

**Review of Governance and Data Quality Arrangements in
respect of HESA and HESES Data Returns**

London Metropolitan University

Final Report

3 December 2009

PRIVATE AND CONFIDENTIAL

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1 Introduction and Background

1.1 Introduction

Deloitte LLP (“Deloitte”, “we” and/or “us”), was appointed by London Metropolitan University (“LMU”, “the University” or “you”) under the terms of our Letter of Engagement dated 27 July 2009 and subsequent change orders dated 27 August 2009 and 19 October 2009.

In March 2009 the Higher Education Funding Council for England (“HEFCE”) announced that it was to claw back £36.5 million of funding provided to LMU covering the academic years 2005/06 to 2007/08. We understand that within the sector the level of the claw back from LMU is considered to be unprecedented. To this extent, both HEFCE and LMU commissioned independent reviews to understand the issues involved and to learn lessons for the future.

As a result, you instructed us to undertake a review between August and October 2009 in respect of the governance and data quality arrangements in place at LMU in relation to the submission of data returns to the HEFCE.

1.2 Structure of this report

This report is set out as follows:

- In the remainder of this section 1, we set out the background to our work, the work performed and the limitations on the use of this report;
- At section 2 of this report, we set out our Executive Summary;
- Section 3 of this report sets out the governance and management arrangements for the data returns to HEFCE;

- In section 4 we set out the arrangements at the University for preparing the data returns to HEFCE focusing on the data quality arrangements; and
- Section 5 summarises our key findings and sets out areas of improvements that the University may consider implementing.

As the report is confidential and for LMU, we have assumed that there is some prior knowledge of the circumstances and we have focused this report on relevant key points of our review. We would be happy to provide a more detailed note on the background if you would find this helpful.

1.3 Background

LMU was created in August 2002 by the merger of London Guildhall University and the University of North London.

We understand that post the merger, poor industrial relations at the University added further complexities to what was already a challenging agenda for the University. In particular, one of the key factors of the merger was that there would be no compulsory redundancies and therefore in the early stages of the merger there were a number of positions that were duplicated.

We discuss below one of the key objectives of the newly formed University, that of Widening Participation and the implications this had on funding by HEFCE.

1.3.1 Widening Participation

One of the key objectives of the University was to promote the Widening Participation agenda. The purpose of this objective was to allow students from different social and financial backgrounds to have the opportunity to attend a University.

We understand that two of the key consequences of the implementation of this objective were:

- Students attending LMU included students whose families and relatives had no prior experience of higher education and those who were from financially constrained backgrounds. We understand that LMU's higher than average student dropout rate (30%) is attributed to this student profile intake. Further, we have seen evidence that, whilst other Universities have widening participation objectives, the student dropout rate for LMU was still higher than that of comparable Universities; and
- Where students did manage to complete their degree, we were informed in our interviews that the average time taken to complete a three year under graduate degree programme was 4.2 years. We understand that one of the main reasons behind the University's extended degree completion time was the movement of students from full time to part time, with some students even opting to postpone their studies for a short period.

We were informed that these two consequences of the Widening Participation objective had significant funding implications for LMU as discussed below.

1.3.2 Funding

Universities receive funding from a variety of sources, and one of the largest sources of funding is received from the Government through HEFCE. This funding is provided only for students who are permanently residing in the UK. The amount of funding received by Universities from HEFCE is determined through two data returns submitted annually as set out below:

- **Higher Education Students Early Statistics ("HESES") return:** reports on the projected student numbers in the current academic year and includes a forecast of the number of students who are likely to be studying on courses at the University from the point of submission to the end of the academic year (31 July). The return is submitted in January using the census date of 1 December; and

- **Higher Education Statistics Agency ("HESA") return:** provides a retrospective report for the prior academic year on the students who have been deemed to have completed their course. There are specific definitions that Universities must follow to determine the number of students who have completed their course ("Funding Completion").

