



香港中文大學  
THE CHINESE UNIVERSITY OF HONG KONG

校長室 OFFICE OF THE VICE-CHANCELLOR & PRESIDENT

Your Ref: CB4/PAC/R81

January 5, 2024

Ms. Shirley Chan  
Clerk, Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Ms. Chan,

**Public Accounts Committee**  
**Consideration of Chapter 8 of the Director of Audit's Report No. 81**  
**The Chinese University of Hong Kong:**  
**Campus Facilities Operated by External Entities**

Thank you for your letter of December 20, 2023 requesting The Chinese University of Hong Kong to submit, in relation to the captioned subject, a written response to the questions and request for information on the issues enclosed in the Appendix of the letter. I am pleased to submit the written response as set out in the Annex.

If you have any question, please do not hesitate to contact Ms. Salome Lam, Bursar and Director of Finance of the University.

Yours sincerely,

Alan K.L. Chan  
Acting Vice-Chancellor and President

Enc.

c.c. Secretary for Financial Services and the Treasury (email: [sfst@fstb.gov.hk](mailto:sfst@fstb.gov.hk))  
Director of Audit (email: [ncylam@aud.gov.hk](mailto:ncylam@aud.gov.hk))  
Secretary-General, University Grants Committee (email: [jamestang@ugc.edu.hk](mailto:jamestang@ugc.edu.hk))  
Mr. Dennis Chow, Treasurer, CUHK (email: [denchow@deloitte.com](mailto:denchow@deloitte.com))  
Professor Rocky S. Tuan, Vice-Chancellor and President, CUHK  
(email: [rt\\_vcoffice@cuhk.edu.hk](mailto:rt_vcoffice@cuhk.edu.hk))  
Ms. Salome Y.P. Lam, Bursar and Director of Finance, CUHK  
(email: [salome@cuhk.edu.hk](mailto:salome@cuhk.edu.hk))

**Chapter 8 of the Director of Audit's Report No. 81  
"The Chinese University of Hong Kong:  
Campus facilities operated by external entities"  
Questions and Request for Information**

**Part 2: Tendering Procedures**

- 1) According to paragraphs 2.5 to 2.13 of the Director of Audit's Report No. 81 (the "Audit Report"), The Chinese University of Hong Kong ("CUHK") awarded contracts to external entities for the operation of its campus facilities through open tender. However, the interest from external entities was lukewarm. In addition, some tender exercises did not fully adhere to the tendering procedures, and some contracts, which were not awarded through tender exercises, did not obtain tender waivers from the Tender Board in advance. Please advise:
  - (a) Whether any measures have been taken to encourage competition, such as enhancing the publicity of tender invitations or adjusting the threshold of tender requirements; if yes, please provide the details; if not, please explain the reasons; and
  - (b) Whether any measures have been taken to strengthen the monitoring of tender exercises to ensure compliance with procedures (including the necessity of obtaining a tender waiver when tender exercises are impractical); if yes, please provide the details; if not, please explain the reasons.

**Reply to 1(a):**

Owing to the location of the University, there are many reasons for the limited competition in tender exercises for campus facilities, such as:

- unlike facilities operating in the shopping malls, the sources and variety of customers are limited;
- business volume fluctuates during the year and is subject to seasonal changes;
- the facilities operators are subject to many additional campus-specific rules, policies and/or guidelines; and
- foods and drinks have to be provided to students and staff at affordable prices affecting the profitability of the facilities operators.

Despite the above limitations, CUHK has been taking steps to encourage competition by attracting more potential operators to submit tenders.

To improve publicity of tenders, CUHK is updating the University Ordering and Tender Procedures (“UOTP”) to mandate all tenders for campus facilities operated by external entities to strictly follow UOTP and that tenders should be posted on the CUHK Procurement System (“CUPro”) for open tender so that tender documents are available for download. If overseeing units choose to publicise invitations for the operation of campus facilities through advertisements in newspapers, in addition to CUPro, clear guidelines will also be set on the minimum duration of advertisements and the use of both Chinese and English newspapers.

To encourage competition and minimize entry barriers, tenderer’s experience will not be set as an essential tender requirement, but rather a desirable feature in the assessment criteria in the marking scheme.

CUHK has been exploring measures to attract more potential operators to submit tenders, including but not limited to, sending email tender notifications to existing operators on campus, “School Lunch Suppliers” ([EatSmart@school.hk](mailto:EatSmart@school.hk)) and caterers of UGC sister institutions.

#### **Reply to 1(b):**

As mentioned in paragraph 2.8 of the Audit Report, 7 contracts of the 59 contracts for campus facilities commencing in the period from January 2017 to July 2023 covered the operation of 2 catering outlets of a college and 2 bank branches without going through tendering procedures, nor obtaining tender waivers from the Tender Board.

