



To:- Directors of Finance at Universities, Research Council Institutes and other Research Organisations

31st July 2007

Dear Colleagues

RCUK QUALITY ASSURANCE AND VALIDATION OF TRAC

Following extensive consultation, I am now able to write to you to inform you of the RCUK programme for the quality assurance and validation of TRAC. This is enclosed but also available on the RCUK website.

As you are aware, with effect from September 1st, 2005 all project proposals to Research Councils have been prepared on the basis of full economic costing (fEC). Following publication of the Robson Rhodes report in May 2006, it was agreed that the Research Councils would develop a quality assurance and validation framework of TRAC to support fEC with a review in 2009.

The purpose of this letter is to describe our plans in some detail and to advise you that the full QAV process is available at www.rcuk.ac.uk/assurance.

RCUK Assurance has been committed to developing an approach which is transparent to the sector, consultative¹ and which encourages institutions to self assess their progress on the implementation of TRAC. The Research Councils see our approach as also delivering the following beneficial outcomes:

- i. It should be relied upon by other sponsors of research projects (reducing the need for other external QA and validation processes) e.g. the European Union and the Department of Health have already indicated their desire to utilise our approach where applicable
- ii. It should be relied upon by senior management and internal audit committees (thereby reducing the cost of internal audit reviews)
- iii. It encourages the enhancement of institutions' internal assurance processes as a basis for longer term assurance
- iv. The full process can be implemented by institutions that are not in receipt of significant or any funding from the Research Councils.

¹ Consultation has taken place with the Funding Councils, the British Universities Finance Directors Costing & Pricing Group, the Council for Higher Education Internal Auditors, the Association of Heads of University Administration, Regional TRAC groups and the Brunswick Group

To give substance to the whole programme of validation, JM Consulting were commissioned to develop a QA process which was initially reviewed by three universities (Aberdeen, Cardiff and Bristol) and subsequently piloted in full by the universities of Manchester and Liverpool. We have been encouraged by the positive approach of many universities who have been willing to contribute to this work. Indeed initial feedback suggests that some HEIs may wish to further develop the QA programme to meet their own additional reporting requirements. RCUK would of course welcome this.

The final QA process has been informed by the outcomes of the pilots and is now ready for institutions to complete. National workshops will be held in October to provide guidance as well as an outline of the scope and methodology to be undertaken. This QA process is intended to provide assurance to the Research Councils on the operation of TRAC by HEI's and to ensure that the annual TRAC methodology is being applied appropriately, together with the correct calculations and charge-out rates.

This process will be two-tiered with a more rigorous one in place for the top 60 funded institutions, which account for over 90% of total funding, based on data for 2006/07. A more light touch will be adopted for other research organisations.

Consequently, any institutions that carry out their own, robust self-assessment against the RCUK methodology will be afforded a period of grace in which to achieve compliance, should they need it, before any financial sanctions are applied.

Institutions will be expected to submit returns to **RCUK by January 31st 2008**. A formal review process will then involve follow up visits by a Quality Review team to a sample of institutions to establish the sector's take-up of TRAC. This process will be comprehensive and in depth. There will be effort required from institutions, particularly the research intensive ones, not least in assessing their own methods and those selected for a visit will need to participate in a three day visit by a Quality Review team. However, as described earlier, because of the robustness of the review process that has been developed, the need for other audits and reviews on TRAC methods should be minimised. RCUK is currently negotiating with other public funding bodies on their acceptance of the process.

The Quality Review team will report to the Research Councils on whether an institution is compliant with TRAC in terms of its methods or calculations in a way that is likely to have led to its charge out rates being materially inaccurate. Where this is the case, and the institution has not highlighted this in its return, financial sanctions will be applied by RCUK and potentially other funders.

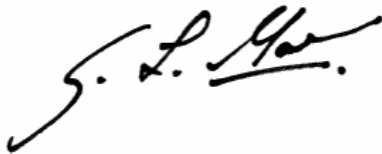
During the consultation period, draft proposals have been widely circulated on the sanctions policy. These are currently under review by RCUK. We wish to encourage institutions to develop their own internal quality assurance procedures as part of this process and a balance must therefore be struck between the objective of promoting self-assessment within research organisations and the requirement to ensure that the Research Councils are obtaining assurance on the regularity and propriety of expenditure on fEC grants. A final statement on sanctions will be published in September.

The QA and validation work described above is being carried out in parallel with the Research Councils Funding Assurance Programme (formerly known as Dipstick

Testing), which remains the established method by which Research Councils obtain assurance on the regularity of expenditure on research at project (grant) level. The latter's scope is currently being enhanced to reflect the adoption of fEC principles by research organisations with a new strategy published on the RCUK website in October.

Given the likely interest that the new RCUK policy will generate, I would be grateful if you could ensure that you distribute this letter to the Head of your internal audit department and to other relevant parties including your TRAC staff. Should you require any additional information in the interim, please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'G. MacDonald', written in a cursive style.

Gareth MacDonald
RCUK Head of Assurance

Polaris House
North Star Avenue
Swindon
SN2 1UH

Direct Line: 01793 413222
Fax Line: 01793 413398
E-Mail Address: gareth.macdonald@bbsrc.ac.uk