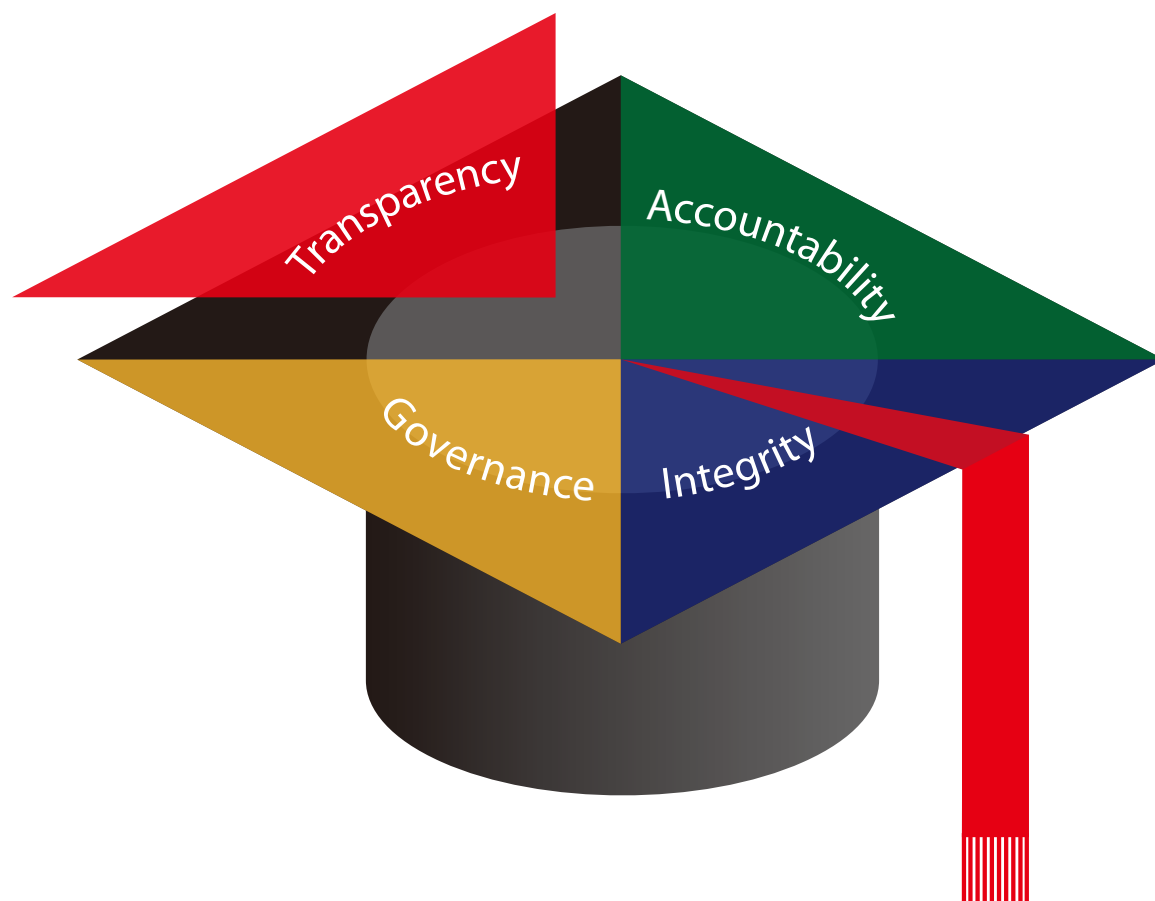


# *Partner for Excellence*



## **Administration of Donations**



# *Partner for Excellence*



*Administration of  
Donations*

# Introduction

The tertiary education institutions (TEIs) are statutorily autonomous corporations with substantial freedom in the control of curricula and academic standards, the selection of staff and students, initiation and acceptance of research, and the internal allocation of resources. Nevertheless, because the TEIs are also entrusted with significant public and private resources, and in view of their pivotal role in the development of higher education in Hong Kong, the Government and the community at large expect that TEIs are providing the highest possible standards of education in the most cost-effective way and managing their affairs in an accountable and transparent manner.