The 2 banks have been providing on-campus banking services at CUHK for a long time and given CUHK’s relative isolation from a major commercial centre, on-campus banking services are essential to the provision of payroll and other financial services across the CUHK community. A change of banks inside the campus would inevitably lead to staff and student taking leave to visit banks outside the campus, and would impact continuity of services and come at the expense of efficiency.

CUHK has rectified the old practice for the several facility operations identified in the Audit Report. All future tender exercises for campus facilities operated by external entities will strictly comply with UOTP and will obtain tender waivers if mounting tenders are not practical.

- 2) According to paragraph 2.23 of the Audit Report, CUHK stated that CUHK Procurement System (“CUPro”) has been launched and CUHK will promote the use of e-tender for campus facilities’ tender exercises. Please explain how CUPro could improve the tender exercises for campus facilities, and whether the system has been fully launched by the end of 2023 as scheduled in accordance with paragraph 4.38 of the Audit Report; if not, please provide the reasons.

**Reply to 2:**

CUPro has been fully launched as planned in December 2023. All future tenders for campus facilities operated by external entities are mandated to be posted on CUPro for open tender.

CUPro provides a central and convenient platform for the general public to access all open tender notices of CUHK. The tender notice will be kept in CUPro until the tender deadline. It would be more cost-effective and efficient than newspaper advertisements. Interested parties could download tender documents and submit their tender bids conveniently through CUPro.

- 3) According to paragraph 2.33 of the Audit Report, CUHK historically adopted a decentralized approach to procurement and tendering processes and therefore it was not desirable to appoint a representative from the Finance Office when forming tender evaluation panels. In this regard, please advise how CUHK would take measures to enhance the Finance Office’s oversight of tender evaluation.

**Reply to 3:**

The Finance Office only has a small team to oversee the tender and procurement matters. It will enhance the following measures to bolster oversight of tender evaluation:

- (i) Conducting training and education for staff on the tendering procedures and ensuring they understand the proper way to process tenders to ensure fairness;

- (ii) Providing staff from the Finance Office to participate in the tender evaluation panel upon request; and
- (iii) Refining and enhancing the existing control checking procedures conducted by the Finance Office, such as:

Before the issuance of tender:

- Ensuring that the evaluation criteria and their corresponding broad weightings are disclosed and documented in the tender document, to the extent practicable;
- Requiring the submission of the list of tender evaluation panel members and the marking scheme used for tender evaluation, if applicable, to the Finance Office for formal record-keeping; and
- Ensuring that the undertakings of members of the tender evaluation panel are properly signed and safely kept in the Finance Office.

After the tender closing and when the tender evaluation report is submitted to the Tender Board for approval:

- Verifying that the previously filed marking schemes are used;
- Collecting copies of all signed marking sheets for record-keeping;
- Ensuring that the undertakings signed by new evaluation panel members, if any, are provided for record-keeping; and
- Identifying potential issues in the evaluation report to facilitate the Tender Board's consideration and discussion.

### **Part 3: Monitoring of Operations of Campus Facilities**

- 4) According to paragraph 3.5(b) of the Audit Report, three catering outlets provided food delivery services outside the CUHK campus through third party food delivery platforms and the food delivery services were not restricted to CUHK students/staff. Please advise on the measures CUHK will take (such as posting notices at the entrance of restaurants, strengthening security inspections to prevent delivery persons from entering CUHK to pick up meals, and requiring catering outlets to voluntarily withdraw from third party food delivery platforms, etc.) to ensure that the caterers do not provide food delivery services outside CUHK campus.

**Reply to 4:**

Upon request from the overseeing units, all three catering outlets that previously used third-party food delivery platforms have immediately ceased offering their food items on such platforms and have agreed not to do so in the future.

Additionally, all overseeing units will strengthen the monitoring of catering outlets to ensure that any delivery services provided are restricted to CUHK students and staff on campus.

- 5) The sale of restricted foods specified in Schedule 2 of the “Food Business Regulation” (Cap. 132X) requires a restricted food permit (“Permit”) to be obtained for the sale of any of the restricted foods. According to paragraph 3.5(c) of the Audit Report, the Audit Commission inspected 29 catering outlets and 25 of them had sold restricted foods. Among them, 14 had not obtained restricted food permits and 4 had obtained restricted food permits for some but not all types of restricted foods that were sold in the catering outlets. Please advise:
- (a) Whether CUHK will take measures to urge the catering outlets concerned to apply for the Permit for all restricted foods they sold; if yes, please provide the details; if not, please explain the reasons; and
  - (b) Whether CUHK will strengthen inspections to ensure that all catering outlets would not sell restricted foods without obtaining relevant Permits.

