

CHAPTER 8

The Chinese University of Hong Kong

**The Chinese University of Hong Kong:
Campus facilities operated
by external entities**

**Audit Commission
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This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

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THE CHINESE UNIVERSITY OF HONG KONG: CAMPUS FACILITIES OPERATED BY EXTERNAL ENTITIES

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THE CHINESE UNIVERSITY OF HONG KONG: CAMPUS FACILITIES OPERATED BY EXTERNAL ENTITIES

Executive Summary

1. The Chinese University of Hong Kong (CUHK) was established and incorporated in 1963 by The Chinese University of Hong Kong Ordinance (Cap. 1109). It is one of the eight local universities funded by the University Grants Committee. CUHK's campus is located in Sha Tin, New Territories. Some of CUHK's campus facilities are operated by external entities. The term "campus facilities" in this report refers to facilities that provide convenience to students and staff inside the campus. Campus facilities do not include facilities such as teaching facilities, research facilities, etc. As at 1 July 2023, there were 39 such facilities, comprising 33 catering outlets, 2 bank branches, 1 bookstore, 1 convenience store, 1 hair salon and 1 supermarket. The campus facilities operated by external entities are under the purview of various overseeing units in CUHK. The Audit Commission (Audit) has recently conducted a review of CUHK's work relating to campus facilities operated by external entities.

Tendering procedures

2. *Need to stipulate guidelines for tendering procedures relating to campus facilities.* Although CUHK has issued the University Ordering and Tender Procedures (UOTP) setting out the tendering procedures and approval authorities for procurements, UOTP was not tailored to cover tender exercises relating to campus facilities. According to CUHK, inviting and selecting external entities to operate campus facilities through tender exercises do not involve procurements from the external entities (paras. 2.2 and 2.3).

3. *Some tender exercises did not fully follow the tendering procedures.* Audit examined the records of tender exercises for campus facilities and found that 3 tender exercises conducted by a college for 3 catering outlets did not follow some steps in

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the tendering procedures of CUHK: (a) the tender specifications were not passed to the Finance Office for compliance checking; (b) the tenders received were opened and recorded by staff of the college instead of representatives of the Finance Office and the Security Office; and (c) no approval was obtained from the Tender Board for the acceptance of tenderers' offers (paras. 2.4 and 2.5).

4. ***Need to obtain tender waivers if tender exercises are not to be conducted.*** It was stipulated in UOTP that tender waiver will only be granted by the Tender Board if it can be established that tendering procedures are impractical, or that waiver of tendering would not unfairly disadvantage CUHK. Audit examined records of 50 of the 59 contracts for campus facilities commencing in the period from January 2017 to July 2023. Of the 50 contracts, 33 were awarded through tender exercises and 17 were not. Audit found that for 7 (41%) of the 17 contracts, no tender waiver had been obtained from the Tender Board (paras. 2.7 and 2.8).

5. ***Limited competition in open tender exercises.*** CUHK awards contracts to external entities for the operation of its campus facilities through open tender (except for the operation of the two bank branches). Audit found that the interest of external entities was lukewarm. The operators for the supermarket, the convenience store, the hair salon and the bookstore have not changed since 1981, 2001, 2005 and 2012 respectively. In the most recent two tender exercises for each of these four facilities, the only conforming tender received was from the incumbent operator. Audit examined 35 tender exercises for the operation of catering outlets conducted in the period from January 2017 to July 2023. In 23 (66%) exercises, less than 3 tenders were received (para. 2.13).

6. ***Need to improve publicity of tender invitations.*** Audit examined 40 of the 48 tender exercises for the operation of campus facilities conducted in the period from January 2017 to July 2023. Audit found that for 18 (45%) exercises, advertisements were posted only in Chinese newspapers and 1 (3%) exercise only in an English newspaper. The numbers of newspapers chosen for posting advertisements for each exercise ranged from 1 to 6, averaging 2.9 newspapers. The durations of advertisements posted in newspapers were short, ranging from 1 to 3 days, averaging 1.5 days (paras. 2.18 and 2.19).

7. ***Need to improve signing of undertakings by members of tender evaluation panels.*** According to UOTP, members of tender evaluation panels are required to

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sign an undertaking: (a) not to make unauthorised disclosure or take advantage of any tender information; and (b) to declare any actual or perceived conflict of interest situations. Audit reviewed 40 tender exercises (see para. 6). Audit found that in 11 (28%) tender exercises, none of the evaluation panel members signed the undertakings. In 8 (20%) tender exercises, undertakings for 8% to 29% of the evaluation panel members were missing (not signed or lost). In 9 (23%) tender exercises, bidders' information was disclosed to all members of the evaluation panels despite that none of the members had signed the undertakings. In 12 (30%) tender exercises, bidders' information was disclosed to some members of the evaluation panels before the members had signed the undertakings (ranging from 10% to 100% of members of the evaluation panels, averaging 51%) (paras. 2.34 and 2.35).

Monitoring of operations of campus facilities

8. *Canteen services provided by CUHK's catering outlets.* None of the 33 catering outlets have obtained a food business licence. In the period from May to August 2023, Audit conducted site visits to 29 of the 33 catering outlets. Audit found that: (a) all the 29 catering outlets were not provided for the exclusive use of CUHK students/staff. They did not check whether the customers were CUHK students/staff prior to their use of catering services. Non-CUHK students/staff could buy food and drinks from the catering outlets. In 13 (45%) of the 29 catering outlets, no notices were displayed indicating that the catering outlets served exclusively CUHK students/staff; (b) 3 (10%) of the 29 catering outlets provided food delivery services outside CUHK campus through third party food delivery platforms and the food delivery services were not restricted to CUHK students/staff; and (c) of the 25 catering outlets that sold restricted foods specified in the Food Business Regulation (Cap. 132X), 14 (56%) had not obtained restricted food permits and 4 (16%) had obtained restricted food permits for some but not all types of restricted food sold (para. 3.5).

9. *Engaging in food business by convenience store.* While it has not obtained a food business licence, the convenience store prepares food on-site for sale to customers. In June and July 2023, Audit conducted site visits to the convenience store. Audit found that it did not check whether the customers were CUHK students/staff prior to the sale of the food and no notices were displayed in the convenience store indicating that the food was provided exclusively for CUHK students/staff. Non-CUHK students/staff could buy food from the convenience store. Furthermore, it allowed customers to consume the food in the store (para. 3.6).

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10. ***Catering outlets carrying out activities not allowed by contracts.*** In the period from May to August 2023, Audit conducted site visits to 29 of the 33 catering outlets. Audit found that some caterers carried out activities that were not allowed under the contracts. Of the 29 catering outlets, 8 (28%) had advertisements without approval and 4 (14%) engaged in business other than the ordinary business of a food-caterer (namely sale of artworks, books and festive food vouchers, and provision of power bank rental service) (para. 3.9).

11. ***Bookstore carrying out activities not allowed by contract.*** In the period from May to July 2023, Audit conducted site visits to the bookstore every month and found that mini rechargeable fans, games, personal care products (body lotion, bath gel, etc.), toy model cars and toy dolls were displayed for sale at the bookstore. These items were not the allowed items specified in the contract. Contrary to the requirement in the bookstore contract, permission from CUHK had not been sought for the sale of such items (para. 3.10).

12. ***Food safety requirements and hygiene standards stipulated in contracts varied.*** Audit reviewed the 24 contracts covering the 33 catering outlets (some contracts covered more than one outlet). Audit found that the food safety requirements and hygiene standards stipulated in the contracts varied. The requirement on appointment of hygiene manager was stipulated in 21 of the contracts (involving 11 overseeing units), but not in the remaining 3 contracts. The requirements relating to the regular cleaning varied. For instance, 15 contracts required the cleaning of grease traps to be conducted at least once every 2 days, 8 required at least once per week, and 1 did not require cleaning at all (para. 3.13).

13. ***Need to ensure food safety requirements and hygiene standards are complied with.*** Audit examined the records of all the 13 overseeing units overseeing the 33 catering outlets. Audit found that in the period from January to June 2023, of the 11 overseeing units that required the appointment of hygiene manager, 6 (55%) did not take measures to ensure that the requirement had been complied with. In the period from September 2022 to June 2023, of the 13 overseeing units, 11 (85%) had not ascertained whether the caterers had conducted regular cleaning according to the frequency stipulated in the contracts, and 2 (15%) only required the caterers to submit the cleaning records for grease traps on a monthly basis but not those for furniture, fixtures and equipment, and air distribution system. For the cleaning of grease traps, 5 of the 11 catering outlets involved conducted the cleaning less frequent than required (para. 3.14).

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14. ***Suspension of catering services without prior written consent.*** According to the contracts between CUHK and the caterers, CUHK's prior written consent is required if the caterers temporarily suspend the catering services or close any part of the outlets for maintenance, redecoration, reconstruction or for holding official functions of CUHK. Audit found that one catering outlet had been closed since 5 June 2023 without obtaining prior written consent from CUHK (paras. 3.16 and 3.17).

15. ***Need to ensure timely payments of fees and charges by external operators.*** Audit examined the payment records of the fees and charges of the external operators in respect of the invoices issued in the 6-month period from October 2022 to March 2023. Audit found that of the 152 invoices for maintenance fees/management fees/licence fees and 167 invoices for utility charges, the payments for 77 (51%) and 94 (56%) respectively were made later than the due dates (para. 3.26).

16. ***Need to ensure that late payment charges are collected.*** In the period from October 2022 to March 2023, 34 payments by the external operators for fees and charges were delayed for more than one calendar month. Of the 34 late payments, 30 were related to external operators that were subject to late payment charges under the contract terms. For all the 30 late payments, CUHK did not impose late payment charges on the outstanding balances. For the remaining 4 late payments, the contracts did not stipulate late payment charges (para. 3.28).

17. ***Need to ensure that relevant mandatory requirements in Sustainable Procurement Guidelines are included in contracts.*** Audit reviewed the 23 contracts signed between CUHK and the external operators on or after 1 July 2021. Audit found that none of the contracts included the relevant mandatory requirements stipulated in the Sustainable Procurement Guidelines. In the 23 contracts, the operators were not mandatorily required to follow the requirements in the Sustainable Procurement Guidelines. Instead, they were required to cooperate with CUHK on sustainable development and environmental protection measures as far as possible (para. 3.33).

18. ***Need to ensure compliance with requirements stipulated in Sustainable Procurement Guidelines and contracts.*** In the period from May to August 2023, Audit conducted site visits to 31 campus facilities. Of the 31 facilities, 26 were subject to the requirement in the Sustainable Procurement Guidelines to cease the sale

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or supply of plastic bottled water of 1 litre or below. Audit found that plastic bottled water of 1 litre or below was available for sale in 2 (8%) of the 26 facilities. Moreover, Audit noted that 24 catering outlets provided take-away containers and cutlery to customers. There was no indication on the take-away containers and cutlery provided by 14 (58%) of the 24 catering outlets on whether the materials used were biodegradable or reusable (paras. 3.32 and 3.37).

19. ***Need to enhance monitoring mechanism on catering outlets' hygiene level.*** Audit examined the records of the 13 overseeing units on carrying out hygiene inspections on the catering outlets in the period from July 2017 to June 2023. Audit found that the frequency and mode of conducting hygiene inspections varied among the overseeing units: (a) 8 (62%) overseeing units had conducted hygiene inspections on the catering outlets and 5 (38%) did not have records showing that inspections had been conducted; (b) for 6 (75%) of the 8 overseeing units that had conducted hygiene inspections, the inspections were conducted jointly with other parties. Moreover, 6 (75%) of the units carried out inspections on a surprise basis and 2 (25%) carried out inspections on a scheduled basis; and (c) 6 (18%) of the 33 catering outlets had reported to the overseeing units that they had been inspected by the Food and Environmental Hygiene Department (para. 3.42).

20. ***Need to step up monitoring mechanism.*** There were no overall guidelines developed for performance inspections, performance assessment and taking enforcement actions. The 13 overseeing units adopted different approaches in managing the catering outlets. There were no guidelines requiring the overseeing units to document the results of performance evaluation conducted on the operators of the campus facilities. Moreover, there was no sharing of monitoring approaches and monitoring results among the overseeing units with a view to facilitating the adoption of best practices in the monitoring of operators' compliance and quality of services, and selection of tenderers in future tendering exercises (paras. 3.44 and 3.45).

Other issues

21. ***Need to strengthen safeguard measures over matters concerning national security.*** The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region was implemented on 30 June 2020. The Law stipulates that the Government of the Hong Kong Special

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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 organisations, the media, and the Internet. Relating to campus facilities operated by external entities, CUHK has not incorporated in the tender documents, contracts and guidelines safeguard measures over matters concerning national security (paras. 4.2 and 4.3).

22. ***Need to improve committee proceedings.*** The operation of the campus facilities by the external entities is overseen by overseeing units. Some overseeing units have set up committees to oversee the operation of the campus facilities under their purview. Audit reviewed the governance of the 15 committees and the proceedings of the 124 committee meetings held in the period from academic years 2017/18 to 2022/23. Audit found that: (a) no terms of reference were laid down for 4 (27%) committees; (b) no quorum was set for 10 (67%) committees and for 1 (1%) of the 124 meetings, the meeting proceeded despite the fact that the quorum was not present; (c) for 10 (67%) committees, rules governing meeting frequency were not established; for 2 (13%) committees, the actual numbers of meetings held were fewer than those required in 2 of the 6 years; and 9 (60%) committees did not hold any meeting in one or more years; (d) the agendas and meeting papers were not dispatched to members well in advance of some of the 124 meetings; and (e) draft meeting minutes were not promptly circulated to members for comment for some of the 124 meetings (paras. 4.7 and 4.9).

23. ***Need to improve notices for collection of personal data by Closed Circuit Television.*** According to the Guidance on Closed Circuit Television (CCTV) Surveillance and Use of Drones issued by the Privacy Commissioner for Personal Data, people should be explicitly informed that they are subject to CCTV surveillance. Audit visited the 39 campus facilities operated by external entities in CUHK in the period from May to August 2023. Audit noted that 33 facilities were subject to CCTV surveillance. However, at 15 (45%) facilities (comprising 13 catering outlets, the convenience store and the hair salon), people were not explicitly informed that they were subject to CCTV surveillance. Notices were neither put up at the entrances nor inside to inform people that they were subject to CCTV surveillance (paras. 4.25 and 4.26).

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24. *Need to improve implementation of smoke-free campus policy.* All indoor and outdoor areas of CUHK are statutory no smoking areas under the Smoking (Public Health) Ordinance (Cap. 371). Audit visited the vicinity of each of the 33 catering outlets once every month in May, June and July 2023. For 23 (70%) of the 33 outlets, cigarette butts were found at the outdoor areas just outside the catering outlets during at least one of the three audit visits (paras. 4.29 and 4.30).

