

Cylchlythyr | Circular

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

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Principals of directly-funded further education colleges in
Wales
Internal auditors of higher education institutions or directly
funded further education institutions in Wales
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This circular provides guidance for internal auditors to use in their annual internal audit of HE data systems and processes.

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Introduction

1. This circular provides guidance to the internal auditors of higher education institutions (HEIs) and directly funded further education institutions (FEIs) 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 (comprising Public Investment Fund (PIF), part-time (PT) and postgraduate taught (PGT) credit-based funding, per capita and premium funding);
 - Postgraduate research (PGR) training funding;
 - Quality research (QR) funding;
 - Innovation and Engagement (I&E) Fund.
4. In addition, the internal audit should provide assurance over the controls in place to ensure the accuracy of data used in the monitoring of key performance indicators including the For our Future indicators, data used in monitoring the maximum student number and data included by institutions in their fee plans from 2012/13 onwards.
5. 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 data to use in monitoring and also to ensure that internal audits taking place across the sector are carried out on a consistent basis.
6. 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 data 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 and data used for monitoring for prior periods up to the last external audit. The findings of the external audit may result in adjustments to funding.

Funding and monitoring methodology

7. Outlines of the methodology used to calculate the formula driven elements of credit-based funding for teaching, PGR training, QR funding and the I&E Fund, are given in Annex A. Annex B contains the criteria for inclusion of data in the allocations of PIF, per capita, premium and PGR training, and some elements of the I&E Fund. The criteria for inclusion of data in the monitoring of the For our Future indicators are outlined in Annex C. Annex D contains the criteria for inclusion of data in the monitoring of the maximum student number and Annex E contains a summary of the recommendations of the most recent external and internal audits.

Scope of the audit

8. 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 31).
9. Auditors should ascertain the processes by which data returns and monitoring information 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 and appropriately compile monitoring data. Examples of the controls that the audit would normally be expected to assess are set out for all the funding streams, data returns and other areas of audit in paragraphs 14 to 27. Many of the controls are common to the data returns for all areas of audit. However, not all of the areas of audit apply to all institutions, and auditors should refer to the relevant paragraphs.
10. 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.

11. If an institution is in the process of merging with one or more other institutions, the auditor should ascertain if procedures have been put in place to integrate their data systems or otherwise ensure that returns for the whole institution can be made post-merger.
12. 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.
13. All HEFCW circulars described below are available under 'publications' on the HEFCW website, www.hefcw.ac.uk.

Teaching funding

14. The teaching funding method changed in 2012/13 with the introduction of the new fees regime for full-time undergraduate and postgraduate certificate in education (PGCE) provision. HEFCW circular W12/10HE 'HEFCW's Funding Allocations 2012/13' describes the methodology used. 2012/13 teaching funding comprises:
 - Funding allocated through the funded-credit based teaching funding method for part-time and postgraduate taught provision;
 - Public Investment Fund for full-time undergraduate and PGCE provision which comprises per capita funding and access and retention, disability, Welsh medium and expensive and priority subjects premiums;
 - Per capita funding and access and retention, disability, Welsh medium and part-time premium funding for part-time and postgraduate taught provision.
15. Funding allocated for part-time and postgraduate taught provision through the funded-credit based teaching funding method is based on credit value data returned on the Higher Education Students Early Statistics (**HESES**) survey (data from HEFCW circular W11/43HE was used for 2012/13 funding, the latest circular is W12/31HE). The part-time premium is allocated as a percentage on the funding allocated to part-time provision through the teaching funding method. Adjustments to funding are calculated using data taken from the End of Year Monitoring of Higher Education Enrolments (**EYM**) survey for FEIs (latest version – HEFCW circular W12/26HE). For HEIs, adjustments to funding are calculated using EYM data extracted from the Higher Education Statistics Agency (**HESA**)

data (details included in W12/26HE). The EYM survey ceased to be collected for HEIs in 2011/12, therefore EYM data will be extracted for the first time in early 2013, once 2011/12 HESA data are available. This means that, depending on the timing of the audit, the EYM data extraction may not yet have taken place.

