



Transparent Approach to Costing (TRAC) 2016–17

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| Outcome requested: | Audit & Risk Committee is requested to approve the process for completion of the TRAC return for 2016–17 in accordance with TRAC guidance. |
| Executive Summary: | <p>HEFCE requires a university Committee to confirm compliance with TRAC procedures, specifically the Statement of Requirements, which includes confirmation of compliance with the TRAC checklist and robustness checks. This is the responsibility of the Audit & Risk Committee, however HEFCE note that due to the timing of Committee meetings it may not be possible to gain assurance from the Committee prior to the return submission date and a retrospective approval is allowed.</p> <p>To enable a more detailed review of the TRAC return and the data processes underpinning this, the Chair of Audit and Risk Committee attended the internal TRAC advisory group meeting in January 2018, where the results and process were reviewed.</p> <p>The TRAC return has been completed in accordance with the full self-assessment of compliance with the Statement of Requirements. The Director of Finance reviewed the return before it was signed by the President & Principal prior to submission to HEFCE before the deadline of 31 January 2018.</p> <p>An internal audit of TRAC processes will be reported to the Committee In June 2018 as part of the internal audit programme.</p> <p>Finance & Investment Committee will review the TRAC results in March 2018.</p> |
| QMUL Strategy: | Strategic Aim 6: to achieve and sustain financial strength to enable our academic ambitions, through a balanced portfolio of activities. |
| Internal/External regulatory/statutory reference points: | HEFCE Memorandum of Assurance and Accountability TRAC Guidance |
| Strategic Risks: | 11 – Sustainable income streams. 12 – Cost control, VfM and expenditure |
| Subject to prior and onward consideration: | QMSE 27 February 2018 Audit and Risk Committee 8 March 2018. |
| Confidential paper under FOIA/DPA: | No |
| Equality Impact Assessment: | None required |
| Timing: | The TRAC return is submitted annually to HEFCE. |

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| Author: | Alex Chalker, TRAC & Reporting Manager |
| Date: | 19 February 2018 |
| Senior Management / External Sponsor | Joanne Jones, Finance Director |

1. Recommendation

- 1.1 The committee is invited to note the contents of this report and confirm that the TRAC return for 2016-17 has been prepared in accordance with the TRAC requirements.

2. Purpose

- 2.1 The purpose of this report is to demonstrate compliance with the TRAC guidance for the academic year 1 August 2016 to 31 July 2017

3. Background

- 3.1 The 2016-17 TRAC return was submitted to HEFCE on 31 January 2018. The return includes a declaration by the Head of Institution as follows:

I confirm that the costs, income and charge-out rate information reported in the attached return have been prepared in accordance with the TRAC requirements as set out in the TRAC guidance (Version 2.2 November 2017, <http://www.hefce.ac.uk/funding/finsustain/trac/>).

I confirm that a full self-assessment of compliance against each requirement listed in the guidance has been carried out in the last twelve months. I also confirm that a Board Committee has specifically reviewed the results of the tests for reasonableness and has either confirmed compliance or has drawn up an action plan for any areas where the institution is not fully compliant. I confirm that the Board Committee has lay membership (TRAC guidance section 2.1.5.18).

Appendix A explains the requirements provided by HEFCE for the approval of TRAC returns.

4. Compliance with the Statement of Requirements

- 4.1 The TRAC Guidance document provided by HEFCE is updated annually and details the requirements to comply with the TRAC process. The TRAC processes are built into the internal audit cycle and were submitted to the audit plan for 2017/18

- 4.2 The robustness checks to ensure compliance with these requirements have included:

- Staff time allocation surveys were distributed to academic members of staff in H&SS and S&E during the 2016-17 academic year. Three separate schedules were sent out at different periods of the year in line with the TRAC guidance. SMD used the workload planning tool SWARM for the first time, overseen by the Senior Planning Officer in order to allocate their time throughout the year.
- The Finance Business Partners have reviewed the allocation of departmental non-pay costs. This has enabled us to get a more accurate allocation of costs between Teaching, Research & Other that is more specific for each faculty.
- Draft TRAC results were prepared at Faculty level in December 2017 and reviewed at a detailed level by the Financial Management team including the Director of Finance. This included a comparison with previous returns, analysis of major variances and the indirect and estate costs that are allocated to research.
- Checks have been undertaken in respect of the cost adjustment calculations to analyse the impact of the change in methodology to the Margin for Sustainability & Investment (MSI) for the 2015-16 return.
- Estates data is managed by the Directorate of Estate and Facilities Management, and all data held on a central database.

- The Student numbers are received from the Strategic Planning Office (SPO) who compile the HESA Student Return and are the basis for one of the main cost drivers in the TRAC process.
 - Staff Data is compiled from Human Resources for data at two points in the year, March and August, and an average is calculated from this.
 - TRAC procedure notes are updated as necessary to include changes and developments each year.
 - The Cost drivers used to allocate the central services costs are consistent with those used for QMUL financial forecasts and have been received from the Reporting & Financial Planning Manager.
 - The TRAC & Reporting Manager and the Head of Reporting & Financial Planning regularly attend the TRAC Development Group conference to understand latest developments regarding TRAC and to benefit from case studies from across the sector. They also attend regular TRAC regional group meetings to discuss any concerns or issues faced by London based HEI's.
 - The TRAC model was reconciled to the consolidated financial statements and reviewed by the Deputy Finance Director for Financial Management.
 - Following this initial review the Finance Director analysed the return prior to it being signed off by the President & Principal before the deadline of 31 January 2018.
 - The TRAC return provided by HEFCE has been validated for compliance.
- 4.3 RCUK made an assurance visit in July 2011 and rated our processes as Level 2 (satisfactory)
- 4.4 KPMG last under took an internal audit of TRAC in December 2012. The KPMG audit gave an 'adequate' rating to assure there was compliance with the TRAC guidance and made no high priority recommendations.
- 4.5 The process and results have been reviewed by an internal TRAC advisory group on 18 January 2018 in which the Chair of the Audit & Risk Committee attended and confirmed that he was content with the process.

Alex Chalker
TRAC & Reporting Manager
12 February 2018

Appendix A – Requirements

1. An appropriate Committee of the Board (or equivalent) should confirm compliance with TRAC requirements. Compliance is the responsibility of institutional managers and institutions would generally wish to involve their Finance Committee in ensuring that this is achieved. The Audit Committee can, independently, on the advice of the internal audit service, confirm this compliance.
2. The Audit Committee should oversee the programme of internal audit and should receive reports from the internal auditor. The Audit Committee should report to the Governing Body that it has done this and whether it is satisfied on the extent of the compliance with the TRAC requirements. The Audit Committee may advise the Finance Committee (or other appropriate committee).
3. TRAC reporting to the relevant Funding Council is made by the head of institution as accounting officer. He/she would satisfy him/herself that the institution has complied with the TRAC requirements, reassured by advice from internal audit. Depending on the committee structure and governance relationships, the Finance Committee or other appropriate committee should receive a report on the compliance and maintain a strategic overview of the development of costing and other financial management initiatives in the institution.
4. The TRAC process should be subject to a periodic assurance review, the frequency of which should be determined according to the risk posed to the institution.
5. It is worth reiterating a key principle of TRAC requirements. Institutions are free to use alternative methods to those suggested in the costing standards, and discussed in the Guidance. However, to do this, they must be able to demonstrate that the information reported is at least as robust as that produced under the methods suggested in the Guidance. A reconciliation with the audited financial statements should be included as part of this.