



RESTRICTED FUNDS POLICY

Prepared by the Department of Finance

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**UNIVERSITY of the
WESTERN CAPE**

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POLICY MINIMUM REQUIREMENTS

Policy Name : RESTRICTED FUNDS POLICY
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Responsible Officer : EXECUTIVE DIRECTOR: FINANCE & SERVICES
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1. PURPOSE

To provide budget owners with a policy framework for the management of the various categories of funds within the Restricted Funds group other than state subsidy funds.

2. DEFINITIONS

2.1 RESTRICTED FUNDS

Restricted Funds are funds received from parties in terms of a contract which have conditions attached to how those funds may be spent. These conditions/restrictions are specified by the source of the funds, i.e. the donor will specify exactly the type of expenditure to be incurred.

As each source of funds is to be used for a particular purpose or project, the University creates a separate entity for each project. The creation of separate entities facilitates accounting for the transactions of each project, and enable the income and expenditure to be monitored as well as reported on.

The term “Restricted Funds” is used to collectively describe the group of Restricted Funds that fit the above definition, of which there are four categories (*described in Section 4 below*) other than state subsidies.

2.2 CONTRACT

A contract is defined as an agreement that creates one or more obligations between the University and other parties.

2.3 EXPENDITURE

Expenditure is defined as any decrease in economic benefits as a result of an outflow of funds.

2.4 REIMBURSEMENT BY DONORS OR 3RD PARTIES

Reimbursements are defined as any expenditure incurred which results in the expenditure having to be reimbursed by the donor or 3rd party.

2.5 DONOR OR 3RD PARTY

Donor or 3rd party is defined as the party with which the University has contracted.

2.6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is defined as spending on an unapproved overdraft, spending in contravention of the contract with the donor and/or inter-entity transfers.

2.7 MISMANAGEMENT OF FUNDS

Mismanagement of funds is defined as unauthorised, fraudulent, negligent and/or reckless expenditure and/or any expenditure contrary to University and South African laws and regulations.

2.8 FRAUDULENT EXPENDITURE

Fraudulent expenditure is defined as expenditure incurred with the intent to deceive as to the exact nature, timing and/or extent of that expenditure.

2.9 NEGLIGENCE EXPENDITURE

Negligent expenditure is defined as expenditure incurred with lack of due prudence and fiduciary duties.

2.10 RECKLESS EXPENDITURE

Reckless expenditure is defined as being indifferent to or disregarding of any adverse financial consequences.

2.11 PRIVATE USE

Private use is defined as any transaction or activity that is not covered by a contract.

2.12 FOREIGN EXCHANGE DIFFERENCES

Foreign exchange differences are defined as any losses or gains incurred as a result of exchange rate fluctuations from the timing difference between conclusion of the contract and receipt of the funds.

2.13 EXECUTIVE AUTHORISATION

Executive authorisation is defined as authorisation by the Vice Chancellor or his/her authorised representative. Currently, these are:

- Executive Director Finance & Services
- Vice-Rector (Academic)

3. PRINCIPLES BEHIND THE RESTRICTED FUNDS GROUP

Any funds deposited with, or held by the University, are the property of the University, and the University is responsible for such funds.

The University prohibits the holding of funds for private use in the University. Private transactions are prohibited from flowing through the University, as is the use of all University structures for private use.

All funds applicable to the University must be received by the University through the official bank account.

Funds deposited with, or held by the University, may only be used for University purposes.

4. CATEGORIES OF RESTRICTED FUNDS

While the term Restricted Funds generally refers to all funds received by the University that have conditions attached to them and, as such, may only be used for a specific purpose, the collective term Restricted Funds is divided into four categories, depending on the specific types of restrictions associated with the funds.

The four categories within Restricted Funds are as follows:

- Mandated Fund
- Endowment Fund
- Agency Fund
- Council Control Designated Fund

The definitions of these categories are as follows:

4.1 MANDATED FUND

This group of funds is used to account for funds received from donors or outside agencies, the expenditure of which is restricted to a specific purpose. The restrictions on expenditure shall be contained in a contract that exists between the University and the donor/outside agency.

Examples of this type of Restricted Fund are:

- Scholarships/Bursaries
- State or private grants

4.2 ENDOWMENT FUND

An Endowment Fund is exactly the same as the Mandated Fund category described above, except the donor has stipulated, as a condition/restriction, that the principle amount donated is not expendable. As such, the principle amount would remain for investment in perpetuity, and only the income received from the investment may be used for the purposes contained in the contract between the University and the donor.