Audit recommendations

25. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:**

Tendering procedures

- (a) **stipulate guidelines and procedures for tender exercises relating to campus facilities (para. 2.11(a));**
- (b) **ensure that tender exercises for the operation of catering outlets are conducted in compliance with the tendering procedures (para. 2.11(b));**
- (c) **ensure that tender waivers are obtained if tender exercises are not to be conducted (para. 2.11(c));**
- (d) **explore measures to attract more potential operators to submit tenders and step up the publicity of tender invitations (para. 2.22(a) and (c));**
- (e) **ensure that undertakings are signed by all members of tender evaluation panels and are kept safely (para. 2.37(e) and (f));**
- (f) **refrain from distributing bidders' information to members of tender evaluation panels until they have signed their undertakings (para. 2.37(g));**

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Monitoring of operations of campus facilities

- (g) ensure that the caterers provide canteen services and food delivery services exclusively to CUHK students/staff within CUHK campus, and obtain restricted food permits for the sale of restricted foods (para. 3.23(a) to (c));
- (h) ensure that the convenience store obtained the licences and permits required (para. 3.23(d));
- (i) ensure that posters, signboards or advertisements are not affixed to any part of the catering outlets (para. 3.23(f));
- (j) ensure that the caterers do not carry on activities or business other than the ordinary business of a food-caterer (para. 3.23(g));
- (k) ensure that the bookstore operator does not sell items other than those specified in the contract (para. 3.23(h));
- (l) rationalise the food safety requirements and hygiene standards in the contracts and ensure that the caterers comply with them (para. 3.23(i) and (j));
- (m) ensure that the caterers obtain prior written consents before suspending the catering services (para. 3.23(k));
- (n) ensure that the external operators pay fees and charges in a timely manner (para. 3.30(a));
- (o) ensure that, in accordance with the contract terms, late payment charges are collected on fees and utility charges that remained outstanding for more than one calendar month (para. 3.30(c));
- (p) incorporate all relevant mandatory requirements under the Sustainable Procurement Guidelines in the contracts (para. 3.39(a));
- (q) ensure that the mandatory sustainable development and environmental protection requirements are complied with (para. 3.39(c));

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- (r) ensure that regular hygiene inspections are conducted by the overseeing units (para. 3.47(a));
- (s) consider rationalising the mode of hygiene inspections (para. 3.47(b));
- (t) consider requiring caterers to report to the overseeing units on the Food and Environmental Hygiene Department's inspections (para. 3.47(c));
- (u) step up the monitoring mechanism, including providing guidelines on compliance, quality assessments and evaluation (para. 3.47(d));
- (v) consider setting up a mechanism for facilitating the adoption of best practices in the monitoring of the operators' compliance with contract requirements and quality of services, and the selection of tenderers (para. 3.47(e));

Other issues

- (w) strengthen guidance and regulations relating to campus facilities operated by external entities over matters concerning the safeguarding of national security (para. 4.5);
- (x) lay down the terms of reference, quorum of meetings and frequency of meetings for the committees overseeing campus facilities operated by external entities, and ensure compliance of the requirements (para. 4.13(a) and (b));
- (y) ensure that agendas, meeting papers and draft meeting minutes are provided to committee members in a timely manner (para. 4.13(c));
- (z) ensure that people are explicitly informed that they are subject to CCTV surveillance (para. 4.27(b)); and
- (aa) include the requirement to prohibit smoking in all indoor and outdoor areas of CUHK in the contracts for all catering outlets and explore measures to address the issue of smoking in the vicinity of outlets (para. 4.36(a) and (b)).

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Response from The Chinese University of Hong Kong

26. The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 ***The Chinese University of Hong Kong (CUHK).*** CUHK was established and incorporated in 1963 by The Chinese University of Hong Kong Ordinance (Cap. 1109). CUHK offers a range of full-time and part-time programmes, including programmes leading to bachelor's degrees, master's degrees, and doctorates. As at 1 August 2023, there were eight Faculties (Arts, Business Administration, Education, Engineering, Law, Medicine, Science, and Social Science) and 59 departments/schools in CUHK, offering 85 major programmes and 84 minor programmes for undergraduate students. In addition, the Graduate School offered 225 postgraduate programmes. As at 31 December 2022, there were 33,684 students, including 19,800 (59%) undergraduate students and 13,884 (41%) postgraduate students.

1.3 ***Government subventions.*** CUHK is one of the eight local universities funded by the University Grants Committee (UGC — Note 1). In the financial year ended 30 June 2022 (Note 2), CUHK received government subventions of \$5,679 million (comprising \$5,165 million (91%) from UGC and \$514 million (9%) from other Government agencies), representing 62.6% of its total income in the year.

Note 1: *UGC is a non-statutory advisory body established in 1965. It advises the Government on the development and funding of higher education in Hong Kong. Its objectives are to advance the quality of teaching and learning, research and knowledge transfer at the UGC-funded universities, and monitoring the efficiency and cost effectiveness of the universities' UGC-funded activities. Members of UGC are appointed by the Chief Executive of the Hong Kong Special Administrative Region. No Government officer sits on UGC, but its Secretariat is staffed by civil servants.*

Note 2: *CUHK's financial year starts on 1 July and ends on 30 June of the following year.*

Introduction

1.4 *CUHK's campus.* CUHK's campus is located in Sha Tin, New Territories. The campus has an area of 138.4 hectares with more than 160 buildings. CUHK provides various facilities for its students and staff, including teaching facilities, libraries, sports facilities, museums and campus facilities. The term "campus facilities" in this report refers to facilities that provide convenience to students and staff inside the campus. Campus facilities do not include facilities such as teaching facilities, research facilities, IT facilities, etc.

1.5 *College system.* CUHK is the only university in Hong Kong that adopts a college system. Colleges are congenial communities with their own hostels, dining halls and other facilities. College programmes and activities complement the formal curricula by delivering whole-person education and pastoral care. All full-time undergraduate students are affiliated with one of the nine colleges, namely (Note 3):

- (a) Chung Chi College;
- (b) New Asia College;
- (c) United College;
- (d) Shaw College;
- (e) Morningside College;
- (f) S.H. Ho College;
- (g) C.W. Chu College;
- (h) Wu Yee Sun College; and
- (i) Lee Woo Sing College.

Note 3: *The colleges were listed in the usual order adopted by CUHK.*

Governance and organisation structure

1.6 ***Governance structure.*** The major governing bodies of CUHK are the Council and the Senate. The powers and duties of the Council and the Senate are stipulated in The Chinese University of Hong Kong Ordinance and the Statutes of The Chinese University of Hong Kong. The composition, powers and duties of the Council and the Senate are as follows:

- (a) ***The Council.*** The Council is the governing and executive body of CUHK. It is vested with the management and control of the affairs, purposes and functions of CUHK. The Council is also responsible for the control and management of CUHK's property and financial affairs. The Chairman of the Council is appointed by the Chancellor (Note 4). As at 1 September 2023, there were 53 members (including the Chairman) in the Council. Eleven standing committees (Note 5) are accountable to the Council; and
- (b) ***The Senate.*** The Senate is vested with statutory powers and duties in respect of all academic matters in CUHK, including the control and regulation of instruction, education and research, the conducting of examinations for students, and the award of degrees, diplomas, certificates and other academic distinctions. The eight Faculties advise the Senate through the faculty boards on the programmes of study recommended by the departments, which deliver disciplinary teaching. The Senate is chaired by the Vice-Chancellor. As at 1 September 2023, there were 143 members (including the Chairman) in the Senate.

1.7 ***Organisation structure.*** The Vice-Chancellor and President is appointed by the Council. CUHK's day-to-day management and administration is steered by the President, who is assisted by the Provost, five Pro-Vice-Chancellors,

Note 4: *The Chief Executive of the Hong Kong Special Administrative Region is the Chancellor of CUHK.*

Note 5: *The eleven standing committees are: (a) Administrative and Planning Committee; (b) Audit Committee; (c) Campus Planning and Building Committee; (d) Committee on Institutional Advancement; (e) Executive Committee of the Council; (f) Finance Committee; (g) Honorary Degrees Committee; (h) Honorary Fellowship Committee; (i) Risk Management Committee; (j) Terms of Service Committee; and (k) University Tender Board.*

Introduction

Vice-President (Administration), Deans of Faculties and Graduate School, and College Heads. The Finance Office, headed by the Bursar and Director of Finance, reports to the Vice-President (Administration). The Finance Office serves the business and financial management needs of the university community and provides assistance to colleges/departments/units in CUHK on procurement matters and matters relating to campus facilities operated by external entities (see para. 1.9). As at 30 June 2023, CUHK had 8,394 staff, including 1,876 (22%) office support staff, 1,863 (22%) research staff, 1,729 (21%) teaching staff, and 2,926 (35%) other staff (i.e. junior support, administrative, technical and professional staff). An extract of the organisation chart of CUHK as at 1 August 2023 is shown in Appendix A.

Campus facilities operated by external entities

1.8 Some of CUHK's campus facilities are operated by external entities. As at 1 July 2023, there were 39 such facilities, comprising 33 catering outlets, 2 bank branches, 1 bookstore, 1 convenience store, 1 hair salon and 1 supermarket. In the financial year ended 30 June 2023, CUHK received service income of \$5.97 million from the external operators in the form of maintenance fees, management fees or licence fees (see Table 1). Contracts were signed between CUHK and the external operators.

Table 1

**Service income received from external operators
(Financial years 2018-19 to 2022-23)**

Financial year	Service income (\$'000)
2018-19	7,169
2019-20	6,052
2020-21	3,517
2021-22	5,956
2022-23	5,967 (Note)

Source: Audit Commission analysis of CUHK records

Note: The figure for 2022-23 is provisional and is subject to adjustment.

Remarks: In the period from 2018-19 to 2022-23, the service income represented less than 0.1% of CUHK's total income.

1.9 **Overseeing units.** Depending on their nature and location, campus facilities operated by external entities are under the purview of CUHK's Finance Office or individual colleges/departments/units (collectively referred to as overseeing units). A summary of the campus facilities operated by external entities as at 1 July 2023 is shown in Table 2. The overseeing units (Note 6) are responsible for arranging the contracts for the operation of campus facilities by external entities. They are also responsible for monitoring the external entities' operation of the campus facilities. The Finance Office provides assistance to the overseeing units on matters relating to campus facilities operated by external entities, such as conducting checking to ensure that the requirements in the University Ordering and Tender Procedures (UOTP — see para. 2.2) are complied with in the tender documents prepared by the overseeing units. The roles of the overseeing units in the tendering procedures and the monitoring of the contracts with the external operators are shown in Figure 1.

Note 6: *The overseeing units may be led by a head, a director or a dean and are supported by a number of academic and/or administrative staff at various grades (e.g. professors, managers, clerks).*

Introduction

Table 2

**Campus facilities operated by external entities
(1 July 2023)**

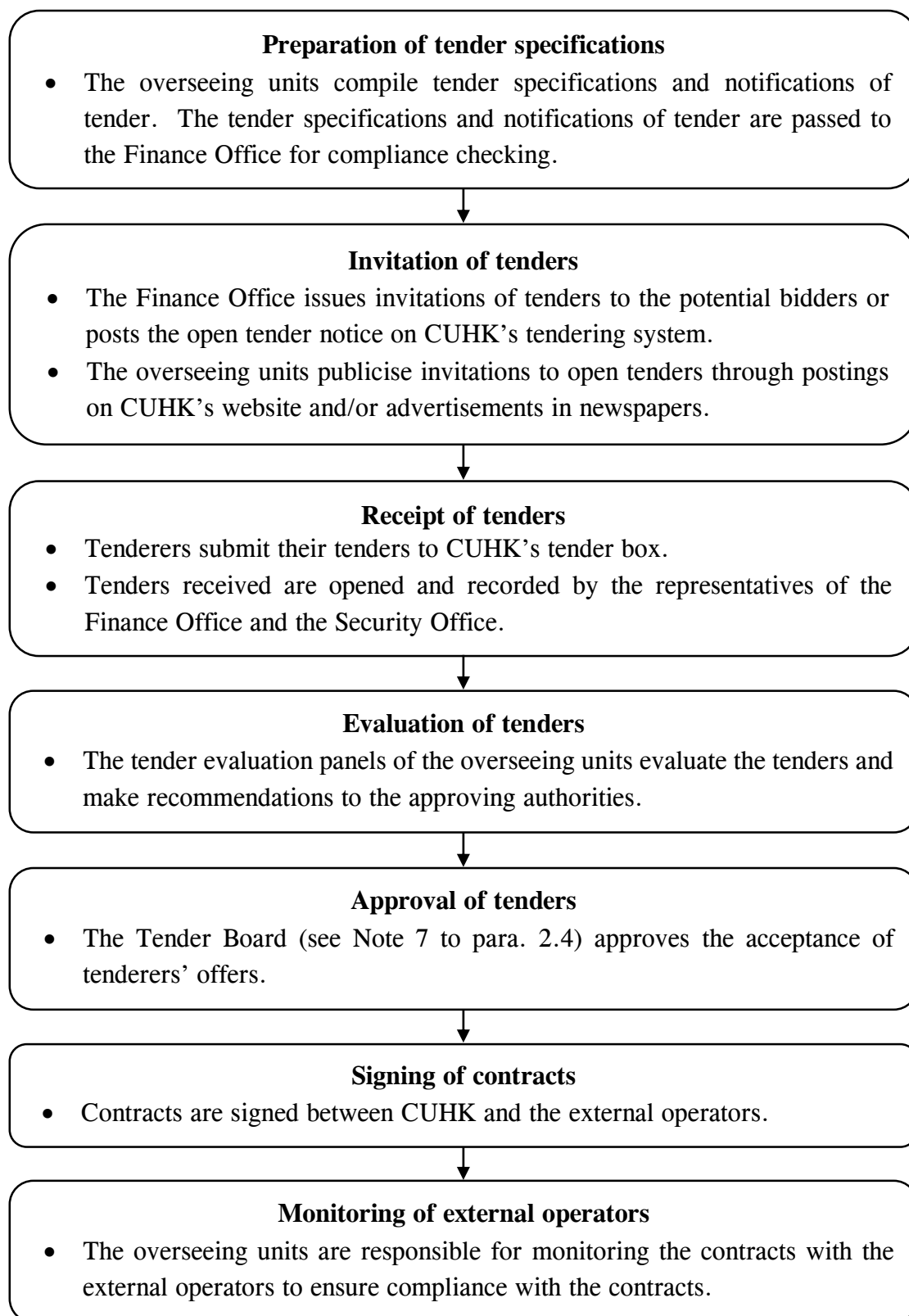
Facility	Number	Floor area (square metre)	Overseeing unit
Catering outlet	33	6 to 967	<ul style="list-style-type: none"> • 9 colleges (20 outlets — Note 1); • Staff-Student Centres Management Committee (10 outlets); • Basic Medical Sciences Building Snack Bar Sub-Committee (1 outlet); • Office of Research and Knowledge Transfer Services (1 outlet); and • Staff association (1 outlet)
Bank branch	2	80 and 118	<ul style="list-style-type: none"> • Finance Office
Bookstore	1	490	<ul style="list-style-type: none"> • Staff-Student Centres Management Committee
Convenience store	1	36	
Hair salon	1	72	
Supermarket	1	369	
Overall	39	6 to 967 (Note 2)	14 overseeing units

Source: Audit Commission analysis of CUHK records

Note 1: Of the 9 colleges, 4 oversee 3 catering outlets each, 3 oversee 2 and 2 oversee 1 ($3 \times 4 + 2 \times 3 + 1 \times 2 = 20$).