16. Testing of the systems and processes used to generate figures returned on the **HESES** and **EYM** surveys and HESA data used in the EYM data extraction 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 returns to the surveys documented?
- Is there an adequate audit trail to confirm that the method of data extraction for the surveys is being applied as documented?
- Are details of any manual amendments to data extracted from the system for the surveys, or to EYM data extracted by HEFCW from HESA data, 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 to the survey?
- Is the final return to the survey checked against data on the system prior to submission and is there adequate evidence of this checking process?
- Is the EYM data extraction provided to HEIs by HEFCW checked against data on the system and is there 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 survey returns are accurately prepared and the EYM extraction provided by HEFCW is thoroughly checked?
- 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 survey returns scrutinised before submission by suitably experienced members of staff other than those compiling the return?

- Are EYM data extracted by HEFCW scrutinised before verification by suitably experienced members of staff other than those that compiled the HESA return?
- Is a summary report of the data returned presented to the institution's senior management team (e.g. the total numbers of credits and students by mode and level with comparisons to prior years and/or other returns)?
- 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 or signing off data (e.g. scrutinising the credibility checks provided by HEFCW on the Excel spreadsheets; comparing EYM data against HESES returns made earlier in the academic year; use of control totals)?
- Are there procedures for determining the fundability status of students and are checks made on fundability status (e.g. for students on places funded through the Universities of the Heads of the Valleys Institute (UHOVI) initiative or foundation degree provision funded by the Wales European Funding Office (WEFO) which are non-fundable; or for modules taken through APEL)?
- 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 by institutions 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 recorded as such on the survey returns, 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 Centre, 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 Centre 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 Centre?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make returns for the whole institution and manage the process of validating and verifying data?

17. For HEIs, per capita and premium funding included in the PIF allocations and allocated for part-time and postgraduate provision is based on data taken from the HESA student record (coding manuals and guidance are available on the HESA website – www.hesa.ac.uk). For FEIs, funding is based on data taken from the Lifelong Learning Wales Record (**LLWR**) (coding manuals and guidance are available on the Welsh Government website www.wales.gov.uk) for per capita and access and retention premium funding; funding for the Welsh medium premium, the disability premium and the expensive and priority subjects premiums is based on returns made directly to HEFCW. In addition to HESA and LLWR data, data relating to students eligible for the Assembly Learning Grant are used in the allocation of the access and retention premium, but are outside the scope of the audit. The part-time premium calculations do not use HESA or LLWR data (see paragraph 15).
18. The fields and criteria used to extract data from the records are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W11/05HE; a new version is due to be published at the end of December). 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; 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 the EYM data extracted by HEFCW for consistency and credibility?
- Is there evidence that the check documentation and IRIS output, 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 (e.g. numbers of students by mode and level and/or course and subject with comparisons to prior years and/or other returns)?
- Are the HEFCW confirmation and verification reports checked against data submitted to HESA to ensure that the HEFCW reports are accurate according to HEFCW criteria?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a HESA student record return for the whole institution?

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; mainstream funding for the learning activity is correct)?
- Is the latest HEFCW guidance on completing the LLWR adhered to (e.g. that the correct HE course structure is returned with the course returned as a learning programme and the modules as learning activities)?
- Where errors were identified in past data, by HEFCW, WG 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, students in receipt of DSA and modules in expensive or priority subjects 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 (e.g. numbers of students by mode and level and/or course and subject with comparisons to prior years and/or other returns)?
- Are the HEFCW confirmation and verification 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 FEI 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?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a LLWR return for HE provision for the whole institution?

