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UGC/GEN/CON/103/1/6/2016
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3 January 2017

Mr Anthony Chu
Clerk
Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chu,

Public Accounts Committee
Consideration of Chapter 6 of the Director of Audit's Report No. 67
Funding of Academic Research Projects by Research Grants Council

I refer to your letter dated 22 December 2016 requesting our response on a number of issues raised in the captioned report. The requested information is now set out at the Annex for reference by the Public Accounts Committee. As requested, my colleagues will send you soft copies of the information by email.

As for the question addressed to the Secretary for Education, we understand that the Education Bureau will provide you with a reply separately.

Should you need further clarifications on the above, please feel free to contact Mr David Leung, Deputy Secretary-General (2) on 2844 9942.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. T. Armour', with a horizontal line underneath.

(Richard T ARMOUR)
Secretary-General

c.c. Secretary for Education (fax no. 2810 7235)
Secretary for Financial Services and the Treasury (fax no. 2147 5239)
Director of Audit (fax no. 2583 9063)

Public Accounts Committee
Consideration of Chapter 6 of the Director of Audit's Report No. 67
Funding of Academic Research Projects by Research Grants Council

Replies to Written Questions

For the Secretary-General, University Grants committee

Part 2 : Governance and management issues

- 1. According to paragraphs 2.4 to 2.7, the Government has promulgated the six-year rule to ensure a healthy turnover of members of advisory and statutory bodies. Out of 48 appointed members of the Research Grants Council ("RGC"), eight of them have served the Council for more than six years. The Administration replied that there are difficulties in appointing individuals who meet the needs of RGC. What measures have been taken to appoint suitable RGC members in the period 2010-2011 to 2015-2016 (all years mentioned hereinafter refer to academic years)? What have been the difficulties in appointing suitable members, and what are the measures to overcome them? Will potential conflict of interest in the future a factor taken into account when deciding who to appoint as a member of RGC?**

- A1. Among the eight RGC Members mentioned in the Chapter 6 of the Director of Audit's Report No. 67 serving from the 2010/11 to 2015/16 academic years, seven were non-local Members. This reflects that the difficulties are largely associated with the appointment of non-local RGC Members.

To avoid actual or perceived conflict of interest in the assessment of grant applications, only non-local RGC Members who are willing to commit to the substantial workload in Assessment Committees and Panels and do not have any affiliation with local universities are invited to take up Assessment Committee / Panel chairmanship. However, it is not easy to identify non-local Members of high standing who are willing to commit to serving Hong Kong. Non-local Members also generally take more time to fully familiarize themselves with the local higher education landscape and assessment mechanism, and there have been cases where the Secretary for

Education considered it fully justified to extend the term of appointment of selected non-local Members slightly beyond six years.

In the context of the University Grants Committee (UGC) Secretariat's response to Chapter 2 of the Director of Audit's Report No. 67, we have pointed out that the terms of appointment of non-local Members (including non-local RGC Members) did not offer a fee, and the honorarium given to them was an award regardless of the time spent on UGC activities. Non-local Members travelled to Hong Kong to attend meetings on a voluntary basis and often had to take leave from their own full-time jobs. Recognising that non-local Members' time was being given normally without payment, and that there were immense benefits to attract top university leaders from around the world to serve Hong Kong, we considered it appropriate that the standard of hotel accommodation offered to them when attending meetings in Hong Kong should be commensurate with their standing and should not deter candidates from accepting an offer of appointment.

The Review of the RGC (Phase I) is being implemented by the UGC. It will study, amongst others, the structure of the RGC. In the light of the recommendations of the review, improvement measures will be considered.

