


# Recruitment and retention of staff in UK higher education

A survey and case studies

2001

Commissioned by the HEFCE, SCOP, UCEA and UUK





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## Preface

This publication presents the findings of two projects investigating recruitment and retention difficulties in UK higher education institutions. The aim of both projects was to assess the extent and nature of any difficulties, as well as the factors that are contributing to them.

The first report analyses the data from the fourth annual survey of institutions conducted during September and October 2001 by IRS Research, an independent research organisation. The second report is based on qualitative case study research conducted in 14 higher education institutions during the same period.

Both point to serious problems in recruiting and retaining both academic and support staff in higher education. The annual survey highlights trends and provides evidence of a worsening situation year on year since 1998. While recruitment difficulties are continuing to worsen for most institutions in certain subject and support staff areas, a minority of institutions are now experiencing recruitment and retention problems across all staff areas.

Among academic staff, the survey points to particular difficulties in recruiting staff in the areas of computing/IT, and business subjects, as well as engineering, biological sciences, the professions allied to medicine, and education. Among support staff the most acute difficulties were found in recruiting and retaining non-managerial, manual, technical and clerical staff. Retention difficulties are generally more acute for support staff than for academic staff, and are particularly severe in the case of manual staff.

Both the survey and the case study research point to pay as a major factor in the current difficulties. Higher pay offered by the private sector is affecting institutions' ability to recruit and retain support staff and some groups of academic staff in certain key areas, including engineering, IT and business-related subjects. The low starting level of academic salaries is widely viewed as discouraging the recruitment of new entrants to the profession. In some areas, such as education and the professions allied to medicine, recruitment and retention are adversely affected by the higher pay levels now offered by the NHS and state schools.

The case study research highlights the impact of these recruitment and retention difficulties on the ability of institutions to deliver their organisational objectives. Human resource managers and heads of academic departments and support functions expressed their deep concerns about the difficulties in recruiting new entrants as well as more senior staff, and they acknowledged that compromises were being made on staff quality to fill vacancies. They also cited other problems such as difficulties in delivering courses, developing research activities and maintaining adequate support services provision.

The findings are supported by several other studies which indicate the importance of addressing the current situation. For instance, the recently published report of Sir Gareth Roberts' review of the supply of scientists and engineers made clear that: 'ensuring that universities are able to recruit and retain quality staff is vital to the UK's future supply of highly-skilled scientists and engineers'. It also expressed concern at the 'low levels of pay and consequent recruitment and retention problems for permanent academic staff'.

The difficulties already apparent in attracting new academic entrants are likely to be intensified by problems resulting from the current age profile of the workforce, and the Government's plans to

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expand higher education. Projections of higher education staffing point to a shrinking proportion of the academic workforce aged under 30, and a growing proportion over 50, particularly in certain subject areas. The anticipated problems of replacing those who retire in the next 10 years will exacerbate present recruitment difficulties. The Government's objective of increasing the proportion of young people entering higher education, and the concomitant need for universities and colleges to employ more academic and support staff, may create significant further problems.

The key role that the higher education sector plays in the UK economy as a whole is clear. The challenge is to ensure that the recruitment and retention problems identified in these two reports are tackled as a matter of urgency.



Philip Love  
Vice-Chancellor, University of Liverpool  
Chairman, UCEA



# Survey

## Recruitment and retention of staff in UK higher education 2001

irsresearch

Michael Thewlis

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## 4: Reasons for recruitment and retention difficulties

As well as asking institutions to describe the nature of the key recruitment and retention difficulties they faced, questionnaire one asked them to identify what they saw as the reasons for those difficulties. Institutions were asked to comment separately on pay-related difficulties, and on any other difficulties affecting recruitment and retention.

### Pay issues

Two-thirds of all respondents mentioned pay as being a major factor underlying recruitment and retention problems in the sector. Almost one-quarter of institutions mentioned pay rates in, and competition for employees from, private sector organisations, especially for support staff, but also for those academic staff with expertise that was valued in the private sector. Academic staff most likely to leave for the private sector were those employed in IT and computing, law and accountancy.

Institutions mentioned that competition for support staff was more common than for academic staff, and that IT specialists, secretaries, clerical staff and manual employees were most likely to be affected. Institutions also mentioned professional support staff in accountancy, finance and personnel as being the subject of competition from private sector employers.

Although the attraction of higher pay levels in the private sector was often mentioned, pay levels in some sections of the public sector were also highlighted by institutions. For some academic staff – most notably for professions allied to medicine and teacher education posts – higher NHS and school teaching salaries continued to act as a disincentive for practitioners to join higher education. The higher salaries, and in some cases better conditions of employment, also meant that institutions were losing both academic and support staff to employers in the NHS or in state schools.

Some respondents described the ‘uncompetitive’ pay levels in higher education as impacting on the quality of candidates applying for vacant posts and on the ability of the sector to attract young academics.

### Non-pay issues

Institutions in London and other major UK cities reported that the combination of low salaries and high housing and travel costs exacerbated recruitment and retention problems. Again, this often led both to a limited pool of applicants for vacancies and to the quality of applicants being poor.

Institutions indicated that both high and low turnover rates among some staff groups were causing recruitment and retention problems. On the one hand, high turnover rates among manual, clerical and junior professional posts (and in some institutions among academics) were causing concern. Where academics were leaving, this was often for institutions which offered better promotion prospects or which had better reputations or research opportunities.

On the other hand, at some institutions low turnover rates of senior academics and professional staff were also causing difficulties. In these cases, this was impacting on internal promotion opportunities for more junior staff and causing some staff to leave and join institutions which could offer better career prospects.

One in five institutions mentioned that fixed-term contracts were causing recruitment and retention problems in their institution. As one respondent remarked: ‘Job insecurity (as a result of fixed-term contracts) means staff are always looking around for new opportunities.’ Finally, for some manual staff groups, such as cleaners, institutions reported that early morning starting times, a lack of public transport, and even the high cost of car parking was making it difficult for institutions to fill these positions.



## Case studies

Recruitment and retention of staff in  
UK higher education 2001

irsresearch

Jennifer Hurstfield  
and Fiona Neathey



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## 1: Introduction

In July 2001, IRS Research was commissioned by the HEFCE, SCOP, UCEA and UUK to conduct a research project on the recruitment and retention of staff in higher education institutions. The aim was to provide an up-to-date picture of the extent of recruitment and/or retention difficulties faced by UK HE institutions and the impact of any difficulties on the ability of these institutions to deliver 'world-class higher education which the UK needs in the 21<sup>st</sup> century' (Bett Report,<sup>1</sup> 1999).

The study involved 14 case studies of institutions, and built upon the findings of the previous research project, conducted by IRS Research in 1999.<sup>2</sup> This earlier study indicated that particular departments and support functions were facing recruitment and retention difficulties, and identified factors that were contributing to these difficulties. It also explored the impact of these difficulties on the effective functioning of the institutions, and some of the strategies being used to address the problems.

By returning to a sample of institutions two years later, it has been possible to explore the extent to which recruitment and retention difficulties appear to have intensified or diminished during the period. In addition it has enabled the more systematic exploration of issues which emerged as important during the course of the earlier study. The 14 institutions consist of eight that were part of the 1999 study plus six additional ones.

The current project concentrated on the following areas:

- Identification of the academic departments and support functions facing particular recruitment and/or retention problems and the nature of these problems.
- Identification of recruitment and/or retention difficulties in respect of particular categories of staff (including particular grades/levels of staff and those requiring professional expertise).
- Difficulties experienced and anticipated because of the age distribution of current staff (overall and in particular subject areas).
- Difficulties in attracting an adequate field of sufficiently qualified applicants for new/vacant posts; how these difficulties have been/are to be handled; and the consequences of the difficulties.
- The extent to which attracting adequate fields of suitably qualified candidates is dependent on applications from non-UK candidates.
- Identification, where possible, of the extent to which current pay, conditions of service, likely career prospects, and other factors underlie recruitment and retention difficulties.
- Exploration of mobility within the sector (turnover of key staff, movement regionally/nationally, between different types of HE institution, and into and out of the sector).
- The impact of recruitment and retention problems on the ability of institutions to innovate and on the quality of teaching and research.
- Strategies utilised by institutions in responding to current recruitment and retention problems.

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<sup>1</sup> Independent Review of Higher Education Pay and Conditions, 1999, The Stationery Office.

<sup>2</sup> Recruitment and retention in UK higher education: case studies. An independent report by IRS Research, CVCP, February 2000.

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## 2: Methodology

The research was carried out in 14 institutions. Selection was designed to achieve a spread of institutions by type and size, with coverage of Scotland, Wales and the English regions. Of the 14, two were in Scotland, two in Wales, and the remaining ten in England. Six were pre-1992 or 'old' universities, five post-1992 or 'new' universities, and three were HE colleges.

In each institution four interviews were conducted: one with a senior human resources (HR) professional to provide an overview of staff recruitment and retention issues across the institution; two interviews with academic heads of department (HoD); and one with the head of a support function.

In 1999, institutions were asked to select the departments which they perceived as experiencing the most severe recruitment and/or retention problems. For this study, five academic subject areas were selected along with two support staff areas in which widespread recruitment and retention difficulties had been identified across the sector via the annual recruitment and retention survey.

The following academic departments/faculties and support staff groups were selected for the study:

### *Academic departments/faculties*

- Business-related subjects (including accountancy, economics and law)
- Computing/IT
- Engineering
- Health professions (excluding medicine and dentistry, because of a recent survey by the Council of Heads of Medical Schools)
- Mathematics

### *Support staff groups*

- Accountancy/finance staff
- Manual workers.

In each of the participating institutions, one academic department and one support staff group from the above lists was allocated by IRS Research. Each institution itself identified a second academic department that was critical in terms of its importance within the institution. This could be another of the five core areas already identified, or a different discipline.

The core areas were allocated by IRS Research on the basis of relative size (in terms of numbers of staff and students). Some institutions also selected their chosen second department from within those areas. The resulting distribution is shown in Table 1. The other subject areas nominated by institutions are shown in Table 2.

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### **3: Recruitment difficulties – institutional overviews**

The interviews with a senior HR manager in each of the 14 institutions covered the following issues:

- Recruitment and retention issues in the institution
- Areas of difficulty and the reasons for these problems
- Strategies being used to address these problems
- The perceived impact of any difficulties on the achievement of current and future institutional objectives.

#### **Measures of recruitment difficulty**

The methods by which institutions assess recruitment difficulty varied between institutions. Not all institutions keep central data and some rely on departmental monitoring reports. This reflects the extent to which the central HR function is involved in monitoring the recruitment exercises. In some cases it appeared that data were collected centrally but the resources were not available to analyse them in detail.

The main indicators of difficulty included the number of applicants; the quality of the pool of applicants and appointments; and failure to appoint and re-advertisements.

#### **The number of applicants**

The notion of what constituted a 'small' number of applicants differed between institutions and also between subject areas. In some institutions, trends in the number of applicants were viewed as a reliable indicator of difficulties.