In early 2011, the Independent Commission Against Corruption (ICAC) joined hands with all the 11 TEIs to set up a Working Group to address public concerns on a number of issues pertaining to the governance of TEIs, including administration of donations, technology transfer and commercialization, procurement, outside practice and financial reporting. The Working Group agreed to conduct reviews by the ICAC Corruption Prevention Department (CPD) on these five identified areas with a view to further strengthening institutional governance and corruption prevention safeguards in TEIs' procedures and guidelines. Based on the findings of the reviews, the Working Group has produced this Corruption Prevention Guide (the Guide), comprising a set of five modules which consolidate the good practices and corruption prevention measures being in force by individual local and overseas institutions. The Guide is designed as reference for TEIs for the purpose of corruption prevention and is not mandatory in nature. TEIs are encouraged to suitably adapt and adopt the good practices and corruption prevention safeguards recommended in the Guide with regard to their unique character, cultural heritage, size, organizational structure and resource capability.

We hope TEIs will find the Guide useful, informative and stimulating. CPD stands ready to provide free, confidential and tailor-made corruption prevention services to help TEIs implement the recommended measures in the Guide. CPD could be contacted by telephone at 2826 3198, by fax at 2521 8479, or by email at [cpd@icac.org.hk](mailto:cpd@icac.org.hk).

Working Group on Tertiary Education Institutions Governance  
December 2011

## **DISCLAIMER**

The recommendations as contained in this Guide including the sample forms or documents are for general guidance only. The sample forms and documents should be modified and adapted as appropriate to suit individual organizations' operational needs before use. The ICAC will not accept any liability, legal or otherwise, for loss occasioned to any person acting or refraining from action as a result of any material including the sample forms or documents in the Guide.

Throughout this Guide, the male pronoun is used to cover references to both the male and female. No gender preference is intended.

## **ACKNOWLEDGEMENT**

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## CHAPTER 1

## Background

Donations from individual and corporate philanthropists have played an increasingly important role in the development and operation of TEIs in Hong Kong. Every year, TEIs receive billions of dollars in support of their capital development, student scholarships, research projects and various teaching and learning activities. This Module aims to provide TEIs with a handy reference on good practices in the administration of donations, including solicitation, acceptance, receipt and allocation of donations, as well as the monitoring of the sponsored programmes/projects. Apart from the corruption prevention measures suggested in this Module, the **Module on Financial Reporting** of the Guide provides safeguards in the administration of donations from the financial reporting perspective, which could further enhance control against malpractices.

The term “donors” means all types of benefactors including individuals, corporations and organizations that make donations to any programmes, projects, departments/offices or activities of a TEI. The term “donations” covers all forms of gifts, endowment and sponsorships, in money or in kind, given to the TEIs outright, for which the donors receive no financial interest in return. The types of donation covered by this Module include:

- scholarships, bursaries and other assistance for students;
- endowment for chairs/professorships and donations for staff development;
- donations for research projects and special teaching/student learning programmes<sup>1</sup>;
- contributions to the capital cost of infrastructure, facilities and equipment;
- donations received through regular fund-raising programmes<sup>2</sup>; and
- donations for general or other unspecific purposes.

<sup>1</sup> Please refer to the **Module on Technology Transfer and Commercialization** of the Guide for the recommended good practices in managing research-cum-commercialization projects.

<sup>2</sup> The organization of fund-raising activities (e.g. fund-raising bazaars, walkathons, flag days) is the subject of the “Best Practice Checklist on Management of Charities and Fund-Raising Activities” accessible through the ICAC website (<http://www.icac.org.hk>).

## CHAPTER 2

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# Governance Framework

### 2.1 Guiding Principles

TEIs should only accept donations in support of their objectives and policies and adhere to the following guiding principles in the administration of donations:

- **Impartiality** – TEIs should not accept any donation that could adversely affect their ability to carry out their functions fully and impartially. To avoid any perception that donors may be given unfair advantage in their business or other dealings with the TEIs, TEIs should not solicit or accept donations from serving suppliers/service providers as well as existing/prospective bidders of on-going or impending procurement exercises, and should make clear to donors that no preference treatment would be given to them in any dealings with the TEIs (e.g. admission of students).
- **Integrity** – TEIs should not solicit or accept donations from questionable sources. The nature of business or trade of the donor, his profession or reputation, achievement or contribution towards the society at large should be taken into consideration to ensure that it will not have an adverse impact on the objective or image of TEIs. No staff or members of TEIs' governing body should ask for or receive any personal benefits connected with donations pledged or received.
- **Fairness** – From time to time, TEIs are required to identify prospective donors for major projects/programmes which may involve conferment of the naming rights to the donors (**Chapter 5**). TEIs should devise fair and objective mechanisms for the identification processes, such as maintaining a list of potential donors and laying down criteria for approaching donors on the list, to avoid the perception of preferential treatment for individual donors.
- **Transparency** – TEIs should publicize its policies on the solicitation and acceptance of donations; the means of acknowledgement, the financial management and stewardship arrangements of donations received; and the rights of the donors (**Chapter 2.6**).
- **Accountability** – A mechanism should be in place to ensure that the key processes in the solicitation, acceptance, collection, allocation and disbursement of donations and the monitoring of their use are well documented and available for scrutiny by the appropriate authorities (**Chapter 2.2**), whenever necessary.

