

## Cylchlythyr | Circular

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

**Date:** 22 December 2015  
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**To:** Heads of higher education institutions in Wales  
Principals of directly-funded further education institutions in Wales  
Internal auditors of higher education institutions or directly funded further education institutions in Wales  
**Response by:** 1 June 2016  
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This circular provides guidance for internal auditors to use in their annual internal audit of HE data systems and processes.

If you require this document in an alternative accessible format, please telephone us on (029) 2068 2225 or email [info@hefcw.ac.uk](mailto:info@hefcw.ac.uk).



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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) data returns, and requests a copy of this internal audit report for each institution.
2. A new process of external audit of higher education data was introduced from May 2014. Details of the process can be found in circular W14/11HE. External audits are commissioned by HEFCW so that institutions are externally audited at least once every four years. As part of the process, HEFCW will rely on the annual assurance provided to institutions and their Audit Committees by their internal auditors about the systems and processes used to produce data returns. Relying on the internal audits will maintain an adequate level of annual assurance in respect of institution's data returns.
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 data submitted by the institution to HESA, HEFCW and Welsh Government (WG), including data to be used in calculations for the following funding streams:
  - Teaching funding (comprising per capita and premium funding and part-time (PT) undergraduate (UG) and postgraduate taught (PGT) credit-based funding);
  - Postgraduate research (PGR) training funding;
  - Quality research (QR) funding;
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 performance, including key performance indicators such as the Corporate Strategy targets 2013/14-2016/17 and data included by institutions in their fee plans and fee plans monitoring 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, HEFCW should be notified as soon as the opinion has been agreed. HEFCW will then consider commissioning their own external audit. 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 funding and QR 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 funding. The criteria for inclusion of data in the Corporate Strategy targets are outlined in Annex C. Annex D contains a summary of the recommendations of the most recent 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 37).
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 15 to 33. 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 or has recently merged 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 merged institution can be made.

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. It is recommended that internal audit staff with some experience of the HE sector and associated data returns are involved in the visits to institutions undertaken as part of the review and that auditors are sufficiently briefed on the guidance contained within this circular prior to carrying out the audit. Advice and clarification relating to the guidance in this circular can be obtained from HEFCW via [hestats@hefcw.ac.uk](mailto:hestats@hefcw.ac.uk), and HEFCW staff are available to meet with internal audit staff if required.
14. All HEFCW circulars described below are available under 'publications' on the HEFCW website, [www.hefcw.ac.uk](http://www.hefcw.ac.uk).

### **Teaching funding**

15. 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 W15/09HE 'HEFCW's Funding Allocations 2015/16' describes the methodology used in 2015/16. 2015/16 teaching funding comprises:
  - Funding allocated through the funded-credit based teaching funding method for part-time taught provision;
  - Per capita and expensive subjects premium funding for full-time undergraduate and PGCE provision;
  - Per capita funding, disability and Welsh medium funding for part-time undergraduate and postgraduate taught provision and disability funding for postgraduate research provision.
  - Access and retention premium funding for part-time undergraduate provision.
16. Funding allocated for part-time 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 W14/40HE was used for 2015/16 funding, the latest circular is W15/09HE). There was no part-time premium funding allocated for 2015/16. 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 W15/24HE). For HEIs,

adjustments to funding are calculated using EYM data extracted from the Higher Education Statistics Agency (**HESA**) student record, 2014/15 data was extracted via the HESA Information Reporting Interface Service (IRIS) (details included in W15/24HE).

17. 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 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 through the HESA IRIS system checked against data on the institution's internal system and is there evidence of this checking process prior to the data verifications being signed off?
- 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 from HESA IRIS system 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 as part of the HESA IRIS system 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 located outside Wales); and have the fundability rules contained in HESES for 2014/15 been accounted for in the determination?
  - 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 all teaching or supervision, 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 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?
18. For HEIs, per capita and premium funding is based on data taken from the HESA student record (coding manuals and guidance are available on the HESA website – [www.hesa.ac.uk](http://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

<http://gov.wales/>) for per capita and access and retention premium funding; funding for the Welsh medium premium and the disability premium is based on returns made directly to HEFCW.