PGR, QR and I&E Funding

19. 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 meets a combined quality and volume threshold. It 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 W11/05HE). 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 18 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?
20. 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 and meets a combined volume and quality threshold. 2012/13 funding was allocated using data from the 2008 RAE, data taken from the 2009/10 and 2010/11 Research Activity Surveys (RAS) (HEFCW circulars W09/36HE and W10/44HE) and data taken from the External Research Income from UK Based Charities 2010-11 (HEFCW circular W11/44HE). 2008 RAE data are not included in the scope of the audit. The RAS data used are also not included in the scope as they have not been updated since 2010/11. Therefore, only charity income data is included in the scope of the audit and testing of the systems and processes used to return charity income data should aim to answer the following questions:
- Is the HEFCW guidance for the return of charity income related data being utilised and adhered to, in particular, have any changes in guidance relating to charity income compared to the previous year been noted and appropriately implemented?
 - Are data on the records system validated (e.g. is there a reconciliation of the charity income data with the information disclosed in the audited financial statements and is this reviewed and approved by an appropriate person)?
 - Is the method of extraction of data used to make the return 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?

- Is the return 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 (e.g. charity income by UoA with comparisons to prior years and/or other returns)?
- 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)?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a return for the whole institution?

21. I&E funding is allocated to HEIs only and is allocated using data returned on the **HESA staff record**, **HESA student record**, the HESA HE Business and Community Interaction (**HEBCI**) survey (coding manuals available on the HESA website www.hesa.ac.uk) and data from other sources. The data used in the allocation are described in more detail in Annex A of HEFCW circular 'Innovation and Engagement Funding Arrangements 2011/12 to 2013/14', W11/10HE. 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 (e.g. numbers and FTE of staff by function, mode and terms of employment with comparisons to prior years and/or other returns)?
- If the institution has recently been formed from a merger are the data systems in place sufficiently integrated to enable the institution to make a HESA staff record return for the whole institution?

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 (e.g. the items of data used in calculating the I&E funding with comparisons to prior years and/or other returns)?
- 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?
- If the institution has recently been formed from a merger are the systems in place sufficiently integrated to enable the institution to make a HEBCI survey return for the whole institution?

For our Future indicators

22. The systems and processes used to return data used in the monitoring of the For our Future indicators, for HEIs only, are within the scope of the audit for the following set of indicators:

- Communities First;
- Module completion rates;
- Welsh medium;
- Overseas students;
- Part-time students;
- Knowledge transfer.

More information about the For our Future strategy and the indicators is in HEFCW's Corporate Strategy, which can be found on the HEFCW website under 'Publications', 'Corporate Documents'.

23. The fields and criteria used to extract the data from the HESA student record, the HESA HEBCI survey and the HESA finance statistics return are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W11/05HE). Testing of systems and processes used to return data that are used in funding (see paragraphs 18 and 21) will cover most of the testing appropriate for data used in monitoring the indicators. In addition, testing 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 monitoring (e.g. checks that the module completion status is recorded and is correct; that the student's domicile is correct; that the mode and level of study are correct)?
- Where errors have previously been identified in data used for monitoring, by HEFCW or the institution, have processes been implemented to address these data errors?
- Where errors have previously been identified in data used for monitoring, are the data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?

Data returned on fee plans

24. The systems and processes used to monitor targets for activities supported through new fee income, reported in Section 8 of each institution's fee plan for 2013/14, are within the scope of the audit. The processes and methods for calculating the average fee figure and the new fee income figure returned on the fee plan are also within the scope of the audit. Both HEIs and FEIs with approved fee plans are included.
25. Testing of the systems and processes used to for setting and monitoring targets and calculating the average fee and the new fee income should aim to answer the following questions:
 - Is there a process in place to monitor targets set in the fee plan in Section 8 'Activities supported through new fee income'?
 - Has the monitoring process, including the methods and processes used for obtaining or calculating figures used in the targets, been documented and is it accessible by all staff who need to use it?
 - Are any methods used to calculate figures used in monitoring targets reasonable?
 - Is there a risk register in place and are the risks associated with not meeting the targets adequately assessed and documented together with details of planned action to be taken?
 - Has the method of calculating the average fee per full-time undergraduate student returned in Section 1 of the fee plan been documented and is it reasonable?
 - Has the method of calculating expected total new fee income returned in Section 6 of the fee plan been documented and is it reasonable?