HEFCE monitor that Universities are following the Funding Completion definitions appropriately and that data returns are submitted accurately by the following two methods:

- Performing an annual comparison between the two data returns. A tolerance limit (+/- 5%) is set and any divergence beyond this will result in HEFCE taking action to bring the University to within the tolerance band. This may be through reduction in student numbers or by adjusting their funding ("claw back"); and
- Undertaking on a seven year cycle basis an audit of the data returns of all Universities. In 2008, HEFCE changed their audit cycle to every five years.

In the case of LMU, a number of audits were conducted by HEFCE. These are set out below:

- HESES 03 audit was the first audit undertaken in June 2004 and reviewed the University HESES 03 return. The final audit report was issued to the University in August 2004;
- HESES 04 audit was undertaken in June 2005 to review the HESES 04 return and the progress on the recommendations from the HESES 03 audit. The final audit report was issued to the University in September 2005;
- HESES 05 audit was undertaken in March 2007 to review the HESES 05 return and the progress on the recommendations from the HESES 04 audit. The final audit report was issued to the University in May 2007;

- A detailed audit was undertaken in February 2008. The review was limited to determining appropriate non-completion rates to replace those included by the University in HESES05, HESES06 (subject to any final detailed changes) and inform those for HESES07. The final audit report was issued to the University in April 2008; and
- As a result of risk assessment undertaken by HEFCE, BDO Stoy Hayward was commissioned by HEFCE to undertake an independent review in July 2008. This independent review covered the periods covered by the previous audit and the HESES 07 return.

As a result of the latter two audits, in February 2009, the HEFCE Board confirmed a claw back in funding to LMU of £36.5 million covering the academic years 2005/06 - 2007/08.

We understand that the funding claw back relates predominantly to inaccuracies within LMU's data returns in respect of particular individual students who were reported to have completed their planned study modules for the year but had not done so ("non-completions").

1.4 Work performed

1.4.1 Objective

The objective of our review for LMU is to identify the underlying reasons as to why the control and assurance processes appear to have failed to alert the University Board to the nature, scale and potential financial implications of non-compliant data returns submitted to HEFCE and HESA. The review is in respect of the data returns made by LMU to HEFCE and HESA during the annual reporting periods between 2005/06 to 2007/08.

1.4.2 Scope & methodology

The scope of our work entailed reviewing the following areas as discussed with and identified by the University:

- reviewing the arrangements for compliance by both the LMU Board and the Designated Officer with the terms of the Financial Memorandum and the Audit and Accountability Code;
- assessing the internal management reporting arrangements, responsibilities and key controls in respect of data compilation, analysis and submission of statutory returns;
- reviewing the Board and sub-committee structure, terms of reference, reporting arrangements and the information flow to the Board and the sub-committees from Management;
- reviewing the risk identification and management and the operation of the University Risk Committee and corresponding risk monitoring at Governor level;
- reviewing reports from internal and external audit; and
- reviewing the management of the contractual funding relationship with HEFCE.

We also agreed with LMU that we would work with Sir David Melville who was appointed by LMU to act as an independent advisor to the Board of Governors at LMU. Sir David Melville has worked closely with us on this review and we understand that he will also write a summary report on the work he has performed.

Based on the scope agreed with the University, we structured our review on two key themes: Governance & Management Arrangements and Data Quality Arrangements as set out below:

Governance & Management Arrangements

- Request and read relevant Board minutes;
- Request and read relevant sub-committee minutes;
- Identify the level of scrutiny and challenge at the Board and sub-committees;
- Review the terms of reference for the Board and the sub-committees;
- Identify, understand and report the information flow to the Board and sub-committees from Management;
- Review the governance and management structure and any changes that occurred in the period;
- Request and review relevant internal audit reports and external audit reports;
- Request and review relevant internal reviews undertaken by London Metropolitan University;
- Request and review the risk management reports and the risk register;
- Request and review any documentation and reports provided by HEFCE;
- Interview the current Vice-Chancellor and any relevant predecessor holding the position;
- Interview the current Deputy Vice-Chancellors and any relevant predecessor holding the position;
- Interview current and any relevant former members of the Audit Committee;
- Interview any relevant representatives from HEFCE;
- Interview current and any relevant former members of the Board of Governors;
- Interview current and any relevant former members of Management;

- Request and read relevant communication exchanges between HEFCE and the University during the period 2003 - June 2009; and
- Request and review other relevant documentation providing an insight into the relationship between HEFCE and the University during the period 2003 - June 2009.

