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13 January 2017

Mr Anthony Chu
Clerk
Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee

Consideration of Chapter 2 of the Director of Audit's Report No. 67

Funding of universities by University Grants Committee ("UGC")

I refer to your letter dated 6 January 2017 to the Secretary-General, UGC, requesting supplementary information on a number of issues discussed at the public hearing held on 6 January 2017. The requested information is now set out at the **Annex** for reference by the Public Accounts Committee. As requested, my colleagues will send you soft copy of the information by email.

Should you need further clarifications on the above, please feel free to contact Miss Winnie Wong, Deputy Secretary-General (1) on 2844 9914.

Yours sincerely,



(Dr. Richard T ARMOUR)
Secretary-General

c.c. Secretary for Education (fax no. 2810 7235))
Secretary for Financial Services and the Treasury (fax no. 2147 5239)) w/o
Director of Audit (fax no. 2583 9063)) Appendix B
)

(a) With reference to paragraph 4.4 of the Audit Report, how were the rates of honoraria set and details of the adjustment mechanism

The rates of honoraria were first approved in 1973 as indicated in the Finance Committee (FC) FCR(91-92)107 in **Appendix A**. As provided for in the said FC paper, the subsequent adjustments to the rates were delegated to the then Secretary for the Treasury for approval, which is now under the authority of the Secretary for Financial Services and the Treasury. The adjustments are made with reference to the annual civil service pay adjustment.

(b) With reference to paragraph 4.5 to 4.6:

- (i) *any mechanism / system in place for the proper and efficient management of conflict of interests and details of such mechanism / systems*

The UGC has adopted a two-tiered system in the declaration of interest by Members. Members are required to declare any possible conflict of interest on their first appointment / reappointment or significant change of circumstances. At the second tier, Members are required to declare interest on a case by case basis whenever necessary, having regard to the nature of the items under discussion. Members with potential conflict of interest are required to excuse themselves from the discussion of the items concerned.

- (ii) *details of the system flaw(s) as mentioned by you at the public hearing which led to 26 Register of Interests forms could not be located*

The UGC Secretariat has reviewed the system on the management of Register of Interests forms submitted by UGC / QAC Members. We note that the system for monitoring the receipt of and the filing of these forms is less than satisfactory with no single register; hence resulting in the failure to locate a number of such forms. In response to the Audit recommendation, we are now preparing a database to provide a central register on the receipt of the Register of Interests forms submitted by Members. A bring-up mechanism will also be set up to closely monitor the progress of submission from Members.

- (iii) *a copy of the 26 Register of Interest forms as mentioned in (ii) above as resubmitted by the relevant members of UGC / the Quality Assurance Council (“QAC”)*

Upon further checking, it has come to the attention of the Secretary-General that two Register of Interests forms were re-submitted by UGC / QAC Members concerned and 24 forms remained outstanding by 6 January 2017, i.e. the date on which the second hearing of the Public Accounts Committee was held. Since then, we have secured the relevant forms from all but one member. We will continue to follow up with the member concerned.

As requested by the PAC, a copy of the forms received, with the names of the UGC / QAC Members concerned redacted, is in **Appendix B** for PAC’s reference. As the Audit Report did not disclose details of the Register of Interest forms completed by UGC / QAC Members, we consider that these copies of forms should not be included in the PAC report.

- (iv) *improvement measures for safekeeping the register of interests forms and whether the public could inspect such forms*

As mentioned at (b) (ii) above, we are now preparing a database to provide a central register on the receipt of the Register of Interests forms submitted by Members. The public could inspect such forms on request.

- (v) *reasons for adopting different requirements for the Research Grants Council (“RGC”) and UGC, the UGC Sub-Committee / Groups and QAC in managing conflicts of interest. What is the timetable for aligning the different requirements?*

RGC members are subject to a more stringent requirement to declare interests, i.e. they are required to update their declaration of interest **annually**, because RGC deals with the allocation of a large amount of funding and the likelihood of inter-institutional conflict changes among institutions is more frequent among Panel members. By comparison, the work of the UGC, the UGC Sub-Committee / Groups and QAC is more of an advisory nature and does not directly involve funding. Hence, the two-tier mechanism for declaring interests is considered appropriate. However, in view of the recommendation of the Audit Commission, we have no objection to inviting Members of the UGC, the UGC Sub-Committees / Groups and QAC to submit updated Register of Interests forms annually as adopted by the RGC. The UGC Secretariat will put in place this

requirement with effect from 1 April 2017 before the next meetings.

