

**To: Heads of higher education  
institutions in Wales  
Principals of directly funded further  
education colleges**

Reference: W06/23HE  
Date: 11 July 2006  
Response By: 31 October 2006  
Further Information: Hannah Falvey  
029 2068 2240  
hannah.falvey@hefcw.ac.uk

### **Audit of Higher Education Funding Data – Proposed New Process**

HEFCW is currently reviewing the process for auditing higher education funding data with the aim of reducing the burden on institutions whilst maintaining a high level of assurance.

Currently, we require that an external audit of data used in funding is undertaken each year for all institutions directly funded by HEFCW. The latest audit carried out was that for 2004/05 funding data and the request and guidance can be found in HEFCW circular letter W05/37HE and circular W05/43HE. This process will continue for the audit of 2005/06 funding data, due to be carried out in October 2006.

For the audit of 2006/07 funding data, we are proposing the changes outlined below to the existing process:

- An external audit would no longer be required to be undertaken at each institution every year;
- However, in order to maintain an adequate level of assurance with respect to the reliability of the data we propose to place reliance on institutions' own internal audit reports (either full audits or follow ups) in respect of the systems and processes for completing data returns. Institutions will be required to submit a copy of the internal audit report to HEFCW each year by a certain date, probably at the end of May;
- HEFCW reserve the right to request an external audit of data used in funding where an increased risk of error has been identified. Examples of such circumstances include:
  - A previous external or internal audit has given cause for concern;
  - An internal audit report has not been submitted within the given timescale;
  - There has been a significant change of staff or restructuring of a department responsible for making data returns to HEFCW;

- There has been a change of MIS system used to make the return;
- Equivalent data from different sources are not sufficiently alike;
- A merger has taken place.

HEFCW will inform the institution at least four months in advance of the need to provide an external audit report so that appropriate arrangements can be made with the external auditors;

- An external audit will be required at least once every five years for each institution regardless of the risks identified.

The proposed changes should still provide HEFCW with the assurance required in respect of the reliability of the funding data provided by institutions. The changes should also reduce the external audit burden for those institutions with satisfactory controls and consequently low risk of data error. Reliance will be placed on internal audit reports which should already be part of the internal audit plan due to the significance of the funding data to institutions.

However, we appreciate that the existing external audit reports form part of the institutions' assurance framework and therefore the impact of any changes to the process needs to be fully considered. We therefore invite you to provide us with your institution's views with respect to the proposed changes. In considering your views you may wish to discuss the proposals with the Audit and Risk Committees and obtain the views of your internal and external auditors. In order to allow sufficient time for you to consider and discuss these proposals we are asking for your comments and views to be submitted to us, addressed to Hannah Falvey, by **31 October 2006**.

If you have any queries about the current audit process or the proposed new process, please contact Hannah Falvey at [hannah.falvey@hefcw.ac.uk](mailto:hannah.falvey@hefcw.ac.uk) or 029 2068 2240.

Yours sincerely

Frances Good  
Head of Statistics and Information Services