

Cyngor Cyllido Addysg
Uwch Cymru
Higher Education Funding
Council for Wales

Cwrt Linden
Clos Ilex Llanisien
Caerdydd CF14 5DZ
Ffôn 029 2076 1861
Ffacs 029 2076 3163
www.hefcw.ac.uk

Linden Court
Ilex Close Llanishen
Cardiff CF14 5DZ
Tel 029 2076 1861
Fax 029 2076 3163
www.hefcw.ac.uk

hefcw

Cylchlythyr

Circular

Guidance for Internal Auditors to use in their Annual Internal Audit of HE Data Systems and Processes

Date: 27 August 2008
Reference: W08/29HE
To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in
Wales
Internal auditors of higher education institutions or directly
funded further education colleges in Wales
Response by: 30 May 2009
Contact: Name: Hannah Falvey
Telephone: 029 2068 2240
E-mail: hestats@hefcw.ac.uk

This circular provides guidance for internal auditors to use in their annual
internal audit of HE data systems and processes.

This document is available online, in
large print, Braille, on CD and on audio
CD and cassette. Should you or
someone you know require this in an
alternative format, please contact us on
(029) 2068 2280 or
email info@hefcw.ac.uk.

Noddir gan
Lywodraeth Cynulliad Cymru
Sponsored by
Welsh Assembly Government



Introduction

- 1 This Circular provides guidance to the internal auditors of higher education institutions (HEIs) and directly funded further education colleges (FECs) to use for their annual internal audit of the internal controls relating to the systems and processes in place to produce higher education (HE) funding data returns, and requests a copy of this internal audit report for each institution.
- 2 The Higher Education Funding Council for Wales (HEFCW) circular W07/17HE described the new process by which data used to calculate funding allocations, and the systems and processes used to produce the data, are to be audited. The new process replaced the annual audit of data returns by each institution's external auditors, with an external audit, commissioned by HEFCW, at each institution at least once every five years. In addition, in order to maintain an adequate level of annual assurance in respect of institution's data returns, HEFCW is relying on the assurance provided to institutions and their Audit Committees by their internal auditors in respect of the controls operating to manage the risks relating to the accuracy of data.
- 3 The internal audit will provide an opinion as to the adequacy and effectiveness of the controls in place to manage the risks relating to the accuracy of the data submitted by the institution to be used in calculations for the following funding streams:
 - Teaching funding (including per capita and premium funding);
 - Postgraduate research (PGR) training funding;
 - Quality research (QR) funding;
 - Third Mission funding.
- 4 This document provides guidance to the internal auditors about the nature of the controls that their audit should address to assess whether the systems and processes are adequate to provide accurate data returns and also to ensure that internal audits taking place across the sector are carried out on a consistent basis.
- 5 If the internal audit report's overall conclusion, or the conclusions relating to the adequacy of the design of the methods of control and the application of those controls, provides a negative opinion (e.g. limited or no assurance, unsatisfactory or inadequate controls) and/or the report includes a significant number of recommendations, an external audit will be commissioned by HEFCW. This external audit will consider the accuracy of the data return for the current period and also consider the findings of the internal auditor and aim to assess the extent of potential errors in the data returns for prior periods up to the last external audit. The findings of the external audit may result in adjustments to funding.

Funding Methodology

- 6 Outlines of the methodology used to calculate the formula driven elements of funding for teaching, PGR training, QR funding and Third Mission Funding, are given in Annex A. Annex B contains the criteria for inclusion of data in the allocations of per capita, premium and PGR training, and some elements of the Third Mission funding. Annex C contains a summary of some of the findings of past external and internal audits.

Scope of the Audit

- 7 The way in which internal audit work and controls testing is carried out at each institution will depend on the systems and controls in place and how information is shared within the institution. However, it is expected that the internal audit work will cover the elements highlighted in this document. Where previous internal audit work has found that the systems and controls in place are satisfactory, it may be considered appropriate by the institution's Audit Committee for subsequent audits to only cover areas of risk (see also paragraph 24).
- 8 Auditors should ascertain the processes by which data returns are compiled and document them to the extent necessary to enable an evaluation to be made of the adequacy of the existing controls used by the institution to ensure that they produce accurate data returns. Examples of the controls that the audit would normally be expected to assess are set out for all the funding streams and data returns in paragraphs 13 to 20. Many of the controls are common to the data returns for all of the funding streams. However, not all of the funding streams apply to all institutions, and auditors should refer to the relevant funding stream paragraphs.
- 9 Auditors should note that there are some areas where institutions may have to return estimates, where information is not known at the time of return or information is not available in the required form. Estimates can be made using methods suggested by HEFCW in its guidance, or if appropriate, institutions can use their own methods. Where estimates have been made, auditors should review the methods used to calculate them, confirm that they are properly documented, reasonable, consistently applied and tested for reliability.
- 10 In planning the audit, the Auditor should consider the findings and conclusions of the latest external and/or internal audit reports relating to systems and data returns for the institution and any follow up reports and correspondence with management to assess the extent of implementation of the reports' recommendations. It is expected that the audit reports will make reference to and comment upon the extent that recommendations made by auditors in the previous internal or external audit reports have been effectively implemented.