(c) With reference to paragraph 4.13(f), details and the timeline for UGC to prepare a document in the form of a strategic plan

The UGC Secretariat will invite the UGC to consider the need to prepare a document in the form of a strategic plan which will set out, amongst other things, the principles, strategies, strategic priorities of the UGC tentatively in the next UGC meeting in May 2017. In the case that the UGC considers that there is such a need, the Secretariat will prepare the document, update it periodically and make it available on the UGC's website.

(d) With reference to Table 22 in paragraph 4.14, a breakdown of expenses on hotel accommodation from 2005-2006 to 2015-2016 financial years by UGC, RGC and QAC as well as the corresponding number of hotel room-nights

Expenses on hotel accommodation of the UGC, RGC and QAC for 2005-06 to 2015-16 financial years and the corresponding number of hotel room-nights are set out in the table below –

Financial year	Expenses on hotel accommodation (\$ million) ^(Note 1)				Number of hotel room-nights			
	UGC	RGC	QAC ^(Note 2)	Total	UGC	RGC	QAC ^(Note 2)	Total
2005-06	0.424	0.301	-	0.726	Remarks: As the information for 10 years is scattered in many files, the figures 2005-06 to 2013-14 is not available yet and will be provided by next week.			
2006-07	0.765	0.049	0.012	0.826				
2007-08	0.656	0.471	0.100	1.227				
2008-09	0.377	0.691	0.166	1.233				
2009-10	0.284	0.583	0.175	1.042				
2010-11	0.274	1.135	0.222	1.631				
2011-12	0.378	1.075	0.044	1.497				
2012-13	0.163	1.331	0.025	1.519				
2013-14	0.796	1.762	0.000	2.558				
2014-15	2.520	1.518	0.060	4.099				
2015-16	0.280	1.537	0.364	2.181	158	873	144	1 175

Note 1 – Figures may not add up to total due to rounding.

Note 2 – The QAC was established in 2007 with its first meeting in April 2007.

(e) Whether the UGC Secretariat will explore with hotels on the possibility of providing special rates for rooms as a package

The UGC Secretariat has invited hotels near the meeting venue to submit quotation for cost comparison. In principle, the lowest quotation would be accepted as the appointed hotel for non-local members. The UGC Secretariat will further explore with hotels on the possibility of providing special rates under the mechanism of quotation exercise.

(f) Details of the per-diem allowance for non-local members, including, the quantum, how were they set and details of the adjustment mechanism (paragraph 4.14 refers)

The UGC Secretariat has adopted the practices of the Government as stipulated in the Civil Service Regulations (CSRs) in respect of subsistence allowance to arrange per-diem allowance for non-local members travelling to Hong Kong to attend meetings. Following the CSR, the per-diem allowance is \$1,080 per day, which is equivalent to 40% of the applicable subsistence allowance rate of \$2,700 at present.

(g) With reference to paragraph 4.16, justifications for choosing the same five upmarket hotels, and whether quotations for other hotels were obtained as alternative options, if not, the reasons why not

Having regard to the status of non-local members who are renowned academics from around the world, the UGC Secretariat considers that it is appropriate to provide hotel accommodation at upmarket hotels for non-local members when they attend meetings in Hong Kong. These five upmarket hotels are located in the vicinity of the meeting venue. In order to enhance the procurement arrangement, the UGC Secretariat has invited additional hotels for submission of quotations with effect from December 2016. In general, all appropriate hotels which are located in the vicinity of the meeting venue are included in the quotation exercise.

(h) With reference to paragraph 4.25(b), whether UGC has consulted the Director of Government Logistics and the Secretary for Financial Services and the Treasury whether the UGC Secretariat's current arrangement of procuring air tickets complies with the Stores and Procurement Regulations; and

(i) Details of discussion between UGC and the Government Logistics Department on improving the procurement process of air tickets, and the latest progress

Following the publication of the Audit Report, the UGC Secretariat has been in dialogue with the representatives from the Government Logistics Department (GLD) and the Financial Services and the Treasury Bureau (FSTB) to consult them on the procurement procedures of air tickets.