19. The fields and criteria used to extract data from the records for 2015/16 funding are detailed in the Higher Education Data Requirements circular W14/34HE (latest version - HEFCW circular W15/21HE). 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; year of student 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 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 any manual amendments made by HEFCW to exclude Welsh medium modules checked to confirm they have been correctly excluded?
- 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 and QR funding**

20. PGR training funding for 2015/16 was allocated using data about eligible, fundable enrolments in UoAs which qualified for QR funding taken from the 2013/14 HESA student record. In returning HESA 2013/14 student data, institutions correctly returned the fundability status of students in relation to eligibility in 2013/14. However, the funding method for QR changed in 2015/16 when the REF 2014 results were used to determine eligibility for QR funding and this meant that the fundability status in relation to 2015/16 funding was not equivalent to that used for 2013/14.
21. For this reason as part of the verification process we also extracted students coded as non-fundable on the 2013/14 HESA student record and asked that the institution indicated to us those students who were only coded as non-fundable because the particular UoA they were coded against was non-fundable in 2013/14 and who met all other (unchanged) PGR funding eligibility.
22. The fields and criteria used to extract the data from the record for 2015/16 funding are detailed in the Higher Education Data Requirements circular W14/34HE (latest version - HEFCW circular W15/21HE). 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 19 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?
- Have the additional non-fundable confirmation reports been checked, amended and verified to contain only those PGR students who were

coded as non-fundable on the HESA return purely based on previous QR funding methodology?

- 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?

23. QR funding is allocated only to those HEIs with UoAs submitted to the 2014 Research Excellence Framework (REF) where the UoA has 3 or more classified FTE Category A staff and meets a combined volume and quality threshold (multiple submissions to UoA 28 and joint submissions are exempt from the volume and sustainability thresholds). 2015/16 funding was allocated using data from the 2014 REF and data taken from the 2013/14 HESA staff and student records. 2014 REF data is not included in the scope of the audit. Therefore the audit will only include checks on the systems and processes used to return data relating to HESA staff and student data used in the minor volume measures of the QR funding method, details of which can be found in document 'HESA data to be used in 2015/16 QR funding' on the HEFCW website under 'Working with HE providers', 'Data collection, surveys and calculations', 'Funding Calculations' and should aim to answer the following questions:

- Are quality checks carried out on individualised data for data fields used in extracting minor volume measures (research assistants and research students)?
- 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, have processes been implemented to address these data errors?
- Where errors have previously been identified in minor volume measure data, are the data checked prior to final submission of data to HESA to confirm that the error has not reoccurred?

### **Corporate Strategy targets**

24. The systems and processes used to return data used in the monitoring of the Corporate Strategy targets for 2013-14 to 2016-17, for HEIs only, are within the scope of the audit for the following set of indicators:

- Widening Access;
- Participation;
- Part-time;
- Welsh medium;

- Overseas students;
  - Initial Teacher Training;
  - Continuing Professional Development;
  - Collaborative Research Income
25. More information about the Corporate Strategy and the indicators is in 'HEFCW Corporate Strategy 2013-14 - 2015-16', which can be found on the HEFCW website under 'Publications', 'Corporate Documents', 'Corporate Strategy'. It should be noted that the targets have been extended to 2016-17.
26. The fields and criteria used to extract the data used in monitoring these targets are detailed in the 2015/16 Higher Education Data Requirements circular (HEFCW circular W15/21HE). Testing of systems and processes used to return data that are used in funding (see paragraph 19) will cover most of the testing appropriate for HESA data used in monitoring the targets. In addition, testing should aim to answer the following questions:

**HESA student data 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 student's domicile is correct; that the mode and level of study are correct)?
- Is there evidence that for the corporate strategy target data extracts contained in the IRIS output produced by the HESA data returns system after committing data, is scrutinised, and that any resulting issues are addressed?
- 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?
- Do the controls include quality checks on individualised data relating to ITT enrolments submitted to HESA (e.g. checks that the teacher training identifier has been correctly coded; that the student's initial teacher training phase, mode of study, level of study, subject of study and commencement date are correct)?

**HESA 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)?
- 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 corporate strategy targets 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?
- Do the controls include a reconciliation of the Collaborative Research income returned with the audited accounts to ensure consistency?

27. The systems and processes used to return data used in the monitoring of the Corporate Strategy targets for 2013-14 to 2016-17, for FEIs only, are within the scope of the audit for the following set of indicators:

- Widening Access;
- Participation;
- Part-time;
- Welsh medium.

Data used in the widening access, participation and welsh medium targets are collected directly from FEIs and data for part-time is taken from the HEFCW EYM survey.

28. The fields and criteria used to extract the data used in monitoring these targets are detailed in the 2015/16 Higher Education Data Requirements circular (HEFCW circular W15/21HE). Testing of the systems and processes used to extract the data used in monitoring data supplied from FEIs should aim to answer the following questions:

- Are any methods used to calculate figures supplied to be used in monitoring targets reasonable?
- Is the method used to calculate the proportion of a module taught through the medium of Welsh documented, reasonable and consistently applied?
- Is the verification approved and signed off by an appropriate person?
- Testing for data used in the part-time target will already be covered by questions in paragraph 17 for EYM returns.