- 11 Internal audit reports submitted to HEFCW in May 2008 have highlighted some areas where guidance may have been misinterpreted by auditors. Clarification is provided below:
- HEFCW confirmation reports are provided to institutions so that institutions can check for themselves that HEFCW have correctly extracted data from the HESA or LLWR records according to HEFCW's criteria. If institutions are content that this has happened, then a signed copy of the report is returned to HEFCW. This is an important process that applies to all institutions.
 - Comparisons of summary HESA or LLWR data with EYM data would be made in order to check on the reasonableness of data returned to HESA or on the LLWR. For example, institutions may have a check in place to ascertain whether the same or a similar number of fundable students have been returned on both returns. Comparisons would not always be exact, given the differences in timing and definitions between the two returns, but such checks would test the credibility of the HESA or LLWR return and the consistency of returns.
 - Errors identified in previous returns do not only include those picked up by HESA or LLWR validation checks during the return of data or errors identified in previous audits. Errors may also have been identified during the process of checking HEFCW confirmation reports or by the institution during the application of its system controls.
- 12 All HEFCW circulars described below are available under 'publications' on the HEFCW website, www.hefcw.ac.uk.

Teaching funding

- 13 Teaching funding comprises:
- Funding allocated through the teaching funding method;
 - Per capita funding;
 - Widening access premium funding;
 - Disability premium funding;
 - Welsh medium premium funding.
- 14 Funding allocated through the teaching funding method is based on credit value data returned on the Higher Education Students Early Statistics (**HESES**) survey (latest version – HEFCW circular W07/43HE). Adjustments to funding are calculated using data taken from the End of Year Monitoring of Higher Education Enrolments (**EYM**) survey (latest version – HEFCW circular W08/21HE).

15 Testing of the systems and processes used to generate figures returned on the **HESES** and **EYM** surveys should aim to answer the following questions:

- Is the latest HEFCW guidance being utilised and adhered to, in particular, have changes from previous surveys been noted and appropriately implemented?
- Are data on the records system validated (e.g. a comparison of a sample of enrolment forms with data on the system)?
- Is the method of extraction of data used to make the returns documented?
- Is there an adequate audit trail to confirm that the data extraction method is being applied as documented?
- Are details of any manual amendments documented, with justification and/or appropriate authorisation of the changes?
- Is a copy kept of the data taken from the system to make the return?
- Is the final return checked against data on the system prior to submission and is there adequate evidence of this checking process?
- Is the verification approved and signed off by an appropriate person?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data returns are accurately prepared?
- Is the documentation of the system and staff resource sufficient to ensure that accurate data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of accurate data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data returned presented to the institution's senior management team?
- Is there a suitable process in place to ensure that staff who provide information (e.g. in departments) and staff compiling the return liaise as necessary to ensure that the most up to date information available relating to the survey period is included in the return?
- Is there evidence that validation and credibility checks are completed before returning data (e.g. scrutinising the credibility checks provided by HEFCW on the Excel spreadsheets; comparing EYM returns against HESES returns made earlier in the academic year; use of control totals)?

- Is the method for assigning JACS subject codes to modules and hence categorising credits into Academic Subject Categories (ASCs) documented and reasonable?
- Is there an adequate audit trail to confirm that the method for categorising credits into ASCs is being applied as documented?
- Are processes used to calculate estimates (e.g. non-completion rates) reasonable and documented, and is their reliability tested?
- Do processes ensure that evidence of enrolment and attendance available is complete and retained as part of the audit trail (e.g. enrolment forms, online enrolment records, module choice forms)?
- Are franchised out students correctly identified as such on the system, and not, for example, as distance learning students (where distance learning students are those that are students of the reporting institution, where staff employed by the reporting institution are responsible for providing teaching, but who are located away from the reporting institution and are not part of a franchising arrangement with another institution or organisation)?
- Are arrangements with franchise partners documented and are there controls in place to ensure that only the franchisor institution returns the provision?