Data Quality Arrangements:

- Review relevant reports relating to student record data quality and processes;
- Identify and assess ARTPack¹ key processes and controls relating to the student data lifecycle and HEFCE returns;
- Identify areas of policy uncertainty and, with the support of data analytics, identify key deficiencies in data fields and records; and
- Analyse the causes of key data quality issues.

In addition, Sir David Melville received a significant number of e-mails and additional information from current and former members of staff at LMU in respect of the areas under review on a confidential basis. Sir David provided us with this material, however, the subject matter of some of these e-mails was outside the scope of our review and we have therefore only considered relevant information which is within the scope of this review.

1.4.3 Approach

Our work was based on the following:

- Interviews with key individuals from LMU and HEFCE (Appendix 1);
- Reviewing relevant documentation provided by LMU and that available in the public domain (Appendix 2);
- Undertaking detailed data testing (Appendix 3); and
- Provision of a draft report to the Board Secretary of LMU and Sir David Melville to confirm its factual accuracy.

¹ ArtPack - refers to a process mapping technique used to represent activities and processes graphically.

1.4.4 Limitation of the work performed

This report sets out our findings based on work performed up to 3 November 2009. We cannot rule out the possibility that, had further work been conducted, our findings might have been different or that we may have identified additional matters to bring to your attention.

Our report has been discussed and the factual accuracy has been confirmed by the University Secretary and Sir David Melville.

For the purposes of this report, save where we have been able to corroborate information, we have had to assume that the documents or other information (including electronic material) disclosed to us are reliable and complete. Our investigation was heavily dependent on the co-operation and honesty of the people to whom we spoke and the completeness and integrity of the documentation that we reviewed. Moreover, many of our findings are based on circumstantial rather than direct evidence. This report should be considered in that light and we cannot accept any liability for our findings being prejudiced through provision of incomplete or unreliable information or material.

We have not discussed with the persons named or referred to in this Report our conclusions based on what they or other individuals concerned have told us. Where those conclusions may be critical in nature, we have not given such persons the opportunity to respond to those criticisms in draft. We do not consider it appropriate to do so given the nature of the Report, but wish this to be clear to any subsequent reader.

We did not conduct a general review of the controls within LMU. The control weakness points noted in this report are simply those which came to our attention during the course of our work. They are not intended to be exhaustive or a comprehensive list of all the control weaknesses that may exist. Moreover, our work should not be construed as an audit. The control weaknesses that we identified were those existing at the time of the events that formed the subject of our investigation. Our work was designed to focus on areas identified by LMU. This work was not designed to identify all circumstances of fraud or other irregularity, if any, that may exist.

1.5 Statement of Responsibility

This report is confidential and prepared by us solely for the information of LMU. Therefore the findings of this work will remain confidential to LMU Board and the Board should not, without prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any document, or make them available or communicate them to any party. No other party is entitled to rely on this document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

The matters raised in this report are those that came to our attention during the review and the scope of the review is limited to areas highlighted in our Letter of Engagement dated 27 July 2009 and subsequent change order dated 27 August 2009 and 19 October 2009. However, we would emphasise that our review should not be relied on to detect all errors and weaknesses that might exist. You should assess our suggested areas of improvement for their full implications before they are implemented. We would like to draw your attention to section 5 of the Letter of Engagement highlighting the above terms and conditions.

