



UNIVERSITY GRANTS COMMISSION

COMMISSION CIRCULAR NO.04/ 2016

No. 20, Ward Place,
Colombo 07.

01st March, 2016

Vice Chancellors of Universities
Rectors of Campuses
Directors of Institutes

GUIDELINES FOR USE OF FUNDS GENERATED FROM SELF FINANCING ACTIVITIES (SFAs) IN THE UNIVERSITIES AND HIGHER EDUCATION INSTITUTES

All Universities and Higher Education Institutes (HEIs) in Sri Lanka engage in Self Financing Activities (SFAs) ranging from Consultancy, Postgraduate taught courses, Short Courses, Part-time courses, External Degree Programs, Testing assignments, Surveys, Contract Research, Contract Teaching, etc. The Commission at its 931st meeting held on 17.12.2015 considered that though the UGC has encouraged the Universities/HEIs to generate income through SFAs, the UGC has not offered a clear guideline on how the Universities/HEIs can use the funds generated from SFAs.

2.0 Policy

All Self Finance Activities (SFAs) provided to Industry and Society by the Universities/HEIs within the purview of the UGC, should be: **(a)** on **cost recovery** (self financing) and **non-profit** basis and **(b)** carried out **over and above** the normal work load of staff members as defined by the approved Academic Accountability guidelines of the respective University/HEI.

3.0 Definitions

All SFAs conducted under Training are those that will meet current training needs of the Industry and/or Society and which can be discontinued when such needs no longer exist. The SFAs considered for generating Income under Training are Postgraduate taught courses offered for qualification upgrading of graduates, External degree programs, Short courses, Part-time courses, Executive development courses, Seminars, Workshops and other academic assignments undertaken by the employees of the Universities/HEIs for transferring knowledge and technology to Industry and Society.

All SFAs undertaken under Research and Development (R&D) are those that will meet current needs of the Industry and/or Society and which can be discontinued when such needs no longer exist. The SFAs considered for generating Income under R&D are all types of contract research activities undertaken by the employees of the Universities/HEIs which are funded by the Government, Industry or any research funding agency either local or international.

All SFAs undertaken under Consultancy are those that will meet current needs of the Industry and/or Society and which can be discontinued when such needs no longer exist. The SFAs considered for generating Income under Consultancy are all types of Consultancy, Testing assignments, Surveys, etc., undertaken by the employees of the Universities/HEIs.

4.0 Guidelines

As all the defined SFAs are provided to the Industry and Society on Non Profit and Cost Recovery (self financing) basis, all Universities/HEIs should carry out the defined SFAs using the following guidelines.

- 4.1 All the SFAs shall have the prior approval of the Vice-Chancellor/Director with the authorized delegation by the Council/Board of the University/HEI, or their duly authorized officers.
- 4.2 The Council/Board of the University/HEI shall obtain approval from the UGC for the courses, degrees, diplomas and other academic distinctions which shall be awarded at the Convocation of the University/HEI.
- 4.3 Priority shall be given to SFAs directed towards improvement of efficiency and productivity of the local industries and helping to realize the country's socioeconomic environmental and human development policies.
- 4.4 The SFAs undertaken by staff members should not in any way be detrimental to their contractual responsibilities to the Universities/HEIs or in conflict with the law of the country and international standards applicable in the country. All SFAs should be carried out over and above the normal work load of staff members as defined by the approved Academic Accountability guidelines of the respective University/HEI.
- 4.5 The Budget for the SFA which is on **non-profit basis** (i.e. there is no excess of income over expenditure) should be approved by the Council/Board of the University/HEI prior to any disbursement.

The Financial Statement of Completion of the SFA should be approved by the Council/Board of the University/HEI prior to any payments being made to the employees of the University/HEI. If the SFA activity exceeds one year in duration, the Financial Statement of Completion for that year along with the Budget for the balance duration of the SFA should be approved by the Council/Board prior to any payments being made to the employees of the University/HEI. However, if such approval has been delegated by the Council/Board to the Vice-Chancellor/Director or to any other duly authorized officer, payments to employees should be made in accordance with the approved Disbursement Schedule of the University/HEI.