16 For HEIs, per capita and premium funding is based on data taken from the Higher Education Statistics Agency (**HESA**) student and module records (coding manuals and guidance are available on the HESA website – www.hesa.ac.uk). For FECs, funding is based on data taken from the Lifelong Learning Wales Record (**LLWR**) (coding manuals and guidance are available on the Welsh Assembly website www.wales.gov.uk) for per capita and widening access premium funding; funding for the Welsh medium premium and the disability premium is based on returns made directly to HEFCW.

17 The fields and criteria used to extract data from the records are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W07/39HE). Testing of the systems and processes used to make these returns should aim to answer the following questions:

HESA returns:

- Do the controls include quality checks on individualised data prior to submission to HESA, in particular for data fields used in funding (e.g. checks that home postcodes have been correctly transcribed; fundability status is correct; highest qualification on entry is correct; those in receipt of disabled students' allowance (DSA) are recorded as such)?
- Where errors were identified in prior returns, by HEFCW, HESA or the institution, through audit or otherwise, particularly those

which led to reductions in funding, have processes been implemented to address these data errors?

- Where errors have been identified in prior returns, are the relevant data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?
- Are summaries of HESA data checked against EYM returns for consistency and credibility?
- Is there evidence that the check documentation, produced by the HESA data returns system after committing data, is scrutinised, and that any resulting issues are addressed?
- Is a copy kept of the final data submitted to HESA?
- Is the method used to calculate the proportion of a module taught through the medium of Welsh documented, reasonable and consistently applied?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data returns are accurately prepared?
- Is the documentation of the system and processes and the staff resource sufficient to ensure that accurate data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of accurate data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data submitted to HESA presented to the institution's senior management team?
- Are the HEFCW confirmation reports checked against data submitted to HESA to ensure that the HEFCW reports are accurate according to HEFCW criteria?

LLWR returns:

- Do the controls include quality checks on individualised data submitted to the LLWR prior to extraction by HEFCW of data used for funding purposes, in particular for data fields used in funding (e.g. checks that home postcodes at the start of the learning programme have been correctly transcribed; level of study of learning programme is correct; highest qualification on entry is correct; mainstream funding for the learning activity is correct)?
- Where errors were identified in past data, by HEFCW, WAG or the institution, through audit or otherwise, particularly those which led to reductions in funding, have processes been implemented to address these data errors?
- Where errors were identified in past data are the relevant data checked prior to submitting data to the LLWR which HEFCW will

extract for funding purposes to confirm that the error has not reoccurred?

- Are summaries of the LLWR data checked against EYM returns for consistency and credibility?
- Is a copy kept of the data submitted to the LLWR, at the time that HEFCW will extract data used in funding?
- Are the methods used to extract data relating to modules available through the medium of Welsh and students in receipt of DSA documented and reliable?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that accurate HE data are submitted to the LLWR?
- Is the documentation of the system and processes and the staff resource sufficient to ensure that accurate HE data can be submitted to the LLWR even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the return of HE data on the LLWR, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Is a summary report of HE data submitted to the LLWR presented to the institution's senior management team?
- Are the HEFCW confirmation reports checked against data submitted to the LLWR to ensure the HEFCW reports are accurate according to HEFCW criteria?
- Where, in addition to their directly funded provision, the FEC franchises provision in, are there controls in place to ensure that only the franchisor institution returns the provision and that the provision is not also returned on the LLWR?

PGR, QR and Third Mission Funding

- 18 PGR training funding is allocated to HEIs with Units of Assessment (UoAs) rated 3b or above in the 2001 RAE only and is allocated using data from the HESA student record. The fields and criteria used to extract the data from the record are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W07/39HE). Testing of the systems and processes used to record data relating to PGR students on the HESA return should aim to answer the following questions (in addition to those listed in paragraph 17 for HESA returns):

HESA returns:

- Are quality checks carried out on individualised data for data fields used in calculating PGR funding (e.g. fundability status is correct; JACS code is correct)?
- Are the HEFCW confirmation reports checked against data submitted to HESA to ensure the HEFCW reports are accurate according to HEFCW criteria?

- Where errors were identified in prior returns, by HEFCW, HESA or the institution, through audit or otherwise, particularly those which led to reductions in PGR funding, have processes been implemented to address these data errors?
- Where errors have previously been identified in PGR data, are the PGR data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?

