


General Support Programme

# **Funding and Administrative Guidelines for Successful Applicants**

 **Innovation and  
Technology Commission**

**January 2017**

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The Government of the Hong Kong Special Administrative Region

(1) **INTRODUCTION**

- 1.1 This document sets out the general funding and administrative guidelines for projects funded under the General Support Programme (GSP) of the Innovation and Technology Fund (ITF).

(2) **PROJECT AGREEMENT AND PROJECT ACCOUNT**

2.1 ***Project Agreement***

- 2.1.1 After funding approval has been obtained from the Commissioner for Innovation and Technology (CIT), the applicant should sign an agreement with the Government of the Hong Kong Special Administrative Region (“the Government”) before commencing the project.

2.2 ***Project Coordinator***

- 2.2.1 The project coordinator is responsible for overseeing the project generally; monitoring its expenditure and ensuring the proper usage of project funds in accordance with the approved budget and other guidelines and instructions set for the projects; liaising with and answering all enquiries/requests raised by the Innovation and Technology Commission (ITC) for information and clarification on all aspects of the project.

2.3 ***Project Account and Interest***

- 2.3.1 Except for projects undertaken by R&D Centres set up under the ITF and designated local public research institutes<sup>1</sup>, the applicant should open a separate risk-free interest-bearing bank account (project bank account) with a licensed bank registered under the Banking Ordinance (Cap. 155) specifically for processing all receipts and payments of each project.
- 2.3.2 Unless otherwise specified in the project agreements, all interest income generated in the project bank account should be credited to the project account and returned to the Government upon completion of the project or termination of the project agreement.

2.4 ***Books and Records***

- 2.4.1 Accounting on an accrual basis should be adopted for all GSP projects. Unless otherwise approved by ITC, expenditure could only be charged to the project account after the equipment and goods have been received or services delivered. Sponsorship and all other income derived from the project during the project period, budgeted or not, should form part of the project income and should be used solely for the project until its completion. All the income and expenditure of a project must

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<sup>1</sup> They are local universities (including all UGC-funded institutions), the Hong Kong Productivity Council, the Vocational Training Council, the Clothing Industry Training Authority and the Hong Kong Institute of Biotechnology.

be received/accrued and expended (paid)/accrued respectively in accordance with the basis of each expenditure item in the approved budget.

- 2.4.2 The Director of Audit may carry out value for money studies on any organisation in receipt of ITF grants. ITC reserves the right to require the applicant to return any misspent amount together with interest income accrued to the Government.

## 2.5 *Auditing Requirements*

- 2.5.1 The project coordinator is required to submit annual and/or final audited accounts to assure the Government that the project funds are applied to the project in accordance with the approved budget and in compliance with the terms and conditions for ITF projects. The annual and/or final audited accounts should be reported by independent auditors who must be Certified Public Accountants holding a practising certificate registered under the Professional Accountants Ordinance (Cap. 50) (the Auditors) and conducted in accordance with the latest version of the Notes for Auditors of Recipient Organisations (the Notes) issued by ITC.

- 2.5.2 The applicant should specify in the engagement letter for the employment of the Auditors that they should strictly follow the requirements and the specimen stipulated in the latest version of the Notes in conducting reasonable assurance engagements and preparing auditors' reports for annual and/or final account of the project. The engagement letter should also specify that CIT, the Director of Audit and his authorised representatives should have the right to communicate with the Auditors on matters concerning the annual and/or final accounts and the supporting statements.

- 2.5.3 The applicant is required to make available to the Auditors all information, documents and explanations relating to the project.

## 2.6 *Change Requests*

- 2.6.1 An approved project is required to be carried out strictly in accordance with the final proposal appended to the project agreement. Any modification, amendment or addition to the project or the agreement, including change of the project commencement or completion date<sup>2</sup>, project coordinator, scope and major activities, budget or cashflow projection, will require prior approval by ITC. The project coordinator should inform ITC well in advance by submitting a change request electronically through the Innovation and Technology Commission Funding Administrative System II (ITCFAS II).

- 2.6.2 Where the cumulative deviation of expenditure for an item does not exceed 30% of the original approved budget and does not result in any increase in the total approved project cost and the total amount of ITF grant requested, prior approval from ITC is not required. However, any virement as a result and the underlying reasons should be reported in the relevant progress report(s) and/or final report. If the deviation exceeds 30% of the original approved budget, prior approval from ITC is required and such request should be made electronically through the ITCFAS II.

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<sup>2</sup> The commencement and completion dates are specified in the project agreement.

(3) **PROJECT EXPENDITURE**

3.1 ***ITF Funding***

3.1.1 All project funds (including ITF grants, sponsorship and other income derived from the project during the project period) must be used exclusively for the project and incurred within the project period. It may be used for covering -

- (a) the costs of manpower employed specifically for carrying out the project;
- (b) other direct costs which are specifically incurred for carrying out the project; and
- (c) costs of events/activities outside Hong Kong if strong justifications can be given. In general, the relevant expenditure should not exceed 50% of the total project cost.

*Manpower*

3.1.2 Project funding can generally be used to cover the salary of project staff, including employer's mandatory contribution to the Mandatory Provident Fund (MPF), contract gratuities, annual salary adjustment (excluding increments and promotions) and general fringe benefits (e.g. medical) in accordance with the established mechanism of the relevant R&D Centres and designated local public research institutes.

3.1.3 Specifically, project funds cannot be used to cover allowances such as expenses on housing (including nominal rental for quarters), education, training, passage and travelling<sup>3</sup>, food, insurance, severance pay, overtime and untaken leave, etc.

3.1.4 As a general rule, the applicant must not charge the salary of their existing staff against the project unless this is a deployment absolutely necessary and essential for the project and ITC's prior approval has been obtained. This principle should apply irrespective of whether the relevant service/work is carried out within or outside normal working hours of the person concerned.