**Reply to 5(a) and (b):**

All catering outlets have been formally reminded of the legal requirements for restricted food permits for non-bottled drinks, cut fruits, frozen confections, and milk and milk beverages, and have been instructed to refrain from selling restricted food items without the necessary permits. Among the identified outlets, 1 outlet has immediately ceased selling restricted food items, 14 outlets have applied for the relevant restricted food permits, and 3 outlets have obtained the relevant restricted food permits. The overseeing units are following up with the catering outlets to ensure that the caterers obtain the required restricted food permits for the sale of restricted foods.

- 6) According to paragraphs 3.12 to 3.14 of the Audit Report, some contracts stipulated that caterers should appoint at least one qualified person to stay on-site to take up the role of hygiene manager in pursuant to the “Hygiene Manager and Hygiene Supervisor Scheme” of the Food and Environmental Hygiene Department (FEHD). Additionally, three major types of regular cleaning should be conducted in catering outlets according to the frequency stipulated in the contracts. However, the food safety requirements and hygiene standards specified in the contracts varied. Furthermore, during the period from January to June 2023, out of the 11 overseeing units that required the appointment of a hygiene manager, 6 (55%) of them did not take measures to ensure compliance with this requirement. From September 2022 to June 2023, out of the 13 overseeing units, 11 (85%, which involved 22 catering outlets) of them did not ascertain whether the caterers had conducted regular cleaning according to the stipulated frequency and did not know whether the contractual requirements had been met. Please advise:
- (a) As of 1 July 2023, 33 catering outlets on campus are overseen by 13 overseeing units. Considering that the food safety requirements and hygiene standards in the contracts between each catering outlet and overseeing unit varied, whether CUHK will consider establishing a unified overseeing unit and stipulating unified hygiene standards to avoid discrepancies in standards and monitoring procedures; if yes, please provide the details; if not, please explain the reasons;
  - (b) Whether any measures have been taken to ensure that each catering outlet has a qualified person to stay on-site to take up the role of hygiene manager; if yes, please provide the details; if not, please explain the reasons; and
  - (c) Whether any measures have been taken to ensure that the overseeing units can effectively monitor the caterers’ compliance with the hygiene requirements and other stipulated requirements in the contracts; if yes, please provide the details; if not, please explain the reasons.

**Reply to 6(a), (b) and (c):**

Depending on the nature and location, catering outlets operated by external entities are under different overseeing units for administrative efficiency. Nevertheless, all overseeing units should follow the policies and guidelines mandated by the University. Among the 6 identified overseeing units that did not take measures to



ensure compliance with the appointment of hygiene manager, all such overseeing units have taken the follow-up actions to do so.

As recommended in paragraph 3.15 of the Audit Report, Audit Commission recommended CUHK to rationalise the food safety requirement and hygiene standards in the contracts with caterers. A task force will be formed among the 13 overseeing units to (i) standardise the contract terms in all future contracts on the requirement of appointment of qualified hygiene manager, and (ii) rationalise the hygiene standards in the contracts, such as frequency of three main types of regular cleaning (furniture/fixture/equipment, air distribution system and grease traps), and the associated operational measures to ensure compliance with, such as requesting the caterers to provide certificate copy of hygiene managers, attendance record of hygiene manager, and cleaning log on regular basis. The first meeting of the task force will be held in mid-January 2024.

- 7) According to paragraphs 3.25 and 3.26 of the Audit Report, the external operators are required to pay CUHK maintenance fees/management fees/licence fees and utility charges for the operations of the campus facilities. Between October 2022 and March 2023, CUHK issued a total of 152 invoices for payment of maintenance fees/management fees/license fees, and 51% of them were paid later than the due dates, amounting to 40% of the total amount. Among the 167 invoices for payment of utility charges issued during the same period, 56% were paid later than the due dates, amounting to 64% of the total amount. According to paragraphs 3.27 and 3.28 of the Audit Report, the contract terms on the late payment charges as stipulated and signed by each external operator varied. For all 30 late payments identified in the abovementioned period, CUHK did not impose late payment charges on the outstanding balances as stipulated in the contract terms. Please advise:
- (a) Whether any measures will be taken to ensure that the external operators pay fees and charges in a timely manner; if yes, please provide the details; if not, please explain the reasons; and
  - (b) Whether CUHK will consider rationalizing the contract terms on late payment charges and will take measures to collect relevant overdue payments and late payment charges imposed on the operators; if yes, please provide the details; if not, please explain the reasons.