- 2. According to paragraph 2.10(a), RGC had not promulgated rules of procedure governing the conduct of meetings for the Council, its 10 committees and 18 panels. According to paragraph 2.12(a), the University Grants Committee ("UGC") Secretariat will consult RGC on the arrangements for promulgating formal sets of rules of procedure for Council/committee/panel meetings taking into account their respective roles and functions. The Review of RGC (Phase II) will provide further insight to facilitate RGC in promulgating the formal sets of rules of procedure. However, according to paragraph 2.37, the findings of the Phase I Review are expected to be available in mid 2017 and the Phase II Review will only be conducted after the Phase I Review. What are reasons for RGC not promulgating rules of procedure governing the conduct of meeting for the Council in the past? Do you agree that it is unsatisfactory that there will not be any rules of procedure until the completion of the Phase II Review? Will you consider expediting action to ensure that formal sets of rules of procedure are in place as soon as possible? What is the timeline for implementing the new measures?**

A2. There are existing documents governing the major meeting proceedings of the RGC Council / Committees / Panels. These documents are promulgated to Members for reference and adopted as meeting rules and procedures, though they do not have a collective name called “Rules of Procedures”. Some examples of these documents are:

- (a) Guidelines on assessment procedures for research funding schemes;
- (b) Declaration of interest by Council / Committee / Panel Members;
- (c) Code of conduct for Council / Committee / Panel Members, applicants and reviewers in handling the Council’s business;
- (d) Guidelines on handling conflict of interests during proposal evaluation process; and
- (e) Guidelines on determination of penalty for research misconduct and adverse performance records.

In addition, the frequency of the Council meeting has been laid down in the RGC Annual Report. Committees / Panels hold meetings once or twice a year to assess research applications invited in the year. Calls for Proposals are published on the RGC website and schedules of meetings are issued to Members in advance in the Secretary’s Reports.

To address the Audit concerns, the RGC decided at its meeting held on 10 December 2016 the following improvement measures:

- (a) the Secretariat will consolidate the existing documents governing the major meeting proceedings into a single set of document called “Rules of Procedures” and submit to the RGC for endorsement at its next meeting to be held in June 2017; and
- (b) the Review of the RGC (Phase II) will examine, amongst others, the assessment and monitoring processes and measures guarding against conflict of interests. The RGC will consider further refinements to the “Rules of Procedures” by making reference to the recommendations of Phase II Review.

3. According to paragraph 2.10(c), there were no minutes of meetings for five of the eight committees and 10 of the 13 panels. According to UGC, the deliberations regarding policy issues, attendance of members, declarations of interest and assessment remarks were recorded in other forms of documents. What are the justifications for RGC using other documents to replace the function of minutes of meetings? Do you agree that it is a basic requirement of good governance to prepare minutes of meetings? Will minutes be prepared for all committee/panel meetings in future? What will be the format of the minutes? If yes, has this already been put into practice?

A3. There are all along records of decisions for all meetings. In the past, the deliberations of meetings and Members' declaration of interest were recorded in the following documents:

- “Minutes / Notes of Meetings” – to record the deliberations of Committee meetings that oversee policies of research funding schemes.
- “Chairmen’s Reports” / “Memorandum of Meetings” – to record the summaries of funding recommendations and deliberations regarding policy issues of Assessment Committees / Panels that assess research funding applications;
- “Electronic System” – to record Members’ declaration of interest in the assessment of applications submitted under funding schemes for single Principal Investigators;
- “Assessment Forms” / “Assessment Summaries” - to record the assessment remarks on individual applications. They will be provided to the applicants as feedback of the Assessment Committees / Panels.
- “Assessment Summaries” or “Review Forms” – to record the Monitoring and Assessment Panels’ rating on the on-going and completed projects. They will be provided to the project holders as feedback on their projects.
- “Summary Tables” – to record deliberations of Disciplinary Committee meetings that handle alleged research misconduct cases.

Starting from June 2016, the Secretariat has refined the arrangements in note-recording for the Committees / Panels by consolidating the information which used to be recorded in various forms of documents and presenting it in the form of “Minutes of Meetings”. The minutes include information on members’ attendance, main conclusion, follow-up actions (if required), etc.