During our discussion, we noted from GLD that as a general rule, procurement of air tickets for the **same activity** should be consolidated as far as practicable. We have taken the advice of GLD and will put in place suitable arrangements in the procurement of air tickets in consultation with GLD and FSTB as appropriate.

(j) With reference to paragraph 4.32, has UGC taken any actions to encourage the universities to attract more non-local students, in particular those other than Mainland students

The UGC has all along been encouraging, and will continue to encourage, universities to internationalise in ways that fit its institutional context. In the 2012-15 triennium, the UGC put together a “tripartite” funding scheme (funding from the EDB, the UGC and the UGC-funded universities) of \$30 million to support four new initiatives on internationalisation and engagement with the Mainland, all of which were implemented in 2013/14 and 2014/15. One of the initiatives was to set up a Hong Kong Pavilion in international education conferences to attract more non-local students from different regions as well as to promote the UGC sector as a united front. These annual conferences included the Asia Pacific Association for International Education, NAFSA: Association of International Educators and the European Association for International Education.

Funding would continue to be provided to the universities in the 2016-19 triennium to continue their efforts to attract more diversified sources of non-local students. Apart from the major international education conferences, the universities are given additional funding to expand into new markets they consider to be desirable. The Secretariat will keep in view and see whether and how to encourage universities to attract more diversified non-local students.

(k) With reference to paragraph 4.34(b)¹, what are the key performance indicators used by the universities on internationalization

According to the information provided by the UGC-funded universities, some commonly used key performance indicators on internationalisation used by the UGC-funded universities are –

- Number and percentage of full time non-local academic staff
- Number and percentage of non-local students
- Number of exchange agreements signed with non-local institutions
- Number and percentage of incoming and outgoing exchange students
- Number and percentage of students with non-local learning experience
- Number of research collaborations with non-local institutions

(l) As the UGC Secretariat will consider collecting information on the mix of academic staff of each university, any details on its implementation (paragraph 4.37(b) refers)

The UGC Secretariat will consider collecting information on the mix of academic staff from the UGC-funded universities in the next 2017/18 regular data collection exercise. In accordance with the established mechanism, the Secretariat will consult the universities on the data collection arrangement, including the coverage, definitions and classifications.

¹ Wrong reference (para. 4.32(b)) was quoted in Clerk, PAC's letter of 6 January 2017.

For discussion
on 22 November 1991

FCR(91-92)107
(OMELCO Ref. : E)

ITEM FOR FINANCE COMMITTEE

HEAD 190 - UNIVERSITIES AND POLYTECHNICS
Subhead 167 Honoraria for overseas members

Approved by FC
22/11/91



Members are invited -

- (a) to approve the revision, with effect from 1 January 1992, of the honoraria payable to -
- (i) overseas members of the University and Polytechnic Grants Committee (UPGC) from \$50,000 to \$60,000 a year;
 - (ii) overseas members co-opted by the sub-committees of the UPGC from \$20,000 to \$30,000 a year;
 - (iii) overseas members of the Research Grants Council from \$20,000 to \$40,000 a year; and
- (b) to approve the delegation of the authority to make future revisions of the rates of honoraria to the Secretary for the Treasury.

Copied to FIN/17/67 II

/Introduction

Introduction

The University and Polytechnic Grants Committee (UPGC) is appointed by the Governor and has the following terms of reference -

- (a) to keep under review in the light of the community's needs -
 - (i) the facilities in Hong Kong for education in universities, polytechnics and such other institutions as may from time to time be designated by the Governor;
 - (ii) such plans for the development of such institutions as may be required from time to time;
 - (iii) the financial needs of education in such institutions; and
- (b) to advise the Government -
 - (i) on the application of such funds as may be approved by the legislature for education in such institutions; and
 - (ii) on such aspects of higher education which the Governor may from time to time refer to the Committee.

