

THE UNIVERSITY OF HONG KONG

香 港



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STRICTLY CONFIDENTIAL

16 April 2015

Dr. C.H. Leong
Chairman
The Council

Dear Dr. Leong,

The Report of the Audit Committee dated 11 March 2015 (“the Report”)¹

1. Pursuant to the decision of the special meeting of the Council held on 25 March 2015, the following members of the Audit Committee met: [REDACTED]

[REDACTED] (these five persons together referred to hereafter as “the Members”). [REDACTED] was invited to join the discussions to provide advice on the normal practices in the academic community from his experience. I write to set out a distillation of the Report, which elaborates on the views of the Members on the individuals/units involved in the acceptance and utilization of donations made by and through Mr. Benny TAI to the University. References are made in this letter to the relevant paragraphs of the Report.²

2. With regard to the responsibility of those receiving donations, as noted in the Report, whilst there is a lack of guidelines or detailed procedures on the approval/acceptance of donations (¶73(1)(c) and ¶73(1)(d)), the Guidelines do say that “[d]onations should come from reputable sources” (¶18). The Members believe the University should not receive donations from unknown sources (¶75(1)). Furthermore, the Members believe that the obligation to consider reputational (and all other) risks does not fall solely on the gate-keeper or ultimate decision-maker but on all involved parties, particularly those receiving donations (¶43). They should take responsibility in the process of identification/verification of donors (¶30). In accepting donations, the Members expect those receiving donations to behave in a manner that upholds the spirit and/or letter of the relevant Guidelines/policies and meets expected standards (¶78). With regard to the Cash Donations:

¹ This letter adopts the same definitions, terminology and abbreviations as used in the Report.

² The symbol ¶ is used to refer to a paragraph in the Report. For example, ¶73 refers paragraph 73 of the Report.

- (1) **Professor Johannes CHAN** received the HK\$300,000 donation on behalf of the Faculty of Law. Professor Chan represented to the Audit Committee that he had asked Mr. Tai at the time he received the donation as to who should be acknowledged and was told that the donor was [REDACTED] (¶41). However, he did not make this information known to his Administrative Assistant (¶33(2)) and the DAAO (¶37(3)). The Members believe that the acceptance of this donation falls short of the expected standards.
- (2) **Professor Daniel CHUA** received the HK\$200,000 donation and the HK\$150,000 donation on behalf of the School of Humanities and the Faith Initiative. He was informed by Mr. Tai that the donations were from an anonymous source (¶33(1) and ¶33(4)) and passed on the relevant information to the DAAO for their further handling (¶37(1)). The Members believe that the acceptance of these donations falls short of the expected standards.
- (3) **Dr. Robert CHUNG** received the HK\$800,000 donation on behalf of POP. When the DAAO made enquiries with Dr. Chung as to the source of the donation (¶37(6)), he connected the DAAO up with Mr. Tai saying that he himself knew nothing about the donor and expressed the view that “anonymity” is not an issue (¶37(7)). The Members believe that the acceptance of this donation falls short of the expected standards.
- (4) **Mr. Benny TAI**, who received the Cash Donations initially, was not as forthcoming as he should have been in revealing the source(s) of the Cash Donations to the DAAO (¶73(3)). He was asked by the DAAO about the identity of the donor of each of the first batch of Cash Donations received in May 2013 (¶37). It took him at least 6 weeks to give a name to the DAAO (¶39). The Members believe that Mr. Tai’s seeming reluctance to supply information about the donor to the DAAO falls short of the standards of behaviour expected of an academic introducing donors to the University.

3. The Members believe **Professor S.P. CHOW** made an unsatisfactory decision to instruct the DAAO to proceed with the processing of the first batch of Cash Donations (¶43 and ¶73(3)) without further enquiry/confirmation, even though the alarm was raised more than once by the DAAO.

4. **Professor Daniel CHUA** received the HK\$200,000 donation and the HK\$150,000 donation, which were used to support the Research Assistant and not used in accordance with their stated purpose (¶73(4)(d)). There are two areas in which Professor Chua’s conduct deviated from the requirements of the Guidelines and other requirements of the University:

- (1) In his role as the budget holder (as the Director of the Faith Initiative) and administering authority (as the-then Head of the School of Humanities) for the two donations, Professor Chua had a responsibility to ensure that the funds were used in accordance with their stated purpose. The Members believe that Professor Chua failed to discharge this responsibility.

- (2) In relation to the Research Assistant, Professor Chua, as the supervisor of the Research Assistant according to the employment contract, did not fulfill his responsibility to supervise her, nor did he inform the Human Resources section of her secondment to POP.

5. **Dr. Robert CHUNG**, in his role as the Director of POP, is responsible for POP's deviations from the requirements of the Guidelines:

- (1) In respect of the HK\$800,000 donation, POP had the responsibility to forward the cashier order directly to the DAAO (¶73(4)(a)). The Members believe that POP failed to discharge this responsibility under the Processing Guidelines.
- (2) In respect of the Donation-in-Kind, POP had the responsibility to forward a Donations/Grants Processing Form to the DAAO (¶73(4)(b)). The Members believe that POP failed to discharge this responsibility under the Processing Guidelines. Despite having been made in May 2014, the DAAO only learned of the Donation-in-Kind in August 2014 upon receiving an acknowledgement letter from POP (¶70(2)).

6. The Director of **the DAAO**, despite rightly raising the alarm more than once, did not follow through by verifying with [REDACTED] directly that he was the donor (¶73(3)). This verification should have been done, irrespective of Professor Chow's instructions. Moreover, the DAAO failed to fulfill its responsibilities under the Processing Guidelines to (1) issue acknowledgement letters for each of the Cash Donations (¶73(4)(c)) and (2) report the Donations to the Council in a timely manner (¶73(4)(e)).

7. **Mr. Benny TAI's** conduct deviated from the requirements of the Guidelines in the following areas:


- (1) In relation to the HK\$200,000 and HK\$150,000 donations, Mr. Tai stated the purpose of the donations was to support "works on Faith and Law" (¶33(1) and ¶33(4)), but, in fact, the funds were used to support the Research Assistant who was deployed by Mr. Tai to work for POP on OCLP commissioned work (¶62 and ¶63). The Members believe that, by asking the Research Assistant to work closely with POP on the OCLP Deliberation Series (¶60), Mr. Tai has failed to discharge his responsibility to ensure the donations were used in accordance with their stated purposes and that this raises the question of conflict of interest arising from the deployment of the Research Assistant to support POP's OCLP commissioned work.
- (2) He failed to inform the Human Resources section of the secondment of Research Assistant to POP so that another letter of appointment could be issued setting out the terms of secondment (¶62 and ¶64).

8. Up to the date of the Report, to the knowledge of the Members, the University had not verified directly with [REDACTED] that he was the donor of the Cash Donations (¶69(2)).

9. The view of the Members is that the shortfalls in expected standards of behaviour of those involved, some of whom are high-ranking academics – together with the lack of clear Guidelines/procedures for the solicitation, acceptance, approval, utilization and reporting of donations – call for action from the University's Management. The Members wish to stress the importance of the management culture in a good system of internal control ((¶76). As noted in the Report, alumni and other stakeholders of the University, who take pride in her reputation, look to the University's Management to protect and enhance the University's reputation vigilantly (¶76). In order to safeguard the University's reputation, the Members stress the need for the Senior Management Team to set the tone at the top to drive the necessary change in culture (¶76).

10. With this letter of elaboration, I trust this concludes the Matter for the Audit Committee.

Sincerely yours,


Chairman, Audit Committee