



Transparent Approach to Costing (TRAC) 2014–15

Outcome requested:	Audit and Risk Committee is requested to approve the process for completion of the TRAC return for 2014–15 in accordance with TRAC guidance.
Executive Summary:	<p>HEFCE requires Board Committee confirmation of 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 and Risk Committee.</p> <p>The TRAC return has been reviewed by the Finance Director, the process and results have been reviewed by an internal TRAC advisory group and will be approved for submission by QMSE in January. The return will be signed by the President and Principal and submitted to HEFCE before the deadline of 29 January 2016.</p> <p>Finance and Investment Committee will review the TRAC results in March 2016.</p>
QMUL Strategy:	N/A
Internal/External regulatory/statutory reference points:	HEFCE requirement HEFCE TRAC guidance
Strategic Risks:	N/A
Equality Impact Assessment:	None required
Subject to prior and onward consideration by:	QMSE 12 January 2016
Confidential paper under FOIA/DPA:	No
Timing:	Submission of the TRAC data to HEFCE is required by 29 January 2016.
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Date:	23 December 2015
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 2014–15 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 2014 to 31 July 2015

3. Background

- 3.1 The 2014–15 TRAC return will be submitted to HEFCE by 29 January 2016. The return will include 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 new TRAC guidance (Version 1.0 August 2014, <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 three years. 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 HEFCE website has a 'TRAC Guidance' document that is updated annually and which shows in detail all the requirements in order to comply with the TRAC process. The TRAC processes are built into the internal audit cycle and are next due to be tested in 2016–17.

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

- Staff time allocations are updated every 3 years. The next period that will have to be done will be for the 2016–17 TRAC return. In non-survey years, such as this one the results from the most recent survey are sent out to the faculties to ask for their opinion as to whether any changes to the figures are necessary. This was done and all of the faculties came back and said there were no changes of any significance.
- Draft TRAC results were prepared at Faculty level in December 2015 and reviewed at a detailed level by the Financial Management team including the Director of Finance. This included a comparison to previous returns, analysis of major variances and the indirect and estate costs that are allocated to research. This information goes to RCUK who will decide which efficiency group the Institution falls under. This has an effect on how much research income the university receives for future years.
- Secondary checks have been undertaken in respect of the Cost Adjustment Calculations.

- Estates data and survey is managed by the Directorate of Estate and Facilities Management, and all data held on a central database. This was overseen by the department before being sent over to the TRAC manager.
 - The student numbers are received from the Strategic Planning Office (SPO) 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.
 - There are well documented procedure notes from previous TRAC Managers for each stage of the process along with screen prints to assist where required. These procedure notes are updated as necessary to include any changes and developments.
 - The cost drivers used to allocate the central services costs are the same that are used for the QMUL financial forecasts and have been received from the Reporting & Financial Planning Manager.
 - The TRAC Manager and the Head of Reporting & Financial Planning have been to an 'Introduction to TRAC' course and a TRAC Development Group conference to understand more about the process and the latest developments. They have also joined a 'TRAC self-help' regional group that meet up regularly in Canary Wharf to discuss any concerns members may have. The most recent occasion the group met was in November 2015.
 - The model was reconciled to the consolidated financial statements and the reconciliation was reviewed by the Deputy Finance Director for Financial Management.
 - The TRAC return contains a checklist as part of the template that is sent by HEFCE to populate and we have validated that all the items on the checklist are being complied with.
- 4.3 RCUK made an assurance visit in July 2011 and rated our processes as Level 2 (satisfactory)
- 4.4 KPMG last visited for an internal audit of TRAC in December 2012. As stated above, the next audit will be in 2016–17. The KPMG audit gave an 'adequate' rating over assurance that 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.

Alex Chalker
TRAC & Reporting Manager
23 December 2015

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.