- 4.6 The Vice-Chancellor of the University, the Director of the HEI or the duly authorized officer, reserves the right to withdraw the permission granted to the staff member or members to carry out the SFAs if the member or members are found to violate any of the conditions under which the SFAs are allowed.
- 4.7 In order to manage SFAs efficiently and effectively, Universities/HEIs can hire staff on contract basis over and above the approved cadre using funds of the SFAs. Salaries and Wages should be similar to the parallel positions of the Universities/HEIs.
- 4.8 Honoraria and supervision fees for staff engaged in supervision work for Postgraduate research degree (PhD, MPhil, MSc by research) candidates as well as earnings by staff on no pay leave or authorized leave, including sabbatical leave are not covered by this circular.

5.0 Estimation and Approval of the Budget and Financial Statement of Completion

Whenever SFAs are carried out by the Universities/HEIs or by individual staff members of the Universities/HEIs, the Budget and the Financial Statement of Completion should be prepared under the two headings of "Direct Costs" and "Indirect Costs". The generated Income of the SFA should equal to the sum of the Direct and Indirect Costs of that SFA. See Appendix 1.

5.1 Direct Costs

The Direct Costs of the SFA for the preparation of the Budget and the Financial Statement of Completion consist of the following.

- 5.1.1 Payment to outside consultants and team members who are not employees of the Universities/HEIs, if included in the team for the SFA.
- 5.1.2 Field expenses, Cost of conducting meetings, lectures, academic activities, surveys, testing etc for carrying out the SFA.
- 5.1.3 Direct costs such as travelling, subsistence, materials consumed etc. and equipment usage charges related to the capital costs of the high-value equipment including vehicles.
- 5.1.4 Payments to the University/HEI Development Vote, Faculty Development Vote, Department Development Vote, Course Development Vote or Infrastructure Development Vote or similar Votes in the University Fund with the approval of the Council/Board of the Universities/HEIs with defined purposes for utilization of those allocations.
- 5.1.5 Government Taxes if any.
- 5.1.6 Zero point zero one percent (0.01%) of the Income to be transferred to the UGC to the credit of the University/HEI Self Financing Activity Vote.

The disbursement of Direct Costs are permitted once the Budget for the SFA is approved by the Council/Board of the University/HEI or by any other duly authorized officer, in accordance with the approved Disbursement Schedule of the University /HEI.

5.2 Indirect Costs

The Indirect Costs component of the SFA, for the purpose of preparing the Budget and the Financial Statement of Completion should be considered as the **difference between the Income and the Direct Costs** described above. The overhead component charged by the University/HEI in Contract Research grants can be considered as Indirect Costs. The Indirect Costs component is disbursed as follows

- 5.2.1 15% to 30% of the Total Indirect Costs to be retained by the University/HEI Development Vote for improving facilities and research. This would also be to meet the Overhead costs such as utilities, photocopy expenses, minor laboratory equipment usage charge, etc. The exact percentage to be decided by the University/HEI.
- 5.2.2 Up to 5% of the Total Indirect Costs could be retained by the Vice-Chancellor/ Director's Vote to be used at the discretion of the Vice-Chancellor/Director for activities that will improve harmony and goodwill at the University/HEI. The exact percentage to be decided by the University/HEI.
- 5.2.3 65% to 85% of the Total Indirect Costs to be paid to the staff members involved in the SFA directly and indirectly.

However, the maximum amount that can be allocated to staff involved indirectly, such as the Vice Chancellor, Registrar, Dean of a Faculty and staff of their Offices, Bursar and the staff of the Finance Division and other Support Staff is restricted to 10% of the Total Indirect Costs. The exact percentages and the proportion of distribution to be decided by the University/HEI based on the input of each individual to the SFA.

5.2.4 In the case of individual staff members undertaking SFAs without using University/HEI resources, 10% of the fees should retained by the University/HEI if PAYE for the SFA has not been deducted.

5.3 Allocations to Development Votes

The Director General, Public Finance by his letter dated 2015.10.22 and numbered PFD/RED/ 01/05/2014/05 has requested that the total allocations to Development Votes (Section 5.1.4, 5.2.1 and 5.2.2) from SFAs should be between 20% - 35%. The Councils/Boards of the respective Universities/HEIs should determine the **minimum percentage** that should be allocated to all Development votes from the SFAs done by that University. The funds should be credited to the University/HEI Fund.

5.4 Payments to Staff Members

The payments to staff members are permitted only after the Financial Statement of Completion of the SFA is approved by the Council/Board of the University/HEI. If the SFA exceeds one year in duration, the Financial Statement of Completion for that year along with the Budget for the balance duration of the SFA should be approved by the Council/Board of the University/HEI prior to any payments being made to the staff members. However, if such approval has been delegated by the Council/Board to the Vice-Chancellor/Director or to any other duly authorized officer, payments to employees should be made in accordance with the approved Disbursement Schedule of the University /HEI.