An old university measured the average number of applicants per post. Its data showed that over a four-year period the average number of applicants for academic posts fell by a third. In academic-related administration posts there had been a decline of 25 per cent in the past 12 months.

For 60 positions an HE college attracted over 900 applications, an average of around 15 applications per position. However, for almost half of all positions, the institution received fewer than ten applications. On average this institution was able to shortlist four candidates per position. However, in five cases, the institution could not shortlist any applicants. In a further 25 cases, the institution shortlisted four or fewer applicants. Of these 25 positions, ten were for academic jobs, and 15 were for administrative and clerical positions.

#### **The quality of the pool of applicants and appointments**

In general, HoDs had more information on the quality of both applicants and appointments than the HR heads. The HoD evidence is discussed in Chapter 10. However, some examples were provided, by the HR heads, of institutions struggling to find sufficient qualified candidates to make a shortlist.

The HR head in an old university said there was evidence of a shortage of appointable candidates. It was appointing those who only just met the basic requirements in shortage subjects.

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## **Failure to appoint and re-advertisements**

Several institutions gave examples of failure to appoint.

In the last 12 months, an old university had conducted over 1,500 recruitment exercises. The institution was unable to fill one in ten of these positions, despite receiving, on average, 20 applications for each academic position advertised. However, support staff vacancies, which accounted for less than half of all the institution's vacancies, only managed to attract an average of ten applications per position. Technical positions were the most difficult to fill, with over one-third remaining unfilled after a recruitment exercise. A quarter of clerical positions were not filled, and one in five academic posts were not filled after an initial recruitment exercise. Subjects which were the most difficult to recruit to were the natural and physical sciences.

In some cases the institution had to re-advertise a post.

An HE college had 75 academic vacancies during the past 12 months. Nine of these (12 per cent) had to be re-advertised. The re-advertisements occurred in the following subject areas: social science, education, mathematics and IT, nursing, occupational therapy, PE and sports science, and health care. In contrast less than 3 per cent of support staff vacancies had to be re-advertised: these were for staff in catering, and in the computer and IT systems centre.

In some cases the institution was not able to make an appointment despite re-advertising. Examples were given, in areas such as mathematics and biosciences, of posts being left vacant after failure to recruit, even after re-advertisement.

## **Academic staff**

According to the HR managers, all the institutions were experiencing difficulties in recruiting academic staff in some or all of the five core areas: business-related areas, computing/IT, engineering, health professions, and mathematics. Problems in computer science were mentioned by all 14 institutions. Eight of the respondents highlighted difficulties in business-related areas, particularly accountancy. Seven mentioned difficulties in engineering, where difficulties in recruiting specialists such as computer-related engineers were singled out for comment. Not all the participating institutions offered courses for health professionals, but of the 11 that did, nine were experiencing difficulties. Finally, in mathematics, five institutions were experiencing difficulties.

Several other academic areas were identified by HR managers as having problems. Areas mentioned by more than one institution included biological sciences, education, sports science and chemistry.

Interviewees were asked whether the difficulties were affecting all categories of academic staff or only particular grades. Responses varied according to discipline, but generally the most severe problems were being experienced at the more senior levels, particularly for professors, principal lecturers and heads of department. One HE college said that recruitment became more difficult with seniority. However, two old universities said that recruitment was equally difficult at all levels, while a third said this was the case specifically in the computing department. Four institutions mentioned particular problems recruiting junior academic staff.

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## 4: Reasons for recruitment difficulties

The HR managers were asked to identify the reasons for any recruitment difficulties they were experiencing and whether the same or different factors affected academic staff and support staff.

### Academic staff

A wide range of factors was identified as contributing to difficulties in recruiting academic staff. However four key factors stand out as being most frequently mentioned: shortage of qualified candidates; location-related factors; competition from other employers; and remuneration.

### Shortage of qualified candidates

A national shortage of qualified candidates was widely cited by all types of institutions as a key factor affecting recruitment in health, education, and business-related areas.

### Location

Location was mentioned as both a positive and a negative factor, depending on the institution. The majority (eight) mentioned it as a negative factor. In particular, the cost of housing locally was seen as a deterrent to prospective job applicants, especially by HR managers in institutions in or near London, as well as in some other cities. However, the problems associated with housing and other living costs were seen as closely linked to remuneration levels being too low. Those who mentioned the positive aspects of location pointed to aspects such as the attractiveness of the area, and/or its proximity to a city.

### Remuneration

Remuneration was regarded as being a very important factor in recruitment difficulties by ten of the 14 institutions.

The level of pay was seen by one old university as a 'big problem' affecting the recruitment of junior academic staff.

A new university said that the severe problems in recruiting health professionals had resulted in having to pay higher NHS rates on occasion. Across most of its PAMs courses this institution is now paying lecturers the higher NHS rates, combined with academic terms and conditions which are more generous than the NHS ones.

An HE college said that it was having to match salary levels in the health and schools sectors in order to recruit academic staff, and this was resulting in pressure on the payroll.

### Competition from other employers

Competition from other employers was widely cited in conjunction with remuneration and location issues. The numbers mentioning competition from other HE institutions and from non-HE sector employers were similar. However, competition outside the HE sector from employers offering higher remuneration was specifically mentioned as a major factor in particular subject areas such as computing, law, business-related subjects, health, economics as well as newer areas such as media studies.

For colleges specialising in teacher education, the rise in school teachers' salaries had made it more difficult for colleges to recruit teachers into academia.

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## **Workload**

In addition to these four key factors, five HR managers mentioned workload as negatively affecting recruitment, and four said that perceived long hours had a negative impact.

An HR manager in an old university said: 'There has been a transformation in academic work from less pay [than offered by competitors] and a reasonable workload to less pay and a heavier workload.'

The use of short-term contracts did not emerge as a significant factor, as the majority of institutions appeared to have made recent efforts to reduce the number used. Several said that, with the exception of contract-linked research staff, they aimed to put all staff on permanent contracts. An old university and an HE college where short-term contracts are still in use said that they were concerned that these contracts might act as a deterrent to recruitment.

## **Support staff**

The following three factors were cited by significant proportions of interviewees as affecting recruitment of support staff: remuneration (cited by nine institutions), competition from other employers (eight), and shortage of qualified candidates (seven).

The remuneration package was most frequently mentioned. One old university said that it was a 'substantial factor' as it paid less than other competitors in both the private and public sectors. The relatively high pay that IT staff and accountants can command in the private sector was mentioned, as well as the higher salaries for professional finance staff in other parts of the public sector. But at the lower-paid levels, mention was made of competition for manual staff from the service sector (retail, hotels and catering) as well as the NHS. An old university said that catering staff could earn more in the local hotels. A college said that trades people could earn more by being self-employed.

The scale of the difficulties affecting support staff was reflected in the fact that 12 institutions saw their major competitors for these staff as being outside the HE sector, and said that this competition was affecting all levels of staff from junior to senior professionals. Five institutions also referred to competition from within the local HE labour market.

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## 5: Retention difficulties

In the previous research in 1999, retention problems were seen by HR heads as less serious than recruitment problems. Although the current research has found a broadly similar picture, in certain areas retention problems, particularly amongst support staff, have increased.

### Indicators of retention problems

The measurement of any retention difficulties is largely based upon the analysis of staff turnover rates. All institutions collected staff turnover data, but the extent to which these data were analysed according to department and grade varied.

In addition to turnover rates, some HR heads stressed that retention difficulties were not just a question of numbers. The loss of individual high calibre staff, for example professors or heads of research centres, could have a disproportionately large impact. As one HR head in an old university said: 'We are losing all our research stars.'

### Academic staff

The main area in which the severe retention problems were cited was computing (eight institutions), followed by business-related areas (five institutions). In business-related areas, the subjects that were particularly problematic were accountancy, law and economics. Four institutions cited retention problems in engineering, particularly in electronic or computer-related areas, and four mentioned health studies.

The main reasons given for retention difficulties were competition from other employers and remuneration. Only one of the case study institutions said that exit interviews were conducted by departments, and only a few HR heads had any central data on the destinations of leavers. However, around half the institutions said the main destination of academic leavers was outside the HE sector, while just under half said that they lost people to other HE institutions.

### Support staff

Several support areas were cited by HR heads as experiencing serious retention problems. Ten institutions mentioned manual staff, eight IT/technical support, and seven said there were problems in administration and personnel. Eight institutions cited difficulties retaining finance staff, and an additional one was expecting problems in the near future. Retention of secretarial and clerical staff was problematic in four institutions, with a fifth anticipating problems in the future. A similar number cited difficulties retaining technicians.

The two major reasons for these difficulties were the level of remuneration (cited by eight institutions) and competition from other employers (seven). In addition, five mentioned lack of promotion opportunities. One other factor affecting retention, cited by three institutions, was that of hours of work - in particular the heavy workload for administration staff.

Nine institutions said that they were losing support staff to employers outside the HE sector, both in the private sector (finance, IT companies, services) and the public sector (local government, NHS). Only four thought that staff were leaving to go to other institutions within the HE sector, and these staff appeared to be primarily graduates and professional staff.

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## 6: Destinations of leavers

Institutions were asked to provide information on the destinations of both academic and support staff who had left during the past 12 months. Data were requested at both institutional and departmental level. Most institutions were unable to provide aggregate information. However the personal knowledge of HoDs enabled them to provide a fuller picture. Key points from this analysis are:

- A similar proportion of staff has left HE to go into employment elsewhere as has stayed within the sector
- Business-related areas and engineering are particularly vulnerable to losing staff to other sectors
- Some institutions have seen a high proportion of their staff retire in the last year
- Analysis of the age structures of departments shows considerable variation, with the proportion of staff set to retire in the next five years ranging from under 10 per cent to over 25 per cent.

### Aggregate data from institutions

Only three of the 14 institutions (two old universities and one HE college) were able to provide aggregate data on the destinations of leavers. It appears that most institutions either do not collect this information, or they collect it but do not have the resources to analyse it. The following information was provided by the three institutions.

Old university. For almost two-thirds of leavers the institution had no information on their destinations. Overall, 15 per cent were known to have joined other HE or research institutions, and 5 per cent took up posts in the private sector. A further 11 per cent had retired and 3 per cent had died. However, these data were not broken down by academic and support staff.

Old university. Over 800 staff had left the institution in the previous 12 months. In 15 per cent of cases there was no information on their destination. Almost one in five took up a post in another higher education, research or education institution; 9 per cent went to work in the public sector; and 9 per cent went to the private sector. Seventeen per cent had retired, and nearly 20 per cent had left to continue their education. A further 10 per cent were not in regular employment, and 2 per cent were self-employed.