Often a drawdown of the principle amount is permitted by the donor, and may be used for restricted or non-restricted purposes, as specified by the donor in the contract.

The Endowment Funds of the University are used to support specific named scholarship funds and Chair support.

Endowment funds must be reflected as income and accounting mechanisms will be in place in order to ring fence these funds and must not be seen as normal income. The Development Fund falls under this category and in principle operates on the same basis except that a Board of Trustees is permitted to make decisions regarding the expenditure of the funds, and is accountable to Council for these expenditure decisions.

4.3 AGENCY FUND

An Agency Fund describes funds held by the University as custodian or fiscal agent for a third party. The University basically performs the banking function of these third parties, in that expenditure of the funds does not occur via the third party, but rather by the University itself after having received the funds from the third party.

An example of this category of Restricted Funds would be the NRF Scarce Skills Bursary awarded to students – the NRF pays the funds to the University that in turn pays the students awarded the bursaries. The bursaries are essentially sponsored to the student through the University. Please note that while the NRF Scarce Skills Bursary is a bursary, and thus should fall under the previous category (Mandated Fund), the fact that the University is acting as agent for a third party categorises this fund as an Agency Fund.

4.4 COUNCIL CONTROLLED DESIGNATED FUNDS – CCD FUNDS

A CCD Fund is a fund generated by the University as a consequence of certain activities or programs. This category of Restricted Funds is self-sustainable, and complements the University's operations. The fund itself operates as a going concern, and the budget owner has control over how the funds may be spent; there are no restrictions on expenditure. The funds are under management control and the Council may at any time take control over them.

CCD Funds, while having no restrictions as to how the funds may be spent, fall into the group of Restricted Funds in that the funds are under control of the budget owner as opposed to forming part of the General Fund. This distinction causes these funds to fall under the Restricted Funds group. Accounting mechanisms will be put in place to monitor the performance of these funds.

These funds, while complementing the University's operations, do not form part of the operating budget (General Fund).

An entity may only be created for a project that by definition falls into one of the four categories within the Restricted Funds group.

5. DONOR RECOGNITION GUIDE

The University of the Western Cape accepts donations in support of its teaching, research and community outreach activities. This section applies to all official fundraising activities of the University, including annual donations; planned gifts; special fundraising initiatives; campaigns; and activities of any associated bodies conducting fundraising on behalf of the University (for instance, a service organisation, foundation or trust).

The following Donor & Sponsor Recognition Policy has been implemented to:

- provide appropriate, timely and donor-centered recognition of all charitable donations;
- guide the public recognition and acknowledgement of major donors;

5.1 CRITERIA

The following recognition principles are applicable:

- All donations and/or documented pledges from the University family, individuals, corporations, foundations, associations and organisations will be recognised at the appropriate level.
- Donor recognition shall be subject to donor wishes as to confidentiality and donors
- requesting anonymity shall be omitted from all public displays and publications.

5.2 RECOGNITION LEVELS AND BENEFITS

Benefits related to each level reflect the impact of the donation on the University and the importance of the donation to the vision, mission and goals of the institution. Donations of R1,000,000.00 (One million Rand) and greater will receive customised recognition and personal attention. The ODP, in conjunction with the donor, will recommend to the University a personalised recognition and stewardship plan for each such donation. Plans may also be developed for donors of amounts below R1,000,000.00 on a case-by-case basis.

5.3 NAMING OF FACILITIES AND PROGRAMS

The naming of a building, space, programme or school reflects the importance of the donor to the realisation of the University's mission and vision. The University will always maintain the rights to naming opportunities and will have discretion in changing the name of a building.

The following guidelines apply:

- a) It is the University's practice that Naming opportunities begin at R1000,000-00 with the size and profile of named facilities or programmes increasing proportionately with the size of the gift.

- b) The naming of facilities and areas such as streets (on University property); classrooms/laboratories; wings of buildings, etc. will require the approval of the University' Senior Management Committee upon the recommendation of the Rector.