In the event that we do provide our consent, we cannot accept liability to any third party recipient of our report, including any recipient under the Freedom of Information Act 2000. You should consult with us promptly should you receive any request which you consider requires disclosure of the contents of this report, either in whole or in part, under the Freedom of Information Act 2000. No other party is entitled to rely on this report for any purpose whatsoever.

Should you wish to disclose our Report to relevant regulatory authorities, such as HEFCE, we would be prepared, on receipt from you of a suitable consent letter, to provide our written permission for you to do so provided also that your disclosure of our Report is accompanied by a letter from us notifying HEFCE that:

- The disclosure to them will not create any duty, liability or responsibility whatsoever to them in relation to our Report or any of its contents;
- The Report was not prepared for their use or with their needs or interests in mind; and
- They should keep our Report confidential and not copy or circulate our Report, or any extracts from it, to any third party without our express permission.

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2 Executive Summary

Deloitte was engaged by London Metropolitan University (LMU) to perform a review between August and October 2009 of the governance and data quality arrangements in respect of the HESA and HESES data returns submitted to HEFCE for the academic years between 2005 and 2008. The scope and objectives of our review were set out in our engagement letter on 27 July 2009 and change orders dated 27 August 2009 and 19 October 2009. As part of this independent review we agreed with LMU that we would work alongside Sir David Melville, who was appointed by LMU to act as an independent advisor to the Board of Governors at LMU.

We have set out below our key findings in respect of the governance and data quality arrangements (for further details see section 3 and 4 of this report).

2.1 Key Findings

From our review of documentary evidence and interviews with key individuals we have identified a number of weaknesses in respect of the HESA/HESES data returns. These can be summarised into three key main areas. These are as follows:

- **Awareness of the definition used for Funding Completion** - Key members of staff at LMU were aware that they were not applying the definition literally to HEFCE guidance;
- **Governance and Management arrangements** - These were not operating effectively, particularly as Governors were not always informed about key issues; and
- **Quality of Data** - There were problems with the underlying quality of data that was used for the HESA/HESES data returns.

We have separated our detailed findings into two key main areas; namely governance and management arrangements and data quality arrangements. These are as follows:

Governance & Management Arrangements

- As early as 2003, certain members of the Executive Group, Senior Management team and Senior members at the University were aware that the definition for funding completion used was not in line with the HEFCE guidance. In an e-mail dated the 24 May 2004, from one of the senior members involved in the preparation of the returns it stated that if the definition is applied literally, this would be “disastrous for the University”.
- Our review of the meeting minutes from the various committees and our interviews identified that the University used a wide variety of terms for non-completions. There was little clarity provided to other staff members and in particular to the Governors as to what these meant.
- In 2005, a presentation was given by the Director of Finance to the Board highlighting HEFCE funding completion methodology. Our review of the meeting minutes has not identified any clarification of how the University was dealing with this, despite this being a very topical area of discussion in the sector.
- We were informed that the University used mechanisms which improved the amount of funding it received from HEFCE. These included:
 - recruiting as many students as possible;
 - allowing students to progress academically and count the students towards funding completion when they were considerably below the statutory amount of credits; and
 - not cleansing the data before submitting the data returns.

- We could not ascertain from our review of the minutes of committee meetings the level of scrutiny and challenge and the amount of time spent on each area. However, we were informed through our interviews that the agenda and papers at most committees were extensive and therefore it was difficult to go through all issues in detail within the time allocated.
- We understand from our review of committee minutes and from our interviews that Data Quality concerns were discussed at various committees but these have not been addressed significantly by members of the committees.
- There was over-reliance on the external assurance mechanisms as opposed to internal assurances processes. Risk registers did not highlight the risks associated with the definition used by the University in respect of the HESA and HESES returns and their implications on funding for the University.
- We understand from our interviews with LMU and HEFCE that the relationship between LMU and HEFCE was good until HEFCE commissioned BDO Stoy Hayward to undertake an independent review. HEFCE conducted a number of audits, but significant concerns were only raised and highlighted when the BDO Stoy Hayward report was published in January 2009.

