



Performance-Based Research Fund

External Research Income Supporting Work Paper Guidance

30 May 2003

Introduction

1. The paper provides guidance to TEO's on the information required to support their determination of ERI for the PBRF.
2. Good practice will dictate that TEOs prepare auditable workpapers that provide evidence of their total ERI. The creation of clear and robust workpapers will also help minimise the costs of audit.
3. The guidance in this paper is designed to assist TEOs to develop workpapers in this area to organise the potentially many different categories of ERI. These workpapers provide for consolidation of ERI by classification (e.g. funder, contract type, ERI from trusts, ERI from wholly owned subsidiaries, etc).
4. It will **not** be mandatory for TEOs to use these workpapers but they are available to minimise compliance costs for TEOs.

TEO Responsibilities

5. TEOs have key responsibilities in relation to ERI:
 - To complete an ERI return as part of the TAMU framework
 - To prepare auditable workpapers that support their determination of ERI
 - To provide a declaration on the preparation of the return
 - To provide an independent audit opinion. This opinion will attest to the accuracy of the return and the correct application of these ERI guidelines
 - To provide the ERI information and audit opinion within the required timeframes.
6. For the year ended 31 December 2002 the TEC requires only one ERI number from each TEO i.e. the audited ERI total for that TEO. There is no requirement by the TEC for TEOs to provide any further disaggregation of the ERI number for the 2002 year, although TEOs will be required to prepare and retain workpapers for audit purposes.
7. The ERI information for each TEO should be submitted in writing to TAMU by 30 September 2003. This submission should provide the following details:
 - The total ERI for the year ended 31 December 2002
 - The name of the organisation
 - The person to whom any questions should be referred concerning the ERI submission and their contact details.

8. For the year ended 31 December 2002, a declaration by the Chief Executive of the TEO will also be required. This declaration is to be provided at the same time as the Audit opinion. Further guidance on this declaration is provided in the data checking and verification policy paper.
9. For the year ended 31 December 2003 and beyond, the TAMU reporting template will be modified to collect the ERI figure from each TEO. ERI is required to be reported only once per year in respect of the 12 months ended 31 December. ERI will therefore be collected via the TAMU return that corresponds to this period. TAMU will forward these numbers to TEC.

Supporting Information

10. TEOs must prepare auditable workpapers that support their determination of ERI. These should be available to the TEO auditors to allow them to express an opinion on the accuracy of your return. The following general advice will expedite the auditors' enquiries:
 - Files should be systematically referenced for ease of identification and retrieval.
 - Files should contain a copy of the contract between the TEO (or its 100% owned subsidiary) and the external research funder (or other relevant evidence such as the agreed ERI allocation on joint research contracts with another TEO).
 - Contracts for funded activity should include an internal sign-off sheet or checklist to illustrate that a duly authorised person within the TEO has considered the contract terms and determined the eligibility of the research income for PBRF purposes. That is, the activity is fully or in part research which meets the definition of research for PBRF purposes.
 - Where there is a difference between research income, as reported for statutory reporting purposes, and the TEO's determination of ERI, TEO's should prepare a reconciliation showing the variances between the two amounts. A sample reconciliation is included in the attached workpapers.
11. The attached sample worksheets may be used as a template for compiling your own return. It is not mandatory to report in this manner. However, your workpapers should provide evidence that the following criteria have been satisfied:
 - That the ERI includes only research that meets the definition of research as set out in 'Investing in Excellence'.
 - That valid documentation exists for each research activity for which the TEO is claiming ERI.

- That a duly authorised person has made an accurate determination or apportionment of the funded activity between :
 - *research and*
 - *consulting or other income*
- That only research activity attributable to the TEO or its 100% owned subsidiary is included.
- That external research income from trusts that are controlled by the TEO, has been granted by the trust exclusively for research purposes or the trust has only research activity as its sole purpose. The income has not been provided to the trust by the TEO or its 100% owned subsidiary.
- That the basis on which external research income has been recorded in the current period is consistent with generally accepted accounting principles. Any obligation for unfulfilled contract requirements for which funding has been received and which gives rise to a liability, has been recognised. The basis of any apportionment should clearly reflect the underlying substance of the contract, should be clearly specified and documented.
- That contracts involving collaborative research contracts or subcontracting with another TEO, clearly documents the apportionment of research funds to be recognised by each party, or is supported by subsequent agreement between the parties.
- That external research income which is not supported by a formal contract, is able to be validated in some manner.
- That the determination of ERI is consistent with the “External Research Income Final Requirements” (These requirements are now included in the integrated guidelines document).

12. A checklist prompting your recognition of the above criteria is attached to assist with your preparations.

13. Participating TEOs should send their determination of ERI to Allan Sargison at the Tertiary Advisory Monitoring Unit as indicated in the ERI requirements paper.

14. The above guidance should be read in conjunction with the Data checking and Verification Policy and the requirements for the determination of external research income.