Note 2: The total floor area occupied by the 39 campus facilities was 11,721 square metres.

Figure 1

Roles of overseeing units in tendering procedures and monitoring of contracts with external operators

Source: Audit Commission analysis of CUHK records

Introduction

Audit review

1.10 In April 2023, the Audit Commission (Audit) commenced a review of CUHK's work relating to campus facilities operated by external entities. This audit has focused on the following areas:

- (a) tendering procedures (PART 2);
- (b) monitoring of operations of campus facilities (PART 3); and
- (c) other issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from The Chinese University of Hong Kong

1.11 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations. He has said that CUHK will take appropriate actions to follow up the audit recommendations.

Acknowledgement

1.12 Audit would like to acknowledge with gratitude the full cooperation of the staff of CUHK during the course of the audit review.

PART 2: TENDERING PROCEDURES

2.1 This PART examines CUHK's tendering procedures for selecting external entities to operate campus facilities, focusing on the following areas:

- (a) compliance with tendering procedures (paras. 2.2 to 2.12);
- (b) competition in open tender exercises (paras. 2.13 to 2.23); and
- (c) tender evaluation (paras. 2.24 to 2.38).

Compliance with tendering procedures

Need to stipulate guidelines for tendering procedures relating to campus facilities

2.2 CUHK has issued, making reference to the Stores and Procurement Regulations (SPRs) of the Government, UOTP setting out the tendering procedures and approval authorities for procurements. According to CUHK:

- (a) UOTP stipulates the procedures for obtaining, evaluating and approving tenders for procurements; and
- (b) although inviting and selecting external entities to operate campus facilities through tender exercises do not involve procurements from the external entities, CUHK follows UOTP guidelines and procedures where appropriate in tendering for campus facility operators.

2.3 As UOTP was not tailored to cover tender exercises relating to campus facilities, Audit considers that CUHK needs to stipulate separate formal guidelines and procedures for tender exercises relating to campus facilities, taking reference from UOTP and SPRs of the Government.

Tendering procedures

Some tender exercises did not fully follow the tendering procedures

2.4 According to the tendering procedures of CUHK (see Figure 1 in para. 1.9):

- (a) tender specifications are passed to the Finance Office for compliance checking;
- (b) tenders received are opened and recorded by the representatives of the Finance Office and the Security Office; and
- (c) the Tender Board (Note 7) approves the acceptance of tenderers' offers.

2.5 Audit examined the records of tender exercises for campus facilities. Audit found that 3 tender exercises conducted by a college for 3 catering outlets did not follow some steps in the tendering procedures. For 2 of the 3 catering outlets, the last tender exercise for each of the 2 catering outlets was conducted in 2016 and 2017. Each of the contracts was subsequently renewed twice with the incumbent operator without going through the tendering procedures (Note 8). For the remaining 1 catering outlet, a tender exercise was conducted in 2022 (Note 9). Audit found that for the 3 tender exercises:

Note 7: *The Tender Board reports to the Administrative and Planning Committee (see Note 5 to para. 1.6(a)) of CUHK. It comprises a Chairman who is a senior academic staff appointed by the Vice-Chancellor, the Bursar as an ex-officio member, 3 academic and 2 administrative staff members nominated by the Pro-Vice-Chancellor (Administration) and appointed by the Administrative and Planning Committee, and a Senior Finance Manager (Business Unit) as secretary. The terms of reference of the Tender Board includes, among others, considering and approving tenders for operators/caterers of CUHK. The Tender Board is the approval authority for requests for tender waivers.*

Note 8: *In the 2 tender exercises (1 for each of the 2 catering outlets), no undertakings were signed by members of the evaluation panels (see para. 2.34). For each of the 2 catering outlets, the contract was subsequently renewed twice with the incumbent operator without obtaining waivers of tendering procedures from the Tender Board (see para. 2.7).*

Note 9: *In the tender exercise, bidders' information was disclosed to the 4 members of the evaluation panel before obtaining the members' signed undertakings (see para. 2.35(b)).*

- (a) the tender specifications were not passed to the Finance Office for compliance checking;
- (b) the tenders received were opened and recorded by staff of the college instead of representatives of the Finance Office and the Security Office; and
- (c) no approval was obtained from the Tender Board for the acceptance of tenderers' offers.

2.6 Audit considers that CUHK needs to take measures to ensure that all tender exercises for the operation of catering outlets are conducted in compliance with the tendering procedures.

Need to obtain tender waivers if tender exercises are not to be conducted

2.7 It was stipulated in UOTP that:

- (a) tender waiver will only be granted by the Tender Board if it can be established that tendering procedures are impractical, or that waiver of tendering would not unfairly disadvantage CUHK; and
- (b) request for tender waiver should be raised with written justifications provided for the Tender Board's consideration.

2.8 Audit examined records of 50 of the 59 contracts for campus facilities commencing in the period from January 2017 to July 2023. Of the 50 contracts, 33 were awarded through tender exercises and 17 were not. Audit found that for 7 (41%) of the 17 contracts without going through tendering procedures, no tender waivers had been obtained from the Tender Board. The 7 contracts covered the operation of 2 catering outlets of a college (see para. 2.5) and 2 bank branches.

2.9 In response to Audit's enquiry, concerning the 2 bank branches, CUHK informed Audit in September 2023 that:

Tendering procedures

- (a) the 2 banks had been providing on-campus banking services at CUHK for a long time; and
- (b) given CUHK's relative isolation from a major commercial centre, on-campus banking services were 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 students taking leave to visit banks outside the campus, and would impact continuity of services and come at the expense of efficiency.

2.10 Audit considers that CUHK needs to take measures to ensure that tender waivers are obtained if tender exercises are not to be conducted.

Audit recommendations

2.11 **Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:**

- (a) **stipulate separate formal guidelines and procedures for tender exercises relating to campus facilities, taking reference from UOTP and SPRs of the Government;**
- (b) **take measures to ensure that all tender exercises for the operation of catering outlets are conducted in compliance with the tendering procedures; and**
- (c) **take measures to ensure that tender waivers are obtained if tender exercises are not to be conducted.**

Response from The Chinese University of Hong Kong

2.12 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations.

Competition in open tender exercises

Limited competition in open tender exercises

2.13 CUHK awards contracts to external entities for the operation of its campus facilities through open tender exercises (except for the operation of the two bank branches — see para. 2.9). Audit found that the interest of external entities was lukewarm:

- (a) ***The supermarket, the convenience store, the hair salon and the bookstore.*** The operators for the supermarket, the convenience store, the hair salon and the bookstore have not changed since 1981, 2001, 2005 and 2012 respectively. Audit reviewed the most recent two tender exercises for each of these four facilities and noted that:
 - (i) in each of the most recent two tender exercises for the supermarket, the hair salon and the bookstore, the only tender received was the one from the incumbent operator; and
 - (ii) for the convenience store, in the second last tender exercise, the only tender received was from the incumbent operator. In the most recent tender exercise, of the 2 tenders received, only the one from the incumbent operator was a conforming tender; and
- (b) ***Catering outlets.*** Audit examined 35 tender exercises for the operation of catering outlets conducted in the period from January 2017 to July 2023. While in 12 (34%) exercises, 3 to 8 tenders were received, the interest of external entities was lukewarm and the competition was limited in the remaining 23 (66%) exercises:
 - (i) in 2 (6%) exercises, no tender was received;
 - (ii) in 9 (26%) exercises, only 1 tender was received (Note 10); and

Note 10: *In 7 exercises, the contracts were awarded to the only tenderers. In 1 exercise, the only tenderer subsequently withdrew from the exercise. In the remaining 1 exercise, the overseeing unit decided to revise the tender specifications and subsequently conducted a re-tender exercise.*

Tendering procedures

(iii) in 12 (34%) exercises, 2 tenders were received.

2.14 Audit noted that:

- (a) in 22 (55%) of 40 tender exercises (comprising the 35 tender exercises in para. 2.13(b) and 5 tender exercises for other campus facilities conducted in the period from January 2017 to July 2023), relevant experience was set as an essential requirement (Note 11) in the tender specifications. The minimum relevant experience required was set as 8 years in 9 exercises, 5 years in 3 exercises and 3 years in 10 exercises; and
- (b) in this regard, it was worth noting that in January 2018, the Canteens Management Sub-Committee (Note 12) removed the requirement on minimum relevant experience in a tender exercise because the sub-committee considered that the requirement that bidders must possess relevant experience in catering industry for 8 or more years adopted in previous tender exercises had deprived some young entrepreneurs of the eligibility to submit bids.

2.15 According to SPRs of the Government:

- (a) for procurements with limited competition in past exercises, government departments should explore measures to enhance competition and satisfy themselves that the tendering or consultants selection strategy to attract new bidders and innovative proposals is effective; and
- (b) to encourage competition and minimise entry barriers, as a general rule, tenderer's experience should not be set as an essential requirement in non-works procurements, irrespective of value. Where appropriate,

Note 11: *Essential requirement is a requirement that the non-compliance by a tender or a tenderer as at the tender submission deadline will lead to that tender or tenderer not being considered further.*

Note 12: *The Canteens Management Sub-Committee is a sub-committee under the Staff-Student Centres Management Committee. As at 1 July 2023, the sub-committee oversaw the operation of 10 catering outlets (see Table 2 in para. 1.9).*

tenderer's experience may be set as an assessment criterion in the marking scheme as a desirable feature.

2.16 In response to Audit's enquiry, CUHK informed Audit in September 2023 that there were many reasons for the limited competition in tender exercises for campus facilities:

- (a) for CUHK's catering outlets:
 - (i) unlike restaurants operating in the shopping malls, the sources and variety of customers were limited;
 - (ii) business volume fluctuated during the year and was subject to seasonal changes;
 - (iii) the outlets were subject to many additional campus-specific rules, policies and/or guidelines; and
 - (iv) foods and drinks had to be provided to students and staff at affordable prices affecting the profitability of the outlets; and
- (b) other facilities like bookstore, hair salon and supermarket were also subject to unstable sales turnover, and many specific rules and regulations.

2.17 Audit considers that CUHK, making reference to practices in the Government, needs to:

- (a) explore measures to encourage competition by attracting more potential operators to submit tenders; and
- (b) take measures to ensure that tenderer's experience is not set as an essential requirement, and where appropriate, set as an assessment criterion in the marking scheme as a desirable feature.

Need to improve publicity of tender invitations

2.18 CUHK publicises invitations to open tenders for the operation of campus facilities through posting advertisements in newspapers, and/or postings on CUHK's tendering system (Note 13) and/or websites. There were no guidelines on the duration of advertisements posted in newspapers and the languages of the newspapers chosen. Audit examined 40 of the 48 tender exercises for the operation of campus facilities conducted in the period from January 2017 to July 2023 and found room for improving the publicity of the tender invitations.

2.19 *Duration of advertisements posted on newspapers and languages of newspapers chosen.* For all the 40 tender exercises examined, advertisements of tender invitations were posted in newspapers. Audit found that:

- (a) for 21 (52%) exercises, advertisements were posted in both Chinese newspapers and English newspapers. However, for 18 (45%) exercises, advertisements were posted only in Chinese newspapers and 1 (3%) exercise only in an English newspaper;
- (b) the numbers of newspapers chosen for posting advertisements for each exercise ranged from 1 to 6, averaging 2.9 newspapers; and
- (c) the durations of advertisements posted in newspapers were short, ranging from 1 to 3 days, averaging 1.5 days. For 24 (60%) exercises, the advertisements were posted in newspapers for only 1 day.

Audit considers that CUHK needs to step up the publicity of tender invitations, for example, by lengthening the duration of the advertisements and posting the advertisements in both Chinese and English newspapers.

Note 13: *The tendering system of CUHK is an electronic platform, which can be accessed by the public, for potential bidders to view tender invitations and information, and download tender documents.*

Tender documents could not be obtained conveniently

2.20 Audit reviewed the means of obtaining tender documents for the 40 tender exercises (see para. 2.18) and noted that for 11 (28%) tender exercises, the tender documents were not available for download:

- (a) for 3 (8%) tender exercises, interested parties needed to obtain the tender documents by fax;
- (b) for 7 (17%) tender exercises, interested parties needed to obtain the tender documents by email (Note 14); and
- (c) for 1 (3%) tender exercise, interested parties needed to obtain the tender documents in person or by post.

2.21 Audit considers that CUHK needs to make the tender documents available for download on CUHK's tendering system and/or websites.

Audit recommendations

2.22 **Audit has recommended that the Vice-Chancellor, The Chinese University of Hong Kong should:**

- (a) **explore measures to encourage competition by attracting more potential operators to submit tenders;**
- (b) **take measures to ensure that tenderer's experience is not set as an essential requirement, and where appropriate, set as an assessment criterion in the marking scheme as a desirable feature;**
- (c) **step up the publicity of tender invitations, for example, by lengthening the duration of the advertisements and posting the advertisements in both Chinese and English newspapers; and**

Note 14: *In 2 of the 7 tender exercises, the newspaper advertisements also allowed interested parties to obtain the tender documents alternatively in person or by post.*

Tendering procedures

- (d) **make the tender documents available for download on CUHK's tendering system and/or websites.**

Response from The Chinese University of Hong Kong

2.23 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations. He has said that CUHK:

- (a) has been exploring measures to attract more external operators to submit tenders;
- (b) usually puts tenderer's experience as an assessment criterion in the marking scheme; and
- (c) has commissioned the CUPro e-tendering system and will promote the use of e-tender for campus facilities tender exercises to meet the audit recommendations.