- 4. According to paragraph 2.17(b), for 8 of the 19 funding schemes administered by RGC, there was no documentary evidence showing that the Council had reviewed or approved individual projects. For six of the eight schemes, the Council had not been provided with any information on individual projects to be approved. Why did you not provide the information on individual projects for Council members’ scrutiny and approval? Without such information, how can RGC make informed decisions in considering the applications for research funding, and approving awards and other disbursements from funds made available by the Government through UGC for research?**

- A4. The RGC follows international practice and adopts a rigorous peer review mechanism to assess grant applications. Academic merit is the prime assessment criterion. Grant applications are assessed by RGC Assessment Committees / Panels. Under the peer review mechanism, applications are assessed by at least two external reviewers and two to three Committee / Panel Members who are experts in the fields of the applications before they are submitted to the Committee / Panel meetings for finalizing a list of recommended projects. As the RGC deals with policy and strategy in assessment of grant applications, it is responsible for approving the overall funding amounts of recommended projects under various funding schemes.

For collaborative research funding schemes, starting from December 2015, the list of shortlisted / recommended projects have been projected on the screen at the RGC meeting for Council Members’ scrutiny and approval. Council Members who have submitted applications in the exercise are excused from the conference room.

For research funding schemes for single Principal Investigators, given the large number of recommended projects involved in the funding schemes for single Principal Investigators (over 1,000 per exercise), the more details on the recommended projects to be provided at the Council meeting, the more

complicated the second-tier declaration will have to be managed and the longer the meeting will take. The Council is therefore not given a list of recommended projects. Starting from June 2015, to avoid any perceived conflict of interest, Council Members who have submitted applications in the exercises are excused from the conference room.

To enhance RGC's operations and address the need to provide more details of recommended projects to the Council, the Secretariat consulted the RGC at its meeting held on 10 December 2016. The RGC decided that, starting from the next meeting (June 2017), the list of recommended projects under funding schemes for single Principal Investigators containing project titles, recommended duration and recommended amount will be provided to Council Members for scrutiny and approval.

The Review of the RGC (Phase II) will examine, amongst others, the assessment and monitoring processes and the arrangement guarding against conflict of interest. It will provide further insight to facilitate the RGC in refining the approving procedures in future.

- 5. According to paragraph 2.19(b), given the large number of recommended projects under some of the research funding schemes, the more details on the recommended projects to be provided at the Council meetings, the more complicated the second-tier declarations will have to be managed and the longer the meeting will take. A reasonable balance is required to be struck among the objectives of providing detailed list of recommended projects to be provided, the integrity of the declaration of interest procedures and the efficiency of Council meetings. How will you strike the balance without compromising the integrity of the approval process? What measures will you take for improvement in this regard?**

- A5. To address the Audit concern, the Secretariat consulted the RGC at its meeting held on 10 December 2016. The RGC decided that, starting from June 2017, the list of recommended projects under funding schemes for single Principal Investigators containing project titles, recommended duration and recommended amount will be provided to Council Members for scrutiny and approval.

The Review of the RGC (Phase II) will examine, amongst others, the

assessment and monitoring processes and the arrangement guarding against conflict of interest. It will provide further insight to facilitate the RGC in refining the approving procedures in future.

6. With reference to paragraph 2.20, the measures that the UGC Secretariat has taken to ensure that members are well-informed on the requirements of the reporting system for the declarations of interests. Are there briefing and training courses for the members?

A6: We issue a Secretary-General's Note on "Declaration of Interest by Members" to Members on their first appointment. The note serves to explain and remind Members the mechanism of declaration of interest by Members under the University Grants Committee, RGC, Quality Assurance Council and their respective sub-committees. The RGC also organised two briefing sessions in November and December 2016 respectively for newly appointed RGC Members on the RGC organization and on-going issues, including declaration of interest. We will continue to hold briefing sessions for new RGC Members in the future. At the RGC meeting held on 10 December 2016, there was an agenda item on the Audit's Report on "Funding of Academic Research Projects by RGC." Members had thorough discussion on, amongst others, improvement measures to matters concerning the declaration of interest.

7. With reference to paragraph 2.20(a), the definition of "significant change of circumstances" in the first-tier reporting system.

A7. At the first-tier, Members are required to declare interests in the following areas:

- (a) Proprietorships, partnership or directorship of companies, public or private;
- (b) Remunerated employments, offices, trades, professions or vocations;
- (c) Affiliation with local education bodies, e.g. higher education institutions; and
- (d) Shareholdings in companies, public or private (e.g. 1% or more of the company's issued share capital).

