



### **Transparent Approach to Costing (TRAC) 2017–18**

<b>Outcome requested:</b>	<p>Audit &amp; Risk Committee is requested to formally <b>approve</b> the processes for completion of the TRAC return for 2017–18 in accordance with TRAC guidance.</p> <p>Please note: Current processes have already been approved by Chair's action at the TRAC Advisory Group meeting held on 21<sup>st</sup> January 2019.</p>
<b>Executive Summary:</b>	<p>OFS 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 &amp; Risk Committee, however, OFS 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 permitted.</p> <p>To address the timing issue and 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 on 21<sup>st</sup> January 2019. The results and process were specifically reviewed and it was confirmed that he was content with the processes undertaken to complete the return.</p> <p>Following the meeting of the TRAC Advisory Group, the Deputy Director of Finance conducted a further, detailed review of the return, before it was signed by the President &amp; Principal prior to submission to OFS before the deadline of 31 January 2019.</p> <p>The TRAC return has been completed in accordance with the full self-assessment of compliance with the Statement of Requirements.</p> <p>An internal audit of TRAC processes took place by KPMG in June 2018 which achieved a result of 'High Assurance', an improvement compared to the 'Adequate' status from the last audit in 2012.</p> <p>Finance &amp; Investment Committee are due to review the TRAC results in March 2019.</p>
<b>Alignment with QMUL strategy:</b>	N/A
<b>Internal/External regulatory/statutory reference points:</b>	Regulatory Requirement
<b>Strategic Risks:</b>	N/A
<b>Subject to prior and onward consideration:</b>	QMSE 26 February 2019 Audit and Risk Committee on 13 March 2019.

<b>Confidential paper under FOIA/DPA:</b>	No
<b>Equality Impact Assessment:</b>	None required
<b>Timing:</b>	
<b>Author:</b>	Alex Chalker, Research & Reporting Manager
<b>Date:</b>	7 March 2019
<b>Senior Management / External Sponsor</b>	Andrew Gladin, Deputy Director – Financial Management

## 1. Recommendation

- 1.1 The committee is invited to note the contents of this report and confirm that the TRAC return for 2017-18 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<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018

## 3. Background

- 3.1 The 2017-18 TRAC return was submitted to OFS on 31<sup>st</sup> January 2019. The return includes a mandatory 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 2.3.1 October 2018, <http://www.trac.ac.uk/tracguidance/>).*

*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 OFS for the approval of TRAC returns.

## 4. Compliance with the Statement of Requirements

- 4.1 The TRAC Guidance document provided by OFS is updated annually and details the requirements to comply with the TRAC process. The TRAC guidance for 2017/18 had no material changes from the 2016/17 guidance. QMUL's TRAC methodology, was subject to internal audit cycle and passed with high assurance.

- 4.2 To ensure compliance with these requirements there are a number of robustness checks employed and recommended best practice for source data is followed:

- Staff time allocation surveys were completed by academic members of staff in H&SS and S&E during the 2016-17 academic year. In non-survey years such as 2017/18, results are reviewed by School managers who comment on any material changes in the split between Teaching, Research & Other activities. SMD used the workload planning tool SWARM for the second year, overseen by the VP Office who received training from the Strategic Planning Office (SPO), in order to allocate their time throughout the year.
- Finance Business Partners reviewed the allocation of departmental non-pay costs, ensuring an accurate allocation of these costs between Teaching, Research & Other.
- Draft TRAC results were prepared at Faculty level in December 2018 and reviewed at a detailed level by the Financial Management team including the Deputy Director of Finance. This included a comparison with previous returns, analysis of major variances and of the indirect and estate costs that are allocated to research.
- Checks were undertaken in respect of the cost adjustment calculations to analyse any change in the Margin for Sustainability & Investment (MSI) from the 2016-17 return.

- Estates data which provides the classification of room use and areas, 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, which is 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 Research & Reporting Manager, the Reporting & Financial Planning Assistant Manager and the Head of Reporting & Financial Planning attend the annual 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.
- The return and supporting methodology is reviewed annually by the TRAC Advisory Group
- The TRAC return has been validated for compliance by OFS.

4.3 RCUK undertook an assurance visit in November 2015 gave moderate assurance (satisfactory).

4.4 KPMG conducted an internal audit of TRAC processes in March 2018 to assess compliance with the TRAC guidance. The previous audit in December 2012 gave an 'adequate' rating which has now improved to 'high assurance' following the latest audit.

4.5 The process and results have been reviewed by an internal TRAC advisory group on 21<sup>st</sup> January 2019 in which the Chair of the Audit & Risk Committee approved the current process.

4.6 Subsequent to the TRAC Advisory Group meeting, further detailed benchmarking analytical review was undertaken resulting in 3 adjustments relating to the reclassification of:

- NHS recharges for staff
- Fee income for non HESA countable home/EU students and
- HEIF income

These adjustments were made prior to the final review with the Principal and submission of the return to the OfS. In future years the benchmarking analytical review will be undertaken prior to the TRAC advisory group meeting.

**Alex Chalker**  
**Research & Reporting Manager**  
**7 February 2019**

## **Appendix A – OFS Requirements for Approval of Annual TRAC returns**

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.