*Other Direct Costs*

3.1.5 Project funds can be used to cover -

- (a) All reasonable costs necessary to be incurred for the project, including setting up of venue, rental of venue, passage and accommodation for individual overseas participants, utilities, transportation, publicity, meals and refreshment, etc. In assessing the level of funding support, we will generally follow prevailing Government practices/limits unless there are exceptional justifications.

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<sup>3</sup> Local/overseas training, study/trade mission and field trip are normally not allowed unless otherwise fully justified. These should be itemised and put under the category of "Other Direct Costs" in the budget of the application proposal for ITC's approval.

- (b) External audit fees as required by the ITF project agreement. The maximum funding support allowed for an annual/final audited account of a project costing less than HK\$1 million, between HK\$1 million and HK\$5 million and more than HK\$5 million should not be more than HK\$8,000, HK\$14,000 and HK\$20,000 respectively.
- (c) Prizes for events like competition or scholarship should preferably be designated for specific purposes (e.g. passage for study tours, book coupons, etc.) and the value should be at a reasonable level.

### 3.1.6 Administrative Overheads (for local universities only)

For projects undertaken by local universities (UGC-funded institutions only), administrative overheads are allowed as part of the project cost in the project budget. The administrative overheads to be included in the project budget can be up to 15% of the total amount of funds requested from the ITF (net of overheads).

## **(4) PROJECT MONITORING AND DISBURSEMENT OF GRANTS**

### 4.1 *Project Reports*

4.1.1 The project will be monitored against its stated project schedule. A final report should be provided within 2 months upon completion of the project. For projects with project period longer than 12 months, the applicant may also be required to submit a mid-project progress report. ITC reserves the right to call for additional report(s) or seek additional information/explanation at any time as it sees fit.

4.1.2 All reports should be prepared in the standard format and submitted through ITCFAS II. Any delay in submission of report(s) may affect the applicant's future applications for funding support from ITC. If the applicant has encountered difficulties and an extension of the report submission is required, he or she should seek prior agreement from ITC. Upon ITC's request, the applicant is also required to provide timely clarification and/or supplementary information to substantiate the content of the reports. ITC may organise visits or progress review meetings to examine the progress of a project.

### 4.2 *Disbursement of Grants*

4.2.1 Disbursement of grants to the applicants will be made upfront or by instalments, which will be contingent upon, among others -

- (a) production of receipts or other record confirming payment of industry sponsorship within the specified timeframe, if any; and
- (b) satisfactory progress has been made in respect of the agreed milestones.

#### 4.3 ***Final Report***

- 4.3.1 Upon receipt of the final report, ITC will assess the effectiveness of the project by comparing the project results against its original objectives and targets as set out in the project proposal. Upon request, the applicant is required to provide timely clarification and/or additional information to substantiate the content of the final report, or be invited to present the project results.

#### 4.4 ***Audited Accounts***

- 4.4.1 The applicant is required to submit to ITC annual and/or final audited accounts. The financial statements for project reports, annual and final audited accounts of each project should be prepared on *accrual* accounting basis.

- (a) Annual audited accounts are not required unless otherwise specified by ITC. Annual audited accounts made up to 31 March each year should be submitted on or before 30 June of that particular year. The first annual audited accounts may cover more than 12 months but not more than 18 months. The last annual audited accounts can be waived if it covers not more than 18 months.
- (b) Final audited accounts covering the period from project commencement date to project completion date or termination date of the project agreement should be submitted within three months from the completion date of the project or termination date of the project agreement. (For details, please refer to the reporting and submission schedules as specified in the project agreement.)

#### 4.5 ***Suspension or Termination of Funding Support***

- 4.5.1 ITC may terminate a project or withhold the disbursement of ITF grants at any time for reasons which include, inter alia, a lack of progress of the project against the agreed milestones, slim chance of completion of the project in accordance with the project proposal, the original objectives of the project being no longer relevant to the needs of the industry as a result of material change in the circumstances, the objectives and relevance of the project having been overtaken by events, or ITC seeing fit to terminate the project in public interest.

- 4.5.2 The financial position reported in each annual and/or final audited account should tie in with the progress/results of that reporting period(s)/year(s).

#### 4.6 ***Return of Residual Funds***

- 4.6.1 Subject to the final audited accounts, the applicant should return to the Government all residual funds remaining in the project account including interest accrued upon project completion or termination.

(5) **PROCUREMENT AND RECRUITMENT**

5.1 ***Procurement Procedures***

5.1.1 The applicant should ensure that all procurements for goods and services are carried out in an open and fair manner and must comply with the procurement procedures as specified in the project agreement; or the established/current standard procurement procedures for projects undertaken by R&D Centres and designated local public research institutes.

5.1.2 In case the applicant intends to procure goods or services from one company/organisation/individual, it has to provide details, justifications and its relationship with the company/organisation/individual in the application form for not following the open procurement process set out above. If the application is approved, subsequent approval from ITC will not be required.

5.2 ***Hiring of Project Staff***

5.2.1 The applicant is required to abide by the principle of openness and competitiveness in hiring staff for the approved project.

(6) **ACKNOWLEDGEMENT OF ITF SUPPORT**

6.1 ***Acknowledgement***

6.1.1 Acknowledgement of ITF support must appear on all facilities, publicity/media events related to a GSP project, as well as in publications arising from the project. The following disclaimer should also be included in any publications and media events related to a GSP project -

"Any opinions, findings, conclusions or recommendations expressed in this material/event (or by members of the project team) do not reflect the views of the Government of the Hong Kong Special Administrative Region, the Innovation and Technology Commission or the General Support Programme Vetting Committee of the Innovation and Technology Fund."