2. The Research Grants Council (RGC) was established in January 1991 to replace the Research Sub-Committee with the following terms of reference -

- (a) to advise the Government, through the UPGC, on the needs of the institutions of higher education in Hong Kong in the field of academic research, including the identification of priority areas, in order that a research base adequate for the maintenance of academic vigour and pertinent to the needs of Hong Kong may be developed; and

/(b)

- (b) to invite and receive, through the institutions of higher education, applications for research grants from academic staff and for the award of studentships and post-doctoral fellowships; to approve awards and other disbursements from funds made available by the Government through the UPGC for research; and to monitor the implementation of such grants and to report at least annually to the Government through the UPGC.

3. Overseas members of the UPGC are paid an honorarium in acknowledgement of their valuable contribution towards the planning and development of tertiary education in Hong Kong. The honorarium was first approved in 1973 at the rate of \$7,000 a year. Since then, the rate has been increased in stages to the current level of \$50,000 a year to take account of inflation and the increased responsibilities of the UPGC.

4. Overseas personalities co-opted on the sub-committees of the UPGC who are not also members of the Committee are entitled to an honorarium at the rate of \$20,000 a year. The same rate applies to overseas members of the RGC irrespective of whether they are also members of the main Committee. The different treatment of the latter group stems from the fact that RGC is not a sub-committee and it has different terms of reference and workload.

Proposals

5. Since the honorarium for UPGC members was last revised in 1989, civil service salaries have been increased by 27%. It is therefore proposed that the honorarium should be increased by the same percentage to \$63,500 per year, rounded down to \$60,000.

6. The honorarium payable to overseas members co-opted by sub-committees of the UPGC was last approved by Members on 13 December 1986. Since then civil service salaries have been revised upwards by 59%. Accordingly, it is proposed that the rate should also be increased to \$31,800 a year, rounded down to \$30,000. The current membership of the three sub-committees is all drawn from the UPGC. The new honorarium will be paid as and when the UPGC co-opts any members into any of its sub-committees.

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$$\$30,000 \times \frac{1}{2} = \$15,000$$

7. Experience with the RGC has shown that its workload is much heavier than that of a sub-committee of the UPGC. While a sub-committee normally meets for half-a-day three times a year, the RGC meets twice a year, with each session lasting at least a full day. Additionally, members have to attend meetings of the three subject panels. With this in view, the Chairman, RGC has requested that the rate of honorarium payable to each overseas member be increased to \$40,000 a year, which is \$10,000 more than that recommended for members co-opted by the sub-committees of the UPGC.

8. It is also proposed that the Secretary for the Treasury be delegated the authority to approve future revisions of the rates of the honoraria having regard to civil service salary adjustments.

Financial implications

9. At present, the UPGC has ten overseas members; the RGC has five. The full year effect of the proposals will be \$200,000.

10. If approved, the necessary provision will be sought in the context of the 1992-93 draft Estimates.

(FIN 88/2/1(90)V)

**Outstanding Register of Interests forms
mentioned in para 4.6(a) in the audit report**

Form / Member	Appointment / Reappointment period concerned (in chronological order)
Ex-UGC Members	
A	2010/4/1 – 2012/12/31
B	2011/1/1 – 2013/12/31
C	2011/1/1 – 2013/12/31
D	2011/1/1 – 2013/12/31
E	2012/8/1 – 2015/7/31
F (to be provided)	2012/8/1 – 2015/7/31
G	2013/1/1 – 2013/12/31
Existing UGC Members	
H	2011/1/1 – 2013/12/31
I	2013/4/1 – 2016/3/31
J	2013/1/1 – 2015/12/31
Ex-QAC Members	
K	2008/4/1 – 2010/3/31
L	2010/4/1 – 2012/1/9
M ^{Note}	2010/4/1 – 2012/1/9
	2012/1/10 – 2014/3/31
N	2010/4/1 – 2012/3/31
O	2010/4/1 – 2012/3/31
P ^{Note}	2011/4/1 – 2013/3/31
	2013/4/1 – 2014/3/31
Q	2012/4/1 – 2013/3/31
R	2012/4/1 – 2013/3/31
S	2013/3/1 – 2016/3/31
T	2013/4/1 – 2015/3/31
U	2013/4/1 – 2016/3/31
V	2015/4/1 – 2016/3/31
Existing QAC Members	
W	2014/4/1 – 2017/3/31
X	2015/4/1 – 2017/3/31

Note: One form covers two appointment/reappointment periods.

***Note by Clerk, PAC: Register of Interests Forms of Members A to X not attached.**