

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

Executive Summary

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

Executive Summary

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).

Executive Summary

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).

Executive Summary

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

Executive Summary

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

Executive Summary

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).

Executive Summary

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));**

Executive Summary

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));

Executive Summary

- (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)).

Executive Summary

Response from The Chinese University of Hong Kong

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

