

Quality Assurance for funding research at full economic costs:- a UK perspective

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Subject matter !

- Life cycle of a grant
- Full economic costs basics in the UK
- Assurance principles and framework
- Assurance, in practice

Life cycle of a typical research grant

- Grant application (usually three year project)
- 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

Assurance pre-fEC:

Research Councils paid direct costs & contribution (46%) to indirect costs

Accountability requirements (Dipstick Testing) 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

Production of annual assurance report to RC Accounting Officers





Assurance post-fEC:

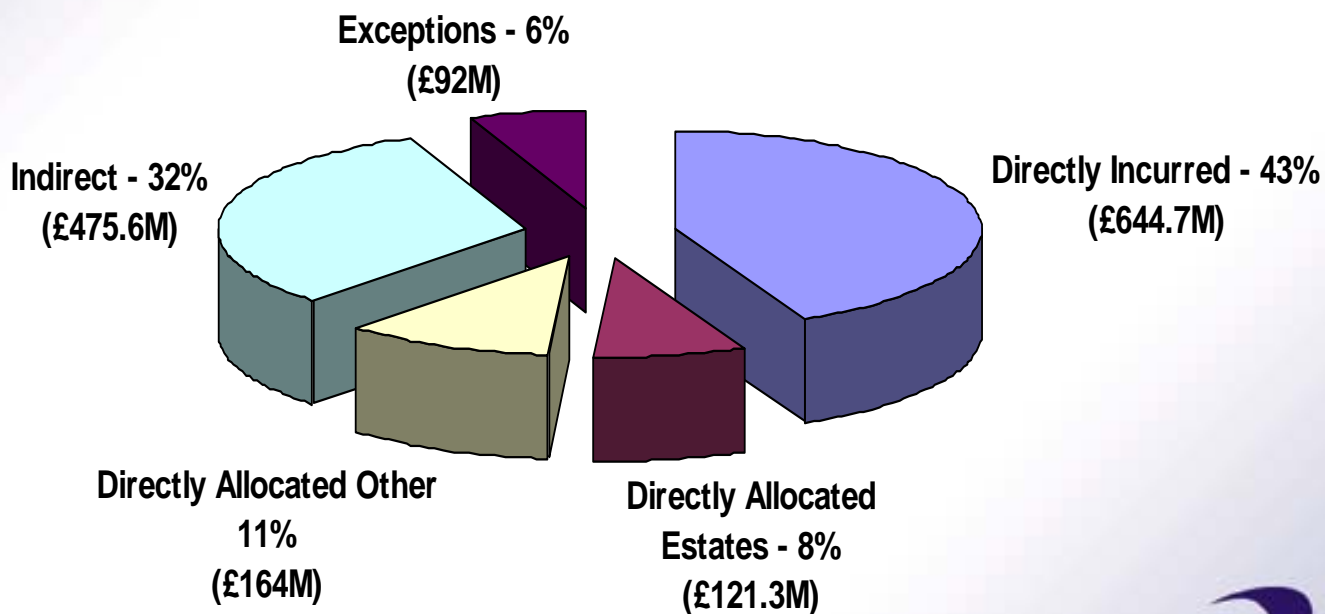
Research Organisations calculate the full economic cost of project proposal
(TRansparent Approach to Costing: TRAC in universities)

Research Councils pay 80% of the fEC: (£1.2bn in 2007/08)

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

The new world of fEC....

Research Council awards in 2006/07



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 ROs and RCs

RCUK Assurance leads on development, implementation and management of new funding assurance strategy for the Research Councils

Remain “light touch” but recognising new risks associated with fEC

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

Accountability requirements mindful of burden on sector but also need for assurance on new risks

Retain principle of avoiding duplication of scrutiny and sharing outputs where sensible to do so



RCUK Assurance:

Expenditure 2007/08:-

£160k including 3FTEs

+ £100k resource from the Research Councils

Subject to Quality Assurance from the Research Councils Joint Internal Audit service

A revised strategy for RC Assurance

Objectives...

1. Funding Assurance Programme (FAP)
Review of pre-fEC approach & management
to reflect adoption of fEC.
2. Quality Assurance and validation of TRAC
(QAV)

Develop & implement methodology for the
QA and Validation of TRAC for 2007-2009.