HE college. Over 80 staff had left in a six-month period. The institution did not know their destinations in more than 40 per cent of cases. Overall, around 15 per cent of staff left for other HE institutions and a similar proportion retired. A slightly smaller proportion left to take up positions in the public sector. However, this college did provide separate data for academic and support staff. These showed that a high proportion of academic leavers, around one-third, retired; another third left to join other HE institutions; and nearly one-fifth went elsewhere in the public sector. Among support staff, less than 10 per cent moved to other public sector organisations; nearly 5 per cent joined another HE institution; and the same proportion left to work in the private sector; 8 per cent had retired and 2 per cent were self-employed. In 70 per cent of cases the institution did not have data on the destination of support staff leavers.

In several institutions HR managers said that individual departments held the most detailed information, and HoDs tended to know the destinations of their leavers.

### Data from heads of academic departments

Heads of department were asked to supply information on the destinations of staff who had left their department during the past 12 months. Table 3 summarises data on the destinations of 98 academics in identified shortage areas who had left a post in the case study institutions during the



12 months prior to this research. The heads of 18 out of 28 departments/faculties were able to supply this data. In a further three departments there had been no resignations over the reference period. Seven departmental heads were not able to provide the requested information.

**Table 3 – Destination of academic leavers (data from heads of department)**

Subject	Destination					Total
	Retirement	Other UK HEI	Overseas HEI	Out of HE	Other/ not known	
Biological sciences	-	-	-	1	-	1
Business-related subjects	-	11	1	11	1	24
<i>Of which:</i> Law		5		5	2	12
Accounting/finance		1		4		5
Computing/ IT	2	3	1	-	-	6
Education	1	3	-	2	2	8
Engineering	7	2	-	4	-	13
Health studies	12	6	-	5	2	25
Mathematics	6	3	-	2	3	14
Media	-	1	-	3	3	7
<b>Total</b>	<b>28</b>	<b>29</b>	<b>2</b>	<b>28</b>	<b>11</b>	<b>98</b>

As Table 3 indicates, in some academic disciplines – notably mathematics, health studies and engineering – the largest numbers of leavers went into retirement. This included an engineering department in a new university where six members of staff retired early.

In engineering and business-related subjects, such as accountancy and law, leavers were more likely to go to a job outside HE than to move to a post in another HE institution. For example, the law department of a new university had seen five lecturers leave over the past year. Three of these went into private practice and two went to work in specialist private sector colleges offering legal training. In an old university four members of the accountancy department left, and of these three went into private practice.

These more detailed data for academic staff indicate that overall nearly one-third were retiring, nearly one-third were moving elsewhere in HE, and nearly one-third were moving out of HE altogether.

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## 7: Strategies for addressing recruitment difficulties

HR heads were asked what initiatives their institutions were taking to address recruitment difficulties, including whether they were taking any measures with funding under the HEFCE's initiative for rewarding and developing staff.

### Academic staff initiatives

The following areas are ranked in order of the number of institutions undertaking particular initiatives:

- Addressing the remuneration package (10 institutions)
- Improving recruitment advertising (7)
- Offering part-time contracts (7)
- Enhancing non-pay rewards (6)
- Recruiting staff from abroad (5).

### The remuneration package

This area clearly was seen as a key one, although the national pay scales were seen as offering limited room for manoeuvre. However, one new university had introduced a new contract in which the minimum starting salary for academic staff has been increased to £21,000, and the pay scale thereby reduced by five points. Other steps being taken included: advertising posts across two grades (eg lecturer/senior lecturer) in shortage areas. Two old universities said that they were exploring ways of introducing merit/performance-related pay.

### Improving recruitment advertising

Initiatives included the use of on-line recruitment, and looking at better ways of communicating the range of benefits offered by HE employers.

### Recruiting staff from abroad

Use of this strategy has increased significantly since 1999. This does not refer to attempts to attract an identified eminent senior academic with a high research profile, but to recruiting lecturers from other countries, including Eastern Europe, as a means to fill gaps in areas experiencing problems. Three old, and two new, universities indicated that they had used this strategy, and one further old university, while not defining it as a 'strategy', had nevertheless recruited a large number of staff from abroad in disciplines such as mathematics and IT. In one new university the number of academic staff from abroad being processed for work permits had trebled in the last 12 months. The impact of this strategy on the perceived quality of teaching in some areas is considered in a later chapter.

### Part-time contracts

One strategy that was mentioned as being very successful by a few institutions was that of offering part-time contracts. However, this was seen as applicable in only a limited number of areas such as health studies, where appointments can be held in conjunction with work within the NHS; and in media, art and design where prospective HE staff also wanted the opportunity to work on a freelance basis.

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## 8: Strategies for addressing retention difficulties

### Academic staff

Generally, the retention of academic staff was not perceived as being such a serious problem as that of recruitment. As a result, fewer specific measures were cited by HR heads as being in place to address retention issues. There was a widespread view that, once staff were in post, some of the factors that had been important in affecting recruitment, such as location, were no longer significant in determining whether or not people stayed.

Five institutions were taking steps to enhance the remuneration package. Two institutions – one college and one new university – said that they would try to match salaries if someone had an offer from another HE institution.

In addition to remuneration, the main focus appeared to be on the issue of career progression. A few institutions said that they applied a 'flexible' or 'fast-track' approach to promotion to retain key people. One new university said that it was seeking to develop alternative career routes leading to the principal lecturer scale to reward excellence in teaching or entrepreneurship. One HE college said that it was planning to introduce a scheme for additional payments, above the top of the lecturing scale, for people who would not otherwise justify promotion but who had made a significant contribution to teaching and student-related administration.

### Support staff

For support staff, the major focus was on enhancing the remuneration package, mentioned by over half the HR heads. Market supplements, loyalty bonuses, and pay reviews were all mentioned. One old university was conducting a review of manual staff and looking at enhancing basic pay levels by consolidating allowances.

The second area mentioned was that of enhancing non-pay rewards and improving staff development opportunities. This included funding for staff to undertake university courses, opportunities for secondments, and IT training.

### Measures funded under the HEFCE initiative

The initiatives cited by institutions for retention were largely the same as those described in the previous chapter to boost recruitment. This is because measures related to remuneration are seen as having an impact on both recruitment and retention. The main distinctive initiatives in addressing retention are in the area of staff progression, with a few institutions having a specific focus on improving staff development opportunities for both academic and support staff.

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## 10: Recruitment and retention difficulties in academic departments

As part of this research project, two heads of academic departments and one head of a support function were interviewed in each institution. All the interviews involved the completion of a data sheet about recent recruitment exercises. However, it should be noted that departments were asked only to provide details on up to four recruitment exercises conducted in the last 12 months. In some cases departments had had a considerably larger number of vacancies to fill over that period. The findings in this chapter are based on the interviews with the HoDs and the analysis of the recruitment exercises in each department.

Some key findings of this chapter are:

- Recruitment difficulties are more common than retention difficulties, but the majority of HoDs interviewed were experiencing problems in both areas.
- Analysis of the recruitment exercises indicates that a high proportion in some subject areas were either resulting in an unfilled post; or in the appointment of a member of staff who did not fulfil all the requirements of the post. These included: accountancy/finance (68 per cent); computing/IT (46 per cent); and mathematics (37 per cent).
- The main reason for recruitment and retention difficulties given by HoDs across all areas was the HE remuneration package compared with that of labour market competitors.
- Other factors contributing to recruitment problems were seen as unwillingness of the most able students to make the sacrifices involved in undertaking a PhD, and problems with research funding.
- Reasons cited for retention problems included volume of work; the balance between teaching, research and administration; and the lack of promotion opportunities.
- Major strategies used by HoDs to address problems included making use of existing pay flexibilities; use of market supplements; encouraging secondments from health and education sectors; job redesign; and recruitment from abroad (especially in computing, IT and mathematics).

Recruitment and retention issues and the outcomes of recruitment exercises are analysed in the following departments/divisions:

- Business-related areas
  - Accountancy and finance
  - Law
  - Other areas including marketing and HR management
- Engineering
- Computing and IT
- Health
- Mathematics
- Education
- Biological sciences
- Media.

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## Business-related areas

Business-related subjects include management studies, economics, accountancy and law. However, law departments are sometimes separate departments or faculties and sometimes integrated within business studies or social science faculties. Eight HoDs were interviewed, of whom two were the heads of separate law departments.

All but one of the HoDs said that they were experiencing difficulties in recruiting. Both the quality and size of their applicant pools were considered to be serious problems.

Within business-related areas, accountancy was the hardest specialism to recruit. The key factor seen as explaining these recruitment difficulties was the shortage of qualified accountants prepared to enter an academic career given the higher level of remuneration available outside the HE sector.

In an old university experiencing 'very severe difficulties', the head of accounting said that universities were expecting graduates to get an MA followed by a PhD and research experience before securing an academic post. By the time they had done that they were in their thirties and could not be expected to work at a university for £22,000.

In a new university the shortage of qualified candidates for academic accountancy posts was attributed to 'the salaries offered when compared with private practice'.

The level of academic remuneration was generally seen as a major factor in all business-related areas. The private sector was a major competitor offering higher salaries.

The HoD in an old university said that starting salaries are the most important factor, particularly for graduates and PhD students. Once people left the HE sector for higher salaries in the private sector they seldom go back to considering academic jobs at all.

In one faculty in an old university, the head highlighted the particular problems of attracting economics graduates. The head considered that UK students were not continuing to do doctorates in economics because the career structure and remuneration were so poor. 'After a two-year MA, a graduate can earn more in the private sector. Fewer graduates think about an academic career now.'

In one of the law departments, the HoD said that it was difficult to get the most able graduates with a first class degree into academia. 'This used to be the obvious choice, but now when they have completed their training, they can get £30,000 in a major law firm as compared to £19,000 as a lecturer. One junior lecturer whom we had arranged to move from half-way up the A scale to the top of the B scale was headhunted by two different law firms in London and started on £40,000. Within a year he was earning £70,000.'

The four old universities, but not the two new universities or HE colleges, were also facing retention difficulties. Those who left tended either to move to other HE institutions for promotion, or to leave the HE sector for private practice.

Another concern mentioned by half the HoDs, again those in the old universities, was that workload pressures were affecting recruitment. One HoD in an old university said that the hours of work and workload had increased beyond all recognition.

Two HoDs said that they were trying to address the problem of filling academic vacancies by looking at ways of enhancing the remuneration package, through increased use of flexibility and by accelerating the promotion timetable.

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An appointment was made to all 12 of the law posts, but in the cases of three lecturing posts (one-third of all the lectureships) the person specification was not seen to be fully met by the appointed candidate, for example because they did not have the appropriate teaching experience.

#### *Other business-related areas*

Four institutions provided information on recruitment to a total of ten posts in other business-related areas. These included two lectureships and a chair in marketing and two lectureships in human resource management. One post was a professorship in a public sector management area, and the remaining four posts were research positions. In one case the recruitment process had not been completed at the time of the research. In eight of the ten cases the HoDs commented on the pool of applicants: in five the applicant pool was seen as adequate or good, while the field for the three other posts was poor.

