

Circular

Audit of Higher Education Funding Data – New Process for 2007

08 May 2007

Ref: W07/17HE

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

Summary: HEFCW's Audit and Risk Committee has
approved the proposals for a new process
for the audit of higher education funding
data.

Response by: No response required

Further information: Hannah Falvey
Telephone: (029) 2068 2240
E-mail: hannah.falvey@hefcw.ac.uk

Audit of Higher Education Funding Data – New Process for 2007

Following HEFCW's correspondence of 12 January 2007, we are pleased to confirm that the HEFCW Audit and Risk Committee has approved the proposals for a new process for the audit of higher education funding data.

Institutions were originally asked for their views on a proposed new process in HEFCW circular letter W06/23HE. The responses from institutions to this consultation were primarily positive, though there were some concerns, mainly relating to costs and consistency of opinions. These included:

- Relying on internal audits will result in additional internal audit work.
- Switching to occasional external audits will lead to higher audit fees.
- Low volume of HE provision makes an external audit more efficient than including the HE funding data systems in the internal audit cycle (for FE institutions).
- Whether the audit process will extend to FE provision.
- The extent to which the internal audit coverage would have to increase.
- Whether internal audit reports can be used by HEFCW to judge the reliability of student data from different HEIs in a consistent manner.
- Whether the internal audit will cover data from the previous academic year given the internal audit report is to be returned in May.
- Whether the external audit would cover the same ground as existing external audits.
- Auditors may not be fully qualified to determine whether forecasting models are suitable.

These concerns were taken into consideration and some amendments have been made to the original proposals. The main change is that the external audits will be completed by an external auditor appointed by HEFCW. This should provide consistency of approach, expertise will be built up and quality should be maintained. In addition, as these audits will be funded by HEFCW, the overall cost to institutions should be reduced. Detailed guidance will be issued to internal auditors in order to confirm the coverage of the internal audit, ensure consistency and outline what is expected from the report sent to HEFCW. We are also currently in discussion with WAG colleagues about possibilities for streamlining the audit of funding data for institutions that have both HE and FE provision. Institutions will be kept informed of any developments.

The new process is outlined in detail below:

- An external audit will no longer be required to be undertaken at each institution every year;
- In order to maintain an adequate level of assurance with respect to the reliability of the data, reliance will be placed on institutions' own internal audit reports (either full audits or follow ups) in respect of the systems and processes for completing data returns. Institutions will be required to submit a copy of the internal audit report to HEFCW each year by the end of May;

- The purpose of the internal audit will be to test the systems and processes used to manage and collate the data used in funding by HEFCW. Standard guidance will be produced for internal auditors by HEFCW to ensure consistency;
- An internal audit will be carried out each year, regardless of whether an external audit is also carried out;
- HEFCW will commission an external audit at each institution once every five years. Additional external audits will be required where an increased risk of error is identified. Examples of such circumstances include:
 - A previous external or internal audit has given cause for concern;
 - An internal audit report has not been submitted within the given timescale;
 - There has been a significant change of staff or restructuring of a department responsible for making data returns to HEFCW;
 - There has been a change of MIS system used to make the return;
 - Equivalent data from different sources are not sufficiently alike;
 - A merger has taken place.
- The external audit will consist of a check of the accuracy of the data returns to confirm that data used in funding had been returned in accordance with HEFCW criteria. The systems and processes will also be within the scope of the external audit but, where satisfactory, the external auditor will be able to place reliance on the internal audit work and report;
- HEFCW will manage the external audit process by:
 - Appointing an external auditor to carry out all audits in a given five year period;
 - Providing guidance to the external auditor;
 - Drawing up a 12 month plan detailing which institutions will be included in the sample for audit in that year. Any external audits due to special circumstances will be added to this plan.
- External auditors will report back to HEFCW, with a copy of the report sent to the governing body of the institution.

The new process will start in September 2007 with those institutions identified as having an increased risk of error being audited at that time. It should be noted that there will not be any audits carried out on a sample basis in 2007. The timetable for the next two years is set out below.

June/July 2007	Detailed guidance for both internal and external auditors issued. Institutions informed whether or not they will be included in the external audit of at risk institutions for 2007.
August 2007	Meetings held with internal and external auditors to go through the new process and discuss any concerns.
September 2007	At risk institutions audited.

May 2008	Internal audit reports returned to HEFCW by all institutions.
June 2008	Updated guidance issued for internal and external auditors. Institutions informed whether or not they will be included in the external audit for 2008 (either on a sample basis or because they are considered to be at risk).
September 2008	Selected sample and at risk institutions audited.
May 2009	Internal audit reports returned to HEFCW by all institutions.
May/June 2009	Review of new process by HEFCW.

If you have any questions about the new process, please contact Hannah Falvey at hannah.falvey@hefcw.ac.uk or 029 2068 2240.