

The Audit Commission (“Audit”) conducted a review of The Chinese University of Hong Kong (“CUHK”)’s work relating to campus facilities providing convenience to students and staff inside the campus operated by external entities.¹

2. CUHK was established in 1963 and is one of the eight local universities funded by the University Grants Committee. Some of CUHK’s campus facilities are operated by external entities and under the purview of various overseeing units in CUHK. As at 1 July 2023, there were 39 campus facilities operated by external parties, comprising 33 catering outlets, 2 bank branches, 1 bookstore, 1 convenience store, 1 hair salon and 1 supermarket.

3. The Committee noted the following findings from the Director of Audit’s Report No. 81:

Tendering procedures

- although CUHK had issued the University Ordering and Tender Procedures setting out the tendering procedures and approval authorities for procurements, it was not tailored to cover tender exercises relating to campus facilities;
- Audit examined the records of tender exercises for campus facilities and found that three tender exercises conducted by a college for three catering outlets did not follow some steps in the tendering procedures;
- Audit’s examination of the records of 50 of the 59 contracts for campus facilities commencing from January 2017 to July 2023 noted that of the 50 contracts, 33 were awarded through tender exercises and 17 were not. For 7 (41%) of the 17 contracts without going through tendering procedures, no tender waivers had been obtained from the Tender Board;
- the interest of external entities in open tender exercises was lukewarm:
 - (a) in the most recent two tender exercises for each of the supermarket, the convenience store, the hair salon and the bookstore, the only conforming tender received was from the incumbent operator; and

¹ The term “campus facilities” in the Director of Audit’s Report No. 81 does not include facilities such as teaching facilities, research facilities, IT facilities, etc.

- (b) for the catering outlets, in 23 (66%) of 35 tender exercises conducted from January 2017 to July 2023, less than three tenders were received in each exercise;
- CUHK informed Audit that CUHK had historically adopted a decentralized approach to procurement and tendering processes hence it was not desirable to appoint a representative from the Finance Office when forming tender evaluation panels;
- according to the University Ordering and Tender Procedures, members of tender evaluation panels were required to sign an undertaking relating to tender information and conflict of interest. Audit's examination of 40 of the 48 tender exercises for campus facilities conducted from January 2017 to July 2023 found that:
 - (a) in 11 (28%) exercises, none of the members signed the undertakings; and
 - (b) in 8 (20%) exercises, undertakings for some members were missing;

Monitoring of operations of campus facilities

- in accordance with the Food Business Regulation (Cap. 132X), CUHK's catering outlets and any other campus facilities engaged in food business (i.e. food premises) must obtain a food business licence unless they are provided for the use exclusively of CUHK students/staff. The catering outlets and food premises must also be licensed if they provide food delivery services outside CUHK campus, and a restricted food permit must be obtained for the sale of each type of restricted food specified in Cap. 132X. Audit conducted site visits to 29 of the 33 catering outlets from May to August 2023 and found that:
 - (a) none of the 33 CUHK's catering outlets² had obtained a food business licence;
 - (b) all the 29 catering outlets were not provided for the exclusive use of CUHK students/staff;

² Including 4 of the 33 catering outlets that Audit had not conducted site visits to because they were temporarily closed for the whole or part of the period of Audit's visits.

- (c) 3 (10%) of the 29 catering outlets provided food delivery services outside CUHK campus not restricted to CUHK students/staff; and
- (d) of the 25 catering outlets that sold restricted foods, 4 (16%) and 14 (56%) had not obtained some or all of the required restricted food permits respectively;
- Audit's review of the 24 contracts covering the 33 catering outlets (some contracts covered more than one outlet) and examination on the records of all the 13 overseeing units overseeing the 33 catering outlets found that:
 - (a) the food safety requirements and hygiene standards stipulated in the contracts varied;
 - (b) from January to June 2023, of the 11 overseeing units that required the appointment of hygiene manager, 6 (55%) units did not take measures to ensure that the requirement had been complied with by the caterers; and
 - (c) from September 2022 to June 2023, 11 (85%) overseeing units had not ascertained whether the caterers had conducted regular cleaning according to the frequency stipulated in the contracts (involving 22 catering outlets);
- the contracts between CUHK and the external operators required that the external operators shall pay CUHK maintenance fees/management fees/licence fees and utility charges in respect of the operations of the campus facilities. From October 2022 to March 2023:
 - (a) of the 152 invoices for payment of maintenance fees/management fees/licence fees issued, the payments for 77 (51%) were made later than the due dates and the amount concerned was \$1.54 million (40% of the total amount of \$3.87 million);
 - (b) of the 167 invoices for payment of utility charges issued, the payments for 94 (56%) were made later than the due dates and the amount concerned was \$3.35 million (64% of the total amount of \$5.19 million);
 - (c) of the 33 contracts between CUHK and the external operators covering the 39 campus facilities, 7 contracts did not include terms

on late payment charges and for the remaining 26 contracts, the terms on late payment charges varied; and

- (d) of the 34 payments delayed for 30 days or more, 30 were subject to the late payment charges under the contract terms but CUHK did not impose late payment charges on the outstanding balances;
- the 13 overseeing units adopted different approaches in managing the catering outlets and there were no guidelines requiring the overseeing units to document the results of performance evaluation conducted on the operators. The frequency and mode of hygiene inspections on catering outlets varied. From July 2017 to June 2023, there were records of 46 inspections conducted by overseeing units. Audit noted that:
 - (a) eight (62%) units had conducted inspections on catering outlets. Among them, for six (75%), the inspections were conducted jointly with other parties. Moreover, six (75%) carried out inspections on a surprise basis and two (25%) carried out inspections on a scheduled basis;
 - (b) five (38%) units did not have records showing that inspections had been conducted. Among them, two had actually visited the catering outlets regularly and observed their hygiene conditions, but had not documented the inspections; and
 - (c) none of the 13 overseeing units had included in the contract terms the requirement for caterers to report on the Food and Environmental Hygiene Department's inspections. Of the 33 catering outlets, 6 (18%) had reported to the overseeing units that they had been inspected;

Other issues

- relating to campus facilities operated by external entities, CUHK did not incorporate in the tender documents, contracts and guidelines safeguard measures over matters concerning national security;³

³ The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region stipulates that the Government of the Hong Kong Special Administrative Region shall take necessary measures to strengthen public communication, guidance, supervision and regulation over matters concerning national security, including those relating to schools, universities, social organizations, the media, and the Internet.

- some overseeing units had set up committees to oversee the operation of the campus facilities under their purview but some had not. Audit's review of the governance of the 15 committees set up found that:
 - (a) no terms of reference were laid down for four (27%) committees;
 - (b) no quorum was set for the meetings of 10 (67%) committees; and
 - (c) rules governing meeting frequency were not established for 10 (67%) committees; and
- CUHK was in the process of launching a new e-procurement system, CUPro, by phases starting from early 2023. CUHK informed Audit in August 2023 that a trial run had started in July 2023, and the system was targeted to be fully launched in late 2023.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the tendering procedures and monitoring of operations of campus facilities as well as the setting up of committees by overseeing units and the new e-procurement system. The replies from the **Acting Vice-Chancellor and President, The Chinese University of Hong Kong** are in *Appendix 23*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.