### **Data returned on fee plans and fee plan monitoring returns**

29. The systems and processes used to return and monitor targets for activities supported through new fee income and any amendments to forecasts of the HEFCW corporate strategy targets, reported in Appendix B: Section 8 and Section A respectively of each institution's fee plan for 2016/17, are within the scope of the audit. Also within the scope of the audit are the systems and processes used to report data on the fee plan monitoring statement in the April after the end of the academic year being monitored. This will mean that processes relating to both the latest fee plan (2016/17 at the time of publication of this circular) and monitoring of the fee plan from two years previous (2014/15) are included in the scope at the time of audit so guidance for both sets of fee plans should be considered. 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, as is the calculation of the new fee income figures returned on the monitoring statement. Both HEIs and FEIs with approved fee plans are included.
30. Testing of the systems and processes used for setting, monitoring or amending forecast targets, calculating the average fee and calculating and monitoring 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 'Strategic context underpinning equality of opportunity and the promotion of higher education in the fee plan'?
  - Is there a process in place to monitor any amendments to forecasts of the targets included in Section A 'HEFCW Fee Plan 2016/17 – HEFCW Corporate Strategy Targets'?
  - Has the monitoring process, including the methods and processes used for obtaining, calculating or amending forecast 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?
  - Do the monitoring figures reported on the fee plan monitoring statement reflect the latest measured performance against target?

- Are figures supplied on the monitoring statement crossed checked against those supplied in the fee plan?
- Is there a process in place to ensure the reported level of achievement stated for each target in the monitoring statement is accurate?
- 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?
- Has the method of calculating new fee income figures returned on the fee plan monitoring statement been documented and is it reasonable?
- Do the new fee income figures included on the fee plan monitoring statement reconcile with the audited accounts? Has the fee plan been presented to and approved by the governing body?

### **Other HESA data**

31. Other HESA data not covered in the previous paragraphs that are also under the scope of the audit include data returned to the HESA Finance Statistics Record (FSR), HEBCI data other than that identified in para 26 and data returned in the Key Information Set (KIS).
32. Testing of systems and processes used to return data that are used in corporate strategy targets (see paragraph 26) will cover most of the testing appropriate for HESA HEBCI data and will be similar for testing the return of HESA FSR data.
33. KIS data are returned by HEIs to HESA and by FEIs to the Higher Education Funding Council for England (HEFCE) and contain information about courses. The latest KIS collection is for 2015/16, and included in the scope of an audit of KIS data are course related data, accommodation cost data and fee levels data. Testing should aim to answer the following questions:
  - Have eligible courses been returned on the KIS and is the data for those courses accurate?
  - Where data has been estimated, have estimates been made on a reasonable basis and documented?

## **Interpretation and guidance**

34. Auditors should familiarise themselves with the latest, at the time of audit, HESES, EYM, HESA guidance (including for the HEBCI survey), LLWR guidance, data requirements circular, HESA data to be used in 2015/16 QR funding 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.
35. Any further clarification relating to the guidance for making HESES, EYM, HESA/LLWR 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**

36. HEFCW has responsibility for funding relating to teaching at the Open University (OU) in Wales. Teaching funding allocated to the OU in Wales is 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 monitoring of Corporate Strategy targets and so the systems and processes used for monitoring these indicators and targets 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 2016/17.

## **Reporting**

37. 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 17 to 33 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.
38. 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 1 June 2016.

39. 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.
40. 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.
41. 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.
42. An electronic copy of the audit report and any associated correspondence should be sent **by the institution** to [hestats@hefcw.ac.uk](mailto:hestats@hefcw.ac.uk) no later than **1 June 2016**. Note that we do not require a paper copy to be sent to us.
43. 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**

44. Further guidance and information is available from Rachael Clifford (029 2068 2243, [hestats@hefcw.ac.uk](mailto:hestats@hefcw.ac.uk)) or Hannah Falvey (029 2968 2240, [hestats@hefcw.ac.uk](mailto:hestats@hefcw.ac.uk)).