Data Quality Arrangements

- Our review has highlighted that formal policies and procedures were not in place in respect of the period considered:
 - to govern the complete and accurate preparation and timely submission of returns;
 - to manage changes to the course master data;
 - to ensure that appropriate management information was given to inform the executive oversight on returns to be submitted to HEFCE;

- that data validation reports produced by the HESA validation tool were investigated and rectified in a timely manner prior to the submission of the returns;
- to log instances where there were data quality weaknesses that were identified and raised by the University staff members, and also monitor that they were rectified in a timely manner; and
- to manage change applied to the SITS² systems and the SQL script.

- A 'whistle blowing' process was in place within the University to support the escalation of concerns around adherence to HEFCE guidance, but from our review we understand that this was not used.
- An independent review of the returns compilation process was not performed by Internal Audit.

- Our review has identified control weaknesses and process inefficiencies in a number of areas in the period under review. These included:
 - an inefficient admissions and enrolments process;
 - weaknesses in the system controls around the module selection process and recording of module intentionality of students;
 - the attendance monitoring and recording of student withdrawals between the academic years 2003/04 to 2007/08 is not complete and therefore insufficient;
 - an inefficient process to detect, review and remove redundant data from the SITS system; and
 - a lack of validation routines to identify conflicts between key data fields which were used to identify students that were counted towards funding completion.

² Information system used for recording all information about student activity - modules, courses, student information

- The University used computer based scripts (written in SQL) to prepare student data for the data returns. However, formal policies and procedures were not in place to manage risks around unauthorised or inappropriate changes being made to these scripts.
- After consideration of withdrawals and FE students, the SQL script used the “progression” data field to determine whether a student’s status was Funding Complete. Where the Funding Completion was not determined, it automatically defaulted the student records to a Funding Complete status.
- The guidelines in place to determine and record if a student is fundable or not (based on domicile) has not operated effectively.
- The fee status field was used inappropriately to determine the mode of study of a student in 07/08.
- Automated tools were not in place within SITS to monitor and report to management on data quality deficiencies.
- During the period under review, automated programs were used to cleanse and overwrite data fields within SITS. These have not been reviewed by LMU to ensure that they are functioning as intended.
- The University had not reviewed the functionality in the SITS system used to create the initial tables used to subsequently prepare HESA data, to confirm that such functionality was in line with University’s expectations as well as ensure that the required level of data quality was established in the SITS system to support this functionality.

3 Governance & Management Arrangements

Our review of the governance and management arrangements within LMU focused on reviewing five specific areas. These are as follows:

- Funding Completion
- Committee Minutes and Papers
- Data Quality
- Risk Management
- Relationship with HEFCE

We have summarised below in the relevant subsections our findings in each of the specific areas. These have been gathered from our interviews of current and past staff members of LMU and HEFCE (Appendix 1) and our review of key documentary evidence, in particular, the minutes of key committees and groups (Appendix 2).

Whilst the focus of the review primarily covered the academic period 2005/06 to 2007/08, we have also considered certain data and evidence from the academic years 2002/03 (when LMU was created from the merger of the London Guildhall University and the University of North London) to 3 November 2009. We ascertained current arrangements to establish any specific changes and progress that has been made by the University as a result of the issues identified. The period under investigation for this review is from 2002 when the University was created to 3 November 2009.

3.1 Funding Completion

In this section we discuss:

- the University understanding of the definition used for funding completion and the actual methodology used by the University;
- the awareness of funding completion; and
- some of the mechanisms (“devices”) used by the University to improve funding received by the University.

For the purpose of this report we use the terms funding complete and funding completion interchangeably.