A college was seeking to appoint at senior lecturer or principal lecturer level to a human resource management post. It found applications to be 'disappointing', especially from those aiming for the more senior post. The appointment was finally made at senior lecturer level.

An old university had 20 applications for a lectureship in marketing, but only two of these were suitable for shortlisting. In the end no appointment was made.

However, where institutions had been able to make an appointment, in no case was the appointee seen as falling short of the requirements for the post.

#### **Engineering**

All four departments were experiencing recruitment difficulties reflected in the size and/or quality of the pool of applicants.

In one old university, until this year the HoD had expected to receive 50-100 applicants for an academic post and to have shortlisted 15-20. But the number of applicants had declined to 30 or below and the number who could be shortlisted to fewer than ten.

Remuneration was seen as the key factor in all four departments. The main competitors are private industry, where candidates with PhDs can get a much higher starting salary than in the HE sector. Examples were given of high-tech companies offering a graduate with a PhD a starting salary of £25,000. One HoD said that some private sector companies not only paid engineers a higher salary but also offered a range of benefits that outstripped what the universities provided.

Two departments were experiencing retention problems. One reported that it was currently losing its most experienced and innovative staff. Another HoD said that it was particularly difficult to retain specialists in communications engineering and, to a lesser extent, mechanical engineering. A third HoD expressed serious concerns that the department could lose some of the most innovative academics who had created spin-off companies: 'They currently have a foot in both camps, but they could leave and go to the companies full-time.'

Two of the departments also reported significant problems recruiting and retaining support staff, including technicians, clerical, secretarial and administration staff. These difficulties were putting pressure on the research infrastructure.

The two departments that had participated in the research in 1999 said that both recruitment and retention problems had increased over the two-year period.

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## Analysis of engineering recruitment exercises

Four institutions provided data on 16 recruitment exercises. These data suggest that the institutions concerned are struggling with narrower and poorer pools of candidates than in previous years, but they are, by and large, able to make adequate appointments.

Four of the recruitment processes had not been completed at the time of interview. Of the remaining 12 posts, 11 were lectureships and one a readership. In four cases, including the readership, the size of the applicant pool was smaller than in previous years. None of the applicant pools was described as poor, but in one case there were only two shortlistable candidates. In one case, the comment was that 'there was only a minority of good candidates; most did not occupy comparable posts elsewhere, and 70-80 per cent were from non-UK postgraduates'.

However, in only one case was an appointment not made on the first round. In all cases where HoDs commented (eight posts), the appointee was reported as fully meeting the requirements of the post.

## Computing and IT

In four institutions interviews were conducted with the head of department, or faculty, responsible for computer science and/or IT. All four departments were facing recruitment problems and three had retention difficulties.

Problems were described as general in three of the four institutions. Specific problems cited were, in an old university, for both lecturing and research staff in informatics, and in a college, for networking and database specialists. In two of the three institutions involved in the 1999 study problems had become worse in the last two years; in one they had remained the same.

All four HoDs said that the main reasons for recruitment problems were the shortage of qualified candidates and the ability of UK competitors outside HE to pay higher salaries. In addition, two HoDs – in an old university and a college – said that the department faced competition from other countries. For example, the college had lost a network manager employed on a salary of £21,000 in the UK who moved to earn £60,000 in the USA.

Other reasons given by particular institutions for their recruitment difficulties included: problems with research funding (an old university); misunderstanding among potential recruits about what is required of IT lecturers in an education context (a college); and a workload involving 'too much teaching' (a new university).

Lack of internal promotion opportunities was cited as a major reason for retention problems. The heads of two departments – in one old and one new university – were concerned about the impact on staff retention of the age profile of the department.

In two institutions (a new and an old university) recruitment from abroad was one of the main strategies being used to address recruitment problems. Other approaches included developing links with industry; 'informal networking' as a means of attracting recruits from other institutions; and, in a new university, the use of both enhanced pay packages and part-time contracts to attract candidates.

## Analysis of computing/IT recruitment exercises

The data on recruitment exercises confirm that, for a sizeable proportion of computing/IT posts, it is difficult for departments to draw up an adequate shortlist, and a number of vacancies are not being filled in the first round of advertising.

Data were provided on recruitment to 16 posts in four institutions, but in two cases the recruitment process had not been completed at the time of interview. One of the posts for which the process

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as meeting the requirements. However, for one appointment – a senior lectureship in adult nursing at a new university – the department concerned had to compromise by 'changing some aspects of the person specification from essential to desirable.'

## **Mathematics**

Heads of departments or faculties including mathematics were interviewed in three institutions – two old universities and a college. All three institutions were experiencing some problems with the recruitment of staff and two of them also faced retention problems.

Statistics was cited by two old universities as a particular shortage area where there is strong competition from outside HE. However, one of these institutions described general problems extending across the discipline.

'Our problem areas are: statistics – all grades, and maths lecturers in both pure and applied maths. Within applied maths it is particularly difficult to recruit to numerical analysis and we have very low numbers applying. Pure maths is easier but still very difficult.'

The problem faced by the college was a different one: here the national shortage of maths specialists in schools was making it very difficult to recruit lecturers with school teaching experience.

In the short to medium term the age profile of the existing workforce seemed likely to result in further gaps in staffing in both of the universities. In one case nine out of 44 staff were within five years of retirement, and in the other, seven out of 50 were in this age group.

In response to the problems they faced, the two universities relied strongly on foreign recruitment.

One HoD had recruited from the rest of the European Union and from the USA. 'I could not staff the department without foreign lecturers. Eight out of my last nine appointments have been non-UK lecturers.'

The HoD in the other university explained why this strategy was effective: 'We attract staff from other countries. The style of applied maths in the UK is seen as attractive. Also we have more opportunities for permanent posts than a lot of institutions in other EU countries, where there tends to be a lot of fixed-term contracts and a few people in very high status positions. We also get a lot of people from China and Russia – just because they want to get out.'

Other recruitment strategies included appointing at above the minimum advertised pay rate: this was applied to some degree by all three institutions.

Increased pay, including 'promotion', was being used as a measure to retain key staff in all three institutions. This included the one university that was not currently experiencing retention problems, but where the HoD was endeavouring to anticipate potential difficulties. 'We have a few highly poachable people and I'm trying to hang on to these.' For example he was trying to get promotion for a talented applied mathematician.

## **Analysis of mathematics recruitment exercises**

In the three institutions, recruitment exercises had been conducted for a total of eight posts. In a number of cases, particularly appointments to specialist areas such as statistics, the data indicate that it is proving difficult to make adequate appointments.

All the eight vacancies were lecturing posts. In two cases the pool of candidates was described as poor. In one case – a lecturing post in an HE college – no appointment was made. In two other cases the appointed candidate only partially met the requirements of the post. One of these



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May 26, 2003

Ms Miranda Hon  
Clerk, Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 10: University Grants Committee funded institutions –  
Staff remuneration packages and stipends**

Thank you very much for your letter on the above subject addressed to Prof Paul Chu dated May 19, 2003. As Prof Chu is presently out of town, he has asked me to reply to you on his behalf.

HUCOM is most happy to provide the additional information requested by the Public Accounts Committee (PAC). For the information proving that the universities in the UK have lost many of their talents in the last decade because of their uncompetitive pay for academic staff, PAC Members may wish to refer to the following 3 reports:

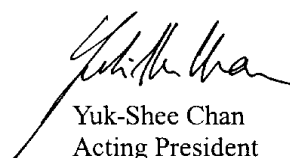
- (a) The National Committee of Inquiry into Higher Education Summary Report (the Dearing Report 1997);
- (b) Independent Review of Higher Education Pay and Conditions, Report of a Committee chaired by Sir Michael Bett (The Bett Report 1999); and
- (c) The Commonwealth Higher Education Management Service Report 2001.

Excerpts of (a) and (b) are attached as Appendices I and II of this letter.

As for information showing that the universities in Hong Kong are able to attract talents from the international academic community, a collection of evidence provided by the eight HUCOM Member Institutions is attached as Appendices III to X. The HUCOM Secretariat has not made any edition to it because of time constraint.

I hope the above information will be useful for the Committee.

Sincerely yours,



Yuk-Shee Chan  
Acting President

c.c. Mr Peter Cheung, Secretary-General, University Grants Committee  
HUCOM Members (w/o enclosures)

***\*Note by Clerk, PAC:  
Appendices I and II not  
attached.***

### Response of CityU to an enquiry from the Public Accounts Committee

The following information offers evidence to show that CityU has succeeded in attracting academic staff of high calibre:

CityU currently has 57 Chair Professors, 13 of whom are academicians (Appendix 1) and 7 are IEEE Fellows (Appendix 2). A Fields Medalist and an IEEE Fellow had retired from the University.

Of the 57 Chair Professors, 19 (33%) possess qualifications from USA Top Tier doctoral institutions and 3 (5%) from Canada Top 3 universities. 7 (12%) of them held prestigious appointments in USA Top Tier doctoral institutions prior to joining CityU, 1 (2%) from a Canada Top 3 university, 6 (10%) in USA other tiers doctoral institutions, 4 (7%) in UK universities, and 15 (26%) in other universities over the world (excluding Hong Kong). Altogether, 16 patents are obtained by 5 Chair Professors; 41 patent applications from 7 Chair Professors are pending approval. Details of their achievements are provided at Appendix 3 for the confidential information of the PAC.

The Essential Science Indicators (ESI) of the Institute for Scientific Information (ISI) show that 6 of these Chair Professors are listed among the top 1% scientists worldwide in the fields of engineering, materials science and mathematics. Another indicator of the very high calibre of the University's academic staff is the ranking of journals in which their papers are published. Some of them have published papers in top ranking prestigious journals such as *Nature* (with a high impact factor of 27.955), *Science* (with a high impact factor of 23.329), etc.

Of the 116 academic staff of all ranks recruited from overseas in the past 5 years (52% of all recruits of academic staff), 33 (28 %) possess qualifications from USA Top Tier doctoral institutions and 8 (7%) from Canada Top 3 universities. 15 (13%) of them held prestigious appointments in USA Top Tier doctoral institutions prior to joining CityU, 25 (21%) in USA other tiers doctoral/other institutions, 10 (9%) in UK universities, and 43 (37%) in other universities over the world (excluding Hong Kong).

Our research achievements, as reported in the RGC Reports, are well recognized:

<u>Year</u>	<u>No. of refereed publications</u>	<u>Average no per academic per year</u>
1998-99	1512	1.6
1999-00	1762	2.0
2000-01	1997	2.1

Our academic staff gained many awards and honours. Some of the outstanding ones are:

- Member of Chinese Academy of Sciences
- IEEE Fellowship
- Croucher Foundation Senior Research Fellowship
- Humboldt Research Award
- Second Prize of the national Natural Science Award 2002 (China)
- Award of Excellence, American Fisheries Society (Physiology Section)

- Pittsburgh-Cleveland Catalysis Society Award in Catalysis
- US NSF Presidential Young Investigator Award
- Centenary Award of Australia
- Misumi Award, Japanese Group Dynamics Association
- IT Excellence Award 2002
- Invitation to be the first Asian to deliver the Alexander Lectures (one of the most distinguished lecture series on English Literature in North America) at the University of Toronto in 2005.