Tender evaluation

Need to improve tender evaluation

2.24 According to UOTP, for tenders where prices are not the only consideration, a "two-envelope" system could be adopted under which proposals for financial and technical aspects of a tender are submitted in separate sealed envelopes to facilitate evaluation. Under the two-envelope system:

- (a) marking schemes with pre-determined evaluation criteria and weightings should be used;
- (b) evaluation panel members should mark the proposals individually and independently without discussing or sharing their marks with each other; and

- (c) the use of marking schemes with a broad description of the evaluation criteria and their corresponding weightings should be stated in the tender documents as far as practicable.

2.25 Audit examined 40 tender exercises for the operation of campus facilities conducted in the period from January 2017 to July 2023 (see para. 2.18). In all the 40 tender exercises, prices were not the only consideration. Audit found that:

- (a) ***Tender exercises adopting the two-envelope system.*** For 3 (8%) tender exercises, the two-envelope system was adopted. In these 3 exercises, evaluation criteria were disclosed but weightings of the criteria were not disclosed; and
- (b) ***Tender exercises not adopting the two-envelope system.*** For the remaining 37 (92%) tender exercises, the two-envelope system was not adopted. UOTP does not stipulate guidelines on the evaluation of tenders where the two-envelope system is not adopted. As a result, the evaluation mechanisms used for the 37 tender exercises varied:
 - (i) ***Use of marking scheme.*** Marking schemes were used in 29 tender exercises. In 24 (83%) of the 29 tender exercises, the use of marking scheme was not stated in the tender documents;
 - (ii) ***Marking of proposals.*** Evaluation panel members marked proposals in 29 tender exercises individually and independently. Proposals in 7 tender exercises were evaluated by the evaluation panel members collectively through discussion. No evaluation was conducted in 1 tender exercise because the exercise was cancelled before evaluation; and
 - (iii) ***Disclosure of evaluation criteria and weightings.*** Evaluation criteria for 29 tender exercises were disclosed (including 26 exercises that used marking schemes and 3 exercises that did not use marking schemes). Evaluation criteria for 8 exercises were not disclosed (including 3 exercises that used marking schemes and 5 exercises that did not use marking schemes). Weightings for none of the tender exercises were disclosed (including 8 exercises which did not use marking schemes and therefore no weightings were set).

Tendering procedures

2.26 Audit considers that CUHK needs to:

- (a) for tender exercises adopting the two-envelope system, take measures to ensure that the weightings of the evaluation criteria are disclosed in the tender documents as far as practicable; and
- (b) consider rationalising the evaluation mechanisms for tender exercises for the operation of campus facilities, taking reference from the evaluation guidelines stipulated in UOTP.

Need to improve the handling of additional information received after tender submission deadline

2.27 UOTP does not include guidelines on the handling of additional information or revised offers from the tenderers after the tender submission deadline. According to SPRs:

- (a) to facilitate better understanding of the tender proposals, tender evaluation panel may invite the bidders to make a verbal presentation/demonstration after the tender closing date. Bidders may introduce, explain and clarify their tender proposals during the presentation/demonstration; and
- (b) in no circumstances should additional information or new/amended proposals not set out in their tender submissions be accepted.

2.28 Audit reviewed 40 tender exercises for the operation of campus facilities conducted in the period from January 2017 to July 2023 (see para. 2.18). Audit found room for improvement in the handling of additional information received after tender submission deadline in one (3%) tender exercise:

- (a) in December 2017, a college conducted an open tender exercise for its catering outlets. Tenders were received from Tenderer A (the incumbent operator) and Tenderer B. The evaluation panel recommended to the college's canteen management committee that the contract be awarded to Tenderer B because its tender obtained a higher total score;
- (b) in March 2018, both tenderers submitted additional information; and

- (c) taking into account the additional information from both tenderers, the college's canteen management committee decided to recommend Tenderer A for the award of the contract.

2.29 In March 2018, while granting approval for the college to accept the tender from Tenderer A, the Tender Board commented that:

- (a) for fair competition reason, tender evaluation should have been based on the tenderers' original submissions;
- (b) the committee members should not have considered the tenderers' revised offers which were provided after the tender submission deadline, especially such revisions were over some critical assessment aspects and provided after the original proposals had been circulated; and
- (c) the Tender Board would like to remind the college that for future tenders:
 - (i) any revised or new offers by the tenderers after the submission deadline should not be considered during the evaluation stage; and
 - (ii) pre-determined evaluation process and criteria should be adopted and followed.

2.30 Taking into account the views expressed by the Tender Board in 2018 on the need to ensure fair competition in the tender exercises, Audit considers that CUHK needs to take measures to ensure that additional information received after tender submission deadline is not considered in the evaluation process.

Need to improve composition of tender evaluation panels

2.31 Audit examined 40 tender exercises for the operation of campus facilities conducted in the period from January 2017 to July 2023 (see para. 2.18). Audit found that of the tender evaluation panels set up for the 40 tender exercises, 15 (38%) had at least one representative from the Finance Office as a member of the tender evaluation panels while 25 (62%) did not.

Tendering procedures

2.32 It is worth noting that the “Corruption Prevention Guide for Tertiary Education Institutions — Procurement” issued by the Independent Commission Against Corruption (ICAC) in December 2011 recommended that tertiary education institutions should appoint at least one representative from the central procurement office as a member when forming tender evaluation panels to ensure objective evaluation. According to the Guide, the central procurement office has the functions of promulgating and issuing guidelines and instructions for procurement, and providing training for staff members involved in procurement activities. Audit noted that the Finance Office has these functions in CUHK.

2.33 In response to Audit’s enquiry, CUHK informed Audit in September 2023 that CUHK had historically adopted a decentralised approach to procurement and tendering processes. Therefore, it was not desirable to appoint a representative from the Finance Office when forming tender evaluation panels. Notwithstanding this, Audit considers that CUHK needs to take measures to enhance the Finance Office’s oversight of tender evaluation, e.g. by conducting training and education to staff to strengthen their awareness of the procurement system on a regular basis, and providing staff from the Finance Office to participate in the evaluation of proposals where appropriate.

Need to improve signing of undertakings by members of tender evaluation panels

2.34 According to UOTP, members of tender evaluation panels are required to sign an undertaking upon taking up the responsibilities:

- (a) not to make unauthorised disclosure or take advantage of any tender information; and
- (b) to declare any actual or perceived conflict of interest situations.

2.35 Audit reviewed 40 tender exercises for the operation of campus facilities conducted in the period from January 2017 to July 2023 (see para. 2.18). Audit found that:

- (a) *Undertakings not signed by some tender evaluation panel members.* In 11 (28%) of the 40 tender exercises, none of the evaluation panel members

signed the undertakings. In 8 (20%) tender exercises, undertakings for 8% to 29% of the evaluation panel members were missing (not signed or lost) and could not be made available for Audit's inspection; and

- (b) *Bidders' information was disclosed to some tender evaluation panel members before obtaining the members' signed undertakings.* In 9 (23%) of the 40 tender exercises, bidders' information was disclosed to all members of the evaluation panels despite that none of the members had signed the undertakings. In 12 (30%) tender exercises, bidders' information was disclosed to some members of the evaluation panels before the members had signed the undertakings (ranging from 10% to 100% of members of the evaluation panels, averaging 51%).

2.36 Audit considers that CUHK needs to take measures to:

- (a) ensure that undertakings are signed by all members of tender evaluation panels;
- (b) ensure that the undertakings signed by members of tender evaluation panels are kept safely; and
- (c) refrain from distributing bidders' information to members of tender evaluation panels until they have signed their undertakings.

Audit recommendations

2.37 **Audit has recommended that the Vice-Chancellor, The Chinese University of Hong Kong should:**

- (a) **for tender exercises adopting the two-envelope system, take measures to ensure that the weightings of the evaluation criteria are disclosed in the tender documents as far as practicable;**
- (b) **consider rationalising the evaluation mechanisms for tender exercises for the operation of campus facilities, taking reference from the evaluation guidelines stipulated in UOTP;**

Tendering procedures

- (c) **take measures to ensure that additional information received after tender submission deadline is not considered in the evaluation process;**
- (d) **take measures to enhance the Finance Office's oversight of tender evaluation, e.g. by conducting training and education to staff to strengthen their awareness of the procurement system on a regular basis, and providing staff from the Finance Office to participate in the evaluation of proposals where appropriate;**
- (e) **take measures to ensure that undertakings are signed by all members of tender evaluation panels;**
- (f) **take measures to ensure that the undertakings signed by members of tender evaluation panels are kept safely; and**
- (g) **take measures to refrain from distributing bidders' information to members of tender evaluation panels until they have signed their undertakings.**

Response from The Chinese University of Hong Kong

2.38 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations. He has said that:

- (a) the Tender Board will continue to uphold that additional documents received after tender submission deadline will not be considered in the evaluation process. The case identified by Audit (see para. 2.28) was an isolated case; and
- (b) CUHK has historically adopted a decentralised approach to procurement and tendering processes. The Finance Office will look at ways to bolster oversight, such as conducting training and education to staff to strengthen their awareness of the procurement system on a regular basis and to provide staff to participate in the evaluation of proposals upon request.

PART 3: MONITORING OF OPERATIONS OF CAMPUS FACILITIES

3.1 This PART examines CUHK's work in monitoring the operations of campus facilities, focusing on the following areas:

- (a) compliance with contract requirements (paras. 3.3 to 3.24);
- (b) collection of fees and charges from external operators (paras. 3.25 to 3.31);
- (c) sustainable development and environmental protection (paras. 3.32 to 3.40); and
- (d) monitoring mechanism (paras. 3.41 to 3.48).

Background

3.2 As at 1 July 2023, there were 39 campus facilities in CUHK operated by external operators. Contracts were signed between CUHK and the operators of the campus facilities. Various overseeing units are responsible for monitoring the operations of the campus facilities to ensure that requirements in the contracts are complied with (see Table 2 in para. 1.9).

Compliance with contract requirements

Catering services

3.3 In accordance with the Food Business Regulation (Cap. 132X) under the Public Health and Municipal Services Ordinance (Cap. 132), a relevant food business licence must be obtained for the food business that involves the sale of meals for consumption on the premises, or the preparation of food for sale for consumption off the premises. A restricted food permit must be obtained for the sale of any of the restricted foods specified in the Food Business Regulation. A permit is required for each type of restricted food intended to be sold, e.g. non-bottled drinks, frozen confections, milk and milk beverages, and cut fruit. CUHK's catering outlets and

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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 the Food Business Regulation.

3.4 **Requirements in contracts.** Taking into account the requirements under the Food Business Regulation, the contracts signed between CUHK and the operators of the catering outlets and convenience store stipulated various requirements:

- (a) **Catering outlets' contracts.** The contracts signed between CUHK and the operators of the catering outlets (i.e. the caterers) stipulated that (Note 15):
 - (i) **Provision of canteen services to non-CUHK students/staff.** The caterers shall only provide canteen services, catering and on-campus meal or food delivery services to the students or staff of CUHK;
 - (ii) **Provision of food delivery services outside CUHK campus.** The caterers are strictly prohibited from delivering meal or food to customers outside the CUHK's campus; and
 - (iii) **Obtaining licences and permits.** The caterers must obtain the licences and permits required by the laws and regulations; and
- (b) **Convenience store's contract.** The contract signed between CUHK and the operator of the convenience store stipulated that the operator must obtain the licences and permits required by the laws and regulations.

3.5 **Canteen services provided by CUHK's catering outlets.** None of the 33 catering outlets have obtained a food business licence. In the period from May to

Note 15: *Of the 24 contracts that covered the 33 catering outlets (some contracts covered more than one outlet), 3 did not stipulate the requirements in paragraph 3.4(a)(i) and (ii). Nonetheless, the 3 contracts stipulated that the caterers must comply with the laws and regulations.*

Monitoring of operations of campus facilities

August 2023, Audit conducted site visits to 29 of the 33 catering outlets (Note 16). Audit found that:

- (a) ***Canteen services to non-CUHK students/staff.*** All the 29 catering outlets were not provided for the exclusive use of CUHK students/staff:
 - (i) they did not check whether the customers were CUHK students/staff prior to their use of catering services. Non-CUHK students/staff could buy food and drinks from the catering outlets; and
 - (ii) in 13 (45%) of the 29 catering outlets, no notices were displayed indicating that the catering outlets served exclusively CUHK students/staff;

- (b) ***Food delivery services outside CUHK campus.*** 3 (10%) of the 29 catering outlets provided food delivery services outside CUHK campus through third party food delivery platforms and the food delivery services were not restricted to CUHK students/staff; and

- (c) ***Sale of restricted foods.*** 25 of the 29 catering outlets sold restricted foods. Of the 25 catering outlets:
 - (i) 14 (56%) had not obtained restricted food permits. They sold restricted food items, namely non-bottled drinks, frozen confections, milk and milk beverages, and cut fruit; and
 - (ii) 4 (16%) had obtained restricted food permits for some but not all types of restricted food that were sold in the catering outlets. The types of restricted food that were sold without the relevant permits were non-bottled drinks and cut fruit.

Note 16: *Audit had not conducted site visits to 4 of the 33 catering outlets because they were temporarily closed for the whole or part of the period of Audit's visits due to reasons such as the expiry/termination of contracts.*

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3.6 *Engaging in food business by convenience store.* While it has not obtained a food business licence, the convenience store prepares food on-site for sale to customers (see Photograph 1). In June and July 2023, Audit conducted site visits to the convenience store. Audit found that the convenience store:

- (a) did not check whether the customers were CUHK students/staff prior to the sale of the food. No notices were displayed in the convenience store indicating that the food was provided exclusively for CUHK students/staff. Non-CUHK students/staff could buy food from the convenience store; and
- (b) allowed customers to consume the food in the store (due to the limited size of the store, the customers would most likely consume the food outside the convenience store).

Photograph 1

Food was prepared on-site at the convenience store



Source: Photograph taken by Audit staff in June 2023

3.7 Since the caterers and the convenience store operator have not obtained food business licences required under the Food Business Regulation, the provision of canteen services to non-CUHK students/staff and food delivery services outside CUHK campus by the caterers, and the engagement in food business by the convenience store constitute a breach of the Food Business Regulation. The sale of

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restricted foods by the caterers without restricted food permit is also a breach of the Food Business Regulation. Audit considers that CUHK needs to:

- (a) take measures to ensure that the caterers provide canteen services exclusively to CUHK students/staff;
- (b) take measures to ensure that the caterers provide food delivery services exclusively to CUHK students/staff and within CUHK campus;
- (c) take measures to ensure that the caterers obtain restricted food permits for the sale of restricted foods specified in the Food Business Regulation;
- (d) take measures to ensure that the convenience store obtained the licences and permits required by the laws and regulations before engaging in food business; and
- (e) consider making alternative arrangements for serving the catering needs of non-CUHK students/staff (e.g. visitors and construction workers).

