

Quality Assurance for funding research at full economic costs:- update on the UK perspective

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Background

- A reminder of Research Grant administration
- Full economic costing
- Assurance and value added
- Outcomes and the way forward

Research Council Grant administration in the UK

- Grants usually awarded on a three year lifespan
- Awarded on cash limit basis
- Grant starts: profile payments
- Annual statement (April)
- Grant ends (3 months to complete final expenditure statement and final scientific report)
- Traditionally, only direct costs paid + 46% contribution to indirects

Assurance pre-fEC:

Accountability requirements focused on:

Direct costs / Ineligible items
Compliance with terms and conditions

Additional objective:- to develop a better mutual understanding of each other's requirements

Not duplicating work of research organisations own internal audit

Cross-Council visits to research intensive institutions every 3-4 years
Desk based reviews for other institutions

Production of annual assurance report to RC Accounting Officers

Background to full economic costing

- Under-investment in university infrastructure
- Research needed to be sustainable
 - Continuing evidence of under-investment
 - HEIs need to understand costs of research
 - Losing money on research...but how much ?

Understanding costs in a university

- New activity based costing system introduced:
 - TRAC:- TRansparent Approach to Costing
- Initially introduced at a high level
 - Costs split between Teaching, Research and Other
 - Between publicly funded and non-publicly funded
- Accepted by government with significant cash injection:- Volume neutral
- Universities only

Project costing in a full economic cost environment:

Research Organisations calculate the full economic cost (fEC) of project proposal. No ineligible costs.

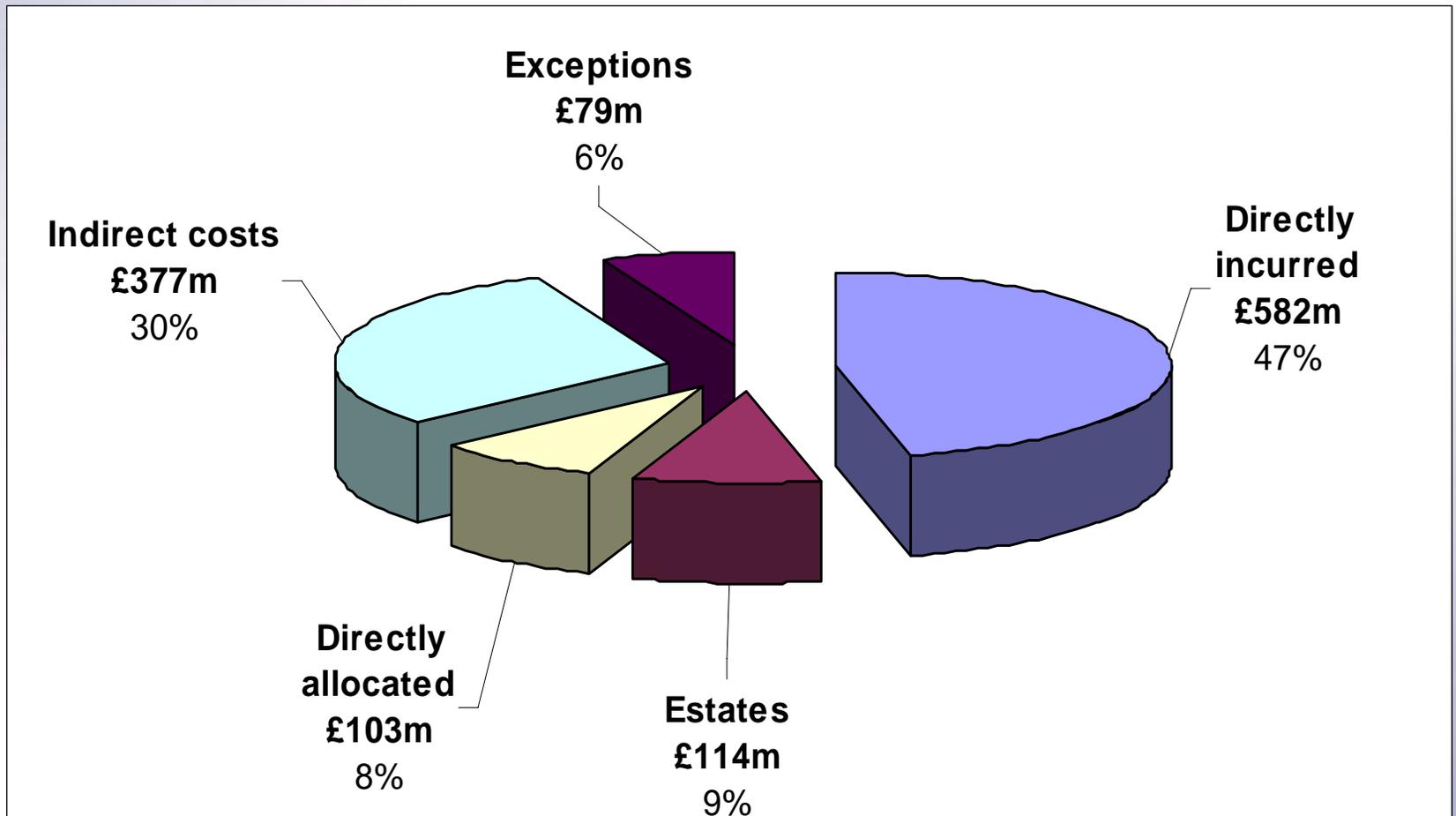
(Transparent Approach to Costing: TRAC in universities)

