

## AUDIT AND RISK COMMITTEE

## Minutes of Meeting held on Tuesday 28 January 2020

**Present:** Prof C Kinsella (Chair)  
 Ms J Allen  
 Ms V Brown  
 Mr C Kenny  
 Mr J Warner

**In Attendance:** Mr A Bush, KPMG  
 Ms M Boryslawskij, University Secretary and Clerk to the Board of Governors  
 Ms D Harry, Chief Finance and Planning Officer  
 Ms A Temple (Minute Secretary)

**Apologies for Absence:** Ms K Finlayson and Dr J Morrissy

Paper ref      Minute ref

A/20/01    **Private Meeting of Committee Members**

01.1 Members agreed that a private meeting of Committee members only was not needed.

A/20/02    **Declaration of Interests**

02.1 There were no declarations of interest.

A/1/20.51    A/20/03    **Internal Audit on TRAC**

03.1 The Committee received the 2018/19 internal audit report on TRAC and noted that:

1. the audit had assessed the University's processes for generating the TRAC (Transparent Approach to Costing) return and the full economic costing rates. KPMG had rated the process as 'significant assurance with minor improvements required';
2. the University's TRAC model was built at faculty rather than department level, which was acceptable within the TRAC guidance. However, management had identified that the size of the faculties meant that the current approach did not allow for the costs of different activities to be identified. This would be further exacerbated by the restructuring from four faculties to three colleges. KPMG supported management's plans to rebuild the TRAC model to a level below faculty;
3. the current TRAC model – at faculty level – had implications for the Transparent Approach to Costing Teaching (TRAC (T)) return as it did not allow for detailed analysis to be undertaken at HESA cost centre level. KPMG recommended further work prior to submission of the TRAC(T) return to consider weighting certain costs allocated to the HESA cost centres so that they represented more closely the differential costs incurred in delivering the provision. Furthermore, KPMG supported the intension to revise the TRAC model for future years to enable it to deliver more granular cost information; and
4. in reviewing the work of the TRAC Oversight Group to review the

2017/18 TRAC results KPMG noted several aspects of the data which were unexpected or outlying. KPMG had recommended that the reports considered by the Oversight Group should provide clear reasons for these results.

03.2 During discussion the following points were raised:

1. how did the University's approach to TRAC compare to other HEIs? Andy Bush, KPMG, observed that the University's approach to TRAC was robust and it performed well against other HEIs;
2. the plan to construct the TRAC model to a level below faculty – especially given the move to restructure to three colleges – was commended as it would provide data which was mapped closely to HESA cost centres;
3. overall there was likely to be no significant direct consequences to the University of incorrect TRAC data being submitted to the Office for Students, but this would be likely to impact of the OfS and the government's view of the sector;
4. did the university use the TRAC data for internal management purposes? It was noted that the current workload allocation system for academic staff workload was not consistently applied across all faculties. As a result, workload planning was used only for workload management not to generate data for TRAC. The data for TRAC was generated using a sampling method to assess work over a three-week period. This sampling method was accepted within the TRAC guidance but did not provide useful data for internal use. In particular, it was unlikely to provide accurate data for small income streams such as charity and European Union income. Also, TRAC was a full economic costing method whereas internal decision making was better informed by marginal cost;
5. the TRAC Oversight Group considered benchmark data against the sector as a whole and the University's peer group. This data was provided by the OfS and related to 2017/18;
6. the Chair observed that TRAC was a solely financial assessment of the cost of the University's activities and did not reflect the social impact of activities. It was noted that the Board was due to receive an update on the Research Excellence Framework (REF) at its meeting in March 2020 and this could be an opportunity for the Board to discuss the multiplier effect of the University's activities around research.

A/1/20/5.2    A/20/03    **Annual TRAC Return**

03.1 The Chief Finance and Planning Officer introduced the report on the TRAC return which included the return in appendix A and the required commentary in appendix B. It was noted that:

1. in line with the requirements of the TRAC validation process the Audit and Risk Committee annually confirmed compliance with the existing TRAC validation process;
2. the OfS's guidance on the TRAC return required that "The TRAC process and results (the Annual TRAC return and charge-out rates and the TRAC(T) return) should be subject to review and approval by a Committee of the Governing Body to confirm compliance with TRAC

requirements before submission.” The previously available option for the responsibility to be delegated to the Chair of the Committee had been removed meaning that this special meeting of the Audit and Risk Committee had been convened to consider the return. Members were thanked for their attendance at the meeting.

03.2 Based on the assurances in the report, the Committee confirmed compliance with the existing TRAC validation processes. The Committee approved the return for submission to the OfS.

03.3 It was noted that the Committee would consider the TRAC(T) return at its meeting on Thursday 27 February 2020 prior to the submission deadline of 28 February 2020.

A/20/04 **Date of next meetings**

04.1 Thursday 27 February 2020 from 4pm to 6.30pm