Catering outlets and bookstore carrying out activities not allowed by contracts

3.8 ***Contract requirements.*** The contracts between CUHK and the operators of the campus facilities specified some activities that the operators are not allowed to carry out. According to the contracts:

- (a) ***Advertisements in catering outlets.*** The caterers shall not affix any posters, signboards or advertisements of any kind to any part of the catering outlets except approved by CUHK in writing;
- (b) ***Activities or business carried out by catering outlets.*** The caterers shall not carry on activities or business other than the ordinary business of a food-caterer. The caterers are required to seek prior written consents from CUHK for engaging in any other activities or business in the catering outlets; and

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- (c) ***Items sold in bookstore.*** The bookstore operator shall seek the permission of CUHK before selling goods or providing services other than items (e.g. books, stationery, artworks) or services (e.g. book ordering services) specified in the contract.

3.9 ***Non-compliances by catering outlets.*** In the period from May to August 2023, Audit conducted site visits to 29 of the 33 catering outlets (see Note 16 to para. 3.5). Audit found that some caterers carried out activities that were not allowed under the contracts and they had not obtained CUHK's approvals:

- (a) ***Advertisements in catering outlets.*** In 8 (28%) of the 29 catering outlets visited by Audit, there were advertisements without approval (some had more than one type of advertisements):
 - (i) 4 had advertisements of products (e.g. flowers, gifts, beverages, soaps — see Photographs 2 and 3 for examples);
 - (ii) 1 had advertisement of an event not related to the catering outlet;
 - (iii) 1 had advertisement of catering services provided by catering outlets outside CUHK (see Photograph 4); and
 - (iv) 3 had (including 1 in (i) above) recruitment advertisements for the chains of restaurants which run the outlets (see Photograph 5 for an example); and
- (b) ***Activities or business carried out by catering outlets.*** Of the 29 catering outlets visited by Audit, 4 (14%) engaged in business other than the ordinary business of a food-caterer, namely 1 sold artworks, 1 sold books, 1 sold festive food vouchers (the vouchers had to be redeemed outside the campus) and 1 provided power bank rental service (see Photograph 6).

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Photographs 2 to 5

Advertisements in catering outlets

Photograph 2

An advertisement of flowers and gifts (not available for sale at the outlet)



Photograph 3

Advertisements of beverages



Photograph 4

An advertisement of catering services provided by catering outlets outside CUHK



Photograph 5

A recruitment advertisement for the restaurant chain of the outlets



Source: Photographs taken by Audit staff in May 2023

Photograph 6

Power bank rental service in a catering outlet



Source: Photograph taken by Audit staff in May 2023

3.10 ***Non-compliances by bookstore.*** In the period from May to July 2023, Audit conducted site visits to the bookstore every month and found that mini rechargeable fans, games, personal care products (body lotion, bath gel, etc.), toy model cars and toy dolls were displayed for sale at the bookstore (see Photographs 7 to 10 for examples). These items were not the allowed items specified in the contract. Contrary to the requirement in the bookstore contract (see para. 3.8(c)), permission from CUHK had not been sought for the sale of such items.

Photographs 7 to 10

Sale of items at the bookstore not allowed in contract

Photograph 7

Mini rechargeable fans



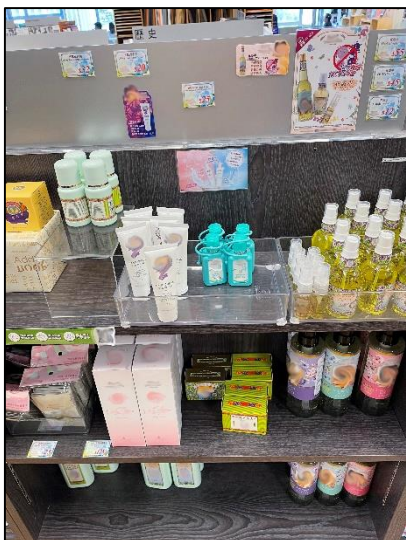
Photograph 8

Games



Photograph 9

Personal care products



Photograph 10

Toy model cars



Source: Photographs taken by Audit staff in June and July 2023

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- 3.11 Audit considers that CUHK needs to take measures to ensure that:
- (a) posters, signboards or advertisements are not affixed to any part of the catering outlets without CUHK's approval;
 - (b) the caterers do not carry on activities or business other than the ordinary business of a food-caterer without prior written consent from CUHK; and
 - (c) the bookstore operator does not sell items other than those specified in the contract without obtaining permission from CUHK.

Food safety requirements and hygiene standards

3.12 The contracts with CUHK stipulated the food safety requirements and hygiene standards for the catering outlets. Major requirements stipulated in the contracts included:

- (a) ***Appointment of hygiene manager.*** The caterers shall appoint at least one qualified person (Note 17) 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) (Note 18); and
- (b) ***Regular cleaning.*** Three major types of regular cleaning should be conducted according to the frequency stipulated in the contracts:
 - (i) ***Furniture, fixtures and equipment.*** The contracts required thorough deep cleaning of all furniture, walls and floor finishes, light fittings, kitchen equipment, exhaust and fresh air system;

Note 17: *A qualified person is a person who has attended a hygiene supervisor training course/hygiene training course organised/recognised by the Food and Environmental Hygiene Department, passed the relevant examination and obtained the certificate.*

Note 18: *The Hygiene Manager and Hygiene Supervisor Scheme was introduced by FEHD to strengthen food safety supervision in licensed food premises. While CUHK's catering outlets are not licensed food premises and are not subject to FEHD's requirement, CUHK requires some catering outlets to appoint hygiene managers.*

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- (ii) ***Air distribution system.*** The contracts required thorough deep cleaning of all air intake filters and all air return filters for the air distribution system; and
- (iii) ***Grease traps.*** The contracts required cleaning and clearing of grease traps.

3.13 ***Food safety requirements and hygiene standards stipulated in contracts varied.*** Audit reviewed the 24 contracts covering the 33 catering outlets (some contracts covered more than one outlet). Audit found that the food safety requirements and hygiene standards stipulated in the contracts varied:

- (a) ***Appointment of hygiene manager.*** The requirement on appointment of hygiene manager was stipulated in 21 of the contracts (involving 11 overseeing units), but not in the remaining 3 contracts; and
- (b) ***Regular cleaning.*** The requirements relating to the three types of regular cleaning varied:
 - (i) ***Furniture, fixtures and equipment.*** 21 contracts required the cleaning to be conducted at least once per week and 3 required the cleaning to be conducted regularly (without specifying the frequency);
 - (ii) ***Air distribution system.*** 20 contracts required the cleaning to be conducted at least once per week, 1 required cleaning at least thrice per year, 2 required cleaning regularly (without specifying the frequency). For the remaining contract, the cleaning of air distribution system was not applicable because there was no such system in the outlet; and
 - (iii) ***Grease traps.*** 15 contracts required the cleaning to be conducted at least once every 2 days, 8 required at least once per week, and 1 did not require cleaning at all.

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3.14 *Need to ensure food safety requirements and hygiene standards are complied with.* Audit examined the records of all the 13 overseeing units overseeing the 33 catering outlets. Audit found that:

- (a) ***Appointment of hygiene manager.*** In the period from January to June 2023, of the 11 overseeing units that required the appointment of hygiene manager, 6 (55%) did not take measures to ensure that the requirement had been complied with:
 - (i) 1 (9%) had not taken actions to ascertain whether the caterer had appointed at least one qualified person to take up the role of hygiene manager. The overseeing unit had no information on whether or not any qualified persons had been appointed as hygiene manager;
 - (ii) 1 (9%) was aware that the caterer did not appoint any qualified persons to take up the role of hygiene manager. However, it did not take actions to follow up with the caterer;
 - (iii) 3 (28%) were aware that the caterer had appointed at least one person to take up the role of hygiene manager. However, the overseeing units did not verify whether the persons appointed were qualified persons; and
 - (iv) 1 (9%) was aware that, in one of the catering outlets under its purview, the hygiene manager appointed was not a qualified person. Upon Audit's enquiry, the overseeing unit informed Audit in July 2023 that the hygiene manager was in the process of acquiring the relevant qualification to become a qualified person; and
- (b) ***Regular cleaning.*** In the period from September 2022 to June 2023, of the 13 overseeing units:
 - (i) 11 (85% – involving 22 catering outlets) had not ascertained whether the caterers had conducted regular cleaning according to the frequency stipulated in the contracts. They did not know whether the requirements stipulated in the contracts had been fulfilled; and

- (ii) 2 (15% — involving 11 catering outlets) only required the caterers to submit the cleaning records for grease traps on a monthly basis but not those for furniture, fixtures and equipment, and air distribution system. For the cleaning of grease traps, 5 of the 11 catering outlets involved conducted the cleaning less frequent than required.

3.15 Audit considers that CUHK needs to:

- (a) rationalise the food safety requirements and hygiene standards in the contracts with caterers; and
- (b) take measures to ensure that the caterers comply with the food safety requirements and hygiene standards stipulated in the contracts.

Suspension of catering services by caterers

3.16 According to the contracts between CUHK and the caterers, CUHK's prior written consent is required if the caterers temporarily suspend the catering services or close any part of the outlets for maintenance, redecoration, reconstruction or for holding official functions of CUHK.

3.17 ***Suspension of catering services without prior written consent.*** In the period from May to August 2023, Audit visited the 33 catering outlets and noted that 7 of the catering outlets were closed during the whole or part of the period. For 4 of the catering outlets, CUHK's prior written consents were not required because they were closed either due to contract expiry/termination or during the summer holidays in accordance with the contract terms. Of the remaining 3 outlets, 2 (67%) had obtained CUHK's prior written consents. However, Audit found that 1 (33%) had been closed since 5 June 2023 without obtaining prior written consent from CUHK. Subsequent to Audit's enquiry on 7 August 2023, the overseeing unit issued a warning letter to the caterer concerned on 17 August 2023.

3.18 ***Inaccurate information on catering outlets shown on CUHK's website.*** The operating hours of the catering outlets are shown on CUHK's website. Audit found that the information shown on the website was inaccurate. For the 7 catering

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outlets that were not in operation, 3 (43%) were indicated as operating as normal on CUHK's website.

- 3.19 Audit considers that CUHK needs to take measures to ensure that:
- (a) the caterers obtain CUHK's prior written consents before suspending the catering services; and
 - (b) the information on the operation of catering outlets shown on CUHK's website is accurate.

Obstruction to the public area by the supermarket

3.20 According to the contract signed with CUHK, the supermarket operator shall not leave or cause or permit to be left any furniture, equipment, boxes, goods or articles outside the supermarket or to cause any obstruction whatsoever, to the public area around the supermarket.

3.21 Audit conducted 2 site visits to the public area around the supermarket in May and 3 site visits in June 2023. During every site visit, Audit found that various articles were left outside the supermarket causing obstruction to the public area (see Photograph 11 for an example).

Photograph 11

**Articles were left at public area
around the supermarket**



Source: Photograph taken by Audit staff in May 2023

3.22 Audit considers that CUHK needs to take measures to ensure that the supermarket complies with the requirement on not causing obstruction to the public area around it.

Audit recommendations

3.23 Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:

- (a) **take measures to ensure that the caterers provide canteen services exclusively to CUHK students/staff;**
- (b) **take measures to ensure that the caterers provide food delivery services exclusively to CUHK students/staff and within CUHK campus;**

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- (c) take measures to ensure that the caterers obtain restricted food permits for the sale of restricted foods specified in the Food Business Regulation;**
- (d) take measures to ensure that the convenience store obtained the licences and permits required by the laws and regulations before engaging in food business;**
- (e) consider making alternative arrangements for serving the catering needs of non-CUHK students/staff (e.g. visitors and construction workers);**
- (f) take measures to ensure that posters, signboards or advertisements are not affixed to any part of the catering outlets without CUHK's approval;**
- (g) take measures to ensure that the caterers do not carry on activities or business other than the ordinary business of a food-caterer without prior written consent from CUHK;**
- (h) take measures to ensure that the bookstore operator does not sell items other than those specified in the contract without obtaining permission from CUHK;**
- (i) rationalise the food safety requirements and hygiene standards in the contracts with caterers;**
- (j) take measures to ensure that the caterers comply with the food safety requirements and hygiene standards stipulated in the contracts;**
- (k) take measures to ensure that the caterers obtain CUHK's prior written consents before suspending the catering services;**
- (l) take measures to ensure that the information on the operation of catering outlets shown on CUHK's website is accurate; and**
- (m) take measures to ensure that the supermarket complies with the requirement on not causing obstruction to the public area around it.**

Response from The Chinese University of Hong Kong

3.24 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations. He has said that:

- (a) CUHK will ensure that the relevant caterers put up notices to indicate that the catering service is exclusively for CUHK students/staff and enforce the requirement accordingly; and
- (b) the requirement for the caterers to obtain prior written consent before suspending the catering services (see the recommendation in para. 3.23(k)) is already in force and the audit finding (see para. 3.17) was an isolated case.

Collection of fees and charges from external operators

3.25 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. According to the contracts:

- (a) *Payments of fees.* The external operators shall pay CUHK maintenance fees/management fees/licence fees each month by the due dates specified in the contracts, which usually fell on the first business day of each month. The amounts of the fees were specified in the contracts; and
- (b) *Payments of utility charges.* The external operators shall pay CUHK utility charges (e.g. water, electricity and gas) by the specified due dates, usually within 14 days from the issue dates of the invoices. The amounts payable were calculated based on the actual costs incurred by the external operators.

Delays in payments of fees and charges by external operators

3.26 *Need to ensure timely payments of fees and charges by external operators.* Every month, CUHK's Finance Office issues invoices to the external operators relating to maintenance fees/management fees/licence fees and utility charges respectively. Audit examined the payment records of the fees and charges of the

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external operators in respect of the invoices issued in the 6-month period from October 2022 to March 2023. Audit found that:

- (a) ***Fees not paid in a timely manner.*** 152 invoices for payment of maintenance fees/management fees/licence fees were issued to the external operators of the campus facilities:
- (i) of the 152 invoices, the payments for 77 (51% — involving 29 campus facilities overseen by 11 overseeing units) were made later than the due dates. The amount concerned was \$1.54 million (40% of the total amount of \$3.87 million). The delays ranged from 1 to 115 days (averaging 18 days — see Table 3);

Table 3

**Delays in payments of fees by the external operators
(1 October 2022 to 31 March 2023)**

Delay (Day)	Number of payments	Amount (\$'000)
No delay	75 (49%)	2,330 (60%)
1 to < 15	49 (32%)	1,127 (29%)
15 to < 30	13 (9%)	219 (6%)
30 to < 45	9 (6%)	58 (2%)
45 to < 60	4 (3%)	83 (2%)
≥ 60 (Note)	2 (1%)	52 (1%)
Total	152 (100%)	3,869 (100%)

Source: Audit analysis of CUHK records

Note: The longest delay was 115 days.