Data used in monitoring the maximum student number

26. The systems and processes used to return data used in the monitoring of the maximum student number are within the scope of the audit.
27. The fields and criteria used to extract data from the records are detailed in the Higher Education Data Requirements circular (latest version - HEFCW circular W11/05HE). Testing of the systems and processes used to record data relating to full-time undergraduate and PGCE new entrant students on the HESA/LLWR returns should aim to answer the following questions (in addition to those listed in paragraph 18):

HESA returns

- Are quality checks carried out on individualised data for data fields used in monitoring the maximum student number (e.g. fundability status, course aim, mode of study, year of study, completion status)?

- Are the HEFCW confirmation reports checked against data submitted to HESA to ensure the HEFCW reports are accurate according to HEFCW criteria?

LLWR returns

- Are quality checks carried out on individualised data for data fields used in monitoring the maximum student number (e.g. fundability status, level of study, start date, mode of study)?
- Are the HEFCW confirmation reports checked against data submitted to the LLWR to ensure the HEFCW reports are accurate according to HEFCW criteria?

Interpretation and Guidance

28. Auditors should familiarise themselves with the latest, at the time of audit, HESES, EYM, external research income from charities survey, HEBCI survey and HESA/LLWR guidance and the fee plan process and 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 will have been updated and EYM data extracted from the HESA record will have been issued to HEIs to be used in calculating any adjustment to funding for the first time.
29. Any further clarification relating to the guidance for making HESES, EYM, external research income from charities, HESA/LLWR and HEBCI survey returns or extracting EYM data from the HESA student record or relating to fee plan guidance can be obtained from HEFCW.

Open University in Wales

30. HEFCW has responsibility for funding relating to teaching at the Open University (OU) in Wales. Teaching funding allocated to the OU in Wales was ringfenced until 2009/10 but is now calculated using the same funding methodology as other HEIs. As in previous years the systems and processes used to compile data returns to HESA and HEFCW that are used in the calculation of teaching funding are included in the scope of the internal audit. In addition, the OU in Wales is included in the I&E funding allocations from 2011/12 onwards and in the monitoring of the For our Future indicators and so the systems and processes used to compile data returns to use in I&E funding and for monitoring For our Future indicators are included in the scope of the audit. The OU in Wales does not currently receive PGR or QR funding from HEFCW and did not submit a fee plan relating to full-time undergraduate and PGCE fees in 2013/14.

Reporting

31. 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 and data returned in and used to monitor the fee plans. This review should include an assessment of the adequacy of the controls documented in paragraphs 14 to 27 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 systems and processes, for example, issues identified in previous audits, or aspects not covered in previous audits.
32. 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 by the institution to HEFCW by 31 May 2013.
33. 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.
34. 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.
35. 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 or monitoring purposes and the controls relating to data returned in and used to monitor the fee plans.

36. An electronic copy of the audit report and any associated correspondence should be sent **by the institution** to hestats@hefcw.ac.uk no later than **31 May 2013**. Note that we do not require a paper copy to be sent to us.
37. 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