19 QR funding is allocated only to those HEIs with UoAs rated 4 or above in the 2001 RAE. It is allocated using data from the 2001 RAE and the Research Activity Survey (**RAS**) survey (latest version - HEFCW circular W07/46HE). 2001 RAE data are not included in the scope of the audit. Testing of the systems and processes used to make the **RAS** return should aim to answer the following questions:

- Is the latest HEFCW guidance being utilised and adhered to, in particular, have changes from previous surveys been noted and appropriately implemented?
- Are data on the records system validated (e.g. a comparison of a sample of enrolment forms for research students with data on the student record system; a comparison of contracts for research assistants/fellows with data on the HR system)?
- Is the method of extraction of data used to make the returns documented?
- Is there an adequate audit trail to confirm that the data extraction method is being applied as documented?
- Are details of any manual amendments documented, with justification and/or appropriate authorisation of the changes?
- Is a copy kept of the data taken from the system to make the return?
- Is the verification approved and signed off by an appropriate person?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data returns are accurately prepared?
- Is the documentation of the system and processes and the staff resource sufficient to ensure that accurate data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of accurate data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data submitted presented to the institution's senior management team?

- Is there a suitable process in place to ensure that staff who provide information (e.g. in departments) and staff compiling the return liaise as necessary to ensure that accurate information is included in the return?
- Is there evidence that validation and credibility checks are completed before returning data (e.g. comparing data to returns made in the previous academic year)?
- Do the validation checks include a reconciliation of the charity income data with the information disclosed in the audited financial statements?

20 Third Mission funding is allocated to HEIs only and is allocated using data returned on the **HESA staff record**, HESA student record (coding manuals available on the HESA website www.hesa.ac.uk), the HE Business and Community Interaction (**HEBCI**) survey (HEFCW circular letter W06/50HE together with definitions and guidelines for returning data on part B of the survey available on the HEFCE website at www.hefce.ac.uk/faq/hebci.htm) and data from other sources. The data used in the allocation are described in more detail in Annex E of HEFCW circular 'Third Mission Funding Arrangements 2007/08 to 2009/10, W07/18HE. It should be noted that the same data were used to calculate funding for all three years. The systems and processes used to make returns to HESA and the HEBCI survey for data used in funding are included in the scope of the audit. Testing of the systems and processes used to make these returns should aim to answer the following questions:

HESA staff record returns:

- Do the controls include quality checks on individualised staff data prior to submission to HESA?
- Is there evidence that the check documentation produced by the HESA data returns system after committing data is scrutinised, and that any resulting issues are addressed?
- Is a copy kept of the final data submitted to HESA?
- Where errors were identified in prior returns, by HEFCW, HESA or the institution, through audit or otherwise, have processes been implemented to address these data errors?
- Where errors have been identified in prior returns are the relevant data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data return is accurately prepared?
- Is the documentation of the system and processes and the staff resource sufficient to ensure that accurate data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of accurate data returns, and related controls to manage these risks, adequately assessed and documented?

together with details of planned action to be taken, where relevant, to strengthen the existing controls?

- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data returned to HESA presented to the institution's senior management team?

HEBCI survey returns:

- Are HEBCI survey definitions and guidelines utilised and adhered to?
- Are validation and credibility checks carried out before returning data (e.g. comparisons with previous year's data)?
- Do the validation checks include a reconciliation of the income data with the information disclosed in the audited financial statements?
- Are the methods and processes used to collate and extract data documented?
- Is there an adequate audit trail to confirm that data extraction methods are being applied as documented?
- Is a copy kept of the final data submitted?
- Are the staff resources available, taking into consideration experience and expertise, adequate to ensure that the data returns are accurately prepared?
- Is the documentation of the systems and processes and the staff resource sufficient to ensure that data returns could be prepared even in the absence of some key staff?
- Is there a risk register in place and are the risks relating to the compilation of data returns, and related controls to manage these risks, adequately assessed and documented together with details of planned action to be taken, where relevant, to strengthen the existing controls?
- Are returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?
- Is a summary report of the data returned presented to the institution's senior management team?
- Is there a suitable process in place to ensure that staff who provide information (e.g. in departments) and staff compiling the return liaise as necessary to ensure that the most up to date information available relating to the survey period is included in the return?
- Are processes used to calculate estimates reasonable and documented, and is their reliability tested?

Interpretation and Guidance

- 21 Auditors should familiarise themselves with the latest, at the time of audit, HESES, EYM, RAS, HEBCI survey and HESA guidance. Some of the publications will be updated after publication of this circular and auditors should pay particular attention to any changes made to the data collected that imply changes to the way in which systems and processes work and assess whether institutions have made or intend to make appropriate adjustments. Between the publication of this circular and the deadline for submission of internal audit reports, the data requirements circular (September 2008) and HESES (October 2008) will have been updated.
- 22 Any further clarification relating to the guidance for making EYM, RAS, HESA/LLWR and HEBCI survey returns can be obtained from HEFCW.