***\*Note by Clerk, PAC: Appendices 1, 2 and 3 not attached.***

## HONG KONG BAPTIST UNIVERSITY

### Response to an enquiry from the Public Account Committee

In respect of the Hong Kong Baptist University, all academic posts are internationally advertised in order to attract the best talent to join the higher education sector in Hong Kong. In the past ten years from 1993 to 2003, our University has recruited a total number of 133 academic staff from overseas and 70 of them (representing 53%) are from North America.

We would like to emphasize that it has not been easy for the University and the HK higher education sector as a whole in attracting overseas talent. Our experience in the past ten years is that overseas candidates are usually very concerned about the following factors in considering a move to Hong Kong:

- (a) congested and noisy living environment, pollution and small apartments;
- (b) high housing costs and high living standards;
- (c) education for their children and the high education costs in international schools with the need to arrange for debentures, etc.;
- (d) adaptation for their spouse and children;
- (e) research environment, facility and funding in Hong Kong; and
- (f) tax implications to Hong Kong and U. S. A. (or other overseas countries)

Due to health and adaptation problems, we have lost quite a number of senior academic staff (including a Dean whom we have great difficulty in recruiting) who found it necessary to return to their overseas countries after a year or shorter than one year and the University had to repeat the entire recruitment process.

In our experience of recruiting two Deans from the United States in the recent ten years, we could hardly offer a salary higher than their salary in the States; one of them was from Northwestern University, and the other from Colorado State University. Our most recent experience with one of the candidates from the University of Minnesota is that his salary is above our Professorial average.

Of the academic staff recruited from overseas, about half of them possess academic qualifications from USA Category I Institutions (Doctoral Universities), such as Harvard and Stanford, as well as reputable universities in U. K, such as Cambridge and Oxford; and in Canada, such as University of British Columbia and University of Toronto. Moreover, most of these academic staff have worked in USA Category I Institutions before coming to join the University.

In the past two years, the University has experienced more difficulties in recruiting academics from overseas because of the reduction in total remuneration

package, namely the abolition of education allowance and reduction in leave. The decline rate has risen from 10% in 2000/01 to 15% in 2001/02. A number of candidates have declined our offer because of the marginal comparability of our pay package with theirs in their own countries. To give some examples, some of these candidates were working at the following universities at the time of our offer of appointment:

University of Texas at Austin

Ohio State University

University of Illinois at Chicago

Swiss Federal Institute for Environmental Science and Technology, Switzerland

John Hopkins University

University of North Carolina at Church Hill

University of Kansas

University of Wales, Cardiff

Personnel Office

30 May 2003

Reply to LegCo from Lingnan University

Tertiary education institutions in Hong Kong must be able to maintain and enhance their academic standards and international status in the intensely competitive global higher education field. There are many factors contributing to the successful achievement of this goal, including a favorable research and teaching environment, good support facilities and quality staff, etc. In this connection, salaries and benefits provided to academics in Hong Kong must be able to attract and retain quality staff from both overseas and local sources. For bright appointees from overseas, the salaries and benefits must be attractive enough to facilitate their relocation to Hong Kong.

In this respect, compared to the salaries and benefits of academics at top universities in the US, which is the main source of overseas academic appointees to Hong Kong, local academic salaries are actually lower. In any case, while universities in Hong Kong do not have to attract academic appointees only from the US, academic salaries must match those offered in the US, so that we are able to compete internationally with American universities.

Despite the relatively more limited research opportunities at Lingnan in view of heavier teaching loads, less research funding and a small number of research courses/students, Lingnan University has been able to attract quality staff from overseas, averaging at around 50% of total academic recruits in recent years. For an academic manpower of around 140 in total, this healthy influx has made significant contribution to the enhancement of our academic staff profile. Currently, the number of academics from overseas accounts for more than 40% of the total academic staff at Lingnan. These staff come from countries like the US, UK, Australia, Canada, Singapore, Norway, Austria and Croatia.

Lingnan University has been able to attract top academic appointees from overseas. Many of them are internationally recognised prominent academics in their field and were already full professors and/or heads of departments before they joined Lingnan. Some examples of their former appointments include: Professor of Comparative Literature and of East Asian Languages & Culture at Indiana University, Professor of Chinese at the University of Wisconsin at Madison, Professor of Chinese Literature at the University of Hawaii, Chair of British Civilization Studies at the University of Oslo, Australian Research Council Senior Fellow at the University of Technology Sydney, Professor of Organizational Behavior at Simon Fraser University, Professor of Accounting at the University of California Riverside and Professor of Human Geography at the University of Nottingham. Lingnan University not only attracts senior academics from overseas, but also manages to attract promising academics who are keen on establishing a strong base in their research areas, including a former Reader in Economics at a UK university and a number of Associate Professors and Senior Lecturers from renowned overseas universities.

The above information illustrates that Lingnan University is able to attract quality academics from major academic centres all over the world. It also shows, among other things, the strength of the pay package at the University.

### **Response of CUHK to an enquiry from the Public Account Committee (PAC)**

The PAC asked the institutions to provide proof that the good remuneration packages offered by the institutions in Hong Kong have helped attract high-calibre scholars to Hong Kong.

CUHK would like to provide the following in response:-

- (a) With the present remuneration package, the University has been able to recruit academics of high calibre. Take example of 2001-02, the University recruited 62 academics, out of which 47 were recruited from overseas (75%).

Of these 47 appointees, more than half (25) of them possess qualifications obtained from USA Category I institutions (doctoral institutions, e.g. UCLA, Harvard, Stanford). Many of them have ample experience and have served in prestigious institutions before joining the University. For example, one-third (15) of the 47 appointees held appointments in USA Category I institutions before coming to Hong Kong, and some others were previously employed by USA Category IIA institutions (comprehensive institutions) and UK universities, with the rest from other countries over the world. We are even able to attract distinguished scholars who are Nobel Laureates and Fields Medallist, to join the University.

It is also worthy to note that a number of the new recruits who possess both great academic credentials and valuable industrial experience were recruited from the industry, viz. established laboratories like the Bell Laboratory.

- (b) The University has been able to maintain a productive faculty. It may be noted from the RGC Report for 1998-2001 that our academic staff had a good record of academic output in refereed academic venues.
- (c) The quality of our academic staff members is also well testified by recognition given to them by their professions and the community. These include international awards, election to presidency and senior fellowship of regional/international professional organizations and honours from the community (including the international community) for outstanding achievements. To cite a few example, Professor C.N. Yang, Professor-at-Large of our University, was awarded the Onsager Prize and the King Faisal International Prize for Science; Professors Henry Wong and Thomas Mak of the Chemistry Department were elected Members of the Chinese Academy of Science; Professor Fan Jianqing of the Statistics Department received the President's Award of the Committee of Presidents of Statistical Societies and was ranked top 6 highly-cited in mathematical sciences in the world by *Science Watch*; Professor Wong Wing Shing of the Information Engineering Department was elected Fellow of the Institute of Electronic and Electrical Engineers (IEEE); Professor Dennis Lam and Professor Dennis Lo of the Faculty of Medicine were respectively elected one of the 100 Global Leaders for Tomorrow and the 2001 Outstanding Young Persons of the World, etc. Many of our staff are invited to sit in Government Committees/Boards to contribute their expertise and experience.

...../2

- (d) Our faculties also contribute to the well-being of people through their inventions and discoveries. There are 57 issued patents obtained by 29 of our academic staff.
- (e) The University did experience difficulty in recruiting senior scholars, especially senior professors, for being unable to offer competitive remuneration that matches their high academic standing. For example, in the past few years, we failed to recruit two professors mainly for salary reason. The University has to make extra efforts in four professorial appointment cases in order to attract them to join the University. In the sample year of 2001-2, eight offers of appointment below the professorial level were not accepted by the prospective candidates, and some of which may be attributed to salary offers.
- (f) The University has also lost very good academics to overseas institutions because higher salaries were offered. We had a case of losing a Professor to the University of California for a Chair position; another case of our Professor joining Princeton University with a much higher salary. There is also a recent case that an institution in China is able to offer to a Professor of the University a salary closely doubled his present one.



**Hong Kong Institute of Education**  
**Information for the Public Accounts Committee**

The Hong Kong Institute of Education, unlike the other local institutions, does not offer university salary scales, although about 60% of our programmes are degree or postgraduate level. Since our salary scales and levels are relatively less favourable, we find it difficult to recruit local staff especially local senior staff. Of the senior staff recruited during 2002-03, only 11% of them are from local institutions.

Over the past years, we have had difficulties in recruiting senior academics who are at the level of Reader and Chair Professor. Apart from the Deanship, the highest academic rank in our Institute is Principal Lecturer and the applicable scale runs from MPS Point 43 (\$71,800) to Point 49 (\$88,425), which is simply not attractive to incumbents who are holding University Senior Lectureship/Readership/Associate Professorship with the University salary scale which runs from \$72,020 to \$99,815 and Chair Professors whose average monthly salary is \$127,155.

20 May 2003

Response of The Hong Kong Polytechnic University to an enquiry from the Public Accounts Committee

We recruit those staff who have exceeded a certain threshold in terms of academic qualifications and working experience (both academic and professional), and those who would fit our mission best. If the candidates' qualifications and experience are similar, we will naturally recruit a local or (overseas-educated) Mainland candidate rather than a foreign one. In all recruitment exercises for senior academic staff, the University will seek the views of several external assessors, mostly from overseas, in order to ensure that international benchmarking standards are met. For the majority of cases, the external assessors have indicated that the person to be recruited were eligible for a similar position in the most prestigious universities in the world.

Since its inception, PolyU has pioneered the provision of application-oriented education in Hong Kong, and has groomed more than 200,000 young talents for the community. Surveys in recent years have consistently found our graduates to be of the highest practical value to employers. Such positive recognition from the community is, to a great extent, attributed to the high-calibre academic staff members that we are able to recruit and retain.

During the last 5 years, we have recruited 155 academic staff members from Assistant Professor to Chair Professor, of whom 87 were from countries other than Greater China. Among these foreign recruits, about 24% were from the U.K., 27% from the U.S.A., 18% from Canada, 17% Australia, 6% from Europe and 8% from other countries. Those recruited came from top universities like Cambridge University, Edinburgh University, Imperial College, Princeton University, New York University, Pennsylvania University, University of Michigan, Washington University, University of British Columbia, McGill University, University of Houston, University of New South Wales and University of Melbourne. Apart from being highly qualified, some of them have attained internationally renowned honours. For example, our Head of the School of Hotel and Tourism Management, who joined us in July 2000, is a recipient of:

- The John Wiley & Sons Award from International Council on Hotel, Restaurant and Institutional Education (CHRIE) for contribution to scholarship and research in tourism/hospitality, and
- Martin Oppermann Memorial Award from International Society of Travel & Tourism Educators (ISTTE) for lifetime contribution to tourism education.