Funding Assurance Programme

- Requirement of the National Audit Office that Research Councils should have appropriate regularity assurance.
- Dipstick Testing resulted from threat of NAO qualifying RCs accounts on the basis of insufficient assurance.
- Principal mechanism for seeking assurance on compliance with terms and conditions of grants
- Visits undertaken by grant administrators under umbrella of RCUK Assurance
- 2 day visits every 3-4 years to top 60 funded institutions (Desk based reviews for less research intensive institutions)
- Not a duplication of internal audit work
- Results consolidated in annual Assurance report for Research Council Accounting Officers
- Scope extended to cover Fellowships & Doctoral Training A/cs



Objectives of FAP:

- Directly incurred costs
 - Is expenditure incurred and recorded in accordance with RC terms and conditions?*
- Compliance with terms and conditions of grant
 - Are grants being managed in accordance with terms and conditions*
- Payment in advance of need
 - Is expenditure on grants matching income from RCs?*
- Use of estimates on directly allocated costs
 - Is there a robust methodology underpinning the basis on which DA costs are being sought?*
- Communications
 - Improve dialogue between RCs and research organisations*

FAP:- Pre-visit

- Identify participating Councils
- Agree dates (usually 2-3 days) and timetable
- Issue Questionnaire
- Identify sample of files to be examined & departments to be visited
- Request transaction listings, vouchers (receipts)
- Ensure that all relevant documentation is available for the visit, including departmental files if relevant.

FAP:- The questionnaire

- Grant administration governance
 - Management of RC funds (control environment)
- Computing system
 - Flow of management information
- Staff appointments on grants
- Procurement
- Internal audit
- Risk policies
- Financial fraud/scientific misconduct
- Training
- Ethics (Ethical reviews)

FAP:- The visit

Introductory meeting.

- Finalise timetable
 - University overview of high level administrative processes, roles and responsibilities
 - Issues from the questionnaire
 - Actions arising from previous visits
 - Any university issues
- File examination & reconciliation of grant portfolio.
 - Notify institution of “surprise files”
 - Meetings with internal audit, procurement, departmental administrators and central administrative staff.
 - Concluding meeting at the end of the final day.

Post visit

- Resolve outstanding queries
 - Issue draft report
 - Final report (*action plan when required*)
- **Gradings:**
1. Substantial Assurance
 2. Satisfactory Assurance
 3. Partial Assurance
 4. Unsatisfactory

Gradings

Assurance rating	Definition
Substantial assurance	<p>A sound system of internal control which offers the Research Councils assurance that the grant administration process operates effectively with high levels of compliance with terms and conditions. Evidence of “Best Practice” procedures encountered.</p> <p>This rating may also be awarded where, in the course of a visit, RCs have examined a significant portfolio of total awards and are satisfied that a high level of assurance can be reported.</p>
Satisfactory assurance	<p>A basically sound system of internal control which offers the Research Councils assurance although there are a few weaknesses that have been indentified.</p>
Partial assurance	<p>A system of internal control that is satisfactory in part but which contains a number of weaknesses that are likely to undermine the overall level of assurance that can be recorded. This is usually where Councils encounter varying findings across the research organisation and are consequently unable to agree on an overall assurance rating.</p>
Unsatisfactory	<p>An unacceptable system of internal control containing fundamental weaknesses. Significant doubts that the research organisation has a clear and well understood environment under which Research Councils funds are administered.</p>



FAP:- Some general principles

FAP looks for joined up thinking between the numerous parties involved in grant administration (PIs, central admin, departments, HR, Finance, etc.,)

FAP focuses on the control environment. If areas of concern are identified, the question becomes “How did this happen and could it happen again ?”

ROs often welcome FAP visits as a powerful lever to secure compliance within their departments/institutions. Consequently, RCUK Assurance works with institutions where necessary to support and empower research administrators.

FAP has provided an invaluable mechanism for improved (and structured) dialogue with universities on areas of common interest relating to administration.

FAP:- Some general principles

Where FAP visits uncover areas of concern, the approach is to work with the institution to resolve these (the objective is to support the organisation in delivering sound management of grants and ensure compliance with T&Cs).

RCUK Assurance seeks to contribute to the promotion and dissemination of best practice across the sector.

Transparency of objectives is a key principle

Share approach & outcomes, where practicable with other funders

In summary RCs want to see assurance of:

Sound control environment

Good lines of communication

Familiarity and compliance with RCs terms and conditions



Quality Assurance & Validation 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
- Developed and extensively piloted in conjunction with universities

Quality Assurance & Validation of TRAC

- Self-assessment returns received by January 08
- KPMG appointed to undertake follow up visits to selected institutions to review self-assessment
 - 35 to the top 60 institutions
 - 15-20 visits to other institutions
- Visits to conclude in Autumn 2008
- Final report by RCUK Assurance by March 2009
 - Findings will inform any future Assurance requirements of the Research Councils in relation to TRAC
 - Partnership approach with other funding bodies (EU for FP7)
- QA process for non-University sector to be developed

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.

Conclusions

- Fine balance between accountability requirements of RCs and regulatory burden on universities
- Ideal is to contribute **value added** to the process whilst meeting the RCs regulatory requirements:-
 - Promote & contribute to best practice in the sector (successful track record)
 - Transparency in RCs objectives & requirements
 - Share approach & outcomes, where practicable with other funders

Thank you!
All this, and more at:

www.rcuk.ac.uk/assurance

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**"I've been hearing some disturbing comments about you Gareth;
some research administrators think you're a nice guy!"**