Research Councils pay 80% of the fEC: (£1.3bn in 2008/09)

Essential for universities to understand the full economic cost of research at project level.....**Sustainable research**

The context

RC grant fEC awards in 2007/08



Total awarded £1,255m

fEC Basics

- **Directly incurred**
 - Costs that are explicitly identifiable as arising from the conduct of a project; charged as a cash value and supported by an audit record
- **Directly allocated**
 - Costs of resources used by a project that are shared by activities. Charged to projects on the basis of estimates rather than actual costs
 - E.g., PI time, Estates costs
- **Indirect costs**
 - Non specific costs charged across all projects based on estimates that are not included in directly allocated costs
 - E.g., HR, Finance, Library resources etc
- **Exceptions**
 - Directly incurred costs funded at 100% of fEC

Assurance framework:

Basic principles :

fEC – New world : new risks for both Universities and Research Councils

Assurance process well established for direct costs awarded pre-fEC

No equivalent process for new categories of costs paid under TRAC (Estates, indirect costs, facilities)

TRAC implementation new for universities. No previous in-depth review

Introduced Quality Assurance & Validation of TRAC



Quality Assurance & Validation (QAV) of TRAC

- Applies to universities only
- To enable institutions to self-assess their accounting and estimating methods as TRAC compliant
- To provide assurance to the Research Councils (and other funders) on compliance with conditions of grant relevant to TRAC
- Initially conceived as a one-off specific project with review afterwards based on findings

Principles of QAV

Assurance & Value added

- TRAC - technical
- Guidance – complex
- Support for TRAC Managers limited

Objective to develop an assurance process which drives improvements as part of the programme and adds value to the sector

- RCUK Assurance developed first concise set of minimum requirements for TRAC managers
- Numerous roadshows for the sector
- Pilots prior to launch:- university input
- Engagement of other public funders

QA & validation of TRAC

Supplementary outcomes

- i. To develop a process which can be relied upon by other sponsors of research projects.
- ii. Can be relied upon by senior management and audit committees, (reducing the cost of internal audit reviews in some institutions).
- iii. It encourages the enhancement of the institutions' internal assurance processes as a basis for longer term assurance.
- iv. To include RC resource in the programme to ensure in-house expertise is developed.

The process

- University self-assesses compliance
- RC review results and identify selected institutions for visits
- KPMG appointed to undertake visits and audit returns
- Sanctions where rates $> 10\%$ overstated
- Action plans where rates incorrect by more than 5%
- Transparent approach:-
 - audit plan published in advance
 - communications through university groups

Common areas of non compliance

Robustness of academic staff time (AST) allocation data

over-use of AST as a basis of allocating costs

Robustness of estates costs allocation

Reasonableness checks - engagement of senior management in TRAC process/data

Systems and documentation

The results

Overall impact on rates charged out is broadly neutral BUT

Significant level of issues identified across institutions visited

Close correlation between level of compliance and volume of RC funding

Enhanced understanding of issues facing TRAC

Need for ongoing assurance process focused on areas of high risk

Research Councils engaged and working in partnership with universities on developing and improving TRAC



Back to value added

Concern of burden on universities at the outset but consensus that the project was a success

- Provided a tool that allowed universities to undertake their own self-assessment
- Added value by clearly outlining the minimum requirements for the first time
- Reduced the audit burdens for institutions applying the TRAC EC Framework 7 guidance in costing FP7 bids
- Dissemination of good practice
- Identification of opportunities to enhance the TRAC guidance

The costs

Expenditure 2008/09:-

£600k including:

3FTEs in RCUK Assurance

£120k resource from the Research Councils

costs of KPMG in undertaking 50 visits to institutions

Next steps....

- RCs major player in identifying the strategic causes which contributed to issues identified in QAV
- Need for future assurance programme agreed
- Single assurance programme to be launched in 2010 focused on research funding risk model (high risks of QAV and more generic research funding issues)

Thank you!
All this, and more at:

www.rcuk.ac.uk/assurance

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