Open University in Wales

- 23 HEFCW has responsibility for funding relating to teaching at the Open University (OU) in Wales. Currently the teaching funding allocated to the OU in Wales is ring fenced and therefore data returned by the OU are not directly used in funding allocations. However, the systems and processes used to compile data returns to HESA and HEFCW that are used in the calculation of teaching funding should be included in the scope of the internal audit as these data will be used in future to calculate funding allocations. The OU in Wales does not receive PGR, QR or Third Mission funding from HEFCW.

Reporting

- 24 The annual internal audit plan should include a review of the controls in place to manage the risks relating to the submission of accurate data returns. This review should include an assessment of the adequacy of the controls documented in paragraphs 13 to 20 above as relevant. However, the precise scope of the internal audit work completed will be determined by each institution's assessment of the risks relating to their institution's data return and it is expected that the internal audit work will focus on the higher risk aspects of the data return system, for example, issues identified in previous audits, or aspects not covered in previous audits.
- 25 The timing of the internal audit work should be arranged so that the internal audit report can be completed and presented to the institution's Audit Committee before a copy of the report is sent to HEFCW by 30 May 2009.
- 26 The internal audit report should include
 - A description of the objectives of the audit and the risks and controls included within the scope of the audit;
 - Details of the audit work completed;

- Details of issues identified during the audit and the recommendations made to address these;
- A consideration of the recommendations made in previous audit reports and the extent to which these have been effectively implemented;
- Management's responses to the report's recommendations and the agreed timescales for their implementation;
- Details of any disagreements or recommendations which were not accepted by management;
- A clear conclusion and overall opinion as to the adequacy and effectiveness of the controls in place to manage the risks relating to the accuracy of the data returns included within the scope of the audit.

27 If the internal audit report's overall conclusion, or the conclusions relating to the adequacy of the design of the system of control and the application of those controls, provides a negative opinion (e.g. limited or no assurance, unsatisfactory or inadequate controls) details of the significant exceptions giving rise to this opinion should be provided in the report. In these circumstances the institution's Audit Committee and HEFCW should be informed of the relevant issues as soon as possible.

28 The institution's Audit Committee should include reference in its annual report to the reports and assurances that it has received during the year in respect of the controls in place to manage the quality of data returns made by the institution for funding purposes.

29 A copy of the audit report and any associated correspondence should be sent to HEFCW no later than **30 May 2009**, to:

Hannah Falvey
HEFCW
Linden Court
The Orchards
Ilex Close
Llanishen
Cardiff CF14 5DZ

30 Details of the internal audit work and reports completed since the last external audit of the funding data should be retained and be made available to the external auditors of the data returns during their visits. The HEFCW Audit Service may also wish to review these reports and related papers during their periodic visits to the institution.

Further Information

31 Further guidance and information is available from Hannah Falvey (029 2968 2240, hestats@hefcw.ac.uk).

HEFCW Recurrent Funding

Funding for Teaching 2008/09

- 1 The current HEFCW funding methodology is based on a standard Unit of Funding (UoF) for each subject area. The majority of funding for teaching, other than for quota provision (i.e. provision other than full-time initial teacher training leading to qualified teacher status, or full-time undergraduate medicine and dentistry), is allocated by means of a formula which consists of three elements – core, addition and recovery. Funded credit values associated with core funding are based on the number of fundable credit values after adjustment for non-completions and the number of funded credit values, for the previous year. Core numbers in each institution are maximised by making adjustments as far as possible in line with the pattern of the current year's enrolment; addition numbers are based on policy priorities; and recovery numbers offset occasional dips in enrolment.
- 2 In order to calculate UoFs, the UoFs for the previous year are adjusted by an efficiency gain and increased by GDP.
- 3 The Council makes two other types of payments: per capita and premium. Both are based on the numbers of enrolments achieved the previous year. Details of criteria for inclusion are given in Annex B.
- 4 Per capita payments recognise the fixed costs attached to all students, those of enrolment, records etc. They are made pro rata from a pre-determined fund, subject to a minimum study requirement of 10 credit values.
- 5 Premium payments operate in three areas: widening access, disability and Welsh medium provision.
- 6 The widening access premium is an amount per undergraduate enrolment for students from low affluence areas, plus an amount per undergraduate enrolment for students from Community First areas that are equivalent to the 100 most deprived electoral divisions, plus a pro rata allocation based on students with non-traditional qualifications, subject to a minimum 10 credit value study requirement. Non-traditional qualifications comprise Access courses, ONC, OND, BTEC, SCOTVEC, GCSE or O level qualifications, other non-advanced qualifications, foundation courses, Accreditation of Prior (Experiential) Learning (APL/APEL), mature students admitted on the basis of previous experience and no qualifications.
- 7 The disability premium is an amount per enrolment for students in receipt of DSA, subject to a minimum 10 credit value study requirement; and the Welsh medium premium is a weighting on the funding attracted by modules undertaken through the medium of Welsh.