Many of these staff members would not have come to Hong Kong if relatively high salaries were not offered.

During the last five years, there were more than 10 candidates who declined our offer of appointment primarily because the package we offered did not meet their expectations. In addition, we have not been able to fill quite a number of Chair Professorships (for example, in the disciplines of Computing, Chinese and Bilingual Studies, Shipping and Transport Logistics, Nursing, Optometry and Radiography. The Chair in the School of Hotel and Tourism Management was filled only after a long search.) because no applications from suitably qualified candidates have been received

over a long period of time despite our repeated international advertisements. For Chair Professors/ Professors joining us in the past five years, we have already lost six of them. In addition, four Chair Professors/Professors will be leaving us this summer. This is indicative of the fact that there is a considerable level of mobility among senior academic staff members.

## International Competition for Academic Staff *The HKUST Story*

### Background

HKUST opened to students on 2 October 1991, but recruiting of teaching staff was well under way in 1989. With a mandate to build a high quality university specializing in subjects where competition for the best academics was particularly keen, recruiting sufficient faculty to staff a university planned to reach 7,000 students in barely five years was a major challenge. The prosperity and strong economic growth of Hong Kong in the early 1990's was a major factor in making HKUST competitive in the international market for academic talent. It made possible terms of service that were, at the time, sufficiently attractive to bring to Hong Kong some of the top scholars in the world at a time when the uncertainties of the 1997 transition had otherwise spurred significant emigration of professional talent.

The question has been raised as to what evidence exists that this recruiting exercise was as successful as claimed. To answer that, we propose to look at several major outcomes. First, we consider a few examples of the senior leadership that HKUST was able to attract. Then, we present specific examples of the quality of the academic staff as measured by their achievements since joining HKUST. This is followed by indicators of our overall success in competing for the top PhD graduates against international competition.

Much of this evidence relies on research accomplishment, since this is the area of academic endeavor that is most clearly benchmarked internationally. However, we also present evidence that the excellence of the faculty has also translated into educational program quality and positive student outcomes.

Finally, we will note some examples of the emerging problems in recruiting and retaining quality faculty that are emerging in response to the deterioration of our competitive position as a result of salary stagnation and reduction in recent years.

### Quality Leadership

An important early objective that remains a high priority is the recruitment of highly regarded academics to serve as leaders of our Schools and Departments. Along with attractive terms of service, this kind of leadership is essential to attracting the best-qualified younger faculty. A few key examples of HKUST's success in this arena of international competition are the following.

Professor Leroy Chang. Recruited as Dean of Science and later appointed as Vice-President for Academic Affairs, Professor Chang was among the top material scientists in the United States. He was a member of the U.S. National Academy of Science, the U.S. National Academy of Engineering, Academia

Sinica in Taiwan, and an overseas member of the Chinese Academy of Science. His status as a four-fold academician made him one of the most respected scientists in the world.

Professor Yuk-Shee Chan. Professor Chan, the founding Dean of the School of Business and Management at HKUST, held the Justin Dart Professorship in Finance at the University of Southern California. He is currently the Vice-President for Academic Affairs.

Professor Ting Pang-Hsin. Professor Ting accepted appointment as Dean of Humanities and Social Science at HKUST while holding the prestigious Agassiz Chair in Chinese Linguistics at the University of California, Berkeley.

Professor Ping Ko. Professor Ko was already well known in Hong Kong as Chairman of the RGC when he came to HKUST from the University of California, Berkeley, where he had been one of the youngest staff ever promoted to the rank of full Professor. He served as Head of the Department of Electrical and Electronic Engineering before being appointed Dean of Engineering.

## **Proven Performance**

There are a variety of indicators of the quality of the academic staff that was recruited at HKUST, including individual and collective achievements. A small sampling of individual achievements in the past few years is given below.

### Election to Prestigious Professional Bodies

Neuroscientist Prof Nancy Y Ip, Associate Dean of Science, Head of the Department of Biochemistry and Director of the Biotechnology Research Institute, has been elected an Academician of the Chinese Academy of Sciences, the most prestigious academic institution and research center for the sciences and high technology in China.

Four HKUST faculty members in the Department of Electrical and Electronic Engineering have been elected fellows of the prestigious Institute of Electrical and Electronics Engineers (IEEE). IEEE Fellows are internationally recognized as leading authorities in their research areas. Associate Professor Bertram E Shi was one of the youngest researchers to be elected an IEEE Fellow in recognition of his contributions to the analysis, implementation and application of cellular neural networks. Professor Kei May Lau was elected an IEEE fellow for her contributions to III-V compound semiconductor heterostructure materials and devices. Professor Khaled Ben Letaief was recognized for his contributions to the analysis, design, and performance evaluation of high-speed wireless communication systems. Professor Hoi-Sing Kwok was honored for his pioneering research into liquid display technology.

To honor his significant research contributions in the field of materials science and engineering, Professor Tongyi Zhang of the Department of Mechanical Engineering was elected a fellow of the American Materials Society, ASM International.

Professor Tai-Kai Ng of the Department of Physics, an expert in condensed matter physics, has been elected a Fellow of the prestigious American Physical Society (APS). In his citation, Dr Ng was praised "for his work on the Coulomb effects in a quantum dot, leading to the prediction of conductance enhancement due to the Kondo resonance."

### Honors and Awards

Professor Ping K Ko (Electrical and Electronic Engineering) was awarded the 2002 IEEE Solid-State Circuits Award. He shared the honor with Prof Chenming Hu of UC Berkeley.

Professor Tongxi Yu (Mechanical Engineering) gained a China Higher Education Science and Technology Award — first Class.

Prof Ka Ming Ng, Head of the Department of Chemical Engineering, has won the prestigious Excellence in Process Development Research Award of the American Institute of Chemical Engineers (AIChE). The award recognizes individuals who have made significant technical contributions to advances in industrial process development.

In recognition of their outstanding research achievements, Prof Randy Poon (Biochemistry), Prof Tai-Kai Ng (Physics), Prof Mingjie Zhang (Biochemistry) and Prof Tongyi Zhang (Mechanical Engineering) were among ten Hong Kong researchers selected as Croucher Senior Research Fellows in 2002 and 2003.

Prof Ping Cheng of the Mechanical Engineering Department will be the recipient of the 2003 AIAA Thermophysics Award given by the American Institute of Aeronautics and Astronautics (AIAA) in recognition of his seminal work in thermophysics.

Prof Jing-Song Huang, Professor of Mathematics, was conferred the 2002 State Natural Science Award (SNSA), second class, for his fundamental contributions to research on group representation theory and harmonic analysis.

Prof Wilson Tang of the Department of Civil Engineering has been elected to the US Offshore Energy Center's Hall of Fame as a Technology Pioneer in Reliability-Based Design of Marine Structures.

Dr Kevin A W Lee, Associate Professor of Biology, has become the first researcher in Hong Kong and the Chinese Mainland to receive funding support from the prestigious UK-based Association for International Cancer Research (AICR). AICR will provide HKD \$1 million over two years for Dr Lee's

research on an abnormal protein (EWS) that causes a group of rare and lethal cancers.

Associate Professor Kin-Man Lee of Civil Engineering and his research team were presented the Thomas A Middlebrooks Award for the paper "Effects of placement method on geotechnical behavior of hydraulic fill sands", published in the Journal of Geotechnical and Geoenvironmental Engineering in October 1999. The annual award was established by the prestigious American Society of Civil Engineers (ASCE) in 1955 to encourage advanced geotechnical research. Dr Lee's team is only one of two non-US research groups to have received the award in its 45-year history.

Assistant Professor Wenxiong Wang of Biology was awarded the prestigious "Biwako Prize for Ecology" in 2003 for his significant contribution to environmental studies in the field of ecology.

The breadth and depth of the HKUST faculty's quality can only be partially presented by citing examples of individual recognition. There are, however, a number of indications of collective achievement:

The Accounting faculty at HKUST ranked 1st in the world in research articles published in the top five academic journals in 2001, the second year in a row it has gained this prestigious place. HKUST is one of only four universities to consistently rank in the top 10 in the last four years, together with Columbia, Pennsylvania, and Stanford.

The Advanced Manufacturing Institute (AMI) of the Hong Kong University of Science and Technology (HKUST) has received a major international award, the University LEAD Award, from the Society of Manufacturing Engineers and its Computer and Automated Systems Association (CASA/SME) in recognition of its achievements in research and education in the area of enterprise-wide integrated manufacturing technology.

HKUST was ranked the top university in finance research among Asia-Pacific universities, according to a study published in the widely quoted Pacific-Basin Finance Journal (June 2001). Professor Kalok Chan of the Department of Finance was named the top author in terms of research productivity in the whole region.

*China Journal*, *China Quarterly*, and the *Journal of Asian Studies* are the journals in the China field with the highest Impact Factor in the Journal Citation Report. In term of publication in these journals, HKUST is among the top five universities in the world, along with such world-class universities as Harvard and Stanford.

The ability to do cutting-edge research is another indication of the quality of HKUST scholars. Research achievements in the early years of HKUST include:

In 1994, Prof George K L Wong, together with Mainland researcher Prof Chuangtian Chen, set a new world record for the shortest wavelength of deep

ultraviolet laser radiation (184.7 nanometer) generated from a non-linear optical crystal. Their work has pushed forward basic research and has diverse potential uses ranging from medical applications to microelectronic fabrication.

In 1993, Prof Jay-Chung Chen and his research team enabled HKUST to win the largest government contract awarded to a tertiary institution in Hong Kong to provide the new airport with the technology to monitor wind patterns. Working together with US scientists, the result was the Operational Windshear Warning System, a pioneering development for Hong Kong that can be exported round the world.

Two recent examples have gained international attention:

Hong Kong University of Science and Technology physicists have discovered that, below 15°K, 4-Angstrom single-walled carbon nanotubes exhibit superconductivity. In recognition of this major breakthrough, *Science*, the world's top science journal, published the research findings on 29 June 2001, and framed it as one of the most important findings published in this particular issue. This research followed the success of HKUST scientists in fabricating the smallest single-walled carbon nanotube in the world.

Dr Chun Liang, Assistant Professor of Biochemistry, has identified a protein that plays an essential role in the initiation of DNA replication. The findings were published in the 28 June 2002 issue of *Cell*, an academic journal in modern biology renowned for its publication of high-impact, cutting-edge biological research.

Finally, there is statistical evidence to demonstrate the quality that resulted from recruitment of academic staff. In the international competition, the graduates of the world's top universities are in greatest demand. Fully two-thirds of HKUST's current faculty earned their PhDs from the select list of institutions listed in Attachment 1. If we consider an even more selective group: the great private universities represented by the "Ivy League" in the US, supplemented by Stanford, MIT, and CalTech, plus UC-Berkeley, UC-San Diego, UCLA, Oxford and Cambridge as a sample of the top public institutions, then we find that they account for the PhDs of about 40% of the HKUST faculty.