- **Centralized Control** – A centralized mechanism should be in place to coordinate and monitor the solicitation, acceptance, collection and administration of donations (**Chapter 2.3**).

## 2.2 Approving Authority

The governing body (e.g. Council), or a designated committee established under it which consists of a number of independent members, should be the authority to advise TEIs on the policies relating to donation administration, approve major donations, consider proposals to confer naming rights where appropriate, and monitor the use of donations received.

## 2.3 Central Co-ordinating Unit

A central unit (e.g. donation administration unit) should be set up, preferably under the supervision of a senior staff member not directly involved in the use of donations, to co-ordinate and administer donations as well as to cultivate and maintain donor relations. For certain types of donations (e.g. student scholarships, research projects), TEIs may assign the duties for soliciting, accepting, collecting or allocating donations to departments/offices other than the central unit.

In coordination with other departments/offices concerned, the central unit should:

- maintain a database of essential information of all donations pledged and received, including:
  - > donors' information;
  - > amounts and purposes of donations;
  - > means of acknowledgement;
  - > approval records; and
  - > budget and other terms agreed with the donors, such as reports to donors and stewardship activities; and
- keep all documents, records and correspondence relating to donations for a specified period for inspection/audit purposes.

## 2.4 Procedural Guidelines

The central unit should draw up, in consultation with the relevant offices (e.g. Finance Office), detailed procedures governing the donation administration process (including solicitation, acceptance, collection, acknowledgement, allocation, disbursement, financial management and monitoring) for staff compliance after endorsement by the senior management. Other departments/offices designated to administer donations (**Chapter 2.3**) should also, in consultation with the central unit, devise their own procedural guidelines for compliance by the staff concerned.

## 2.5 Probity Requirements

TEIs should draw up ethical guidelines (e.g. by revising the existing Code of Conduct) for compliance of the staff (including part-time staff and volunteers) and members of the governing body/designated

committee involved in the solicitation, acceptance, collection and administration of donations. The guidelines should cover:

- the TEI's policies governing acceptance of advantage and entertainment;
- procedures on declaration and handling of conflict of interest with relevant examples of conflict of interest situations (e.g. a Council member involved in approving the naming of a building in recognition of a donation made by his family members) (**Chapter 2.5.1**);
- rules on the use and protection of confidential information (e.g. personal data of donors); and
- a reminder to the personnel concerned that whilst in their official capacity, not to solicit or accept donations on behalf of any other organizations unless with prior approval by the appropriate authority.

### 2.5.1 Conflict of Interest<sup>3</sup>

To better manage conflict of interest, TEIs should:

- remind members of the governing body/designated committee, staff and volunteers involved in the solicitation, acceptance, collection and administration of donation to avoid and declare any actual or perceived conflict of interest as and when it arises;
- design a standard form for the declaration of conflict of interest and specify the line of reporting and the follow-up action required (**Appendix**);
- establish a system to manage the declared conflict of interest; and
- record the declaration and action taken to mitigate the conflict (e.g. to require the person who has declared a conflict of interest to abstain from the discussion of the matter under consideration).

## 2.6 Public Disclosure

For better accountability and donor relationship, TEIs should:

- publish a "Donor Charter" to inform existing and potential donors of their policies on soliciting, accepting, collecting and administering donations, and the donors' rights;
- set up channels (e.g. telephone hotline, webpage) for donors and members of the public to make enquiries and, if necessary, complaints on donation-related matters; and

<sup>3</sup> A conflict of interest situation arises when the "private interests" of a member of the governing body/designated committee or staff compete or conflict with the interests of the TEI or his official duties. "Private interests" include any financial or other personal interests of the staff/member concerned, his family members or other relations, his personal friends, the clubs and associations to which he belongs, any other groups of people with whom he has personal or social ties, or any person to whom he owes a favour or is obligated in any way.

- establish a policy for disclosure, without infringing data privacy and confidentiality, of general information relating to the acceptance, collection and use of donations (e.g. donation policies, donation channels, means of collection, amount of donations received by categories, major donations and their intended purpose and actual disbursement) through their websites or Annual Reports.