Funding for Postgraduate Research Training 2008/09

- 8 The Council introduced its current PGR training funding allocation method in 2000/01. Grants are calculated using the institution's confirmed postgraduate research enrolment figures from the previous year. Grants to institutions are calculated by applying a UoF to postgraduate research enrolments for particular groups of subjects. Qualifying enrolments are those in Departments rated 3b or above in the 2001 RAE, or in Departments in receipt of Research Council Funding, and within prescribed time limits for study: 3 and 2 years for a full-time PhD and MPhil respectively; 6 and 4 years for a part-time PhD and MPhil respectively.

Funding for Research 2008/09

- 9 There are two elements of funding for research for 2008/09, QR funding, which is driven by formulae, and the Research Investment Fund (RIF). RIF funding was introduced for 2004/05 and is allocated based on data returned on the 2001 RAE and is therefore out of the scope of this audit. QR funding is included in the scope of this audit, and is allocated to institutions with units of assessment that were rated 4 or above in the 2001 RAE.
- 10 QR funding is allocated by apportioning the available funding in proportion to a measure of research activity volume, a measure of research quality, and the base rate of funding for each RAE unit of assessment. Most of the data used are drawn from the 2001 RAE and previously calculated relativities between research costs in different subject areas; these are not updated each year. The part of the volume measure relating to research students (RS), research assistants (RA), research fellows (RF) and charity income (CI) is an average over two years and is taken from the RAS survey. The weightings of these activities in the volume measure are relatively low (weights: RS=0.15; RA=0.1; RF=0.1; CI=0.25/25,000) compared with research active staff (RAE category A or incoming A*) who have a weighting of 1.0. In addition to the funding allocated in relation to research volume, an additional element of funding has been included from 2007/08 which relates to charity income. This element is allocated pro rata to the charity income reported on the RAS, averaged over two years.

Third Mission Funding 2007/08 – 2009/10

- 11 A new method for allocating Third Mission funding was introduced for 2007/08 to 2009/10. Allocations comprised foundation funding (a set amount per institution) and formula funding.
- 12 Funding allocated through formula is broken down into three elements. The first element is allocated in relation to Potential and Capacity Building, allocated on the basis of staff FTE taken from the HESA staff record. The second relates to Rewarding Performance (income related), allocated on the basis of data taken from the HEBCI survey relating to contract

research income; income from intellectual property rights; income for regeneration; and income from collaborative research activity. The third element relates to Rewarding Performance (non-income related), allocated on the basis of data taken from the HEBCI survey relating to number of graduate start-ups; number of licences; number of active spinouts; number of consultancy contracts; number of facilities and equipment related services contracts; and total learner days for CPD/CE courses; data taken from the HESA student record relating to the number of industrial placements and the number of outgoing exchange students; and data relating to the number of engagements with the Knowledge Exploitation Fund (KEF), beneficiaries of the GO Wales 2 scheme and businesses engaged with GO Wales. Data relating to KEF and GO Wales are out of the scope of this audit.

Eligibility Criteria for HESA/LLWR based data

- 1 For all student based data, students should be active within the reporting period, and not studying the whole programme outside of the UK. In addition, for per capita, premium and PGR training funding allocations, students should be fundable by the Council.

Per capita funding criteria for inclusion

- Student is studying at least 10 credit values [or more than 75 taught hours for HE students in FECs].
- Student is studying at undergraduate or postgraduate taught level.
- Each student counted only once irrespective of the number of courses the student is studying.

Widening access premium criteria for inclusion

- Student's postcode is in a low affluence area and/or a Community First area and/or their highest qualification on entry is considered non-traditional.
- Student studying at least 10 credit values [or more than 75 taught hours for HE students in FECs].
- Student studying at undergraduate level.
- Each student should be counted only once irrespective of the number of courses the student is studying.

Disability premium criteria for inclusion

- Student is in receipt of DSA.
- Student studying at least 10 credit values or 8.3% FTE [or more than 75 taught hours for HE students in FECs].
- Student studying at undergraduate or postgraduate level.
- Each student should be counted only once irrespective of the number of courses the student is studying.

Welsh medium premium criteria for inclusion

- Student studying at undergraduate or postgraduate taught level.
- Student studying at least 2 credits of a module through the medium of Welsh.
- Student not studying on a Welsh language or literature module.

Postgraduate research training funding criteria for inclusion

- Students studying for postgraduate research qualification.
- Enrolments must be in ASCs associated with departments which were judged eligible for funding due to being rated 3b or above in the 2001 RAE; or that were rated 2 in the 2001 RAE and received grants or studentships from Research Councils or the British Academy.