More extensive information on HKUST faculty members and their academic background and experiences can be found in the *HKUST Faculty Profiles 2002-03*.

### **Impact on Academic Programs**

Benchmarking research accomplishment is natural, since the universal dissemination of research results and the tradition of peer review of publications guarantees that quality judgments are regularly made on the work being done. There is less opportunity for this kind of international comparison for academic programs; however, HKUST has taken advantage of the opportunities that exist. For example:

The School of Business and Management voluntarily sought, and became the first university in Asia to receive, accreditation by the AACSB, the



international accreditation organization based in the U.S. The School's Accounting program also received separate AACSB recognition. Subsequently, the School was also accredited by the European accreditation body (EQUIS) and remains the only program in Asia with both AACSB and EQUIS accreditation.

Along with other Engineering programs in Hong Kong, HKUST benefits from international recognition through the participation of the HKIE, the local professional accreditation body, in the Washington Accord—an international agreement for mutual recognition of qualifications.

The HKUST MBA program continues to be ranked the first in Asia in the widely respected rankings published by the *Financial Times*. The quality of the faculty has been a significant factor in achieving this status.

Finally, we have benchmarked the performance of our students against international standards. A study of HKUST students who have spent a semester on exchange at some of the best universities in the U.S. shows that they are able to perform as well or better than students of those institutions with comparable prior academic results.

### **Evidence of Deterioration**

Fortunately, the majority of those recruited in the early years of HKUST's development (despite some predictions to the contrary) have remained with us and form the backbone of our current faculty. However, there is now a noticeable deterioration in our success rate in recruiting. Typical examples are recent cases where we were competing for a PhD in Mathematics with Georgia Tech, and a PhD in Electrical and Electronic Engineering with Princeton, and lost out both because we could not quite match their salary offers and because of the much lower cost of living in Atlanta and New Jersey. In the most highly competitive fields in business and engineering, our dwindling competitiveness is reflected in the higher-than-desired appointment of visiting faculty due to our inability to secure permanent staff of the quality we want.

The recruitment situation is being exacerbated by the loss of a number of key faculty to overseas institutions who can offer better terms. It was disheartening to have successfully attracted two first-rate social scientists from Harvard only to lose them to Stanford recently. This pattern is being repeated in a number of areas, notably in business fields.

May 2003

California Institute of Technology  
Columbia University  
Harvard University  
Kyoto University  
Massachusetts Institute of Technology  
McGill University  
Ohio State University  
Princeton University  
Purdue University  
Stanford University  
University of British Columbia  
University of California, Berkeley  
University of California, Los Angeles  
University of California, San Diego  
University of Chicago  
University of Illinois, Urbana-Champaign  
University of London  
University of Michigan  
University of Minnesota  
University of Oxford  
University of Southern California  
University of Toronto  
University of Washington  
University of Wisconsin, Madison  
Yale University

**THE UNIVERSITY OF HONG KONG**

**Recruitment exercises from July 1, 2002 to May 14, 2003**

Exercise	Level of post	No. of applications							No. of shortlisted applications	Results
		By region								
		North America	Europe	Australia/ New Zealand	HK	Others	Total			
1	Assistant Professor	22	3	2	30	14	71	3	2 appointments made (North America and HK)	
2	Assistant Professor	0	0	0	3	1	4	1	1 appointment made (HK)	
3	Assistant Professor	11	9	3	3	2	28	0	No appointment made	
4	Assistant Lecturer	0	1	0	1	0	2	0	No appointment made	
5	Assistant Professor	0	0	0	1	0	1	0	No appointment made	
6	Assistant Lecturer	0	0	0	4	6	10	2	2 appointments made (HK)	
7	Assistant Professor	39	32	13	24	35	143	1	1 appointment made (Europe)	
8	Professor/Associate Professor	22	5	5	23	3	58	3	No appointment made	
9	Assistant Professor	38	9	5	10	17	79	4	1 appointment made (HK)	
10	Chair Professor	3	1	0	4	1	9	1	1 appointment made (HK)	
11	Associate/Assistant Professor	87	13	5	25	28	158	1	1 appointment made (North America)	
12	Assistant Professor	5	2	4	7	7	25	3	1 appointment made (HK)	
13	Assistant Lecturer	0	0	0	1	4	5	0	No appointment made	
14	Assistant Professor	0	0	2	2	0	4	0	No appointment made	
15	Assistant Professor	2	1	2	7	1	13	3	1 appointment made (HK)	
16	Assistant Professor	34	3	2	10	7	56	4	1 appointment made (North America)	
17	Associate Professor	8	0	0	5	1	14	4	1 appointment made (HK)	

N.B. Details of ongoing exercises are not tabulated above.

Human Resource Section, Registry  
May 15, 2003

Academic staff of The University of Hong Kong are recruited through rigorous selection procedures comprising internal peer-reviews and external assessments conducted by international and prominent experts in the relevant fields (see table of summary statistics attached).

As one indicator of the very high caliber of the University's faculty, the Essential Science Indicators (ESI) which is an analytical tool designed by the Institute for Scientific Information (ISI)\* to analyse the research performance of scientists, institutions, countries, shows that of the University's 105 academic leaders (ie Chair Professors and Readers) in the disciplines tracked by the ESI, 16 of them (15%) are listed among **the top 1% scientists worldwide**. The ranking of the scientists is based on the impact of their published works, as evidenced by the number of times their papers published in journals accepted by the ISI have been cited by other researchers.

The 16 scientists whose levels of attainments put them in the "top league" are researchers in the fields of civil engineering, chemistry, botany, medicine, surgery, and statistics and actuarial science. Their names can be provided on a confidential basis to the Public Accounts Committee, if requested. The count was taken as at January 2003.

All our academic staff have shown great productivity in research. This can be seen from the total volume of refereed research outputs produced by the University. In 1999-2000, HKU produced 3,813 items of refereed publications, in 2000-1, 3,923 items; and in 2001-2, 3,925 items. This translates to 3.6 items on average per academic staff in 1999-2000; 4.6 items and 4.6 items for 2000-1 and 2001-2 respectively. The figures quoted above are taken from the RGC's Annual Reports. This volume of output is comparable with that generated by many world class research universities.

Another measure of "academic excellence" commonly adopted by the international academic community is the extent of the "esteem" in which the researchers are held in the eyes of their peers. Esteem is usually reflected in, amongst other things, the level of research awards, prizes and honours conferred; and the responsible positions held by academics on editorial boards of journals and books. We are very sure that the number of our academic colleagues receiving such awards and honours is not less (if not more) than their counterparts in many first class international universities. More details on these aspects can be provided if necessary.

\* The ISI is a private company that maintains the most comprehensive multidisciplinary bibliographic database on journals in the world. It indexes more than 8,500 periodicals, as well as research and non-research journals, such as conference proceedings, but it does not index books or artistic productions. Numerous researchers have conducted bibliometric studies on research performance based on the ISI citation indices as instruments for assessment. Apart from countries in the West, the universities in the Mainland use ISI as an indicator of performance.

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11 July 2003

Ms Miranda Hon  
Clerk, Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

**Chapter 10: University Grants Committee funded institutions –  
Staff remuneration packages and stipends**

Thank you very much for your letter on the above subject addressed to Prof Paul Chu dated 26 June 2003. As Prof Chu is on a business trip, he has asked me to reply to you on his behalf.

In response to your first point, Prof Chu would like to mention that he has personal knowledge of three specific instances in which distinguished scholars at US universities chose not to accept offers of employment at leading UK universities – essentially because the compensation packages were not sufficiently attractive. Prof Chu would prefer not to disclose the names of the individuals, or the universities, involved in order to avoid possible embarrassment. It is likely that there are several other instances that, for similar reasons, are not generally made known to those not directly involved.

Members of PAC may wish to refer to Attachment 1 for HKUST's response regarding an elaboration of the recruitment and retention difficulties faced by the University.

Additional information from Vice-Chancellor Ambrose King of CUHK is at Attachment 2. PAC Members may wish to refer to the excerpts of the "Academic Staff Salaries and Benefits in Six Commonwealth Countries 2000-01" from the Commonwealth Higher Education Management Series; and the "Independent Review of Higher Education Pay and Conditions" by Sir Michael Bett, which are presented as Appendices 1 and 2 of Prof King's reply, and which draw attention to the general uncompetitiveness of academic staff salary levels in the UK.

In answering your inquiry, Mr Alexander Tzang, Deputy President of PolyU, has provided the following information:

*"On whether the recruitment and retention difficulties described in the last paragraph of our previous response had arisen because the salaries offered by the University were not attractive enough, we would say that this was an important factor. Our recollection is that we were*

*unable to recruit the desired candidates for at least three Chair Professor positions – a substantial portion of total number of vacancies, because of this factor. However, we may add that in addition to salary and benefit, high quality academics would look for substantial research opportunity and support, and their inadequacy due to inadequate funding would apparently add to our difficulty in recruiting and retaining high quality academics.”*

I hope the above information will be useful for the Committee.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Paul A Bolton". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Paul A Bolton  
Acting President

c.c. Mr Peter Cheung, Secretary-General, University Grants Committee  
HUCOM Members

**\*Note by Clerk, PAC: Attachment 2 not attached.**

An elaboration of the recruitment and retention difficulties faced by the HKUST

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It is not possible to provide precise quantitative answers to the questions posed regarding academics who have left HKUST, as the individuals involved are under no obligation to provide the kind of information requested, with the result that there is no comprehensive collection of such information. However, it is possible to provide some related data that bears on the issues under consideration. If we consider academic staff who left HKUST of their own volition while holding regular appointments, we will eliminate any who left because of (a) failure to meet our standards for reappointment or substantiation, or (b) normal termination of a visiting or temporary appointment. The number of such voluntary departures of regular faculty in the past three years is 44 (9.4% of the regular line establishment), which includes 25 (19.4% of the regular line establishment) from the School of Business and Management, and 12 (7.3% of the regular line establishment) from the School of Engineering. Of these departures, 11 (25% of the total) involved academics who already held substantiated appointments. Such staff represent a core asset of the institution, and it is reasonable to infer that most of them left because they were offered more attractive positions elsewhere. A second group of 19 (43.2%) either did not apply for, or refused an offer of, reappointment on contract terms. The remainder (14, or 31.8%) resigned during the term of a contract appointment. A portion of these latter two groups may have decided to seek other opportunities because they had determined that they were not likely to meet our standards for reappointment or substantiation; however, it is likely that a sizeable fraction of them left for other positions that were more attractive financially and/or professionally. This inference is reinforced by the fact that the largest losses were in disciplines where international competition is particularly keen, such as business studies and information technology.