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

HEFCW Recurrent Funding

Funding for Teaching 2012/13

- 1 The method of funding for teaching changed in 2012/13 with the introduction of the new fee regime for full-time (FT) undergraduate (UG) and PGCE students. For part-time (PT) and postgraduate taught (PGT) provision, traditional funded credit-based funding continues to be allocated. Also allocated for PT and PGT provision are per capita and premium payments. For FT UG and PGCE provision, funding is now allocated through a Public Investment Fund (PIF) which comprises per capita and premium payments. These funding allocations are described in more detail below.
- 2 The traditional funded credit-based method for PT and PGT provision is based on a standard Unit of Funding (UoF) for each subject area. The funding is allocated by means of a formula which consists of two elements – core and addition. 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. In order to calculate UoFs, the UoFs for the previous year are adjusted by an efficiency gain and increased by GDP.
- 3 HEFCW makes two other types of payments, for PT and PGT provision and within the PIF: per capita and premium. All but the part-time premium are based on the numbers of enrolments or credits 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. An amount per undergraduate and postgraduate taught enrolment is made, subject to a minimum study requirement of 10 credit values. For FT UG and PGCE provision, only continuing students are included in the allocation.
- 5 The part-time premium is calculated as a percentage applied to the unit of funding for modules taken on a part-time basis. The percentage was 20 per cent in 2012/13.
- 6 Premium payments based on HESA data operate in three areas for all provision: access and retention, disability and Welsh medium provision. In addition, for FT UG and PGCE provision, premiums for expensive and priority subjects are allocated.
- 7 The access and retention premium is an amount per undergraduate enrolment for students from low participation areas plus an amount per undergraduate enrolment for students from Communities First areas that are equivalent to the 100 most deprived areas, the 32 pockets of

deprivation, six imaginative proposals and the new areas added by WG in 2007/08, subject to a minimum 10 credit value study requirement; plus an amount per undergraduate enrolment for students eligible for a full Assembly Learning Grant. The amount per enrolment depends on several factors including whether the institution has successfully retained the student and the proportion of Welsh domiciles at the institution who are from Communities First areas.

- 8 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.
- 9 The expensive subject premium is an amount per completed credit and is allocated using the number of completed credits in science, technology, engineering, medicine, dentistry and conservatoire performance element subjects. The priority subject premium is allocated using the number of completed credits in modern foreign languages (MFL) and maths. The allocations include modules associated with continuing students only except for clinical medicine and dentistry and performance element provision for which modules associated with new entrants are also included in the allocation.

Funding for Postgraduate Research Training 2012/13

- 10 HEFCW 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 and meets a combined volume and quality threshold, 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 2012/13

- 11 The method of allocating QR funding changed in 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 and meets a combined volume and quality threshold. For 2012/13 funding, data were taken from the 2008 RAE, the 2009/10 and 2010/11 RAS and the 2011/12 external research income from charities survey.
- 12 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) and for RS, RA and RF are an average over two years of data taken from the 2009/10 and the 2010/11 RAS. For CI, an average over two years of data taken from the 2010/11 RAS and the 2011/12 charity income survey is used. Research active staff (RAE category A) have a weighting of 1.0. Figures for research active staff are taken from the 2008 RAE and are not updated each year. The charity income element is allocated pro rata to the average 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.

- 13 An additional amount of ringfenced funding was also allocated for 2012/13 for the purpose of supporting scholarly publications and related activities in the fields of Welsh culture, history and literature.

I&E Funding 2012/13

- 14 A new cycle of I&E funding began in 2011/12. The method for allocating I&E formula funding is similar to the method used in previous cycles though now funding is recalculated in each year of the cycle using the latest data available. The allocation of foundation funding has ceased altogether.
- 15 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 and part-time undergraduate credits taken from the HESA student record. The second relates to Rewarding Performance (income related), allocated on the basis of data taken from the HEBCI survey 2010/11 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 2010/11 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; total learner days for CPD/CE courses; and academic staff time expended on public engagement activity; data taken from the HESA student record relating to the number of industrial placements and the number of ERASMUS outgoing exchange students; and the number of A4B engagements (WG), a weighting based on engagement rates taken from the in-curriculum entrepreneurship (National Council for Graduate Entrepreneurship (NCGE)) survey, and a weighting based on the percentage of target of SMEs engaged in GO Wales 5 achieved. However, data relating to A4B activity, the NCGE survey and GO Wales 5 are outside of the scope of this audit.