## CHAPTER 3

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# Soliciting Donations

### 3.1 Setting Priority for Receiving Donation

To facilitate the solicitation of donations from donors without specific donation targets (**Chapter 3.4**), TEIs should put in place a mechanism (e.g. periodic calls for submissions) for identifying projects and programmes which may benefit from donation. To ensure a fair and objective identification process, the following procedures are recommended:

- Invite all academic and relevant administrative offices (e.g. the offices responsible for student scholarships or research projects) to submit proposals which should be selected and approved by the senior management against a set of pre-defined and objective criteria;
- Designate a panel to screen the proposals, if necessary, by using laid down criteria, with the screening results endorsed by an appropriate authority; and
- Use the approved list to propose suitable projects/programmes for the donors' consideration if the donors do not have a specific donation target in mind.

### 3.2 Identifying Prospective Donors

The process of identifying prospective donors may attract allegations of preferential treatment, especially when raising funds for major projects/programmes that may be perceived by the general public as an honour to be a donor. To avoid allegations of impropriety in the identification of donors for major projects/programmes, TEIs should require the soliciting departments/offices to, wherever practicable, draw up a list of prospective donors using pre-defined criteria, and approach them as a matter of priority before approaching donors outside the list.

### 3.3 Soliciting Donations for Specific Purposes

Many TEIs encourage individual staff, particularly senior academic staff, to take the initiative in cultivating potential donors and soliciting donations to support students and research/teaching activities of their faculties/departments. To assist the staff in performing the task properly, TEIs should issue guidelines setting out clearly the roles and responsibilities of the soliciting staff and, in particular, reminding them to:

- inform the prospective donors their rights as set out in the Donor Charter (**Chapter 2.6**) in making the donations (e.g. receipt of a formal acceptance letter/donation agreement (**Chapter 4.3**) and official receipt of donation (**Chapter 6.2**), or other possible means of

acknowledgement) and monitoring their use (e.g. receipt of final/progress reports of the sponsored projects/programmes (**Chapter 8.2**), involvement in stewardship activities);

- inform the central unit (**Chapter 2.3**) of the names of prospective donors, their areas of interest and estimated donation amount, immediately upon confirmation of their interest to donate; and
- avoid committing the TEI in any way (e.g. a specific means of recognition such as naming of facilities) prior to obtaining approval from the relevant authority to accept the donation.

The guidelines should also specify whether the soliciting staff may follow up with the prospective donors until confirmation of the offers, or should refer all expressions of interest to the central unit (or other designated units for the relevant types of donation) for further action. In any case, if a prospective donor expresses interest in areas outside the purview of the soliciting staff, the case should be referred to the central unit so that suitable projects/programmes could be identified for the donor's consideration.

### 3.4 Drawing up Proposals for Donors without Specific Donation Targets

For prospective donors without a specific donation target at the initial stage, the central unit should draw up a shortlist of potential projects/programmes, based on the TEI's priority list for donation (**Chapter 3.1**) and the donor's areas of interest, for their consideration. The responsible staff of the shortlisted projects/programmes should then be required to prepare a proposal for the donor's consideration, with the following information:

- Description of the project/programme;
- Financial arrangements (e.g. payment schedule, payout policy and, where appropriate, investment strategy) (**Chapter 7.1**);
- Use of the corresponding Matching Grant matched by the University Grants Committee, if applicable;
- Project/programme budget (**Chapter 7.2**); and
- Stewardship and reporting arrangements (**Chapter 8.2**).

If TEIs have internal preference among the shortlisted proposals, a priority order, approved by the appropriate authority, should be drawn up and made known to the prospective donor as well as the staff concerned.

## CHAPTER 4

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# Accepting Donations

### 4.1 Seeking Approval for Acceptance

TEIs should lay down the schedule of authorities for approving acceptance of donations of different amounts and nature (e.g. donations in money or in kind).

All proposed donations, with relevant supporting documents (e.g. project proposals, draft agreement endorsed by the donors), should be submitted to the appropriate approving authority, via the central unit or the relevant coordinating offices (**Chapter 2.3**), for consideration.

TEIs may grant a prior blanket approval for donations to be received under the regular fund-raising programmes (**Chapter 5.2**). The responsible offices should be required to submit periodic, say annual, reports on the number and amount of donations received for the approving authority's information.

### 4.2 Standard Donation Forms

TEIs should design standard donation forms for general use and, if necessary, for different fund-raising programmes. In this connection, the following safeguards should be adopted:

- Require information of the donor, donation amount, purposes of donation (if applicable) and payment methods on the form, and if possible, signature of the donor; and
- Keep the completed donation forms for a specified period for inspection and audit when necessary.

