****Accounting Guidance Notes:
Projects**

This guidance applies to all activities managed through the Oracle Projects module, irrespective of project type. It highlights actions required to ensure that income and expenditure figures are accurate and in line with University policy and relevant accounting standards.

### Who to contact if you have a query

Please contact Samuel Hannis (samuel.hannis@admin.ox.ac.uk)

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| University Policy* All expenditure must be accounted for in the year in which it was incurred.
* This means that particular attention must be paid to the expenditure item dates on project journal entries.
* The Projects module closes for each month, usually starting at 1pm, on the second working date of the following month. It is later at year end (see year end timetable).
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### Allocating Costs Correctly

Projects journals will be processed successfully and in time for year-end, if appropriate Expenditure Item Dates are selected, projects have sufficient funds to absorb the new costs, and journal batches are submitted and released on time.

The Ending Date for the Projects journal batch defaults to the Sunday following the date on which the journal is created. Oracle Projects automatically populates this as the Expenditure Item Date (EID) on individual transaction lines. For example, if you are entering journals between 1st August and 4th August (when the module closes is due to close for Financial Year 2021/22) you will note that both the Ending Date and the Expenditure Item Dates will initially default to Sunday,7th August. If you want your transactions to be accounted for in Financial Year 2021/22 you will need to manually change the Expenditure Item Dates to 31-JUL-2022, or earlier.

Items can fail funds-checking where overheads have not been allowed for. Therefore, it is important to consider the impact of burdening on any costs *before* journals are posted. For example, if you want to post £100 to a project with a 50% recovery rate you first need to ensure that the project has a remaining budget of at least £150.

All Projects journals relating to Jul-22 will need to be submitted *and* released by 3pm on Thursday 4th August. Journal batches that remain unreleased at 3pm on the day on which the Projects module closes will be deleted, otherwise it will not be possible to close the module.

### Charging Costs to the Correct Financial Year

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| University PolicyResearch expenditure should be allocated to the correct accounting period. |

If costs are not allocated in the correct year, there is a risk that costs and revenue will be overstated in the University’s accounts. When this happens, it is likely that the year end auditors will increase the amount of testing they perform across departments.

Where significant costs (greater than £1,000) relating to future financial years have been charged to a project, adjustments and/or corrections should be made to recognise those costs as prepayments. Areas of particular risk are:

* long-term contracts e.g. maintenance and support contracts for equipment;
* recharges from external bodies e.g. NHS staff costs; and
* conferences and travel costs.

Auditors are likely to question some of the larger payments that have been made on projects and whether these should actually be prepaid or accrued for.

In order to fulfil the reporting requirements, the following procedure should be adopted:

**Prepayments**

All Prepayments required should be entered on the appropriate year end form. Identify any payment made on a research grant over £100k during the last six months of the financial year.

1. If the payment is for work that has already been undertaken and includes a breakdown of staff costs for the period then no prepayment is required.
2. If the payment is a stage payment based upon completion of an activity then no prepayment is required.
3. If the payment is a stage payment for work not yet undertaken or a payment in advance then this will need to be prepaid:
	1. if there is a schedule included that indicates when the funding is to be spent then the University needs to prepay only the items that fall into next year;
	2. if there is no indication as to when the money will be spent then the payment should be prepaid based on the payment schedule and time apportioned.

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| **Example of 3a** Invoice date: 15 June 2022Total payment: £500,000Schedule:1. £50,000 to be spent in June
2. £100,000 to be spent in July
3. £100,000 to be spent in August
4. £75,000 to be spent in September
5. £75,000 to be spent in October
6. £100,000 to be spent in November

Prepayment required:* Only items iii to vi need to be prepaid as they fall into the next financial year.
* Total prepayment = £100,000 + £75,000 + £75,000 + £100,000 = £350,000.

**Example of 3b**Invoice date: 11 May 2022Total payment: £1,000,000Payment schedule indicates next payment due 11 June 2023.Prepayment required:* Total period = May 22 to June 23 = 14 months.
* Total months to end of financial year = May to July = 3 months.
* Prepayment required = £1,000,000 \* (14 – 3) / 14 = £785,714.
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**Accruals**

Full accrual for any costs incurred before year end and which have not yet been invoiced should be made in line with the [year end guidance](https://www.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/finance/oxonly/documents/financialplanningandreporting/Year_End_Manual_July_2015_v1.0.pdf) and on the appropriate year end form.

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| **Accruals example, assuming equal costs each month**Supply of services by an organisation. Organisation scheduled to invoice Oxford in January 2023 for actual costs incurred. Organisation commenced work in April 2022.      Budget awarded to organisation or estimated cost for this period = £1,200,000.* Total period = April to January = 10 months
* Months falling within current financial year = April to July = 4 months
* Accrual required = £1,200,000 \* 4/10 = £480,000
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### Suspense (NZ) Projects

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| University PolicyProject suspense accounts should be reviewed and cleared on a monthly basis. |

The Suspense Project is used as a holding pot for items that fail funds checking or have been charged to a project after its end date. The main sources of suspense account postings are payroll entries or Projects journals. Departments are notified by Research Accounts of transactions transferred to their suspense project on the day after the transfer occurs. Departments should check and clear their Suspense Projects **at least** monthly.