## HEFCW Recurrent Funding

### Funding for Teaching 2015/16

- 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) provision, funded credit-based funding continues to be allocated. Also allocated for PT UG and postgraduate taught (PGT) provision are per capita and premium payments. A small amount of disability premium is allocated as part of this for postgraduate research provision. For FT UG and PGCE provision, funding is allocated through the per capita and expensive subject premium payments. These funding allocations are described in more detail below.
- 2 The funded credit-based method for PT 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, which may or may not be allocated in a year, 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 UG and PGT provision per capita and premium payments, and for FT and PGCE through per capita and expensive subject premium payments. All 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.
- 5 Premium payments based on HESA data operate in four areas: access and retention, disability, Welsh medium provision and expensive subjects. Different types of provision are included in the calculation of each, described in the paragraphs below
- 6 In 2015/16, the access and retention premium was an amount per part-time undergraduate enrolment for students from low participation areas plus an amount per undergraduate enrolment for students from the 52 Communities First cluster areas identified by Welsh Government in 2012, subject to a minimum 10 credit value study requirement. The amount per enrolment depended 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.

- 7 The disability premium is an amount per enrolment for students in receipt of DSA, subject to a minimum 10 credit value study requirement. Disability premium payments are made in respect of part-time postgraduate taught, postgraduate research and part-time undergraduate provision. The Welsh medium premium is a weighting on the funding attracted by modules undertaken through the medium of Welsh and is allocated in respect of part-time undergraduate and postgraduate taught provision only.
- 8 The expensive subject premium is allocated using data relating to FT UG students only. The premium is an amount per completed credit and is allocated using the number of completed credits in clinical medicine/dentistry and performance element provision at the Royal Welsh College of Music and Drama.

### **Funding for Postgraduate Research Training 2015/16**

- 9 2015/16 PGR training funding was calculated using the institution's confirmed postgraduate research enrolment figures from 2013/14. 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 2014 REF where the UoA has 3 or more classified FTE Category A staff and meets a combined quality and volume threshold, i.e. those eligible for QR funding, 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 2015/16**

- 10 QR funding is allocated to institutions with UoAs submitted to the 2014 REF where the UoA has 3 or more classified FTE Category A staff and meets a combined volume and quality threshold (multiple submissions to UoA28 and joint submissions are exempt from the volume and sustainability thresholds). For 2015/16 funding, data were taken from the 2014 REF and the 2013/14 HESA staff and student records.
- 11 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 awarded through open, competitive processes (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 and RA are taken from the 2013/14 HESA student and staff records respectively; for RF and CI are taken from the REF data with the data for CI being an average over two years of data from 2011/12 and 2012/13. Research active staff (REF category A) have a weighting of 1.0. Figures for research active staff are taken from the 2014 REF and are not updated each year. The charity income element is allocated pro rata to the average

charity income awarded through open, competitive processes. 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.

### Eligibility Criteria for HESA/LLWR based data used in funding

- 1 For all student based data, students should be active within the reporting period (1 August to 31 July), not studying the whole programme outside of the UK and not incoming exchange. In addition students should be fundable by HEFCW.

#### Per capita funding criteria for inclusion

- Student is studying at least 10 credit values.
- Student is studying on a full-time or part-time course.
- Student is studying at undergraduate or postgraduate taught level.
- Each student is counted only once irrespective of the number of courses the student is studying.

#### 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 is studying on a part-time course.
- Student studying at undergraduate level.
- Each student is 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 is studying on a part-time course at undergraduate or postgraduate level.
- Each student is counted only once irrespective of the number of courses the student is studying.

#### Welsh medium premium criteria for inclusion

- Student studying on a part-time course 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 subjects premium criteria for inclusion

- Student is studying on a full-time or sandwich year out course.
- Student is studying at undergraduate level.
- Each student is counted only once irrespective of the number of courses the student is studying.

## Annex B

- 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 clinical medicine/dentistry or performance element provision at RWCMD.
- All years of study are included.

### **Postgraduate research training funding criteria for inclusion**

- Studying for postgraduate research qualification.
- Enrolments must be in UoAs submitted to the 2014 REF where the UoA is included in QR funding eligibility 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 counted only once irrespective of the number of courses the student is studying.

## Eligibility criteria for data used in Corporate Strategy targets

- 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 used in monitoring the targets in the scope of the audit are taken from HESA student and HEBCI survey returns. Students and/or provision, CPD data and income data at HEIs are used in the monitoring of the indicators based on the following criteria:

**Widening Access** – ‘A rise in the proportion of all Welsh domiciled students studying higher education courses at higher education institutions and further education institutions in Wales who are domiciled in the bottom quintile of Lower Super Output Areas (LSOAs) in the Welsh Index of Multiple Deprivation (WIMD) or in Communities First cluster areas, from 20.1% in 2011/12 to 22.4% in 2016/17 (a rise of 11.6%).’

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

**Participation** – ‘An increase in the proportion of all UK domiciled students studying higher education courses at higher education institutions and further education institutions in Wales who are from UK low participation areas from 33.2% in 2011/12 to 35.3% in 2016/17 (a rise of 6.3%).’