In considering academics "lost" to HKUST, those who were being actively recruited but decided not to accept our offer represent another important group. It is again not possible to provide comprehensive information, since we cannot get information from potential hires who do not even respond to inquiries, and only in some cases does the discussion go far enough for HKUST to get information on the salaries being offered by the competition. The best that is available is anecdotal information from some recent recruitment exercises:

Finance

Recruitment at Professor rank; accepted position at Michigan State at a salary of US\$220,000 per annum

Management

Recruitment at Professor rank; accepted position at Rutgers University at a salary of US\$183,000 per annum

Recruitment at Assistant Professor rank; accepted position at the University of California, Berkeley at a salary of US\$145,000

Economics

Recruitment at Professor rank; currently at University of Southern California, declined appointment because salary was not competitive.

Marketing

Recruitment at Professor rank; currently at Columbia University, declined appointment because salary was not competitive.

None of these cases involve academic “superstars,” but rather people comparable to some of our own quality academic staff.





中華人民共和國香港特別行政區政府總部教育統籌局  
Education and Manpower Bureau  
Government Secretariat, Government of the Hong Kong Special Administrative Region  
The People's Republic of China

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10 July 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
Results of Value for Money Audits (Report No. 40)**

**Chapter 10 : University Grants Committee funded institutions –  
Staff remuneration packages and stipends**

Thank you for your letter of 25 June 2003.

Owing to historical developments, the common university salary scale applicable to staff engaged in degree-level work of the other UGC-funded institutions was not extended to the HKIED, due mainly to the fact that initially the bulk of HKIED's programmes were at sub-degree level. In April 2003, the Administration obtained the approval of the Finance Committee of the Legislative Council to deregulate the salary scales of all UGC-funded institutions with effect from 1 July 2003. As such, the HKIED now has the flexibility to design its own remuneration package for staff engaged in programmes at different levels of study,

similar to other UGC-funded institutions.

As for the status of the Institute, the Government has upgraded the HKIED to become a degree-awarding institution. From the 2004/05 academic year onwards, all graduates of its pre-service training programmes for primary and secondary school teachers will be degree holders.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line and a small arrow pointing to the right.

(Irene Young)

for Secretary for Education and Manpower

c.c. Secretary-General, University Grants Committee  
President, The Hong Kong Institute of Education



中華人民共和國香港特別行政區政府總部教育統籌局  
Education and Manpower Bureau  
Government Secretariat, Government of the Hong Kong Special Administrative Region  
The People's Republic of China

本局檔號 Our Ref.: EMB CR 2/2041/03 II

電話 Telephone: 2810 3023

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27 May 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Hon ,

**The Director of Audit's Report on the  
Results of Value for Money Audits (Report No. 40)**

Thank you for your letter of 16 May 2003.

The Higher Education Review commissioned by the Secretary for Education and Manpower recommended that the governing body of each University Grants Committee (UGC)-funded institution carry out a review of the fitness for purpose of its governance and management structures. In line with the recommendation, and recognizing that governance of the institution is matter for which the governing body has a statutory responsibility, we agreed the institutions should conduct their own reviews.

The respective councils of the institutions are currently at various stages of conducting their reviews. The Education and Manpower Bureau will keep in view their progress, and offer assistance when

required, more specifically where legislative amendments are required.

As regards the deregulation of university salaries, the Secretary for Education and Manpower obtained the approval of the Finance Committee for the deregulation to take effect from 1 July 2003. Individual institutions are free to decide whether and when to introduce their own remuneration systems. Since then, the Education and Manpower Bureau has been working with the UGC and the Financial Services and the Treasury Bureau on the detailed funding arrangements for the UGC sector under a deregulated environment, with a view to facilitating implementation of new remuneration systems by the institutions.

Yours sincerely,



(Irene Young)

for Secretary for Education and Manpower

- c.c. Secretary-General, University Grants Committee (Fax : 2523 1522)
- President, City University of Hong Kong (Fax : 2788 9054)
- President and Vice-Chancellor, Hong Kong Baptist University (Fax : 2338 7644)
- President, Lingnan University (Fax : 2572 4484)
- Vice-Chancellor, The Chinese University of Hong Kong (Fax : 2603 6197)
- President, The Hong Kong Institute of Education (Fax : 2948 6000)
- President, The Hong Kong Polytechnic University (Fax : 2764 3374)
- President, The Hong Kong University of Science & Technology (Fax : 2358 0029)
- Vice-Chancellor, The University of Hong Kong (Fax : 2559 9459)
- Director of Audit (Fax : 2583 9063)



Bursar's Office  
財務長室



16 May 2003

Ms. Miranda Hon  
Clerk, Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms. Hon,

**The Director of Audit's Report on the  
result of value for money audits (Report No. 40 Chapter 10)**

Further to the meeting of the Public Accounts Committee on 14 May 2003, and with reference to the discussion regarding para 3.16(a) of the above report, we are pleased to attach herewith the following documents for further information of the Committee.

- Attachment 1. An extract of the minutes of the meeting held on 13 July 1999 of Administrative Affairs Committee (AAC) of the Chinese University of Hong Kong, confirming the advice of the Committee that the "University should wait for further development on the civil service remuneration package, including outcome of the consultation on the recent Civil Service reforms and the recommendations from the Standing Commission on Civil Service Salaries and Conditions of Service in respect of entry salary, salary scales and compensation for civil servants to be published soon, instead of following the Civil Service practice by reducing the percentage of contract-end gratuity since further changes might be necessary on possible adoption of the Civil Service reforms."
- Attachment 2. A copy of a letter dated 22 July 1999 from the Director of Personnel of the University to the Secretary-General of University Grants Committee, advising the Secretary-General UGC that the University "note that Government recently recommended a gratuity of 10% for contract staff at non-professional and supporting ranks" and that the University is "also

.../2

aware that the impending Government reforms, which include, inter alia, revision of salary scales for various grades, to come out within this year and the Mandatory Provident Fund Scheme to be implemented on December 1, 2000 may have impact on the total compensation package that the Government-funded institutions may offer to its future employees. In the light of the above, the University does not reckon it appropriate to make any changes to the percentage of the contract gratuity payable to University employees at the moment. The University may consider the matter again if there is a need, along with the review of other possible changes to the remuneration package for its employees when we have a clearer picture of the mentioned issues.”

We trust the above two documents fully clarify and support the statements in para 3.16 (a) of the said Audit Report.

Please let me know if you wish further information.

Yours sincerely,



Terence Chan  
University Bursar

Encl.

cc Professor Ambrose King, Vice-Chancellor  
Professor Paul Chu, President, HKUST; Convenor, HUCOM  
Mr. Peter Cheung, Secretary-General, UGC

TC:bl

**Minute Extracts of the 8<sup>th</sup> (1999) Meeting of AAC held on July 13, 1999**

16. Any Other Business

(a) Contract-end Gratuity

AAC NOTED a letter from the University Grants Committee (UGC) regarding a request of the Secretary for the Treasury, Government of the Hong Kong Special Administrative Region, for the Government Departments and subvented organisations to lower the contract-end gratuity from 15% to 10% for non-professional and supporting grades (paper tabled). AAC HEARD from the Director of Personnel that on seeking clarification with the UGC Secretariat, the University was advised that there was no intention from the Government to require the UGC-funded Institutions to follow compulsorily the Civil Service practice and that savings realised from any reduction of gratuities were not subject to return to the Government. AAC was further advised that the representatives of the Personnel Offices of UGC-funded Institutions at a meeting held the day before had exchanged information on their own situation and their intention on receipt of the UGC letter. Some institutions were considering following the request, while some preferred to wait, and some already awarding 10% or less than 10% gratuity to certain of their junior grades. In this connection, AAC ADVISED that the University should wait for further development on the civil service remuneration package, including outcome of the consultation on the recent Civil Service reforms and the recommendations from the Standing Commission on Civil Service Salaries and Conditions of Service in respect of entry salary, salary scales and compensation for civil servants to be published soon, instead of following the Civil Service practice by reducing the percentage of contract-end gratuity since further changes might be necessary on possible adoption of the Civil Service reforms.

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二六〇九 七〇〇〇By fax (28451596) and by mail

Our Ref :

Your Ref The Secretary-General  
University Grants Committee  
7/F., Shui On Centre  
6 - 8 Harbour Road  
Wan Chai  
Hong Kong(Attn : Mr. Jack Chan)

July 22, 1999

Dear Mr. Chan,

Provision for Contract Gratuity for Staff Employed by Subvented Organisations

I refer to your letter of July 5, 1999 on the captioned subject.

Apart from regular staff whose appointments are on superannuable terms, the University has been hiring fixed-term contract staff for a number of years. In recent years, all new appointees are appointed on initial contracts of up to three years before they can be considered for an appointment on superannuable terms. It has been a long standing practice that contracts of sufficient length will carry a contract-end gratuity equivalent to 15% of the basic salary drawn during the contract period. For this purpose, the minimum qualifying contract period for staff to be eligible for gratuity is 10 months in the case of teachers and staff of equivalent rank, and 2 years in the case of other support grades staff.

We note that Government recently recommended a gratuity of 10% for contract staff at non-professional and supporting ranks. Whilst we appreciate that such a recommendation is in response to the market situation, we are also aware that the impending Government reforms, which include, *inter alia*, revision of salary scales for various grades, to come out within this year and the Mandatory Provident Fund Scheme to be implemented on December 1, 2000 may have impact on the total compensation package that the Government-funded institutions may offer to its future employees. In the light of the above, the University does not reckon it appropriate to make any changes to the percentage of the contract gratuity payable to University employees at the moment. The University may consider the matter again if there is a need, along with the review of other possible changes to the remuneration package for its employees when we have a clearer picture of the mentioned issues.

I hope the above information will be useful to your present enquiry.

Yours sincerely,

Sophie Lau (Mrs.)  
Director of Personnel

SST/CL/

b.c.c. Professor Kenneth Young  
Professor PW Liu  
Bursar



THE UNIVERSITY OF HONG KONG

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May 22, 2003

Ms Miranda Hon  
Clerk, Public Accounts Committee  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central, Hong Kong


Dear Ms Hon,

**The Director of Audit's Report on the  
results of value for money audits (Report No. 40)**

Thank you for your letter of May 19, 2003 to the Vice-Chancellor on whose behalf I am replying. As requested, please find enclosed a summary of the leave forfeited by colleagues who are entitled to Long Leave.

Please bring the information to the attention of the Public Accounts Committee and let us know should you require further assistance.

Yours sincerely,

  
(Mrs) Mable Chiu  
Senior Assistant Registrar  
(Vice-Chancellor's Office)

c.c. Registrar

## THE UNIVERSITY OF HONG KONG

### Leave Forfeiture

#### **I. Long Leave Scheme**

(NB: The Scheme has been phased out since 1996 for teachers, and 1995 for non-teachers. Only those serving staff appointed before 1996 are still entitled to Long Leave and permitted to accrue leave up to a maximum of 365 days beyond which leave days are forfeited automatically).

(a)	Number of staff having accumulated the maximum 365 days as at May 14, 2003	75
(b)	Total number of days forfeited by staff in (a)	4514

May 21, 2003