We do not recognise balances on Suspense Projects as research activity in the University’s Financial Statements, nor do we recognise revenue on those balances. The following table sets out the most likely reasons for items in the suspense account and solutions:

| **Reason** | **Solution** |
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| Item failed funds checking  | Review the relevant project budget on the system and determine whether the value of the budget is correct.* If the project budget is correct and there are sufficient funds left to code a portion of the failed costs to the project, you should post the relevant portion to the project and move any remaining costs to a departmental cost centre. Note that if you attempt to post a transaction for £1,000 to a project, and there is only £999 of budget available, the system will reject the entire £1,000; it will not just reject £1.
* If the project budget is incorrect and should be increased you should liaise with Research Services if an RPF2 is required, or your Research Accounts Advisor if an RPF2 already exists for the budgetary amendment. Once the budget has been corrected, you can move the costs into the relevant project.
* Where a sponsor has agreed in their terms and conditions to supplement awards in line with national pay awards, no RPF2 will be issued. You should contact your Research Adviser for advice on how to have the budget amended. Once the budget has been corrected, you can move the costs into the relevant project.
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| The project end date has expired | Review the end date on the system and determine whether this is correct or should be extended.* If the end date is correct and the expenditure cannot be posted to the project because it has finished, you should move the expenditure to a departmental cost centre.
* If the end date is incorrect you should check the end date on the RPF1. If the end date on Oracle is consistent with the RPF1, Research Accounts will require Form RPF2 from Research Services before the project can be extended. Once the end date is correct, you should move the costs to the relevant project.
* If you have costs that were incurred before the end date, but that were originally misposted and can still be included in the final claim to the sponsor, you should seek advice from your Research Accounts Adviser.
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### \*\*9970 Cost Centres

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| University PolicyProject suspense accounts should be reviewed and cleared on a monthly basis. |

The \*\*9970 cost centres are intended for use as a suspense account where costs are journaled from one expenditure type to another (please use the Transfer functionality for any other movements of expenditure items between projects/tasks). Balances on each of the natural accounts on the \*\*9970 cost centres should therefore be NIL.

We recommend that you review your \*\*9970 cost centre frequently (at least on a monthly basis), as balances on this cost centre are usually generated by journals entered incorrectly. Fixing the original journal should also result in the balance being cleared.

**Pre-Award (NX) Projects**

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| **University Policy** Project pre-award accounts should be reviewed and cleared (where possible) on a monthly basis. |

Departments may use pre-award accounts if it is necessary to incur expenditure in advance of an RPF1 or RPF2 for a research grant being issued by Research Services. The accounts should only be used when the financial risk is deemed to be minimal, and if Research Services have indicated that there is every reason to believe that the research will take place. Departments are advised to use separate tasks to differentiate between costs on the pre-award project that will ultimately be charged to different awards.

We do not automatically recognise balances on pre-award projects as research revenue. Every effort should be made to ensure that any balances on pre-award projects that can be moved onto a research project have been moved before year end. Where balances remain on pre-award projects after the Projects module closes, departments can request that an adjustment is made to recognise revenue on these balances in the Financial Statements.

To do this, you need to complete the appropriate return detailing the transactions that make up the balance on the pre-award project and the Research Services Case to which they relate. If Research Services agrees that there is every expectation that the award will be made, Research Accounts will make the necessary adjustment.

**Research Projects - Advances**

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| **University Policy** We do not recognise research revenue or bill sponsors for advances paid out, because until an expenses claim form showing how the advance has been applied is submitted, there is no certainty that the advance will be used in full or for a purpose that meets the award conditions. Failure to clear advances on a regular basis therefore results in pressure on the University’s cashflow. It also increases the risk of advances being non-recoverable.Departments should regularly review outstanding advances, and ensure that an Advance Reconciliation Form, adequately supported, is submitted as soon as possible, and no later than two weeks after the individual’s return. |

If expenditure is not cleared from the research project suspense, pre-award and \*\*9970 accounts, or if advances are not cleared promptly:

* The expenditure will be treated as general departmental expenditure and there is no corresponding revenue recognition for the department. This could have a significant impact on your year-end figures.
* Sponsor claims may be understated, which will impact University cash flows. If the under-claim is on a final invoice, the department may have to bear any unrecovered costs.
* The expenditure will not be treated as research in departments’ financial statements, and hence will not be recognised for the data returns to external bodies such as OFs. This may result in Quality-Related (QR) research funding being lost or delayed.

**Data verification exercise: charity support and business research QR research funding from OfS**

Research income data is submitted annually to OfS in order to claim charity support and business research QR (Quality-Related) research funding, and to comply with statutory reporting requirements.

Whilst Research Accounts checks the accuracy of the income figures, departments have to verify the following information as the returns can be subject to audit:

* Ensure that the sponsor name is correct.
* The accuracy of award Type/OfS category assigned to each award.
* Identify awards that fund only a studentship.
* Identify if a QR eligible award that runs for over five years has been externally peer reviewed after every five years.

Departments are sent out data for verification every quarter from the second quarter onwards with instructions on how the data verification should be carried out. A thorough check of the data is essential to ensure that the University fully claims QR funding and is prepared for audit queries.

### Who to contact with your queries

For queries on existing grant data or on Projects/GL cut-off issues, please contact Samuel Hannis (samuel.hannis@admin.ox.ac.uk) or your Research Accounts Advisor. If an RPF1 or RPF2 is required, contact Research Services.