- Student’s postcode is a valid postcode mappable to a ward in the UK.
- To be counted in the numerator, for full-time students aged less than 21, the postcode is in the 40% of areas with the lowest participation as defined by POLAR3, and, for all other students, in the 40% of areas with the lowest participation as defined by the proportion of working age adults with HE level qualifications.
- Each student counted only once irrespective of the number of courses the student is studying.

**Part-time Students** – ‘The percentage change in the number of part-time students attending higher education courses in Welsh higher education institutions and further education institutions to be equal to, or greater than, the comparable figure for the UK.’

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

**Welsh Medium** – ‘The number of students studying higher education courses at Welsh higher education institutions and further education students in Wales undertaking at least 5 credits of their course through the medium of Welsh, per

annum, will rise from 4,335 in 2011/12 to 5,600 in 2016/17, including a rise from 2,269 to 3,030 in the number of those studying at least 40 credits per annum.'

- The module is started in the academic year.
- 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.
- Credits through the medium of Welsh are counted as the credit points for the module multiplied by the percentage through Welsh.
- Each student is counted only once irrespective of the number of courses the student is studying but all credits taken by the student through the medium of Welsh are counted.

**Overseas Students** – 'The percentage change year on year in the number of overseas students attending higher education courses in Welsh higher education institutions will be equal to, or greater than, the comparable figure for UK higher education institutions (excluding London and the South East of England).'

- Student's domicile is outside the EU (including incoming exchange).
- The Channel Islands and Isle of Man are not counted as overseas for the purposes of this target.
- Each student is counted only once irrespective of the number of courses the student is studying.

**Initial Teacher Training** – 'Welsh Government targets for ITT undergraduate primary, postgraduate primary, undergraduate secondary, postgraduate secondary priority and postgraduate secondary other subjects to be met annually.'

- The student is studying on an ITT (QTS) course.
- The student is full-time and started between 1 August and 1 November and did not leave in that period (all institutions except the OU).
- The student is part-time and started between 1 August and 31 July (the OU in Wales).
- Each student is counted only once irrespective of the number of courses the student is studying.

**Continuing Professional Development** – 'The total number of learner days delivered by Welsh higher education institutions for continuing professional development (CPD) will rise from 202,498 in 2011/12 to 226,000 in 2016/17 (a rise of 11.6%).'

- The total number of learner days of CPD/Continuing Education courses being delivered taken from part B, Table 2, item 3f of the HESA HEBCI survey.

**Collaborative Research Income** – 'The total amount of income from collaborative research involving both public funding and funding from business will rise from £65,294k in 2011/12 to £72,000k in 2016/17 (a rise of 10.3%)'

- Total collaborative research income taken from part B, Table 1, item 1e of the HESA HEBCI survey.

### Recommendations from previous audits

- 1 The following provides a summary of the recommendations made on the internal audit reports submitted to HEFCW in May 2015. 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

- Importance of documenting procedures for preparation of HEFCW data returns.
- Evidence to support adjustments to data to be retained for a clear audit trail and a formal sign off of data to be retained of submissions.
- Risks associated with statutory returns to be included in University risk registers.
- Adequate checks on duplicates before submitting data to HESA.
- Sample check the residential status of individual students before submitting data to HESA.
- Check year of study of student is correctly captured and recorded.
- Maintain a record of previous address and postcode information where it is possible to overwrite these details on the student data system.
- Enrolment forms to require students to confirm if they are in receipt of DSA or not.
- All franchised students should be correctly captured and reported.

#### HESA staff record

- Control checklist for HESA returns should include whether MINERVA queries have been addressed prior to submission.
- Colleges and departments should be engaged in the return process to reinforce the importance of data ownership to improve data quality.

#### HE-BCI survey

- Relevant sections of HE-BCI should be scrutinised by respective officers responsible for providing data to establish data credibility and validation checks.
- Final data presented to senior management teams for review and authorisation.
- Supporting methodologies should be documented as supporting evidence so returns can be verified for accuracy.

#### Fee plan monitoring

- A robust methodology for calculating targets and scores for each activity should be established.
- Procedures outlining the methodology for the processes used to obtain, calculate or amend forecast figures used in targets, average fees and new income figures should be put into place.

## Annex D

- A timetable for compiling the Annual Monitoring Statement (AMS) should be established in order to ensure all required evidence is obtained in a timely manner.
- A reconciliation of the new fee income figures on the fee plan monitoring statement to the audited accounts should be completed on an annual basis.
- Underlying data should be maintained to substantiate the returns.
- All adjustments between the source data and final return should be fully evidenced in terms of a rationale.