

8. OTHER KINDS OF AUDIT

8.1 This material has so far considered the kind of audit that would be familiar to many governors, particularly those with a private sector background. However, there are at least three other activities in HEIs that involve other aspects of audit in some way, and these are briefly reviewed in this chapter. They are:

- The requirement of some funding councils for data audits, and the role of the governing body in validating the accuracy of data (in some HEIs in England Hefce ask for the process of completing Trac¹⁹ returns to be audited).
- Institutional reviews and audits conducted by funding councils, and the implications for the governing body.
- Academic audit and quality assurance, and the implications for the governing body.

Each of these is briefly considered in turn, but not all apply across the UK and the text notes differences where these occur.

Funding council data audits

8.2 All the four UK higher education funding councils have necessarily complex funding models by which they fund teaching. These take account of factors such as the mode of study (full time, part time, etc), the level of study (undergraduate, postgraduate, etc), the subject of study (different subjects cost different amounts to teach), and so on. It is therefore important that the data returned by HEIs is accurate. For financial returns, the financial statements and the work of the external auditors assure this (although not for the statistical returns), but there is no equivalent for student data which, of course, represents institutional income.

8.3 The complexity associated with student data has grown considerably in recent years, and is likely to grow further. In the past, the position was relatively straightforward: most students were full time, took one (or at the most two) subjects for a whole year, and drop out rates during the year were low. As a result student registration within HEIs was not too complex, and the returns to the funding councils (through Hesa - the Higher Education Statistics Agency) were likely to contain relatively few errors.

8.4 However, the student data world has changed and registrations are now much more complex. This means that relatively predictable data based on the full time single subject student has gone for many HEIs, and the current one may be much more difficult to track. For example, a medium sized HEI may have literally tens of thousands of data entries in its student record, and a failure to record them accurately (using the Hesa and funding body conventions) could potentially make a significant difference to the eventual income that an HEI receives.

¹⁹ For details of Trac see Chapter 4 of the volume on finance in this series

- 8.5 For this reason all the funding bodies are now moving towards asking governing bodies (through audit committees) formally to validate the main institutional student data returns, just as they have previously done in relation to the annual accounts. Already, some governing bodies do this, and undertake annual compliance checks to ensure that all is well, and that the advice they are receiving from senior officers is accurate. Internal audit may have a role to play in this area.
- 8.6 However, most governing bodies do not do such data checks, and the prospect of their having to introduce them is worrying some governors, who see a potentially increased cost of compliance at a time when national policy is to try and reduce the accountability burden on HEIs.
- 8.7 Whatever the cause of the problem, it is important that the governing body ensures all data (whether financial or otherwise) sent by HEIs to the funding bodies is robust and complies with the conditions of funding. Failure to do so, will inevitably raise issues about the expertise of management and the robustness of governance.

"How are we supposed to know whether the [student] data we send to HESA is accurate or not... The cost of checking it could be huge"

LAY GOVERNOR AND AUDIT COMMITTEE MEMBER

Institutional review

- 8.8 In England and Northern Ireland the funding councils have a process called 'institutional review' whereby HEIs are visited in order to assess audit and other arrangements. In a sense, this is an audit of the institution's own audit arrangements, and is undertaken on a cycle with a visit at least every five years for those HEIs presenting the least risk. Institutional reviews also take place in the Wales and Scotland, although their form differs.
- 8.9 These visits are important, and the clerk or secretary to the governing body will prepare for them in detail. The reviewers will want to meet members of the audit committee, and perhaps other governors in relation to any specific issues that may arise. In England, the broad areas that the institutional review will address are²⁰: governance; audit; risk management; financial management; strategic management; and related areas.
- 8.10 A critical judgement from such a review would be a very serious outcome for a governing body, and would suggest that significant failures were occurring in the way the board was undertaking its duties. However, this has happened, and governors should not be complacent about the review process. This is particularly the case where (for some reason) boards may have decided not to undertake robust effectiveness reviews of their own.