Changes in circumstances refer to changes in the abovementioned areas. For example, changes in affiliation with local universities can be classified

as significant changes. Nevertheless, Members have the responsibility to decide whether the change is material to an extent that it should be reported under the first-tier declaration.

- 8. According to paragraph 2.26, Audit reviewed the 3 314 projects approved in the period 2013-2014 to 2015-2016 in respect of the General Research Fund, the Early Career Scheme and the Humanities and Social Sciences Prestigious Fellowship Scheme, and noted that for six projects, the principal investigators were four Council members. However, no documentation was available showing that declarations of interests had been made before or during the meetings at which funding was awarded. According to Table 2 in paragraph 1.10, there were in total 4 400 projects approved in the same period. Were there other projects among the remaining 1 086 projects which were associated with some Council members who did not make declarations of interests before or during the meetings at which funding was awarded?**

- A8. The remaining 1 086 projects were funded under the Hong Kong PhD Fellowship Scheme (in terms of number of awardees), Post-graduate Students Conference/Seminar Grants, collaborative research funding schemes, joint research schemes and funding schemes for the self-financing sector.

The Hong Kong PhD Fellowship Scheme and Post-graduate Students Conference/Seminar Grants cater for potential / current PhD students. Funding schemes for the self-financing sector cater for researchers in the self-financing sector. Council Members are not eligible to apply to these schemes and hence, no conflict of interests would be involved.

For the collaborative research funding schemes, only non-local academics are involved in the assessment of grant applications. For joint research schemes, Assessment Panel Members are required to declare interest before they participate in the assessment of grant applications. In all circumstances, Assessment Committee / Panel Members are barred from assessing applications in which they have declared interest.

The RGC serves its fiduciary and oversight duty to ensure that its Assessment Committee and Panels perform its functions without conflict of interests and exercise prudence in its expenditure of funds. Before June

2015, the Council considered the reports of the Assessment Committee / Panel Chairmen and they did not contain details of individual applications, including the identity of the applicants. As there was no actual conflict of interest, the Council did not request individual Members to make declaration of interest at the meetings when the Assessment Committee / Panel Chairmen reports were discussed.

That said, the RGC was aware that there might be perceived conflict of interest in the past practice. To address the perception, starting from June 2015, when the Council received the reports from the Assessment Committee / Panel Chairmen, Council Members were excused from the conference room and they refrained from participating in the discussion if they had submitted applications.

- 9. According to paragraph 2.28(a) and (e), the UGC Secretariat will enhance measures to closely monitor the timely submission of Register of Interests Forms in the first-tier declarations of interests, and will further improve the filing of documents concerning the declarations of interests by members. What measures have been taken so far to enhance the existing mechanism?**

A9: The Secretariat issued reminders again to expedite action from the Members who did not return the Register of Interests Form. The Secretariat also invited the Members concerned to complete the Register of Interests Form when they attended the RGC meeting in person on 10 December 2016. Full set of Members' Register of Interests Form from the 2013/14 academic year onwards are filed by year in folders for easy retrieval. They are also backed up electronically to ensure that they are available for future reference.

- 10. According to paragraph 2.28(d), starting from June 2015, in view of Council members' awareness of the need to guard against any possible perceived conflicts of interest, improvements have been made to invite any Council members whose applications are under consideration at the time to leave the conference room and not to take part in the discussion of the item. According to paragraph 2.24, there are other circumstances in which Council members are associated with the applications under consideration (e.g. applications from colleagues in their departments/universities, universities that they have served within**

two years, or universities that they have been invited for pre-review). What measures will you take to ensure that such perceived conflicts of interest are fully addressed?

- A10. There are circumstances in which Council Members also serve as Assessment Committee / Panel Members to assess grants applications. If they are associated with the applications, even if they are not the applicants themselves, they cannot take part in the decision-making on the cases concerned. They are also required to fill in declaration of interest forms when they declare interest during the meetings for record purposes. RGC will consider how to reflect these prevailing arrangements in the “Rules of Procedures” that are currently being prepared to ensure that there is no actual or perceived conflict of interest.