### 4.3 Acceptance Letters/Agreements

Upon approval of a donation, the responsible office should issue an acceptance letter to the donor setting out the purposes, amount and payment arrangement of the donation and any other agreed terms (e.g. reporting arrangements) for the donor's reference. For major donations, TEIs should enter into a donation agreement with the donors, setting out clearly the details and agreed terms of the donations.

The responsible departments/offices should be reminded that, where the donations involve naming of facilities, endowed chairs/professorship, and scholarship, etc. (**Chapter 5**), approval from the appropriate authority has to be obtained before the naming arrangements are included in the acceptance letters/agreements.

## CHAPTER 5

# Granting Naming Rights and Other Recognitions

## 5.1 Naming Rights

### 5.1.1 Policy and Procedures for Granting Naming Rights

TEIs often grant the naming rights of facilities (e.g. buildings, lecture theatres), endowed chairs/professorships and student scholarships, etc., to donors in recognition of their support to the institutions. To avoid real or perceived preferential treatment in the naming process, particularly when prominent facilities are involved, TEIs should devise a fair and objective mechanism for the granting of naming rights.

TEIs should lay down the policy and guidelines governing the selection of donors and granting of naming rights, including:

- the types of naming rights to be conferred (e.g. buildings and individual facilities within a building, chairs/professorships, research projects, student scholarships/exchange programmes);
- a schedule of minimum donations, or criteria for determining the minimum donations, for different types of naming rights;
- other terms and conditions (e.g. duration of naming, the naming rights of facilities within a named building);
- the methods for sourcing and selecting donors (**Chapter 5.1.3**); and
- the assessment criteria (e.g. the donor's long term relationship with the TEI, positive/negative impact of the naming on the TEI's reputation, stakeholders' views) and mechanism (e.g. by a panel), and approving authorities for different types of naming rights, having regard to the donation amount.

### 5.1.2 Items for Naming Rights

TEIs should draw up and regularly update a list of potential items for granting naming rights, in accordance with laid down criteria and methods (**Chapter 5.1.1**), for approval by the appropriate authorities. For the naming of facilities involving high-value donations, TEIs should consider adopting open invitation for donations wherever practicable, or appoint a panel to

draw up, using pre-defined and objective criteria, a shortlist of prospective donors for restricted invitation.

### 5.1.3 Sourcing and Selecting Donors for Naming Rights

The sourcing and selection of donors for naming rights is a sensitive process. The different methods for sourcing and selecting donors may include:

- open call for donations;
- appeal to a designated group of potential donors (e.g. Council/committee members or persons nominated by them, all existing donors of the TEI, and those who have expressed interest in donation for naming rights);
- private invitation to a target donor, or a few prospective donors, one at a time; and
- in response to requests only (i.e. the TEI will not proactively solicit donations for certain types of naming rights but may consider the offer when one is made).

For major projects/programmes which are in need of substantial donation and would most likely involve the conferment of naming rights (e.g. construction of a new building), TEIs may consider opening up the solicitation, e.g. inviting donations on its website or through the mass media stating the amount of donation required and the possible naming of facilities in return. If it is the TEIs' decision not to select donors openly, other methods for sourcing and selecting donors (as listed above) may be considered, with the justifications and approval by the appropriate authority documented for inspection and audit where necessary.

### 5.1.4 Best Practice Checklist on Naming Rights

Detailed recommendations on the granting of naming rights are available in the "Best Practice Checklist on Naming Rights" which could be downloaded for free from the ICAC website (<http://www.icac.org.hk>). TEIs are encouraged to make reference to the Checklist to ensure proper safeguards are in place in their system for the granting of naming rights.

## 5.2 Donor Recognition Scheme

TEIs may operate regular fund-raising programmes tailor-made for alumni, staff or the general public. These programmes usually come with a donor recognition scheme (e.g. naming of seats in a lecture theatre, naming of books, membership of a donors' club), and very often part-time staff/student helpers are hired to approach target donors. To ensure equal opportunities are given to all prospective donors to participate in the scheme, TEIs are advised to:

- announce the details of the programme, including the means of acknowledgement for different donation amounts, on the TEI's website and invitation materials;
- if practicable, inform the target donors in writing before contacting them by telephone;
- require the part-time staff/student helpers to follow laid down rules (including probity rules

(**Chapter 2.5**) and procedures in making contacts with prospective donors and to sign an undertaking to ensure compliance with the rules; and

- set up a telephone hotline to answer questions raised by prospective donors about the programmes.