Eligibility Criteria for HESA/LLWR based data used in funding

- 1 For all student based data, students should be active within the reporting period and not incoming exchange. In addition, for per capita, premium and PGR training funding allocations and for the part-time provision used in calculating I&E funding, students should be fundable by HEFCW.

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.
- For FT UG and PGCE provision, students in their first year of study are excluded.

Access and retention premium criteria for inclusion

- Student's postcode is in a low participation area and/or a Communities First area.
- 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.

Expensive and priority subjects premiums criteria for inclusion

- Full-time or sandwich mode of study.
- Undergraduate and PGCE level of study.

Annex B

- Each student counted only once irrespective of the number of courses the student is studying.
- Module is started in the academic year and returned as countable.
- Module is completed.
- Duplicate modules are excluded.
- Credits are categorised by subject, where subject is in medicine, dentistry, performance element (provision at RWCMD), science, engineering and technology (for the expensive subjects premium), or mathematics, computing and modern foreign languages (for the priority subjects premium).
- Apart from for clinical medicine and dentistry and performance element modules, where all years of study are included, modules relating to continuing students only are counted.

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 is included in QR funding calculations.
- 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.

I&E funding criteria for inclusion (students)

- Credit values associated with part-time undergraduate students taking more than 10 credit values.
- Students on an industrial placement for whole or part of the year.
- Students on an ERASMUS outgoing exchange programme for the whole year.

I&E funding criteria for inclusion (staff)

- Managerial, academic, professional, technical and administrative staff.
- Staff with an active contract in the academic year.
- Excludes atypical staff.

Eligibility Criteria for HESA based data used in For our Future indicators

- 1 For all student based data used for monitoring, students should be active within the reporting period, not dormant, sabbatical or writing up, not primarily studying outside the UK and for all but the overseas indicator, not incoming exchange. All data are taken from HESA student, HEBCI and finance statistics returns. Students and/or provision, spin out data and income data at HEIs are counted towards the monitoring of the indicators based on the following criteria:

Communities First – ‘A 10% rise in the proportion of all Welsh domiciled students studying HE courses at HEIs and FEIs in Wales who are domiciled in the Welsh Communities First areas from 15.6% in 2008/09 to 17.2% in 2012/13’

- Student’s postcode is a valid postcode mappable to a ward in Wales (and in a Communities First area to be counted in the numerator).
- Each student counted only once irrespective of the number of courses the student is studying.

Module Completion Rates – ‘The module completion rate for undergraduate enrolments in Welsh HEIs to increase by 2.7% from 87.6% in 2008/09 to 90% in 2012/13’

- Student studying at undergraduate level.
- The module is expected to have an outcome (continuing from the previous reporting year or contained within the reporting year) and is taken on a for credit basis. Completed modules are identified as those completing with or without gaining credit.

Welsh Medium – ‘The number of Welsh domiciled students at Welsh HEIs and FEIs undertaking some element of their HE course through the medium of Welsh will rise from 4,586 in 2008/09 to 5,509 in 2012/13’

- Student’s postcode is a valid postcode mappable to a ward in Wales.
- Module is not a module taken in the previous academic year for which only the outcome is included.
- Students taking some element through the medium of Welsh identified where at least one module has a greater than zero percentage through the Welsh language.
- Each student counted only once irrespective of the number of courses the student is studying.

Overseas Students – ‘The percentage growth in the number of overseas students attending HE courses in Welsh HEIs to be equal to, or greater than, the comparable figure for UK HEIs, excluding London and the South East of England’

- Student’s domicile is outside the EU (including incoming exchange).

Annex C

- The Channel Islands and Isle of Man are not counted as overseas for the purposes of this target.
- Each student counted only once irrespective of the number of courses the student is studying.

Part-time Students – ‘The total number of part-time students studying HE courses in HEIs and FEIs in Wales will rise from 54,714 in 2008/09 to 59,000 in 2012/13’

- The student is part-time.
- Each student counted only once irrespective of the number of courses the student is studying.