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- (ii) for 15 (10%) of the payments (involving 9 campus facilities overseen by 4 overseeing units), the delays were 30 days or more. The amount concerned was \$0.19 million (5% of the total amount of \$3.87 million); and
 - (iii) for 8 (35%) of the 23 external operators with late payments of fees, all of their payments in the period were made later than the due dates; and
- (b) ***Utility charges not paid in a timely manner.*** 167 invoices for payment of utility charges were issued to the external operators of the campus facilities:
 - (i) of the 167 invoices, the payments for 94 (56% — involving 37 campus facilities overseen by 13 overseeing units) were made later than the due dates. The amount concerned was \$3.35 million (64% of the total amount of \$5.19 million). The delays ranged from 1 to 211 days (averaging 24 days — see Table 4);

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Table 4

Delays in payments of utility charges by the external operators (1 October 2022 to 31 March 2023)

Delay (Day)	Number of payments	Amount (\$'000)
No delay	73 (44%)	1,834 (36%)
1 to < 15	57 (34%)	1,882 (36%)
15 to < 30	18 (11%)	792 (15%)
30 to < 45	9 (5%)	177 (3%)
45 to < 60	2 (1%)	109 (2%)
≥ 60 (Note)	8 (5%)	393 (8%)
Total	167 (100%)	5,187 (100%)

Source: *Audit analysis of CUHK records*

Note: *The longest delay was 211 days, which was settled by the deduction of security money at the end of financial year (i.e. 30 June 2023).*

- (ii) for 19 (11%) of the payments (involving 10 campus facilities overseen by 4 overseeing units), the delays were 30 days or more. The amount concerned was \$0.68 million (13% of the total amount of \$5.19 million); and
- (iii) for 5 (18%) of the 28 external operators with late payments of utility charges, all of their payments in the period were made later than the due dates.

Late payment charges

3.27 *Need to rationalise contract terms on late payment charges.* In the period from October 2022 to March 2023, there were 33 contracts between CUHK and the external operators covering the 39 campus facilities. Audit found that:

- (a) 7 contracts did not include terms on late payment charges; and
- (b) for the remaining 26 contracts, the terms on late payment charges varied:
 - (i) under 22 contracts, CUHK shall be entitled to impose a late payment charge of 5% on the fees and charges that remained outstanding for more than one calendar month;
 - (ii) under 1 contract, in addition to the 5% late payment charge, CUHK shall be entitled to impose a surcharge of 5% if the money in arrears is not settled on or before a date set by the overseeing unit;
 - (iii) under 2 contracts, CUHK shall be entitled to impose an interest of 2% as late payment charges on the fees and charges that remained outstanding after the due date; and
 - (iv) under 1 contract, CUHK may issue a warning and shall be entitled to impose a penalty of \$3,000 for breach of contract terms (including the requirement on timely payments of utility charges).

3.28 *Need to ensure that late payment charges are collected.* In the period from October 2022 to March 2023, 34 payments (comprising 15 payments for fees and 19 for utility charges — see para. 3.26(a)(ii) and (b)(ii)) were delayed for 30 days or more. These 34 payments were at the same time delayed for more than one calendar month:

- (a) of the 34 late payments, 30 were related to external operators that were subject to the late payment charges under the contract terms. For all the 30 late payments, CUHK did not impose late payment charges on the outstanding balances. The fees and charges involved were \$182,800 and \$653,864 respectively. The late payment charges that should have been

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imposed were \$9,140 and \$32,693 respectively (i.e. 5% of the outstanding balance); and

- (b) for the remaining 4 late payments, the contracts did not stipulate late payment charges. For these 4 late payments, the delays of payments ranged from 32 to 100 days. The fees and charges involved were \$9,900 and \$25,145 respectively.

3.29 Audit considers that CUHK needs to:

- (a) take measures to ensure that the external operators of campus facilities pay fees and charges in a timely manner;
- (b) consider rationalising the contract terms on late payment charges; and
- (c) take measures to ensure that, in accordance with the contract terms, late payment charges are collected on fees and utility charges that remained outstanding for more than one calendar month.

Audit recommendations

3.30 Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:

- (a) **take measures to ensure that the external operators of campus facilities pay fees and charges in a timely manner;**
- (b) **consider rationalising the contract terms on late payment charges; and**
- (c) **take measures to ensure that, in accordance with the contract terms, late payment charges are collected on fees and utility charges that remained outstanding for more than one calendar month.**

Response from The Chinese University of Hong Kong

3.31 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations. He has said that:

- (a) CUHK noted that \$193,000 (5%) of fees and \$679,000 (13%) of utility charges were overdue for 30 days or more; and
- (b) CUHK will closely monitor the payments to ensure that they are made in a timely manner.

Sustainable development and environmental protection

3.32 CUHK's Sustainable Procurement Guidelines (Note 19) stipulate sustainable development and environmental protection requirements, including those that are relevant to the catering outlets, supermarket and convenience store. From 1 July 2021 onwards, the Guidelines have stipulated that catering outlets, supermarket and convenience store in CUHK must comply with the following new mandatory requirements:

- (a) cease the sale or supply of plastic bottled water of 1 litre or below; and
- (b) cease the use of polyfoam meal containers in catering outlets and events on campus.

Need to ensure that relevant mandatory requirements in Sustainable Procurement Guidelines are included in contracts

3.33 Audit reviewed the 23 contracts signed between CUHK and the external operators on or after 1 July 2021, comprising 21 contracts for 28 catering outlets (some contracts covered more than one outlet), 1 contract for the supermarket and 1 contract for the convenience store. Audit found that:

Note 19: *Green Purchasing Guidelines were first issued by CUHK in 2012 and were subsequently revised and renamed as Sustainable Procurement Guidelines in July 2021.*

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- (a) none of the 23 contracts included the relevant mandatory requirements stipulated in the Sustainable Procurement Guidelines (see para. 3.32 (a) and (b)); and
- (b) in the 23 contracts, the operators were not mandatorily required to follow the requirements in the Sustainable Procurement Guidelines. Instead, they were required to cooperate with CUHK on sustainable development and environmental protection measures as far as possible.

3.34 Audit considers that CUHK needs to incorporate all relevant mandatory requirements under the Sustainable Procurement Guidelines in the contracts with the campus facility operators.

Inconsistent sustainable development and environmental protection requirements were stipulated in contracts

3.35 Audit reviewed the 24 contracts signed between CUHK and the caterers (including 3 that were signed before 1 July 2021) for the 33 catering outlets. Audit found that inconsistent sustainable development and environmental protection requirements were stipulated in the contracts:

- (a) 22 (92%) of the 24 contracts required the caterers to impose environmental protection measures in the catering outlets, including carrying out food waste collection, separation and recycling, and minimising food waste, waste oil and trash. Such requirements were not found in the remaining 2 (8%) contracts; and
- (b) of the 22 contracts in (a), 1 (5%) also required the caterer:
 - (i) not to use plastic utensils and containers when alternatives are available (e.g. stainless steel, porcelain or paper utensils and containers). If non-plastic disposable materials are needed for take-away orders, a reasonable charge shall be levied on the customers; and

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- (ii) to comply with CUHK's "Bring-your-own" initiative and the overseeing unit's "Bring-your-own" policy, and to welcome customers to bring their own utensils and containers for both dine-in and take-away orders.

3.36 Audit considers that CUHK needs to consider rationalising the contract terms on requirements on sustainable development and environmental protection.

Need to ensure compliance with requirements stipulated in Sustainable Procurement Guidelines and contracts

3.37 In the period from May to August 2023, Audit conducted site visits to 31 campus facilities (comprising 29 of the 33 catering outlets (see Note 16 to para. 3.5), 1 supermarket and 1 convenience store). Audit found that:

- (a) ***Requirements stipulated in Sustainable Procurement Guidelines.*** Of the 31 campus facilities, 26 (comprising 24 catering outlets, 1 supermarket and 1 convenience store) were under the contracts that were signed on or after 1 July 2021 (see para. 3.32). Audit found that plastic bottled water of 1 litre or below was available for sale in 2 (8%) of the 26 facilities (comprising 1 catering outlet and 1 supermarket) (see para. 3.32(a)); and
- (b) ***Requirements stipulated in contracts relating to take-away containers and cutlery.*** The contracts stipulated that catering outlets shall use biodegradable or reusable materials for take-away containers and cutlery. Audit noted that 24 of the 29 catering outlets provided take-away containers and cutlery to customers. There was no indication on the take-away containers and cutlery provided by 14 (58%) of the 24 catering outlets on whether the materials used were biodegradable or reusable.

3.38 Audit considers that CUHK needs to take measures to ensure that the mandatory sustainable development and environmental protection requirements stipulated in CUHK's Sustainable Procurement Guidelines and the contracts are complied with.

Audit recommendations

3.39 Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:

- (a) incorporate all relevant mandatory requirements under the Sustainable Procurement Guidelines in the contracts with the campus facility operators;
- (b) consider rationalising the contract terms on requirements on sustainable development and environmental protection; and
- (c) take measures to ensure that the mandatory sustainable development and environmental protection requirements stipulated in CUHK's Sustainable Procurement Guidelines and the contracts are complied with.

Response from The Chinese University of Hong Kong

3.40 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations.

Monitoring mechanism

Need to enhance monitoring mechanism on catering outlets' hygiene level

3.41 Hygiene inspection is one of the control measures for mitigating the risks associated with food safety. Regular hygiene inspections with appropriate follow-up and monitoring measures can help ensure that the hygiene standards are maintained at a reasonable level.

3.42 Audit examined the records of the 13 overseeing units on carrying out hygiene inspections on the catering outlets in the 6-year period from July 2017 to June 2023. Audit noted there were records of 46 inspections conducted in the period.

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Audit found that the frequency and mode of conducting hygiene inspections varied among the overseeing units:

- (a) ***Frequency of hygiene inspections.*** The frequency of hygiene inspections conducted by the overseeing units varied:
 - (i) 8 (62%) overseeing units had conducted hygiene inspections on the catering outlets. Of the 22 catering outlets involved, hygiene inspections were conducted on 20 outlets. In the 6-year period, the number of hygiene inspections conducted on each of the 20 catering outlets ranged from 1 to 5; and
 - (ii) for the remaining 5 (38%) overseeing units, there were no records showing that hygiene inspections had been conducted. Upon Audit's enquiry, CUHK informed Audit in July and September 2023 that 2 of the 5 overseeing units had actually visited the catering outlets regularly and observed their hygiene conditions, but had not documented the inspections;

- (b) ***Mode of hygiene inspections.*** The mode of hygiene inspections conducted by the overseeing units varied:
 - (i) ***Joint inspections.*** Some overseeing units invited parties with expertise and professional knowledge to carry out joint inspections. For 6 (75%) of the 8 overseeing units that had conducted hygiene inspections, the inspections were conducted jointly with other parties, e.g. the University Safety Office, Security Office and University Health Services; and
 - (ii) ***Surprise inspections and scheduled inspections.*** Of the 8 overseeing units that had conducted hygiene inspections, 6 (75%) carried out inspections on a surprise basis and 2 (25%) carried out inspections on a scheduled basis; and

- (c) ***Inspections by FEHD.*** FEHD inspects the catering outlets of post-secondary institutions (i.e. including CUHK) regularly to check the environmental hygiene conditions and the food safety measures taken. If the food hygiene or environmental hygiene conditions of the catering outlets were found unsatisfactory during the inspections, FEHD will give advice

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to the persons-in-charge of the catering outlets and provide them with information on hygiene education and food safety. Audit found that:

- (i) none of the 13 overseeing units had included in the contract terms the requirement for caterers to report on FEHD's inspections; and
- (ii) of the 33 catering outlets, 6 (18%) had reported to the overseeing units that they had been inspected by FEHD.

3.43 Audit considers that CUHK needs to:

- (a) take measures to ensure that regular hygiene inspections are conducted by the overseeing units with a view to safeguarding the hygiene standards of the catering outlets;
- (b) consider rationalising the mode of hygiene inspections by various overseeing units; and
- (c) consider requiring caterers to report to the overseeing units on FEHD's inspections on the catering outlets, including the inspection results on the food hygiene and environmental hygiene conditions of the outlets.

Need to step up monitoring mechanism

3.44 Audit examined the mechanism of the 13 overseeing units for monitoring the external operators' compliance with contract requirements and the quality of services delivered. Audit found that:

- (a) there were no overall guidelines developed for performance inspections, performance assessment and taking enforcement actions for the purpose of monitoring the external operators. The 13 overseeing units adopted different approaches in managing the catering outlets, e.g. the basis for evaluating the performance of the caterers was different among the overseeing units; and

- (b) there were no guidelines requiring the overseeing units to document the results of performance evaluation conducted on the operators of the campus facilities.

3.45 Audit also found that there was no sharing of monitoring approaches and monitoring results among the overseeing units with a view to facilitating:

- (a) the adoption of best practices in the monitoring of operators' compliance with contract requirements and quality of services; and
- (b) the selection of tenderers in future tendering exercises.

3.46 Audit considers that CUHK needs to:

- (a) step up the monitoring mechanism, including, where appropriate, providing guidelines on compliance, quality assessments and evaluation; and
- (b) consider setting up a mechanism for facilitating:
 - (i) the adoption of best practices in the monitoring of the operators' compliance with contract requirements and quality of services; and
 - (ii) the selection of tenderers in future tendering exercises.

Audit recommendations

3.47 **Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:**

- (a) **take measures to ensure that regular hygiene inspections are conducted by the overseeing units with a view to safeguarding the hygiene standards of the catering outlets;**
- (b) **consider rationalising the mode of hygiene inspections by various overseeing units;**

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- (c) **consider requiring caterers to report to the overseeing units on FEHD's inspections on the catering outlets, including the inspection results on the food hygiene and environmental hygiene conditions of the outlets;**
- (d) **step up the monitoring mechanism, including, where appropriate, providing guidelines on compliance, quality assessments and evaluation; and**
- (e) **consider setting up a mechanism for facilitating:**
 - (i) **the adoption of best practices in the monitoring of the operators' compliance with contract requirements and quality of services; and**
 - (ii) **the selection of tenderers in future tendering exercises.**

Response from The Chinese University of Hong Kong

3.48 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations.