- Funding is limited to 3 years for a full-time programme of study leading to a PhD and 6 for a part-time programme. Limits for MPhil programmes are set pro-rata to those for PhDs. Funding against transfers from MPhil to PhD is available only for the balance of time up to the limits for PhD.
- Each student should be counted only once irrespective of the number of courses the student is studying.

Third Mission funding criteria for inclusion (students)

- Students on an industrial placement for whole or part of the year (HESA 2006/07 student record field 71 LOCSDY = D or E).
- Students on an ERASMUS/SOCRATES outgoing exchange programme for whole or part of the year (HESA 2006/07 student record field 28 SPCSTU = 7).

Third Mission funding criteria for inclusion (staff)

- Managerial, academic, professional, technical and administrative staff (HESA staff record contract FTE - field 09 CONFTE – counted where activity (fields 24, 27, 30, ACT1-ACT3) is coded 1 to 4a).
- Staff with an active contract in the academic year.
- Excludes atypical staff.

Findings of Previous Audits

- 1 Findings of external and internal audits carried out in previous years are summarised below. Some of the findings highlight problems with interpretation of guidance or reporting systems within the institution. Other points highlight that even where a course/module was completed, or a student was eligible to be counted for a funding allocation, there was lack of evidence to show that this was the case. Note that findings for 2004/05 and 2005/06 relate to external audits and findings for 2006/07 relate to 2006/07 external audits carried out under the new arrangements and internal audit reports returned in May 2008. Findings for audits prior to 2004/05 can be found in previous versions of guidance notes for auditors.

Interpretation of Guidance/Reporting Systems

- 2 Findings relating to the EYM survey:

2004/05 audit

- There were minor discrepancies in the number of credit values returned on the EYM.
- There was no overall reconciliation of the student records system and Access, which was used to extract information from the system.
- A significant proportion of part-time distance learning students taking modules that span more than one academic year had not completed assessment procedures for the modules, however, it had been assumed in the EYM return that all assessment procedures would be fulfilled in future.
- Non-completion rates had been calculated and applied to full-time credit values, however, the actual percentages were not substantiated by any detailed calculations.
- Credit values for repeat year students undertaking a particular course were unable to be verified due to significant restructuring of the courses.

2005/06 audit

- An undergraduate student had been recorded as a postgraduate student.
- Full-time postgraduate taught credit values were understated and full-time undergraduate non-degree credit values were overstated.
- Part-time undergraduate credit values were understated.
- A nil return was made for Table 4 (franchised out), however, the institution had a small number of franchised out courses.
- On the franchised out table (Table 4), a number of students had been attributed to the wrong institution.
- The number of enrolments was overstated on Table 3.

2006/07 audit

- Withdrawal forms were not forwarded to Academic Registry in a timely manner.
- Sufficient validation checks at the data entry stage of the system were not in place.

- Enrolment forms had not been filed according to the prescribed procedure.
- The student system development team had not completed a risk assessment of their specific tasks.
- Risks relating to the compilation of accurate returns were not included on the risk register.

3 Findings relating to HESA/LLWR student data:

2004/05 audit

- Several students returned as being in receipt of DSA were identified as not being in receipt of DSA. They were recorded as such as they had been in receipt of DSA in previous years.
- The HESA return showed a different number of students in receipt of DSA than the student services listing.
- One student was counted twice in the calculation of the per capita allocation.
- The records system showed that the number of students eligible to be included in the per capita allocation was greater than the number actually included in the allocation.
- Updated records indicated that additional students should have been included in the per capita and disability premium calculations.
- Supporting reports for the widening access premium differed to the number of students recorded as eligible to be included in the calculation of the premium.
- A small number of students included as eligible for the widening access premium were not eligible.
- The number of Welsh medium FTEs included as eligible in the calculation of the Welsh medium premium allocation differed to the supporting report.
- A small number of students included in the calculation of the PGR training allocation were found to be taught postgraduate students.

2005/06 audit

- Verified per capita numbers were understated.
- Verified per capita numbers were overstated.
- Verified figures for the widening access premium differed to supporting reports for some or all elements of the premium – low affluence areas, Community First areas and non-traditional qualifications.
- A student was found to have an updated postcode on the HESA record rather than their home postcode.
- The highest qualification on entry had been incorrectly coded for a number of students.
- The number of students in receipt of DSA was understated in the verified figures.
- A module was incorrectly included in the calculation of the Welsh medium premium.
- The number of students on modules included in the Welsh medium premium was understated.

2006/07 audit

- Risks relating to the compilation of accurate returns were not included on the risk register.
- Anomalies on the records system relating to date of birth and duplicate records were found.