Knowledge Transfer – ‘The number of spin out companies still active produced from HEIs in Wales which have survived at least three years will increase by 10% from 252 in 2008/09 to 277 in 2012/13’

- Spin-outs with some HEI ownership, spin-outs which are not HEI owned, staff start-ups and graduate start-ups taken from part B, Table 4, item 4b of the HESA HEBCI survey.

Eligibility Criteria for HESA/LLWR data used in the monitoring of the maximum student number

HEIs (HESA data)

- Active within the reporting period.
- Fundable by HEFCW.
- Not incoming exchange.
- Full-time or sandwich mode of study.
- Undergraduate and PGCE level of study.
- Students in their first year of study.
- Students who have completed the year of study (where completion status is unknown, the number of completions is estimated).
- Each student counted only once irrespective of the number of courses the student is studying.

FEIs (LLWR data)

- Active within the reporting period.
- Fundable by HEFCW.
- Full-time or sandwich mode of study.
- Undergraduate and PGCE level of study.
- Students with a start date in the year being monitored.
- Students who have completed the year of study (the number of completions is estimated using rates taken from HESES/EYM).
- Each student counted only once irrespective of the number of courses the student is studying.

Recommendations from previous audits

- 1 The following provides a summary of the recommendations made on the internal audit reports submitted to HEFCW in May 2012 and the external audits carried out in 2011. Where a recommendation relates to more than one stream of data, the recommendation has been included under all relevant streams. The same or similar recommendation made at more than one institution is included only once. Findings for past audits can be found in previous versions of these notes.

Student data:

- The institution should remind tutors of the importance of reviewing class lists so Registry staff can be confident the control is accurately identifying not completed or failed modules.
- A download of the information from the records system should be retained for future reference.
- JACS codes should be assigned on entry.
- Withdrawals should be identified and notified to Registry on a timely basis.
- It should be ensured that the date of birth field is updated.
- Accurate completion of the HE data returns should be included as a current risk on the University's risk register.
- The arrangements for HESES with franchising partners should be formally documented to ensure that the return is completed accurately and in time.
- The University should ensure that the target response rates for future iterations of the DLHE survey are achieved.
- When identifying the target population to be surveyed for DLHE as part of the January survey period this should exclusively be based on the POPDLHE file derived from the University's student HESA return.
- The University should attempt to survey all those leavers that are deemed eligible to be surveyed for the DLHE.
- The training and guidance given to those undertaking the DLHE survey via telephone should make it clear that when asking for salary information, an opt-out should not be given as part of the question.
- DLHE processes should be documented to reduce the risk of over-reliance on a single member of staff.

HEBCIS:

- The system in place for extracting data from University records to produce the number of graduate start ups for HEBCIS should be reviewed and controls put in place to ensure only eligible companies are included in the return.

- The University should consider making a return for facilities and equipment related services so activity is not underestimated in these areas.
- Record retention procedures should be developed to take account of procedures for EU related payments.
- The HEBCI return should be independently reviewed by suitably experienced members of staff.
- Evidence that validation and credibility checks are undertaken before returning data should be retained.
- Validation checks should include a reconciliation of the income data with the audited financial statements.

HESA staff record:

- Casual staff should be included in the HESA staff return.
- A record of previous errors identified and any checks performed in relation to them should be documented and retained.
- The HR department should determine if it is possible to produce reports for amendments not related to payroll and retain them on file.

Other:

- The procedure document for RAS and charitable income should be updated to reflect that fact that the RAS will no longer be collected.
- Job descriptions should be updated.
- The University should ensure that all relevant documentation relating to achievement data, such as the award confirmations and meeting attendance lists, are signed by all relevant individuals.
- Contracts for franchised programmes should be signed and dated by all relevant individuals in a timely manner.
- Procedures for the preparation of each return (HESA staff, HEBCIS, student, and HESES) should be documented, to ensure that the returns can be prepared in the absence of the manager responsible.