**Reply to 7(a) and (b):**

During the 6-month period from October 2022 to March 2023 when the pandemic was still severe, a total of 152 invoices were issued to external operators of campus facilities for payment of maintenance fees/management fees/licence fees. Out of these invoices, 77 or 51% were settled later than the due dates. The total amount concerned was \$1.54 million and the delays ranged from 1 to 115 days. According to the aging analysis, 15 payments or 10% were overdue for more than 30 days, with the amount concerned being \$0.2 million. More tolerance was provided as the business was seriously affected by the pandemic.

During the same period, 167 invoices were issued for payment of utility charges. Of these, 94 or 56% were settled later than the due dates. The total amount concerned was \$3.35 million and the delays ranged from 1 to 211 days. According to the aging analysis, only 19 payments or 11% were overdue for more than 30 days, with the amount concerned being \$0.7 million. Again, more tolerance was provided as the business was seriously affected by the pandemic.

The Finance Office is responsible for compiling the outstanding balance report. It has planned to review the current receivable monitoring process and explore an IT solution for issuing payment reminders and late payment charge invoices via email to operators, once payments become overdue and beyond the stipulated time limit. Copies of these reminders and invoices will be sent to overseeing unit responsible persons to follow up with the operators.

A task force will be formed among the 13 overseeing units to rationalise the contract terms regarding timely payment of all fees and charges. The task force will also address the inclusion of provisions of late payment charges when payments exceed the stipulated time limit in all future contracts.

- 8) According to paragraph 3.42 of the Audit Report, there were records of 46 hygiene inspections on the catering outlets conducted by the 13 overseeing units in the 6-year period from July 2017 to June 2023. The frequency and mode of conducting hygiene inspections varied among the overseeing units. For 5 overseeing units, there were no records showing that hygiene inspections had been conducted, and 2 of the 5 overseeing units had actually observed hygiene conditions regularly but had not documented the inspections. In addition, only

18% of the 33 catering outlets had reported to the overseeing units that they had been inspected by the Food and Environmental Hygiene Department (FEHD). According to paragraph 3.44 of the Audit Report, the 13 overseeing units adopted different approaches in managing the catering outlets, and CUHK had no guidelines requiring the overseeing units to document the performance of the operators. Please advise:

- (a) Whether CUHK will coordinate with each overseeing unit to set up a unified performance assessment standard, hygiene standard and inspection mechanism on both regular and ad-hoc basis; if yes, please provide the details; if not, please explain the reasons;
- (b) Whether any measures will be taken to ensure that all future inspections are documented; and
- (c) Whether CUHK will consider providing guidelines to relevant overseeing units on the monitoring the operators' compliance with contract requirements and their performance assessments and evaluations to strengthen the monitoring mechanism; if yes, please provide the details; if not, please explain the reasons.

**Reply to 8(a), (b) and (c):**

A task force will be formed among the 13 overseeing units to formulate a standard mechanism to monitor and evaluate the performance of operators including hygiene standard, compliance with contract terms and user satisfaction. The frequency, mode of regular and surprise inspections, customer surveys, requirements of periodic reports and FEHD inspection records to be submitted by operators will be rationalised as far as practicable.

FEHD's inspection reports/record on catering outlets and the inspection results on the food hygiene and environmental hygiene conditions of the outlets will be reported to the overseeing units for consideration and discussion. Such records would be made available for sharing with other overseeing units if necessary.

Under the requirements of UOTP, all service contracts that last for one year or longer, including those service contracts that are not subject to renewal, CUHK Departments/Units are required to assign responsible staff/supervisor(s) to perform periodic performance evaluations at least once a year. The Head of the Department/Unit should also lay down the evaluation criteria for periodic evaluations, and if the service contracts

are subject to renewal, the contract renewal criteria should be stated in the contract documents.

#### **Part 4: Other Matters**

- 9) According to paragraphs 4.7 and 4.9 of the Audit Report, not all overseeing units that oversee the operation of the campus facilities by the external entities have set up committees to oversee the operation. 15 committees that oversee the operation of the campus facilities have different approaches in terms of reference, quorum, meeting frequency, and the handling of agendas and meeting papers, etc. Please advise if CUHK will require each overseeing unit to set up a committee and to have a unified stipulation on the above aspects; if yes, please provide the details; if not, please explain the reasons.

#### **Reply to 9:**

Most of the overseeing units are, in fact, committees established to oversee the operation of campus facilities. The task force, which will be formed among the 13 overseeing units, will seek consensus from the remaining few overseeing units to establish committees to the extent practicable. All committees will be working toward the goal to set out clearly the terms of reference, the quorum for meetings, the frequency of meetings, and the timelines for dispatching agendas and meeting papers well in advance, as well as for circulation of draft meeting minutes.