PART 4: OTHER ISSUES

4.1 This PART examines other issues relating to CUHK's campus facilities operated by external entities, focusing on the following areas:

- (a) safeguarding national security (paras. 4.2 to 4.6);
- (b) committees overseeing campus facilities operated by external entities (paras. 4.7 to 4.14);
- (c) promotion of healthy eating (paras. 4.15 to 4.20);
- (d) barrier-free facilities and closed circuit television (paras. 4.21 to 4.28);
- (e) smoke-free campus and selling of liquor (paras. 4.29 to 4.37); and
- (f) scope for digitalisation (paras. 4.38 to 4.44).

Safeguarding national security

4.2 The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (National Security Law) was implemented on 30 June 2020. The National Security Law stipulates that:

- (a) it is the constitutional duty of the Hong Kong Special Administrative Region to safeguard national security; and
- (b) the Hong Kong Special Administrative Region shall strengthen its work on safeguarding national security and prevention of terrorist activities. 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 organisations, the media, and the Internet.

Other issues

To safeguard national security, the Government has introduced regulations to require bureaux and departments to effectively prevent and suppress any acts or activities endangering national security.

Need to strengthen safeguard measures over matters concerning national security

4.3 Relating to campus facilities operated by external entities, CUHK has not incorporated in the tender documents, contracts and guidelines safeguard measures over matters concerning national security. For instance, the bookstore operator was only required not to use or cause or permit the bookstore to be used for any unlawful or immoral purpose, and not to display or sell merchandise of obscene or immoral nature. However, CUHK did not issue any guidelines related to the safeguarding of national security for the operation of bookstore.

4.4 Audit considers that CUHK needs to take measures to strengthen guidance and regulations relating to campus facilities operated by external entities over matters concerning the safeguarding of national security, including:

- (a) providing guidance to overseeing units to facilitate their actions in effectively preventing and suppressing any acts or activities endangering national security; and
- (b) incorporating clauses in the tender documents and the contracts with external operators to allow disqualification of tenderers and to terminate the contracts in the interest of national security.

Audit recommendations

4.5 **Audit has recommended that the Vice-Chancellor, The Chinese University of Hong Kong should take measures to strengthen guidance and regulations relating to campus facilities operated by external entities over matters concerning the safeguarding of national security, including:**

- (a) **providing guidance to overseeing units to facilitate their actions in effectively preventing and suppressing any acts or activities endangering national security; and**
- (b) **incorporating clauses in the tender documents and the contracts with external operators to allow disqualification of tenderers and to terminate the contracts in the interest of national security.**

Response from The Chinese University of Hong Kong

4.6 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations.

Committees overseeing campus facilities operated by external entities

4.7 The operation of the campus facilities by the external entities is overseen by overseeing units (see para. 1.9). Some overseeing units have set up committees to oversee the operation of the campus facilities under their purview (see Table 5).

Table 5

**Number of committees set up to oversee the operation of campus facilities
(1 July 2023)**

Overseeing unit	Number of facilities		Number of committees
	Catering outlets	Other facilities	
Finance Office	—	2	—
9 colleges (Note 1)	20	—	10
Staff-Student Centres Management Committee (Note 2)	10	4	3
Basic Medical Sciences Building Snack Bar Sub-Committee	1	—	1
Office of Research and Knowledge Transfer Services	1	—	—
Staff association	1	—	1
Total	33	6	15

Source: *Audit analysis of CUHK records*

Note 1: *For 1 college, 2 committees were set up for overseeing the operation of 2 catering outlets under the college's purview (1 committee for a student canteen and 1 for a staff canteen). For each of the remaining 8 colleges, a committee was set up to oversee the operation of the catering outlets under the college's purview.*

Note 2: *Three sub-committees were set up under Staff-Student Centres Management Committee, namely Canteens Management Sub-Committee (overseeing the operation of 10 catering outlets), Services Units Management Sub-Committee (overseeing the operation of the convenience store, the hair salon and the supermarket) and Bookstore Management Sub-Committee (overseeing the operation of the bookstore).*

4.8 Members of the 15 committees overseeing the operation of campus facilities were composed of CUHK's academic and non-academic staff. For some committees, student representatives were appointed as members or invited as observers in meetings

so that students' opinions could be taken into consideration. Number of members for each committee ranged from 4 to 26, including the Chairman.

Need to improve committee proceedings

4.9 Audit reviewed the governance of the 15 committees and the proceedings of the 124 committee meetings held in the period from academic years 2017/18 to 2022/23 (Note 20). Audit found that:

- (a) ***Terms of reference.*** No terms of reference were laid down for 4 (27%) committees;

- (b) ***Quorum.***
 - (i) quorum was set for meetings of 5 (33%) committees (ranging from one-third to 100% of the total number of members). For the remaining 10 (67%) committees, no quorum was set; and

 - (ii) for 1 (1%) of the 124 meetings, the meeting proceeded despite the fact that the quorum was not present;

- (c) ***Meeting frequency.***
 - (i) for 10 (67%) committees, rules governing meeting frequency were not established;

 - (ii) for 2 (13%) committees, the actual numbers of meetings held were fewer than those required in 2 of the 6 years; and

 - (iii) 9 (60%) committees (including 8 committees that did not have required meeting frequency) did not hold any meeting in one or more years (see Table 6);

Note 20: *CUHK's academic year starts on 1 August and ends on 31 July of the following year.*

Table 6

**Analysis of the 9 committees with no meeting held
in one or more years
(2017/18 to 2022/23)**

Number of years with no meeting held	Number of committees
1	4 (45%)
2	3 (33%)
3	1 (11%)
4	0 (0%)
5	1 (11%)
6	0 (0%)
Total	9 (100%)

Source: Audit analysis of CUHK records

- (d) ***Agendas and meeting papers.*** The agendas and meeting papers were not dispatched to members well in advance of some of the 124 meetings:
- (i) for 7 (6%) meetings, the dates of dispatch were not available; and
 - (ii) for 117 (94%) meetings, the agendas and meeting papers were dispatched to members in advance of the meetings by 0 (i.e. on the same day) to 29 days, averaging 6 days. For 19 (15%) meetings, the agendas and meeting papers were dispatched to members only one day in advance of the meetings, or dispatched on the same day of the meetings; and
- (e) ***Circulation of draft meeting minutes.*** Draft meeting minutes were not promptly circulated to members for comment for some of the 124 meetings:

- (i) for 28 (23%) meetings, the dates of circulation were not available;
- (ii) for 4 (3%) meetings, the meetings were held in May 2022, September 2022, February 2023 and July 2023. Up to 31 August 2023, the draft minutes had not been circulated; and
- (iii) for 92 (74%) meetings, the draft meeting minutes were circulated to members 1 to 933 days after the meetings, averaging 96 days.

4.10 Audit considers that CUHK needs to:

- (a) lay down the terms of reference of the committees overseeing campus facilities operated by external entities;
- (b) set out quorum of meetings and frequency of meetings, and ensure compliance of the requirements; and
- (c) take measures to ensure that:
 - (i) agendas and meeting papers are dispatched to committee members well in advance of the meetings; and
 - (ii) draft meeting minutes are circulated to committee members for comment in a timely manner.

Need to consider setting up a committee to oversee the operation of a catering outlet

4.11 For all the 39 campus facilities except 3 (comprising 2 bank branches and 1 catering outlet), the overseeing units have set up committees to oversee the operation of the facilities (see Table 5 in para. 4.7). According to CUHK, due to the complexity of banking services and the requirement to meet the daily financial needs of the University, the Finance Office directly oversees the operation of the bank branches and no committee is required to be set up. For the catering outlet, there was no documentary evidence showing the reason why no committee was set up to oversee

Other issues

the operation of the catering outlet. It is worth noting that the operation of all other catering outlets in CUHK is overseen by committees.

4.12 Audit considers that CUHK needs to consider if there is merit to set up a committee to oversee the operation of the catering outlet not currently overseen by any committee, in line with the practices adopted for overseeing the operation of all other catering outlets in CUHK.

Audit recommendations

4.13 Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:

- (a) **lay down the terms of reference of the committees overseeing campus facilities operated by external entities;**
- (b) **set out quorum of meetings and frequency of meetings, and ensure compliance of the requirements;**
- (c) **take measures to ensure that:**
 - (i) **agendas and meeting papers are dispatched to committee members well in advance of the meetings; and**
 - (ii) **draft meeting minutes are circulated to committee members for comment in a timely manner; and**
- (d) **consider if there is merit to set up a committee to oversee the operation of the catering outlet not currently overseen by any committee.**

Response from The Chinese University of Hong Kong

4.14 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations.

Promotion of healthy eating

4.15 Unhealthy eating habit is closely linked to the development of obesity and increases the risk of chronic diseases. Food premises are important partners in healthy eating promotion. The Population Health Survey 2020-22 conducted by the Department of Health revealed that:

- (a) 32.6% of persons aged 15 to 84 were obese, and another 22% were overweight; and
- (b) 97.9% of persons aged 15 or above reported consuming an average of less than five servings of fruit and vegetables per day.

The Government has been promoting healthy eating among the schools and the community by launching various campaigns and schemes, e.g. the EatSmart@school.hk Campaign, the StartSmart@school.hk Campaign and the EatSmart Restaurant Star+ Campaign. For instance, the EatSmart Restaurant Star+ Campaign was launched to encourage restaurants to provide a wider choice of healthy dishes (i.e. “more fruit and vegetables” dishes and “3 less” dishes (less fat or oil, salt and sugar)).

Catering outlets can help promoting healthy eating

4.16 Audit reviewed the 24 contracts for the 33 catering outlets (some contracts covered more than one outlet). Audit noted that 17 (71%) of the 24 contracts did not include specific provisions requiring the caterers to provide a choice of healthy dishes (e.g. “more fruit and vegetables” dishes or “3 less” dishes). Of those 17 contracts:

- (a) for 2 (12%) contracts, the requirement for the caterers to provide a choice of healthy dishes had been included in the tender documents. However, the contracts did not include specific terms requiring the caterers to comply with the tender requirements; and
- (b) for 5 (29%) contracts, the tender documents indicated that it was preferable for the caterers to provide a choice of healthy dishes; and

Other issues

- (c) for the remaining 10 (59%) contracts, the requirement for the caterers to provide a choice of healthy dishes was not included in the tender documents.

4.17 Audit found that of the 33 catering outlets, only 2 (6%) had enrolled as an EatSmart Restaurant under the EatSmart Restaurant Star+ Campaign.

4.18 It is worth noting that CUHK is a member of the EatSmart@school.hk Campaign Steering Committee and a member of the Task Force of the StartSmart@school.hk Campaign, which are campaigns that promote healthy eating to primary and pre-primary school students. Audit considers that CUHK needs to consider incorporating guidelines and requirements on promotion of healthy eating in the contracts to help students and staff foster healthy eating habits.

Audit recommendation

4.19 **Audit has recommended that the Vice-Chancellor, The Chinese University of Hong Kong should consider incorporating guidelines and requirements on promotion of healthy eating in the contracts to help students and staff foster healthy eating habits.**

Response from The Chinese University of Hong Kong

4.20 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendation. He has said that:

- (a) CUHK will consider promotion of healthy eating on campus; and
- (b) in order to promote healthy eating on campus, the requirement to include the provision of vegetarian menu in the tenders is currently in place.

Barrier-free facilities and closed circuit television

Need to provide barrier-free facilities

4.21 According to CUHK, the University adopts a Diversity and Inclusion Policy. Under this Policy, CUHK:

- (a) emphasises the rights of all members for equal access and opportunities in its educational programmes, facilities, activities and employment; and
- (b) shall endeavour to provide such rights to all members free from discrimination of any form.

4.22 In this connection, the Building (Planning) Regulations (B(P)R — Cap. 123F) under the Buildings Ordinance (Cap. 123) prescribe the design requirements to ensure that reasonable barrier-free access and facilities are provided on premises to meet the needs of persons with disabilities. The Buildings Department also issued the Design Manual — Barrier Free Access (DM) which provides guidelines on barrier-free access and facilities to supplement the provisions of B(P)R (Note 21). All newly constructed buildings and any alterations or additions to existing buildings are required to comply with the latest barrier-free design standards as stated in the prevailing B(P)R and DM. According to CUHK:

- (a) most of CUHK's buildings on campus are more than 30 years of age. They were built according to the then statutory requirements; and
- (b) over the past years, CUHK has taken initiative to provide barrier-free environment as well as adequate visual fire alarms to assist persons with disabilities.

Note 21: *The relevant statutory requirements for providing proper access and suitable facilities in a building to cater for the special needs of persons with disabilities were first introduced into B(P)R with the Design Manual — Access for the Disabled 1984. These requirements were further enhanced with enactment of the Building (Planning) (Amendment) Regulations 1997 and the publication of DM 1997. B(P)R and its Third Schedule were amended in 2008 to provide for the relevant revised requirements as set out in DM 2008. DM has been updated periodically and the latest update was promulgated in 2021.*

Other issues

4.23 Audit visited the 39 campus facilities operated by external entities (comprising 33 catering outlets, 2 bank branches, 1 bookstore, 1 convenience store, 1 hair salon and 1 supermarket — see para. 1.8) in the period from May to August 2023. Audit found room for improvement in the provision of barrier-free facilities at 6 (15%) of the 39 campus facilities:

- (a) ***Absence of accessible entrance.*** According to B(P)R, accessible entrance is an entrance that can be approached, entered and used conveniently by persons with disabilities. Audit found that accessible entrances were not available at 3 (8%) facilities. There were steps at the two only access pathways leading to the entrance of 1 catering outlet (see Photographs 12 and 13), and steps in front of each and every entrance at 1 catering outlet and the hair salon; and

Photographs 12 and 13

Steps at the two only access pathways leading to the entrance of a catering outlet

Photograph 12



Photograph 13



Source: Photographs taken by Audit staff in May and June 2023

- (b) *Absence of visual fire alarm.* According to DM, visual alarm signal shall be provided to form part of the fire alarm system in the form of a flashing red light, labelled “Fire Alarm 火警” in both English and Chinese. Audit found that visual fire alarms were not available at 4 (10%) facilities (comprising 3 catering outlets and the hair salon).

4.24 Audit considers that CUHK needs to, in accordance with CUHK’s Diversity and Inclusion Policy, take measures to ensure that barrier-free facilities are provided at the campus facilities operated by external entities as far as practicable, taking reference from B(P)R and DM.

Need to improve notices for collection of personal data by Closed Circuit Television

4.25 According to the Guidance on Closed Circuit Television (CCTV) Surveillance and Use of Drones issued by the Privacy Commissioner for Personal Data:

- (a) since CCTV may capture extensive images of individuals or information relating to individuals, its use should be properly controlled to avoid intrusion into the privacy of individuals; and
- (b) people should be explicitly informed that they are subject to CCTV surveillance. An effective way is to put up conspicuous notices at the entrance to the monitored area and affix further notices inside the area as reinforcement.