3.1.1 Definition Used by LMU

We were informed during our interviews:

- By members of the Executive Group (See Appendix 1 for membership) that throughout the period under review they knew that the definition used by the University for funding completion in the data returns was not in line with HEFCE guidance;
- That the definition used by LMU was that if a student progressed on to the next stage then the student could count towards funding completion. We have also seen evidence that this definition was used by the University;
- There was a clear understanding by certain members of the Executive Group, some of the Senior Management and junior staff members connected with the data returns that if the HEFCE guidance was applied literally to LMU, there would be serious implications for funding. The Vice Chancellor in post during the period under investigation, had a strong belief that given the widening participation agenda and the social/demographic mix of students, it would not be practical for LMU to follow the HEFCE guidance literally; and
- LMU was amongst a group of Universities which held the same view, but at no stage did LMU think that it was a significant outlier with respect to this group.

We have seen evidence and been informed by members of the Executive Group that the Deputy Vice Chancellor wrote to HEFCE in 2004 about the application of the funding completion definition. In this letter the University provided examples of students who would be excluded from funding if HEFCE rules were applied strictly

HEFCE responded by letter to the University stating that in its view the examples that were described in the letter were unlikely to be counted as non-completion in the context of an audit review. We understand from our interviews with a number of the Executive Group members, they now accept, the examples provided did not demonstrate what they wanted to share with HEFCE.

During the period under investigation we have also seen evidence that the University used a computer based script (SQL script), to extract data from the SITS system to generate an initial download of data to prepare the HESA and HESES return. From our review of the SQL script and its revisions we have noted that there was difference in how the University thought it was determining students as funded complete and what was being extracted by the SQL script.

Further details of the issues resulting from this script and the revision made to it during the period under investigation are summarised in Section 4 of this report and in Appendix 4.

3.1.2 Awareness of the Issue

We have noted the following from reviewing the minutes of the various committees and groups and the interviews:

- there were a range of terms (“recruitment”, “retention”, “early walkers”, “dropouts”, “withdrawals” and “wastage”) used in relation to student numbers which had relevance to the funding completion issue;
- these terms were not explicitly defined in the papers or minutes; and
- there was a lack of understanding of what these terms meant and their relation to the implications on funding for the University.

We were also informed during our interviews by a number of the current and former Governors that they could not recollect:

- being informed in detail about the rules for funding completion prior to the events leading up to the significant claw back of funding in February 2009; and
- any instances of where the members of the Executive Group and Senior Management had informed them of the HEFCE definition of what constitutes a student as funded complete and the consequential impact on the funding received by the University.

However, we have also seen evidence of a presentation given by the Director of Finance to the Board in October 2005 on the HEFCE funding methodology. The presentation and the minutes from the meeting show:

- that only students who have completed all their relevant modules can be counted by HEFCE for funding completion and that if a student fails to complete one of his/her assessments, all teaching activity is disregarded;
- an explanation of the HESA and the HESES returns and the importance of both regarding the University funding stream but no explanation of the definition followed by the University; and
- that the minutes did not record any questions or discussion in relation to the presentation.

We have also seen evidence that the other Committees regularly received reports both on student recruitment in line with LMU’s Widening Participation objective. These reports highlighted the problems with student retention. Examples of these reports are as follows:

- in June 2003, the Board discussed a report from the Vice Chancellor, which highlighted that 33% of students at London Metropolitan University failed to complete their course in comparison with a national average of 17%; and

- earlier that year, the Academic Board commissioned a review by an external body into reasons for differing retention rates for similar students at the precursor institutions of London Guildhall University and the University of North London. Our review of this report confirmed LMU and the respective predecessor organisations' dropout rates as being higher than other Universities benchmarked in the report.

We have seen evidence from the review of the minutes of Retention, Progression and Achievement Group ("RPAG") that:

- in September 2003, concerns about the definition of non-completions and the forthcoming 2003 HESES return; and
- in April 2004, a member of the RPAG raised concerns about whether there was a consistent application of terminology and coding in relation to Funding completions across the University.

