

# Cylchlythyr

# Circular

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

**Date:** 18 August 2009  
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**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:** 28 May 2010  
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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](mailto:info@hefcw.ac.uk).



## 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 the recommendations of the most recent 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 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](http://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 W08/33HE). Adjustments to funding are calculated using data taken from the End of Year Monitoring of Higher Education Enrolments (**EYM**) survey (latest version – HEFCW circular W09/17HE).

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?
- If the institution is the lead institution of an ITT School, for the purpose of returning data to HEFCW about ITT (QTS) provision, is there a process in place to receive data about ITT (QTS) provision from the partner institution?
- If the institution is part of an ITT School but does not return data directly to HEFCW about ITT (QTS) provision, is there a process in place to provide correct data to the institution that returns data to HEFCW for the whole school?

16 For HEIs, per capita and premium funding is based on data taken from the Higher Education Statistics Agency (**HESA**) student record (coding manuals and guidance are available on the HESA website – [www.hesa.ac.uk](http://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](http://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 W09/12HE). 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) submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff 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 W09/12HE). 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; UoA 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 submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff. It was allocated in 2009/10 using data from the 2008 RAE and will be allocated in future years using data from the 2008 RAE and the Research Activity Survey (**RAS**) (the latest version is HEFCW circular W07/46HE; an updated version will be available in autumn 2009). 2008 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](http://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 from the statistics web pages of the HEFCW website) 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 (autumn 2009), HESES (October 2009) and RAS (autumn 2009) will have been updated.
- 22 Any further clarification relating to the guidance for making HESES, 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 28 May 2010.
- 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 **28 May 2010**, 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](mailto:hestats@hefcw.ac.uk)) or Rachael Gray (029 2068 2243, [hestats@hefcw.ac.uk](mailto:hestats@hefcw.ac.uk)).

### HEFCW Recurrent Funding

#### Funding for Teaching 2009/10

- 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 ITT (QTS), 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 2009/10

- 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 UoAs submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff, 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 2009/10

- 9 The method of allocating QR funding changed for 2009/10. QR funding is allocated to institutions with UoAs submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff. For 2009/10 funding, data taken from the 2008 RAE were used in allocating funds. For 2010/11 funding, data will be taken from the 2008 RAE and from the 2009/10 RAS.
- 10 QR funding has three elements: a main allocation; a charity income allocation; and a rewarding excellence allocation. The main allocation is allocated by apportioning the available funding in proportion to research volume weighted for quality and subject. Previously calculated relativities between research costs are used for different subject areas. The parts of the volume measure relating to research students (RS), research assistants (RA), research fellows (RF) and charity income (CI) are weighted in the volume measure (weights: RS=0.15; RA=0.1; RF=0.1; CI=0.25/25,000). Research active staff (RAE category A) have a weighting of 1.0. The charity income element is allocated pro rata to charity income. The rewarding excellence element is allocated pro rata to subject weighted volume in the 4\* quality level. Total funding is calculated as the sum of the three elements.

### 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.
- 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.
- 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 for postgraduate research students.
- 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 UoAs submitted to the 2008 RAE where the UoA has 3 or more classified FTE Category A staff.
- 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 2005/06 student record field 71 LOCSDY = D or E).
- Students on an ERASMUS/SOCRATES outgoing exchange programme for whole or part of the year (HESA 2005/06 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.

### Recommendations from previous audits

- 1 The following provides a summary of the recommendations made on the internal audit reports submitted to HEFCW in May 2009 and the external audits carried out in 2008. Where a recommendation relates to more than one stream of data, the recommendation has been included under all relevant streams. The same recommendation made at more than one institution is included only once. Findings for past audits can be found in previous versions of these notes.

#### HESES/EYM returns

- Formal documentation of the system and processes for collecting data and compiling data returns should be prepared and made available to staff as soon as possible. This should include a formally agreed method of estimating non-completions to be included on the EYM.
- Procedures for statutory returns should be formally approved and referenced to the financial procedures manual as soon as possible.
- It would be best practice for the preparer of the returns to write a brief executive summary of any issues relating to the return.
- It would be worth enhancing the procedure notes so that they clearly describe the source of information used to arrive at each line in the calculation of the return figures.
- Officers compiling the EYM should request exam board reports and sample check that the students included on the EYM as having sat exams have actually done so.
- Non-completions should be shown in all relevant columns of the EYM return.
- The methodology for forecasting non-completion credits should be based on a trend analysis of actual non-completions.
- A copy of the calculations used to estimate the student withdrawal rate should be retained.
- The risk register should be reviewed to ensure that the risks associated with the compilation of accurate data returns are adequately addressed.
- Differences found between the EYM return and the supporting schedules should be resolved with the software supplier.
- Supporting schedules to support Table 2 of EYM should be retained.
- Summary reports of data returned should be presented to the Senior Management Team on a regular basis.