The Review of the RGC (Phase II) will examine, amongst others, the assessment and monitoring processes and the arrangement guarding against conflict of interest. It will provide further insight to facilitate the RGC in refining the assessment and approving procedures in future.

Part 3 : Project management

- 11. With reference to paragraph 3.14, what is the membership composition of the Steering Committee of the Theme-based Research Scheme (“TRS”)? Will the members possess suitable knowledge and experience to decide the suitable theme to conduct academic research? Did RGC review the factors contributing to the decreasing number of applications under TRS?**

- A11. Members of the Steering Committee include community leaders, distinguished academics as well as officials from relevant Government bureaux/departments who possess the relevant expertise and knowledge to advise on the selection of appropriate themes under the Theme-based Research Scheme (TRS) conducive to the long-term and strategic development of Hong Kong. As at 1 January 2017, the membership of the Steering Committee for Research Themes under the Research Endowment Fund was as follows:

Chairman

Dr. York LIAO, SBS, JP

Members

Mr. KWOK Kwok-chuen, BBS, JP

Professor Paul LAM Kwan-sing, SBS, JP

Professor Joseph LEE Hun-wei

Chairman of Research Grants Council or his representative

Head of Central Policy Unit or his representative

Commissioner for Innovation and Technology or her representative

Secretary for Education or his representative

Secretary

Principal Assistant Secretary for Education (Higher Education)

As regards the number of applications, it is common for a new funding scheme to receive a relatively high number of applications in the first round of application because of the pent-up demand. As a number of academics have already been involved in the on-going group research projects, including TRS and the Areas of Excellence Scheme, it could be envisaged that the number of applications received in the subsequent rounds of the TRS exercise would not be as many as that in the first round. The RGC will continue to keep the grand challenge topics of the research themes under regular review and liaise with the Education Bureau on the timing to initiate the next review on the themes under TRS.

- 12. According to paragraph 3.32, for completion and concluding reports, RGC did not set target completion dates for committee/panel members' assessment. As at 31 May 2016, there had been 973 completion/concluding reports received but not assessed, of which 678 (69.7%) had been received for over one year but not yet assessed. In extreme cases, 4 (0.4%) reports were submitted more than nine years ago but still pending assessment. What is the reason for the backlog on assessment of project reports received? How can you monitor the research quality of the RGC funded projects in a timely manner given such a large number of completion/concluding reports pending assessment?**

- A12. The RGC relies on the Committee / Panel Members to assess the completion / concluding reports. Members are academics of high international stature with busy schedules. They may have commitments that take priority over

assessment of reports. In the event that the Member-in-charge has retired from the Committee / Panel when the completion / concluding report is submitted by the Principal Investigator, extra processing time is required for the Committee / Panel Chairman to identify and re-assign the duty to other available Members.

Principal Investigators are required to submit annual or mid-term progress reports for the purpose of monitoring progress and research quality. The large backlog is not conducive to monitoring of research projects. The Secretariat consulted the RGC on 10 December 2016. The following improvement measures will be implemented to improve the situation:

Improvement Measures	Implementation Time-table
Conduct a one-off ad hoc exercise to clear the backlog by forming a panel to rate the outstanding completion and concluding reports	1 st quarter of 2017
Set deadlines of target completion dates for Committee / Panel Members' assessment of progress reports (one month) and completion reports (two months)	Deadline now set
Issue reminders to Members on a monthly basis	January 2017
Reserve a dedicated session in the Subject Panel meetings held in every June for Members to rate the outstanding reports in the Secretariat	June 2017

13. According to paragraphs 3.48(a), the UGC Secretariat would consult RGC to consider setting target completion dates for panel members' assessment of progress, completion and concluding reports as well as strengthening measures to clear the backlog and enhance timely assessment of reports by panel members. What has been achieved so far?