## CHAPTER 6

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# Receiving and Allocating Donations

### 6.1 Methods of Payment

In collecting the pledged donations, TEIs should:

- state clearly on their website and in donation forms (**Chapter 4.2**)/acceptance letters (**Chapter 4.3**) the payment methods (e.g. cheque, bank transfer, credit card) and the payee information (e.g. payee name, bank account number);
- advise the donors not to pay in cash as far as practicable; and
- officially set up a designated bank account to receive donations, where in any event the account should not be under the name of any members of the governing body/committee or staff, or any private companies/organizations set up by them.

### 6.2 Acknowledgement of Receipt

TEIs should require the staff responsible for receiving the cheques of donations, usually senior officers in the soliciting departments/offices, to forward them to the Finance Office, via the central unit or the relevant coordinating office (**Chapter 2.3**), for follow-up action as soon as possible. The receiving departments/offices should also send a note to the donors within a specified period, say two working days, to acknowledge receipt of the cheques and inform them that an official receipt would soon be issued.

The Finance Office should bank in the cheques received as soon as possible, and issue an official receipt to the donors within a specified period, say five working days, either directly or through the central unit or the responsible department/office.

At times, the donation money may be received before the acceptance of the donations is formally approved. For better security, the Finance Office should:

- bank in the cheques of donations pending approval following the same procedures as approved donations;
- acknowledge receipt of the funds but state clearly in the acknowledgement letter that the acceptance of donation is pending approval and that, in case the acceptance is not approved, the funds will be returned to the donor as soon as possible; and

- ensure that any donations received in advance should not be used before the acceptance is approved.

### 6.3 Handling Cash Donations

Individual departments/offices of TEIs sometimes organize fund-raising activities which involve collection of cash donations (e.g. fund-raising bazaars, walkathons). In view of the risk of abuse inherent in cash handling such as pilfering and embezzlement, TEIs should draw up guidelines on handling of cash donation, making reference to the “Best Practice Checklist on Management of Charities and Fund-Raising Activities” which could be downloaded for free from the ICAC website (<http://www.icac.org.hk>). The guidelines should include, among other things, the following control measures:

- Equip all donation boxes/bags with security devices and assign designated staff to open the boxes/bags in designated cash counting rooms to which access is restricted;
- If donation boxes are placed at an open area, collect them at the close of every day so that no donation boxes with money inside would be left in open area overnight;
- Assign a team of at least two staff members to collect the donation boxes/bags and escort them to the designated counting rooms;
- Assign a team of at least two staff members to count and record the amount of cash collected, and require them to sign on the counting record to certify correctness;
- Randomly monitor the cash counting process (e.g. by CCTV) to prevent manipulation by the counting staff;
- Assign a staff member at the appropriate level to timely bank in the cash counted and lock up any cash left overnight according to the TEI’s cash handling procedures; and
- Assign a supervisor to check the donation records (if available), counting records, bank-in slips and bank statements to detect irregularities.

### 6.4 Allocating Donations without a Specific Purpose

TEIs sometimes put donations without a specific purpose in a central pool for allocation to individual projects/programmes according to the institutions’ priorities. To prevent allegations of preferential treatment in the allocation of these funds, TEIs should establish a mechanism for a committee, comprising senior staff, to allocate the funds in a fair and objective manner (e.g. to those on the approved priority list of projects/programmes in need of donation (**Chapter 3.1**)).

## CHAPTER 7

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# Financial Management of Donations

### 7.1 Management of Endowment Funds

From time to time TEIs receive donations for the creation of endowment funds, of which the initial funds will not be spent but invested to generate recurrent income to support the target projects/programmes (e.g. scholarships, endowed chairs) on a perpetual basis. In view of the long life-span of endowment funds, TEIs should:

- set out clearly the investment and payout policy (as discussed in **Chapter 4.2.2** of the **Module on Financial Reporting** of the Guide) in the donation proposals/agreements and make sure that the funds are invested and managed accordingly;
- make known to the donors any anticipated and actual failure in meeting the agreed investment or payout targets (e.g. due to inclement economic climate); and
- come up with an agreed mechanism to adjust the payout rate or call for additional donation when a fund's balance falls short of a pre-set level.

### 7.2 Control on Expenditures

TEIs should subject the use of the donation funds to rules and procedures that are similar to those applied to government grants. As a general principle, all procurement of goods/services and staff recruitment should be conducted in an open, equitable and competitive manner. Deviations to the laid down rules and procedures must be well-justified, taken into account the donors' intention, and approved by the appropriate authorities.