4.26 Audit visited the 39 campus facilities operated by external entities in CUHK in the period from May to August 2023. Audit noted that 33 facilities were subject to CCTV surveillance. However, at 15 (45%) of the 33 facilities (comprising 13 catering outlets, the convenience store and the hair salon), people were not explicitly informed that they were subject to CCTV surveillance. Notices were neither put up at the entrances nor inside to inform people that they were subject to CCTV surveillance. Audit considers that CUHK needs to take measures to ensure that people are explicitly informed that they are subject to CCTV surveillance according to the guidance on CCTV surveillance issued by the Privacy Commissioner for Personal Data.

Audit recommendations

4.27 **Audit has recommended that the Vice-Chancellor, The Chinese University of Hong Kong should take measures to ensure that:**

- (a) **barrier-free facilities are provided at the campus facilities operated by external entities as far as practicable, taking reference from B(P)R and DM; and**
- (b) **people are explicitly informed that they are subject to CCTV surveillance according to the guidance on CCTV surveillance issued by the Privacy Commissioner for Personal Data.**

Response from The Chinese University of Hong Kong

4.28 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations. He has said that:

- (a) as mentioned in paragraph 4.22, most of CUHK's buildings on campus are more than 30 years of age. They were built according to the then statutory requirements. Over the past years, CUHK has taken initiative to provide barrier-free environment as well as adequate visual fire alarms to assist persons with disabilities. However, the provision cannot be carried out in one go and CUHK also needs to consider the existing building structure and building services installation. This would otherwise require substantial investment of time, capital and manpower; and
- (b) up to the present moment, there is room for improvement in the provision of barrier-free facilities at only 6 (15%) of the 39 campus facilities (e.g. 4 (10%) campus facilities do not have visual fire alarms). CUHK will continue to provide such barrier-free provision as far as practicable.

Smoke-free campus and selling of liquor

Need to improve implementation of smoke-free campus policy

4.29 All indoor and outdoor areas of CUHK are statutory no smoking areas under the Smoking (Public Health) Ordinance (Cap. 371). CUHK adopts a smoke-free campus policy, under which smoking has been prohibited in all indoor and outdoor areas of CUHK (Note 22). While contracts required the operators to prohibit smoking of their staff and employees in the catering outlets, the contracts for 8 (24%) of the 33 catering outlets had an additional requirement for the operators to prohibit smoking of their staff and employees in all indoor and outdoor areas of CUHK.

4.30 Audit visited the vicinity of each of the 33 catering outlets once every month in May, June and July 2023. For 23 (70%) of the 33 outlets, cigarette butts were found at the outdoor areas just outside the catering outlets during at least one of the three audit visits (see Photograph 14 and Table 7). This may indicate non-compliances with the smoke-free campus policy either by the employees or the patrons of the outlets.

Note 22: *Some staff quarters in CUHK are exempt areas under the Smoking (Public Health) Ordinance and are not covered by CUHK's smoke-free campus policy.*

Photograph 14

**Cigarette butts found at vicinity
of a catering outlet**



Source: Photograph taken by Audit staff in May 2023

Table 7

**Number of visits (out of 3) with cigarettes butts found
(May to July 2023)**

Number of visits with cigarette butts found	Number of catering outlets
0	10 (30%)
1	4 (12%)
2	1 (3%)
3	18 (55%)
Total	33 (100%)

} 23
(70%)

Source: Results of Audit's site visits to catering outlets

4.31 Audit considers that CUHK needs to:

- (a) include the requirement to prohibit smoking of their staff and employees in all indoor and outdoor areas of CUHK in the contracts with the operators of all catering outlets; and
- (b) explore measures to address the issue of employees and patrons of catering outlets smoking at the outdoor areas in the vicinity of outlets.

Need to ensure compliance with requirements on sale of liquor

4.32 The regulatory requirement under the Dutiable Commodities (Liquor) Regulations (Cap. 109B) is explained in the guidelines issued by the Tobacco and Alcohol Control Office of the Department of Health on the prohibition of sale or supply of intoxicating liquor to minors in the course of business. According to the guidelines:

- (a) any person who has premises or stores selling or supplying alcohol will need to display a sign containing a prescribed notice in both Chinese and English. The English version of the prescribed notice is “Under the law of Hong Kong, intoxicating liquor must not be sold or supplied to a minor in the course of business.” The Chinese version of the prescribed notice is “根據香港法律，不得在業務過程中，向未成年人售賣或供應令人醺醉的酒類。”;
- (b) the sign must be displayed in a prominent location at the premises or stores that can be easily seen by the public, for example, above the cashier counter; and
- (c) for sale of intoxicating liquor via remote means (such as the Internet or telephone), the prescribed notice needs to be displayed on the online shop in a reasonably legible manner or read out before the sale.

4.33 Furthermore, under the Dutiable Commodities (Liquor) Regulations, the sale of liquor at any premises for consumption on the premises is prohibited except on the authority of a liquor licence.

Other issues

4.34 In May and June 2023, Audit visited 35 campus facilities operated by external entities, comprising the 33 catering outlets, the convenience store and the supermarket. None of the 33 catering outlets has liquor licence. Audit found that:

- (a) liquor was available for sale at the convenience store, the supermarket and 1 of the 33 catering outlets. However, the prescribed notice was only displayed at the convenience store and the supermarket but not at the catering outlet. The outlet also operated an online platform on which patrons could place orders. In June 2023, Audit conducted a test on the online platform of the catering outlet by placing an order for a bottle of wine. Audit noted that the prescribed notice was not displayed on the online platform before the sale; and
- (b) for another catering outlet (not the one mentioned in (a) above), liquor items and corkage fee were found on the menu. According to CUHK, the catering outlet did not sell any liquor. Liquor items and corkage fee were mistakenly included in the menu.

4.35 Audit considers that CUHK needs to take measures to ensure that:

- (a) the guidelines issued by the Department of Health on the prohibition of sale or supply of intoxicating liquor to minors are complied with by the operators of the catering outlets; and
- (b) the prohibition under the Dutiable Commodities (Liquor) Regulations on the sale of liquor at any premises for consumption on the premises is complied with by the operators of the catering outlets, e.g. regular checking of the catering outlets' menus by the overseeing units.

Audit recommendations

4.36 **Audit has recommended that the Vice-Chancellor, The Chinese University of Hong Kong should:**

- (a) **include the requirement to prohibit smoking of their staff and employees in all indoor and outdoor areas of CUHK in the contracts with the operators of all catering outlets;**

- (b) **explore measures to address the issue of employees and patrons of catering outlets smoking at the outdoor areas in the vicinity of outlets; and**
- (c) **take measures to ensure that:**
 - (i) **the guidelines issued by the Department of Health on the prohibition of sale or supply of intoxicating liquor to minors are complied with by the operators of the catering outlets; and**
 - (ii) **the prohibition under the Dutiable Commodities (Liquor) Regulations on the sale of liquor at any premises for consumption on the premises is complied with by the operators of the catering outlets, e.g. regular checking of the catering outlets' menus by the overseeing units.**

Response from The Chinese University of Hong Kong

4.37 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations.

Scope for digitalisation

Need to keep under review the scope for further digitalisation in management of campus facilities operated by external entities

4.38 In December 2022, ICAC completed an assignment report on CUHK's procurement procedures. In response to ICAC's recommendations, CUHK informed ICAC in February 2023 that:

- (a) CUHK was in the process of launching a new e-procurement system, by phases starting from early 2023; and
- (b) the implementation of the e-procurement system could address most of the recommendations for enhancing the proper execution of procurement procedures by the user departments.

Other issues

In August 2023, CUHK informed Audit that a trial run of the new e-procurement system had started in July 2023, and the system was targeted to be fully launched in late 2023.

4.39 It is the Government's objective on e-Government development to use information technology to provide citizen-centric services that promote accessible, accountable and efficient government. In his 2022-23 Budget Speech, the Financial Secretary said that:

- (a) the Government had been encouraging the public and private sectors to proactively apply technologies in their operations for the benefits and convenience of the public; and
- (b) to promote further digitalisation in government operations, \$600 million had been reserved to conduct a comprehensive e-government audit in the coming three years with the aim of reviewing the progress made by government departments in using technologies, as well as assisting them in enhancing the efficiency of public service provision through the adoption of innovation and technology solutions.

4.40 Audit has noted that there is scope for digitalisation in CUHK's management of campus facilities operated by external entities:

- (a) tenderers had to submit their tenders in paper form to CUHK's tender box instead of by electronic means (see Figure 1 in para. 1.9);
- (b) advertisements of tender invitations were posted in newspapers for all the 40 tender exercises examined by Audit on the operation of campus facilities conducted in the period from January 2017 to July 2023 (see para. 2.19). CUHK's tendering system could be more widely used as an alternative means of publicising the tender exercises; and
- (c) there was no sharing of monitoring approach and monitoring results of operators' performance among the overseeing units (see para. 3.45). A centralised digitalised system or database for facilitating the adoption of best practices in monitoring of the operators' compliance with contract requirements and quality of services needs to be considered.

4.41 Digitalisation of CUHK's management of campus facilities operated by external entities reaps various benefits, including:

- (a) addressing most of the ICAC recommendations for enhancing the proper execution of procurement procedures by the user departments;
- (b) allowing potential bidders to be informed about CUHK's open tender exercises for operation of campus facilities swiftly; and
- (c) facilitating the adoption of consistent approaches to evaluate external operators' performance.

4.42 Audit considers that CUHK needs to:

- (a) step up efforts in the development of the new e-procurement system with a view to launching the new system as soon as possible; and
- (b) actively explore the scope of making use of the new e-procurement system in enhancing the digitalisation in CUHK's overseeing of campus facilities operated by external entities.

Audit recommendations

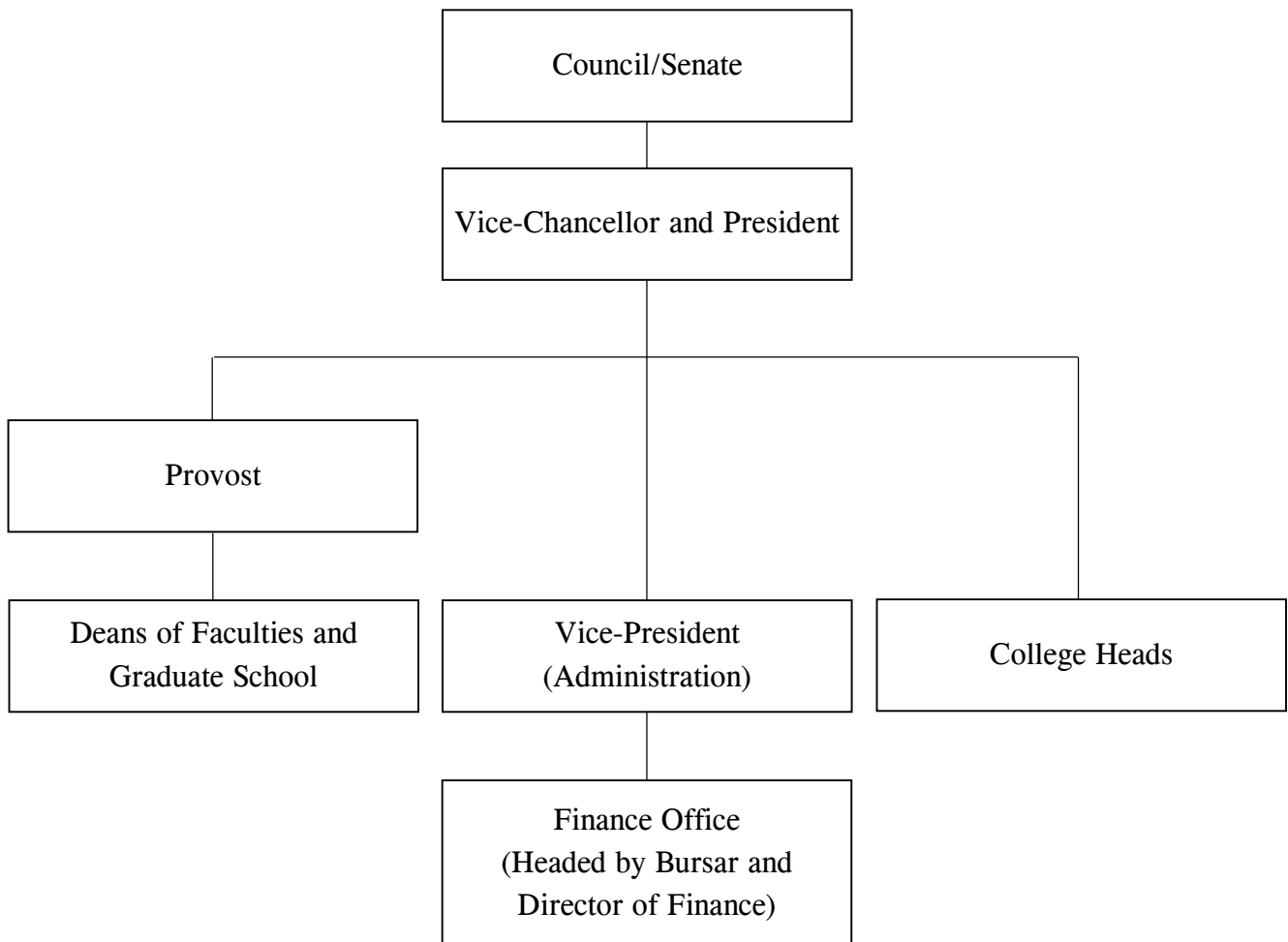
4.43 **Audit has *recommended* that the Vice-Chancellor, The Chinese University of Hong Kong should:**

- (a) **step up efforts in the development of the new e-procurement system with a view to launching the new system as soon as possible; and**
- (b) **actively explore the scope of making use of the new e-procurement system in enhancing the digitalisation in CUHK's overseeing of campus facilities operated by external entities.**

Response from The Chinese University of Hong Kong

4.44 The Vice-Chancellor, The Chinese University of Hong Kong agrees with the audit recommendations. He has said that CUHK has already commissioned the e-procurement system, CUPro, to enhance tender exercises of procurements including campus facilities.

**The Chinese University of Hong Kong:
Organisation chart (extract)
(1 August 2023)**



Source: *Audit Commission analysis of CUHK records*

Acronyms and abbreviations

Audit	Audit Commission
B(P)R	Building (Planning) Regulations
CCTV	Closed Circuit Television
CUHK	The Chinese University of Hong Kong
DM	Design Manual — Barrier Free Access
FEHD	Food and Environmental Hygiene Department
ICAC	Independent Commission Against Corruption
SPRs	Stores and Procurement Regulations
UGC	University Grants Committee
UOTP	University Ordering and Tender Procedures