5.5 Accounting Treatment

Universities/HEIs are required to adopt the following Accounting treatment for the SFAs conducted by the University/HEI. Separate Project accounts should be prepared for all SFAs by the Universities/HEIs and shall be disclosed as a Note to the Financial Performance.

A specimen format for the SFAs/Project Accounts is given in **Appendix 1 - Guidelines for Estimation of the Budget and Financial Statement of Completion for Self Financing Activities** for the reference of Financial Officers.

5.5.1 Financial Performance

Contributions to the Development Votes (5.1.4, 5.2.1 and 5.2.2)

Project Account – Direct Cost Vote (5.1.4)	- Dr
Project Account – Indirect Cost Vote (5.2.1 and 5.2.2)	- Dr
Income and Expenditure statement	- Cr

5.5.2 Financial Position

Transfer of Funds to Development Vote

Contributions to the Development Votes should be transferred from Income and Expenditure Statement to the Balance Sheet at the year-end through Equity Statement under the respective Votes accounted under the University Fund.

Utilization of Development Votes

When University/HEIs incur expenditure out of the University Fund (Generated Income), the amount utilized should be transferred from University Fund to Differed Revenue Account.

University Fund – Respective Vote - Dr
Differed Revenue Account - General - Cr

06. If you need any clarification in this regard you may contact the Accountant-University Grants Commission on 011 2685021 / finance@ugc.ac.lk.


Prof. Mohan de Silva
Chairman

Copies :

1. Secretary/ Ministry of Higher Education & Highways
2. Chairman's Office/UGC
3. Vice-Chairman/UGC
4. Members of the UGC
5. Secretary/ UGC
6. Deans of Faculties
7. Registrars of Universities
8. Accountant/UGC
9. Bursars of Universities
10. Librarians/SAL/AL of the Higher Educational Institutions/ Institutes
11. Deputy Registrars/ Snr. Asst. Registrars/ Asst. Registrars of Campuses/Institutes
12. Deputy Bursars/ Snr. Asst. Bursars/Asst. Bursars of Campuses/Institutes
13. Internal Auditor/UGC
14. Govt. Audit Superintendents of Universities
15. Deputy Int. Auditors/ Snr. Asst. Int. Auditors/Asst. Int. Auditors of HEIs
16. Secretaries of Trade Unions
17. Auditor-General

UGC/F8/FD/ACC/R.R.L.C.

**APPENDIX 1. - GUIDELINES FOR ESTIMATION OF THE BUDGET AND
FINANCIAL STATEMENT OF COMPLETION FOR SELF FINANCING ACTIVITIES**

University/ HEIs :

Project/ Programme :

	% to be allocated	Rs.	Rs.
A. Total Income			
i. Course / Consultancy Fee			xxx
ii. Research Grant			xxx
ii. Registration Fee			xxx
iii. Library Fee			xxx
iv. Other (Please specify)			
.....		xxx	
.....		xxx	xxx
Total Income = Direct Cost + Indirect Cost			xxxx
B. Direct Cost			
5.1.1 Payments to Outside Consultants/Team Members, Contract Staff		xxx	
5.1.2 Field Expenses, Academic activities, Surveys, Testing, etc.		xxx	
5.1.2 Conduct meetings, Hire lecture halls, Refreshments, etc.		xxx	
5.1.3 Travelling, Subsistence, Materials, Equipment usage etc.		xxx	
5.1.4 University/HEI/Faculty/Department/Course/Infrastructure Development/etc. Vote		xxx	
5.1.5 Government Taxes		xxx	
5.1.6 UGC - 0.01% of Income		xxx	
5.1.7 Other (Please specify)			
.....		xxx	
.....		xxx	xxxx
C. Indirect Cost			
5.2.1 University/HEI Development Vote	15% - 30%	xxx	
5.2.2 VC's Vote	0% - 5%	xxx	
5.2.3 Payments to Directly and Indirectly involved Staff Members	65% - 85%	xxx	xxxx
Total Cost = Direct Cost + Indirect Cost			xxxx
D. Excess of Total Income over Total Costs/Expenditure			
5.3 Total Allocations to Development Votes (5.1.4, 5.2.1, 5.2.2) / Total Income			0.00
			xx%