For donation acceptance letters/agreements (**Chapter 4.3**) that have not included an agreed budget for the project/programme sponsored, TEIs should encourage the responsible officers to prepare a budget for approval by the budget controller of the user departments/offices (or one level higher if the responsible officers are themselves the budget controllers) and to send a summary of approved expenditures for the donors' information. As recommended in **Chapters 3.3 – 3.5** of the **Module on Financial Reporting** of the Guide, the Finance Office should closely monitor the expenditures to ensure compliance with the budgets, while virements between individual budget items (e.g. from "personal emolument" to "equipment" or vice versa) may only be allowed if justified and properly approved. Any major changes to the budget should also be reported to or, if so required by the donation agreements/acceptance letters, approved by the donors.

In view of the sensitivity involved in expenditures of a personal nature (e.g. entertainment, passage and accommodation in sponsored duty visits), TEIs should formulate a policy governing the use of donation funds for such purpose. To prevent abuse, TEIs should not allow staff to claim any expenditure of a personal nature beyond the level normally approved if it is charged to other funding sources. If the officers making the claims are themselves the approving authorities for that type of expenditures, they should be required to submit the claims to their supervisor for approval.

## CHAPTER 8

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# Monitoring Sponsored Projects/Programmes

### 8.1 Work Plans

The central unit or the relevant coordinating office (**Chapter 2.3**) should be responsible for monitoring the timely and satisfactory implementation of the sponsored projects/programmes. To facilitate monitoring, TEIs should:

- require the user departments/offices to submit to the coordinating office, at the outset of each project/programme, a work plan including the target project deliverables/programme outcomes, reporting arrangements and, if any, stewardship activities (e.g. scholarship presentation ceremonies, inauguration seminar of an endowed chair);
- require a senior officer (e.g. the respective Vice President to approve the work plans for major donations; and
- form an advisory committee for infrastructure projects and endowment funds, with donor's representatives as members, to monitor the implementation of the project/programme.

#### 8.1.1 Change Management

Sometimes the sponsored projects/programmes cannot be carried out as planned (e.g. over-spending, change of scope, protracted vacancy of an endowed chair). To avoid misunderstanding and allegations of abuse, TEIs should include in the donation agreements/acceptance letters (**Chapter 4.3**) a change management mechanism so that any major changes will be considered and approved by an appropriate authority or, if so specified in the donation agreement, the donor. As a general principle, any changes to the objectives and key deliverables of the sponsored projects/programmes should require the donors' prior approval.

### 8.2 Reports to Management and Donors

To enhance transparency of the sponsored projects/programmes and accountability to donors, the central unit (or the relevant coordinating office) should:

- liaise with the user departments/offices for timely submission of periodic reports of the sponsored projects/programmes as agreed in the work plan (**Chapter 8.1**) for information of the senior management and, where appropriate, the governing body/relevant committees; and

- ensure the timely issue of final/progress reports to the donors according to the reporting arrangements specified in the work plan and/or donation agreements/acceptance letters.

For regular fund-raising programmes involving a large number of donors, TEIs should issue annual reports of the programmes, comprising the financial statement and a summary of the activities supported in the year concerned, for information of all donors to the programme.

### **8.3 Internal Audit**

TEIs should subject the central unit, other coordinating offices and the user departments/offices to internal audit to ensure that the policies and procedures on donation administration and the terms of individual donations, particularly the major ones, are fully complied with.

## CHAPTER 9

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# Donations in Kind

### 9.1 Introduction

TEIs are often offered with in-kind donations such as library books, artifacts for display or teaching purposes, teaching/research equipment and sponsored visits for academic staff. While the handling of in-kind donations should basically follow the same principles and procedures as donations in money, there are risks of abuse unique to donations in-kind. Therefore, TEIs should draw up policy and procedures on the acceptance of different types of in-kind donations for compliance by the relevant departments/offices, making reference to the key measures recommended in the following paragraphs.

### 9.2 Accepting In-kind Donations

#### 9.2.1 Acceptance Criteria

In view of the diverse nature and characteristics of in-kind donations (e.g. books, equipment, free passage/accommodation), TEI should draw up, in addition to the general criteria applicable to all donations, acceptance criteria specific to individual types of in-kind donations, which may include:

- Recurrent cost that will be incurred by the donated items (e.g. maintenance and consumables of computer equipment).
- Intangible benefit that will be conferred to the donors (e.g. for computer information systems, enhanced reputation or popularity of the items over similar products in the market).

