



審計署
香港灣仔
告士打道七號
入境事務大樓
二十六樓

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

圖文傳真 Facsimile : 2583 9063

電話 Telephone : 2829 4251

本署檔號 Our Ref. : UB/PAC/ENG/41-2

來函檔號 Your Ref. : CB(3)/PAC/R41

5 January 2004

Clerk, Public Accounts Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

(Attn: Ms Dora WAI)

Dear Ms Wai,

**The Director of Audit's Report on the
results of value for money audits (Report No. 41)**

Chapter 9: Funding of tertiary education

Thank you for your letter of 12 December 2003 regarding the 30 projects which had been terminated due to the departure of the Principal Investigators within a year after the commencement of the projects (Table 6 in para. 4.32 of the Audit Report). According to information provided by the institutions, there were five projects which were terminated due to expiry of the employment contracts of the Principal Investigators. Details about the names of the institutions concerned, and the employment of these Principal Investigators, including the remaining duration of their employment contracts with the institutions at the time of application, research grant award and project commencement are shown in the following paragraphs.

The University of Hong Kong (HKU)

***Principal Investigators left within
six months after commencement of project***

There was one project where the Principal Investigator left within six months after project commencement. The Principal Investigator left in December 2002 after commencement of the project in September 2002. The remaining

duration of the Principal Investigator's employment contract with the institution, at various stages before project commencement, is shown below:

| At the time of | Remaining duration of Principal Investigator's employment contract (months) |
|-----------------------|--|
| application | 13 |
| research grant award | 5 |
| project commencement | 3 |

The HKU explained that due to unforeseen circumstances, the Principal Investigator was not able to accept the renewal of contract and left for Europe to resume a tenure position as a Professor. The Principal Investigator also proposed to continue the project as a Co-Investigator, but this was rejected by the HKU in conformity with the Competitive Earmarked Research Grant (CERG) regulations.

***Principal Investigators left between
six and 12 months after commencement of project***

There were two projects where the Principal Investigators left between six and 12 months after project commencement. The Principal Investigator of one project (Project A) left in July 2001 after commencement of the project in September 2000. The Principal Investigator of the other project (Project B) left in August 2002 after commencement of the project in September 2001. The remaining duration of these two Principal Investigators' employment contracts with the institution, at various stages before project commencement, is shown below:

| At the time of | Remaining duration of Principal Investigator's employment contract in Project A (months) | Remaining duration of Principal Investigator's employment contract in Project B (months) |
|-----------------------|---|---|
| application | 21 | 22 |
| research grant award | 13 | 14 |
| project commencement | 11 | 12 |

As to the reasons for proceeding with the projects, the HKU advised that currently (as at end of November 2003) about 45% of full-time, paid academic staff (excluding honorary, visiting and temporary appointees) holding the ranks of Assistant Lecturers to Professors are placed on contract terms. Such contractual arrangements were introduced to enable the HKU to react effectively to a declining budgetary situation. As uncertainty about the following year's budget level grows, Heads of Departments find themselves increasingly being unable to plan proactively and decisively about staff contracts. Therefore, at the time of submitting CERG applications, i.e. in

October each year (Note), a degree of uncertainty surrounds the status of a number of contracts. The HKU, however, would not discourage HKU's academic staff from submitting CERG proposals in October as it is precisely the staff's duty to seek outside sources to support their research work, **unless** it is already certain by the following June that certain staff will not have the requisite period of service remaining in their contract to make them eligible for CERG grants. Institutions can, however, be expected to withdraw or accept a CERG grant when the outcome of previous year's prepared submissions is announced. The HKU has also advised that:

- in an atmosphere of funding uncertainty which militates against prudent financial and academic planning, HKU's Research Services Section has the established practice of reminding Heads of Departments annually of the need to consider whether contracts of CERG applicants would be renewed or otherwise. The administration is, however, careful to emphasise that no implications are attached to a renewal or otherwise due to a CERG grant. Such reminders are issued only to enable the HKU to discharge its duty and obligation to the RGC by way of ensuring that a CERG applicant's appointment status must be in conformity with the RGC rules; and
- the HKU currently has in total more than 680 funded and ongoing CERG projects. It must be accepted that not all cases are within the institution's control. These terminated projects only represent a very small percentage of the pool of projects.