4 Findings relating to HESA staff data:

2006/07 audit

- Risks relating to the compilation of accurate returns were not included on the risk register.

5 Findings relating to the RAS survey:

2004/05 audit

- A small number of staff included on the RAS as research assistants were not research assistants.
- A small number of people recorded as research fellows on the RAS had left the institution prior to the census date.
- The FTE of research students was understated on the RAS.

2006/07 audit

- Risks relating to the compilation of accurate RAS returns were not included on the risk register.

6 Findings relating to the HEBCI survey:

2006/07 audit

- An error was found in the income reported on the HEBCI survey return.
- Risks relating to the compilation of accurate returns were not included on the risk register.

Lack of Evidence/Other

7 Findings relating to the EYM survey:

2004/05 audit

- Enrolment forms could not be found for a small number of students.
- The extract of data taken from the system to compile the EYM return was not saved, therefore the EYM figures could only be compared to the live database and not the extract. This resulted in an apparent overstatement of credit values on the EYM.

2005/06 audit

- Enrolment forms could not be found for a small number of students. However, their existence and attendance was confirmed by class lists and exam board reports.
- Withdrawal forms or other supporting documentation could not be provided for students who had withdrawn.
- The number of credit values associated with students due to resit had been reduced to take account of non-completions. However, these adjustments were not based on historical experience, as the institution

had altered its recruitment and retention policies, so percentages used were not supported by auditable evidence.

- For a number of franchised courses, signed agreements were not in place.
- European summer school students did not have all modules that they were enrolled on reflected on their enrolment forms.

2006/07 audit

- Evidence that changes to guidance have been noted was not available.
- Processes and procedures for compiling returns were not documented.
- Signed evidence demonstrating that validation and credibility checks were undertaken prior to submission of the return was not retained.
- A copy of the returned data was not kept.
- Calculations of estimates and the testing of these estimates were not documented.
- Summary reports of data were not presented to the Senior Management Team.
- Evidence of approval of the final return by a senior official was not available.
- The contract with the software supplier was not available.
- The franchise contract did not explicitly include the responsibilities of the each of the parties with regard to gathering and recording of information for the student returns.

8 Findings relating to HESA/LLWR student data:

2004/05 audit

- For a proportion of students recorded as being in receipt of DSA there was no evidence that they were in receipt of DSA.
- Enrolment forms could not be found for a small number of students included in the per capita and premium allocations.
- Enrolment forms could not be found for a small number of students included in the PGR training allocation.
- A file could not be located for a student included in the PGR training allocation.

2005/06 audit

- Enrolments forms could not be found for students included in the verified per capita and widening access figures.
- There was no evidence available that a number of students included in the calculation of the disability premium were in receipt of DSA.
- Information relating to a number of PGR students could not be found and in addition, evidence of withdrawal could not be found for others.

2006/07 audit

- The method used to calculate the proportion of a module taught through the medium of Welsh was not documented.
- Evidence that changes to guidance have been noted was not available.
- Policies and procedures relating to the completion of the HESA student record were not documented.
- Evidence of qualifications obtained prior to enrolment was not on file.
- Evidence of the scrutiny performed on the HESA check documentation was not retained.

- Evidence that checks were performed in relation to errors identified in previous years was not retained.
- Summary reports of data were not presented to the Senior Management Team.
- Spot checks were not undertaken on the data on a periodic basis.
- Data were not formally reconciled to the EYM return.
- The job descriptions of staff in the MIS department were not up to date.

9 Findings relating to HESA staff data:

2006/07 audit

- Evidence that changes to guidance have been noted was not available.
- Policies and procedures relating to the return were not documented.
- Evidence that check documentation for the return is reviewed and issues addressed was not retained.
- Evidence of checks performed in relation to errors identified in previous years was not retained.
- Spot checks were not undertaken on the data on a periodic basis.
- Summary reports of data were not presented to the Senior Management Team.

10 Findings relating to the RAS survey:

2004/05 audit

- No contract of employment was found for one research assistant. However, payslips were available.
- Enrolment forms could not be found for some research students included in the RAS.

2006/07 audit

- The processes and procedures were not documented.
- The method of assignment of PGR students to UoAs was not clear.
- The job description of the person responsible for the RAS return was not up to date.

11 Findings relating to the HEBCI survey return:

2006/07 audit

- Policies and procedures for compiling the HEBCI return were not established.
- Policies and procedures for compiling the HEBCI return were not documented.
- Estimates were not reviewed for appropriateness prior to inclusion in the return.
- The calculation of estimates was not documented.
- The reliability of estimates was not tested.
- Summary reports of data were not presented to the Senior Management Team.
- The job description of the person responsible for the HEBCI return did not include collation and submission of the return.