- c) Naming a building or segments of buildings will not imply that the name or names will be used in perpetuity. When a building is demolished or replaced, or where occupancy or usage of the building changes, or where the former name is no longer appropriate, then a request for a new name will be considered by the University' Senior Management Committee

The following Chart is to be used as a guideline for determining benefits at each donation level, where appropriate:

Donation Amount						Donor Benefits * denotes benefit associated with a donation to an approved fundraising project or campaign
Donations up to R4,999.00	R5,000.00 - R24,999.00	R25,000.00 - R99,999.00	R100,000.00 - R499,999.00	R500,000.00- R999,999.00	R1,000,000.00 +	
X	X	X	X	X	X	Section 18 A Donations Certificate
X	X	X	X	X	X	Personal letter of appreciation from the ODP
		X	X	X	X	Feature story in On Campus Newsletter
			X	X	X	Invitation to attend campaign launch and/or celebration where such events are planned
X	X	X	X	X	X	Listing in campaign final report*
			X	X	X	Where appropriate, naming of specific facility/room/programme/endowment
			X	X	X	Customised recognition plan that best meets donor's needs
			X	X	X	Cheque presentation and news release to media
			X	X	X	Special event for donation announcement
					X	Private reception with the Rector

6. SCOPE

This policy applies from date of implementation to all Restricted Funds currently in existence and to all Restricted Funds that are yet to be created.

7. PROCESS

7.1 ACCOUNTABILITY

The budget owner is the person responsible for the management of the Restricted Funds under his/her control.

The budget owner has a fiduciary duty to manage the funds in the best interests of the University and according to the contract with the donor.

In the event of any mismanagement of funds, the budget owner may be required to remedy any financial loss. Failure to remedy such loss may result in the budget owner being held personally liable and subject to disciplinary proceedings on these grounds.

7.2 SIGNING OF CONTRACTS

All contracts shall be signed by a University representative authorised by the Vice Chancellor. Currently, this is the Vice-Chancellor or the Vice-Rector (Academic) or the Executive Director Finance & Services.

7.3 AUTHORISATION OF TRANSACTIONS

All transactions shall be authorised in writing by the budget owner. In the event of transactions payable personally to the budget owner, written authorisation shall be obtained from a more senior member of staff to whom the budget owner reports.

7.4 OVERDRAFTS/DEFICITS

Overdrafts may only be granted if an application for overdraft has been applied for by the budget owner and authorised in writing by the relevant personnel.

All overdrafts/deficits on Restricted Funds require Executive authorisation by the Vice Chancellor or his/her authorised representative where relevant, on the written recommendation of the Dean of the relevant faculty.

Budget owners may be held personally liable for overdrafts resulting in irrecoverable deficits and may be subject to disciplinary proceedings on these grounds.

7.5 CONTRACTS

Any expenditure that is not implicitly or explicitly envisaged in the contract with the donor is prohibited.

Any expenditure contrary to the contract with the donor constitutes a form of unauthorised expenditure.

7.6 UNAUTHORISED EXPENDITURE

In the event of unauthorised expenditure being incurred, budget owners may be required to remedy the amount of unauthorised expenditure. Failure to remedy may result in the budget owners being held personally liable to reimburse the amount of the unauthorised expenditure to the University and budget owners may be subject to disciplinary proceedings in this regard.

7.7 OTHER POLICIES

All transactions shall comply with all relevant University policies and rules.

7.8 TRANSFERS

All transfers between Restricted Funds and other University funds and vice versa require Executive Authorisation.

7.9 INTER-ENTITY TRANSFERS

Funds are prohibited from being transferred from one entity to another except in the following instances:

- Where the contract expressly permits this.
- Where CCD Fund balances are used to set off deficit balances.
- Costing as it relates to salaries being paid out of more than one entity.

All balances in CCD Funds shall first be applied to set off deficit balances of other entities with deficit balances under the control of the budget owner.

7.10 OWNERSHIP OF ASSETS

All assets acquired/purchased by a Restricted Funds entity belong to the University and not to individuals or to the budget owners, unless explicitly stated otherwise in the contract.

7.11 INCOME RECEIVED IN PERSONAL CAPACITY

All funds received by staff in their personal capacity are subject to South African taxation laws and regulations.

7.12 FOREIGN EXCHANGE DIFFERENCES

Foreign exchange differences shall be borne by the project unless stated otherwise in the contract. Accounting mechanisms must be robust to inform the Finance Committee of potential risk. Donors are urged to make foreign donations in Rand. The Finance Committee will review the foreign currency risk exposure from time to time.

7.13 RECEIPT OF FUNDS

All funds received from parties transacting with the University must be deposited into the University's official bank account.

8. HISTORY OF THE POLICY

This policy was formulated during March and April of 2005. This version is the second version of the policy.

9. EXCLUSIONS

There are presently no exclusions.