City University of Hong Kong (CityU)

Principal Investigators left between six and 12 months after commencement of project

There was one project where the Principal Investigator left between six and 12 months after project commencement. The Principal Investigator left in June 2001 after commencement of the project in December 2000. The remaining duration of the Principal Investigator's employment contract with the institution, at various stages before project commencement, is shown below:

Note: *The CERG calls for applications once a year. Applications endorsed by the institutions are submitted to the Research Grants Council (RGC) by October/November. The applications received are examined by the subject panels of the RGC between December and May with assistance from specialist academic assessors/referees either in Hong Kong or overseas. The panels then select proposals to be recommended for funding support to the RGC. The RGC holds meetings in June to decide how the CERG should be distributed. A research project normally commences within six months on approval of grant (i.e. by 31 December).*

| At the time of | Remaining duration of Principal Investigator's employment contract (months) |
|-----------------------|--|
| application | 20 |
| research grant award | 12 |
| project commencement | 7 |

The CityU explained that the project was approved in June 2000. The Principal Investigator was the sole investigator of the project. In the absence of a Co-Investigator, the project had to be terminated according to RGC rule upon departure of the Principal Investigator a year after project approval. Approval of CERG projects is usually announced by the RGC in late June/early July every year. To allow for preparatory work before the start of the project e.g. recruitment of research staff or acquisition of specialised equipment items, the commencement date of the project reported to the RGC is usually three to six months from the approval date, and this is acceptable to the RGC. In reality, CERG projects start from the date of approval of the award in June, and counting from the project commencement date may not accurately reflect the situation.

The CityU has also advised that:

- the issue of termination of CERG projects arising from staff departure shortly after grant approval/commencement has to do with the CERG application schedule and CityU's internal personnel decisions cycle. Principal Investigators prepare their CERG applications and submit by the end of October every year when decisions on contract renewal/substantiation of appointments for contracts due to expire in July of the following year are not yet confirmed. There are also cases where the employment contracts end in January/February, or where more lengthy performance assessments are involved. The process could end as late as May/June, shortly before award announcement. In deciding whether to submit an application at the time, the institution and the Principal Investigator could only consider the existence of a reasonable expectation and an intention of further employment;
- the CityU always endeavours to report on the latest development and/or to request withdrawal for confirmed cases of staff departure, during the project updates to the RGC in April; and
- staff departure is a personnel decision which involves a number of factors and it is difficult to ascertain these expectations/intentions. In most of the cases where projects were terminated within six months of commencement, they involved late confirmation of such decisions, and hence withdrawal of the Principal Investigator and return of the grant to the RGC.

The Hong Kong University of Science and Technology (HKUST)

***Principal Investigators left between
six and 12 months after commencement of project***

There was one project where the Principal Investigator left between six and 12 months after project commencement. The Principal Investigator left in January 2002 after commencement of the project in July 2001. The remaining duration of the Principal Investigator's employment contract with the institution, at various stages before project commencement, is shown below:

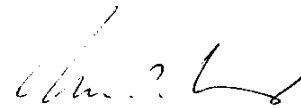
| At the time of | Remaining duration of Principal Investigator's employment contract (months) |
|-----------------------|--|
| application | 14 |
| research grant award | 6 |
| project commencement | 6 |

The HKUST explained that contract renewal was under review at the time of research grant award and project commencement. The Principal Investigator left after six months and before 12 months after commencement of the project with project funding fully returned to the RGC.

If you have any questions, please contact the undersigned at 2829 4251 or Mr John Chu at 2829 4253 (email address: john_nc_chu@aud.gov.hk).

A Chinese translation of this letter will be forwarded to you shortly.

Yours sincerely,



(David M T LEUNG)
for Director of Audit

c.c. Secretary-General, University Grants Committee