A13. The Secretariat consulted the RGC on 10 December 2016. The following improvement measures will be implemented to improve the situation:

Improvement Measures	Implementation Time-table
Conduct a one-off ad hoc exercise to clear the backlog by forming a panel to rate the outstanding completion	1st quarter of 2017

and concluding reports	
Set deadlines of target completion dates for Committee / Panel Members' assessment of progress reports (one month) and completion reports (two months)	Deadline now set
Issue reminders to Members on a monthly basis	January 2017
Reserve a dedicated session in the Subject Panel meetings held in every June for Members to rate the outstanding reports in the Secretariat	June 2017

14. With reference to paragraphs 3.49 to 3.55, the measures to be taken to expedite the process in handling alleged misconduct cases. Are there any mechanisms in place to ensure that disciplinary hearings on cases involving fraud and dishonest act (and where such cases are established) will be reported to the appropriate regulatory authority and/or the law enforcement agencies?

A14. Since the setting up of the Disciplinary Committee (DC) in December 2013, the RGC has reviewed the structure of the DC and the investigation procedures from time to time with a view to ensuring that each alleged misconduct case would be thoroughly and fairly handled before a decision is made. On identifying a suspected misconduct case, the case will be handled and referred to the DC (Investigation) as soon as possible. We will report serious cases, e.g. cases involving deliberate fraud to law enforcement. We have done so in the past. We will seek legal advice where necessary. For cases involving non-disclosure or plagiarism, we will handle them according to RGC's established mechanism.

The Review of the RGC (Phase I) is currently being conducted to examine amongst others, including the structure of DC. In the light of the results of the review, appropriate measures will be considered to further streamline the process of handling alleged misconduct cases.

Part 4 : Research output and way forward

15. According to paragraphs 4.7 and 4.8, from 2010-2011 to 2014-2015, while research funding provided by UGC and RGC increased by 26%, the total number of research outputs of the universities dropped slightly to 2.6% and the overall research output per academic staff for the universities decreased by 9%. Have you ascertained the reasons for

the drop in the number of research outputs and the overall research output per academic staff? As this statistical information on research output is submitted to the UGC members, has any UGC member raised any concern on the decrease in the number of research outputs? Have you taken any measures to address this issue?

- A15. The research outputs mentioned in paragraphs 4.7 and 4.8 include various types of outputs, such as conference papers, journal publications, patents, scholarly books, monographs and chapters, etc. With regard to the decrease in the total number of research outputs and the overall research output per academic staff from 2010/11 to 2014/15, this may be attributed to the introduction of the "3+3+4" new academic structure in 2012/13, which involved significant amount of preparatory work for universities and academic staff in 2011/12 and 2012/13, and a significant increase (6.5%) in the number of academic staff between 2010/11 and 2014/15. Further, when the 26% increase in the research funding provided by the UGC and RGC between 2010/11 and 2014/15 was adjusted for inflation during the period, it only represented an increase of about 3.2%, despite a 6.5% increase in the number of academic staff for the same period. The relevant statistical information on research output has been presented to the UGC Members, none of whom has raised any concern about the decrease in the number of research outputs.

In assessing the research performance of universities, the UGC Secretariat would emphasize that research outputs should not be taken as the sole performance indicator of research funding, and any analysis on research output per academic staff as an indicator of universities' research productivity is extremely crude and unreliable. It only measures quantity but neglects quality which is a much more important criterion in assessing research output. The resources and efforts put to produce respective output also vary amongst research projects of different nature, scope and scale. A more sophisticated, comprehensive and appropriate assessment is the Research Assessment Exercise (RAE) which covered, amongst others, the number of eligible staff in cost centres. In the RAE 2014, the quality of research outputs, research inputs and esteem measures were assessed. The UGC is actively planning for another RAE in 2020 with the inclusion of research impact as one of the elements of assessment.

- 16. According to paragraph 4.17(b), the UGC Secretariat will provide full**

support to RGC in developing performance indicators to evaluate the performance of funding schemes and formulating guidance notes to help information users in the interpretation of the research-related information. What has been done so far?

- A16. Research output is only one of the various indicators for evaluation of research performance. That said, the RGC has been collecting research output and other management information of approved projects under the RGC funding schemes for monitoring and assessment of approved projects and sharing the research findings with the public. The Review of the RGC (Phase I) is currently being conducted to examine, amongst others, the effectiveness of the RGC funding schemes. The consultant will explore if the research-related information can be used to develop performance indicators to evaluate performance of funding schemes.