#### 9.2.2 Valuation of In-kind Donations

At times TEIs may be required to conduct valuation of in-kind donations. TEIs should lay down the valuation policy and procedures, including the criteria for conducting the valuation (e.g. nature and estimated value of the items), the procedures for appointing valuers (e.g. in-house staff with the relevant expertise, external consultants), and whether the valuation results will be provided to the donors.

#### 9.2.3 Safe-keeping of In-kind Donations Before Acceptance

In some cases offerors of the in-kind donations have physically sent the items (e.g. library books and artifacts) to the departments/offices concerned before their acceptance is approved. TEIs should draw up guidelines for acknowledging receipt of such items and their safe custody to avoid theft or unauthorized access. If the approving authority decides to decline a donation in kind, the responsible staff should return the item to the offeror as soon as possible or, if this

is impracticable or inappropriate, dispose of it according to laid down criteria and procedures (**Chapter 9.3**).

#### **9.2.4 Receipt of In-kind Donations**

Upon delivery of the in-kind donations, the responsible staff should:

- check the quantity, description and, if applicable, condition of the donated items against the written records (e.g. offer/acceptance letters);
- confirm in writing with the Finance Office, or a designated office, the satisfactory receipt of the items; and
- issue an official receipt to the donors, specifying the quantity, description and condition of the items and the terms of acceptance (e.g. the donor agrees to transfer the legal title of the donated item to the TEI outright).

Except for those items of a transient or perishable nature (e.g. air tickets, food and beverage), all in-kind donations should be assigned an “owner” and recorded in the owner’s inventory, following the TEI’s asset management procedures.

### **9.3 Disposal of In-kind Donations**

From time to time, TEIs are required to dispose of in-kind donations which have served their economical life or are no longer useful, or reject in-kind donations which could not be returned to the donors. In this connection, the responsible staff should:

- assess the condition and commercial value of the items; and
- propose a proper way of disposal (e.g. to discard as waste, donate to other organizations) for approval by the appropriate authorities.

To avoid allegations of preferential treatment, items with residual/commercial value should be disposed through a competitive process, where appropriate. There should also be guidelines governing the handling of the sale proceeds received from the disposal. If it is decided that such items are to be discarded as waste, the disposal process should be witnessed by at least two staff members and properly recorded to prevent abuse.

### **9.4 Selecting Staff for Sponsored Visits**

TEIs often accept donations of passage and accommodation for selected staff to attend overseas conferences, or other in-kind donations which are of a personal nature. Upon accepting such donations, TEIs should make it clear to the donors that the authority for selecting suitable staff to use the donated items/services rests with the institutions, while the donors might express views on the selection criteria in general terms. To ensure fairness of the selection process, the selection should preferably be made by a panel, using a set of objective criteria, with the result approved by a senior officer.

# APPENDIX

## Sample Form for Declaration of Conflict of Interest

### Part A – Declaration *(To be completed by Declaring Staff)*

To : (Approving Authority) via (Supervisor of the Declaring Staff)

I would like to report the following actual/potential\* conflict of interest situation arising during the discharge of my official duties:-

|                                                                                                               |
|---------------------------------------------------------------------------------------------------------------|
| <b>Persons/companies with whom/which I have official dealings</b>                                             |
|                                                                                                               |
| <b>My relationship with the persons/companies (e.g. relative)</b>                                             |
|                                                                                                               |
| <b>Relationship of the persons/companies with our organization (e.g. supplier)</b>                            |
|                                                                                                               |
| <b>Brief description of my duties which involved the persons/companies (e.g. handling of tender exercise)</b> |
|                                                                                                               |

(Date)

\_\_\_\_\_  
(Name of Declaring Staff)  
(Title / Department)

### Part B – Acknowledgement *(To be completed by Approving Authority)*

To : (Declaring Staff) via (Supervisor of the Declaring Staff)

#### Acknowledgement of Declaration

The information contained in your declaration form of \_\_\_\_\_ (Date) \_\_\_\_\_ is noted. It has been decided that:-

- ☐ You should refrain from performing or getting involved in performing the work, as described in Part A, which may give rise to a conflict.
- ☐ You may continue to handle the work as described in Part A, provided that there is no change in the information declared above, and you must uphold the [name of TEI]'s interest without being influenced by your private interest.
- ☐ Others (please specify) : \_\_\_\_\_

(Date)

\_\_\_\_\_  
(Name of Approving Authority)  
(Title / Department)

\* Please delete as appropriate.

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