²⁰ See www.hefce.ac.uk/finance/assurance/InstRev/

Academic audit and quality assurance

- 8.11 Historically, in many HEIs the governing body had relatively little role in relation to the main academic areas of teaching and research, despite those in post-1992 HEIs in England having a formal responsibility for 'determining educational character'. As higher education becomes more market driven the position is changing, and boards are becoming much more involved in issues such as the student experience, internationalisation, employability, and so on - not to mention their overall responsibility for approving and measuring strategy with academic issues at its heart. Indeed, a common observation from many new external governors is to express surprise that most governing bodies tend to have little responsibility for the core products of the institution in teaching and research.
- 8.12 One specific question that this raises for the governing body is what role should it have in relation to the audit of academic activity and ensuring the quality of the academic provision? Conventionally (although this is also changing in some HEIs) the answer has been none, and it has been an academic board or senate issue (depending on local structures). The question for all governors is: is this approach still appropriate, and if not in what ways might it be changed? In Scotland, this question is now being posed in a practical sense as from 2009 the governing bodies of all Scottish HEIs will be required by the Scottish Funding Council to agree a 'baseline' document setting out how their institution is enhancing the quality of learning and teaching.
- 8.13 In practical terms, the issue facing the governing body is to what extent does it receive and discuss the substantial amount of existing data on academic quality? The exact information given to governors will vary between HEIs and different UK jurisdictions, but is likely to include:
- Results of the institutional reviews (or equivalent) of all HEIs undertaken by the QAA (Quality Assurance Agency)²¹.
 - In England, results of collaborative provision audit and IQER (Institutional Quality Enhancement Review of higher education in further education colleges).
 - Professional body course accreditation reviews.
 - For some HEIs cross-sector further education provision reviews by Ofsted.
 - The results of the National Student Survey (NSS).
 - Internal course review information, for example, end of year course evaluations, etc.
 - For research, obvious information includes the results of the Research Assessment Exercise (RAE), but also any internal data generated on research productivity and quality.

"I have never been on a board before, which has never seriously discussed the main products we are delivering, or the needs of its customers. And worse, nobody else seems to find this unusual!"

LAY GOVERNOR

²¹ See www.qaa.ac.uk

8.14 Clearly, the time to discuss this information at full governing body meetings is limited, and therefore the board will need to take a decision about whether responsibility needs to be given to a subcommittee to take discussions forward. There appear to be four main possibilities:

- To take no action and leave this entirely to the senate or academic board (receiving reports from them as required).
- To give responsibility to a joint committee of the governing body and senate or academic board.
- To give responsibility to a governing body committee concerned with strategy (at least one HEI now has an educational strategy committee as a subcommittee of its governing body).
- To give responsibility to the audit committee - although this may not be the best solution given the committee's likely existing workload.

8.15 The last option is particularly relevant to audit, and some HEIs already provide all the information in 8.13 to their audit committees. The idea of a generic audit committee with responsibility for coordinating all audit activities is attractive to some HEIs and not to others. Certainly, it is not a traditional approach, but if a new HEI were being established without the need to adopt a governance structure of the past, then it is quite possible that such an audit committee would have a considerable attraction. It could also lead to some interesting innovations in assessing academic quality, for example the adoption of a risk based approach. Of course, the changes required to introduce such a generic audit committee would be considerable. Many finance directors would be uncomfortable with a broader remit, and the professional audit firms would have no expertise (and probably little interest) in these new areas.

8.16 There are advantages and drawbacks associated with all four approaches, but what is important is that as a governor you should be confident that this increasingly important issue of what the board should know about academic quality is being dealt with in an appropriate way.

Self-challenge questions

- What is, and what is not, the role of your governing body in determining whether the quality of teaching and learning and/or the quality of research is acceptable, and how does it relate to that of the senate or academic board?
- Is there agreement within your HEI about the responsibilities of all the key bodies and the executive team for matters concerning the quality of academic activities and the student experience?
- Are there effective systems in place for reporting to the governing body on key issues concerning academic quality and the student experience?
- What are the potential dangers of governing body involvement in this area?