

HONG KONG BAPTIST UNIVERSITY
FINANCE OFFICE
MEMO

To : All Staff
From : Edmund Li, Director of Finance
Date : 8 April 2020

Proposed mechanism to enhance U-wide Internal Charging and Settlement

To ensure compliance with the principle that no funds of University Grants Committee (UGC) will be used for non-UGC funded activities, the Internal Audit Office was of the view that that a University-wide policy on internal charging be prepared. Given there are established governance structures to oversee the internal charging schemes of various units of the University, it was agreed that the Finance Office would assist in reviewing any revisions to the charging schemes of the units.

Currently, four units are mainly involved in internal charging for the provision of University-wide services. Please find attached a mechanism enhance the University-wide Internal Charging and Settlement, in Appendix 1, which has been approved by Vice-President (Administration) & Secretary.

Regards,



Edmund Li

University-wide Internal Charging and Settlement

Parties involved in internal charging

The following departments are involved in the internal charging for their services to the user departments of the University:

- (a) Estates Office (EO) – campus services, extra space allocation, provision of cleaning materials and electrical accessories;
- (b) Finance Office (FO) – hire of University’s venues and facilities, transportation services, mailing services and sundry material requisitions;
- (c) Office of Information Technology (ITO) – IT services covered by ITO’s Services Charging Scheme (ITO Scheme) and those not covered by the ITO Scheme; and
- (d) School of Continuing Education (SCE) – hire of SCE’s venues and facilities.

Key recommendations of Internal Audit Office (IAO)

To ensure compliance with the principle that no funds of University Grants Committee (UGC) will be used for non-UGC funded activities, IAO recommended that a University-wide policy be formulated to define/standardise the internal charging principle/objective and procedures for staff reference, including but not limited to the following:

- (a) the approval authority;
- (b) the internal charging methodology and procedures covering definition of basic/standard service provision, calculation of charge and allowable profit margin (if any), review frequency and documentation requirements;
- (c) priority of services; and
- (d) exception provisions (i.e. discount or waiver), if any.

Management responses to the recommendations of IAO

Revisions to the internal charging policies, schemes and charging mechanisms (policy collectively) of various offices should be reviewed by FO, under the direction of Vice-President (Administration) and Secretary (VPAS), before they are submitted by the responsible units to the appropriate authorities for approval. This is to ensure the following:

- (a) the avoidance of proliferation of internal charging;
- (b) the provision of justifiable purpose, benefits and regulatory compliance; and
- (c) the benefits of internal charging outweighing any administrative costs.

Proposal for enhancing internal charging arrangements

1. All internal charging policies should be supported by proper documentation which includes:
 - (a) the purposes or benefits of internal charging or the compliance with UGC's principle of no-crossing subsidisation;
 - (b) the scope and definition of basic/standard services to be provided to user departments free of charge;
 - (c) the methodology and justification for determining the internal charging rates, e.g. free of charge, actual cost or actual cost plus a profit margin;
 - (d) the special circumstances for justifying a waiver or discount on the internal charging including the personnel delegated for approving such waiver or discount;
 - (e) the frequency of review of the internal charging policy; and
 - (f) the authority for approving the internal charging policies and their revisions.
2. All internal charging policies should be reviewed by the responsible units at least once every three years. Any new internal charging policies or revisions to the existing internal charging policies and/or charging rates should be submitted by the responsible units to the relevant authorities for approval. Any internal charging policies, which have not been reviewed for three years, should be reviewed by the responsible units in 2017/18.
3. Before the responsible units submit the internal charging policies to the relevant authorities for approval, they should send the policies to FO for review to ensure that (i) there are no proliferation of internal charging; (ii) the policies contain all the elements stated above; and (iii) the policies are consistent and in alignment with the broad principles stated above.
4. After a review of the internal charging policies provided by the responsible units, FO will provide its comments or suggestions to VPAS for decision/direction. FO will advise the responsible units of the comments or suggestions agreeable by VPAS.
5. The responsible units should provide a full set of internal charging policies to Finance Office for record. Finance Office will not make any internal transfers to effect the internal charging if the internal charging policies do not conform to the above-mentioned guidelines.