- The agenda and notes from meetings with senior managers to consider HEFCW data returns prior to submission should be retained
- The independent checking of the final HESES survey and EYM tables should be signed off.
- Continued training should be provided ensure a deputy is able to prepare HE data returns and is familiar with the required processes.
- Working papers for HESES should be signed and dated to confirm when and by whom the data have been checked.

### **HESA student record**

- Formal documentation of the system and processes for collecting data and compiling data returns should be prepared and made available to staff as soon as possible.
- Methods for compiling data relating to the proportion of a module taught through the medium of Welsh should be agreed centrally and supporting documentation showing how estimates have been completed should be collected centrally.
- Checks should be carried out on returns relating to Welsh medium data before they are submitted to ensure that the data contained in them are accurate.
- A documented exercise should be undertaken to assess the demands on IT staff time during August and September when the HESA return is prepared.
- Consideration should be given to whether the IT department has sufficient capacity to meet its operational demands.
- Data submitted to HESA should be formally reconciled to the EYM return.

### **RAS**

- Formal documentation of the system and processes for collecting data and compiling data returns should be prepared and made available to staff as soon as possible.
- RAS return procedures should be documented and approved, to include operational guidance for staff, as soon as possible and evidence should be sought to confirm that procedures have been approved before they are distributed to relevant staff.

- Summary reports of RAS data should be presented to the Senior Management Team on a regular basis.
- The comparison of data to RAS returns made in the previous academic year used as a credibility check should be formally evidenced.

### **HESA staff record**

- Formal documentation of the system and processes for collecting data and compiling data returns should be prepared and made available to staff as soon as possible.
- Summary reports of staff data returned should be presented to the Senior Management Team on a regular basis.
- A clear audit trail and supporting documentation should be retained for the completion of all data returns, especially where the data relate to previous financial years.
- Consideration should be given to the specific risks associated with the collation of staff data returns and identification of the controls in place to manage those risks.
- Consideration should be given to providing, for information, summary reports of the HESA staff data to the Human Resources Task Group.

### **HEBCI Survey**

- The method of extraction of data used to make the HEBCI return and the process of compiling the HEBCI return should be documented, including establishing clear lines of responsibility of officers involved in the process. The procedures should be approved and distributed as soon as possible.
- Risks relating to the compilation of accurate HEBCI returns should be considered. The controls in place to manage those risks need to be identified and should be documented together with, if appropriate, any action plans for strengthening controls together with the officer(s) responsible.
- A clear audit trail and supporting documentation should be retained for the completion of all data returns, especially where the data relate to previous financial years.
- A field should be used for analysing a project code by SME, non-SME or non-commercial organisation.
- The database should be modified so that licences granted can be indicated.

- Each department should keep a central record of each (public) event together with the academic staff times involved and the number of attendees. In order to ensure this occurs efficiently, a model register should be developed to submit to each department.
- HEBCI data should be presented to the Senior Management Team.

### Franchise

- The contract for collaborative provision should be signed as soon as possible.

### System

- Management should ensure that registers are completed accurately and in a timely manner and investigate whether it is possible to generate a report from the system highlighting absence marks that have been changed to present.
- Management should ensure that dates relating to receiving and inputting data from enrolment forms are documented and that all sections of the enrolment form are completed.
- Staff should be reminded of the importance of returning enrolments forms in a timely manner and forms should be processed in a timely manner. HE enrolment forms should be accurately input onto the student record system and a validation/quality check should be undertaken by a second member of staff to ensure division of duties.
- Lecturers and course tutors should communicate withdrawals and transfers at the earliest opportunity and return fully completed audit forms by the deadline indicated. Staff should be reminded of the importance of the timely recording of withdrawals. The last attendance date should be checked to ensure an accurate withdrawal date is recorded and the student is marked as withdrawn.
- Management should consider if it is appropriate to allow all staff access to student information via the intranet.
- The intranet site should be updated to accurately reflect the roles that staff are performing. The service level agreement (SLA) should be finalised and agreed as soon as possible to clearly define roles and responsibilities for staff.
- Key Performance Indicators should be developed and monitored to ensure compliance with the SLA.

## **Annex C**

- In the medium term, a duplicate record report should be developed and its priority reappraised. In the short term, a report should be provided listing students with more than one student number.
- Consideration should be given towards revisiting the progression process to ensure that more appropriate course results can be recorded.
- The planning group should be reviewed to ensure that it is up to date and authorisation process to add/delete users should be agreed. Consideration should also be given to moving files and data to a more restricted group.
- Existing procedures for the granting of access to the system should be enhanced to enforce authorisation of all user access.
- Consideration should be given to how user education regarding password security can be strengthened.

### **General**

- Job descriptions of staff should be updated.