We have seen no evidence in either of the two examples above that this issue was escalated to any other committee or group or that the issues were followed up at the next RPAG meeting.

In addition to the above examples, we have been provided with e-mails that were sent to a number of the members of the Executive Group and Senior Management team during the period 20 October 2003 to 13 July 2004 highlighting the lack of congruence between the application of the funding completion definition at the University and the HEFCE definition.

An email dated 18 May 2004 states that if the definition is applied literally, this would be "disastrous for the University".

There is no evidence from either the documentation available or the information gathered during the interviews that these e-mails were discussed at the weekly Executive Group meeting, despite a number of the members on that Group being copied into the e-mails.

3.1.3 Devices Used

We were informed by one of the members of the Executive Group team, that a number of "devices" were used which improved the amount of funding that LMU received from HEFCE. We have discussed this with the wider Senior Management team and were informed that they believed that these were widely used within the sector. We have been informed that these so called devices included:

- **Increased Intake** - There was recognition that the University has a high number of early walkers and a high dropout rate. To counter this, the University had a policy to recruit as many students as possible during September and October to help increase the numbers recording on the HESES return;
- **Cleansing Data** - We were informed that the SITS system was not proactively cleansed throughout the year to ensure that any students who may have left the University were removed. The HESES return therefore contained data which was not cleansed. At the end of the academic year when the HESA return was prepared, it also contained data which was not cleansed. When the two returns were compared as both contained data which was not cleansed there was little difference between the returns. HEFCE allows a tolerance level between the two returns and the University benefited as it did not have to reimburse HEFCE with any excess monies outside the tolerance set by HEFCE;
- **Progression** - We were informed that full time students could academically progress on less than 120 credits and the University counted this as funding completion. Students who obtain less than 120 credits, under HEFCE guidance, cannot be assessed as funding complete; and

- **Module Intentionality** - The SQL extract discussed earlier used a “progression” data field to determine whether a student’s status was funding complete. Where this data field was not populated it automatically defaulted the student records to a funding complete status. The University also allowed students to choose more than the statutory 8 modules (15 credits each) and therefore for some students the number of credits was considerably greater than 120 credits. (see Section 4 and Appendix 6 for more details).

3.2 Committee Minutes and Papers

In this section we discuss:

- the content of the committee minutes and papers;
- whether HEFCE reports were tabled at the appropriate committees; and
- the time allocated to committees.

From our review of the minutes of key committees, we found that:

- the minutes did not have sufficient detail for us to ascertain the level of discussion that was taking place;
- there was no evidence that any discussion resulting from the review of any of the minutes from other committees. For example, the minutes of the Board of Governors do not include discussion resulting from a review of the Audit Committee minutes that are routinely presented; and
- most of the committee meetings (which were held on a quarterly basis) had one and a half hours allocated to take into consideration a large agenda and set of papers.

We also reviewed the terms of reference of the Audit Committee and noted that the Audit Committee should have received all relevant reports. We noted that:

- there was no evidence that all the HEFCE reports were presented to the Audit Committee, for example, HESES 03 and HESES 05 audit reports were not presented to the Audit Committee; and
- annual reports made no reference to any of the HEFCE reports or discussions about the funding claw back issue, which is contrary to HEFCE guidelines.

3.3 Data Quality Concerns

In this section we discuss:

- whether key staff members were aware of data quality concerns; and
- whether any reports were commissioned to identify and address data quality concerns.

We have been informed by both current and previous staff members we interviewed that it is widely accepted throughout the University that there were and to the current day, data quality issues present within LMU and its predecessor institutions. These were a number of reasons for the data quality issues and these are covered in more detail in Section 4 of this report.

From our interviews we were informed that members of the Executive Group and the Senior Management Group were aware of the issues with data quality and the potential impact of these on the reported returns to HEFCE;

In addition, we were informed by some of the Governors that they were aware of data quality issues, but they were not aware of the implications and the impact of poor data on funding. We have not seen any evidence of any significant actions that were undertaken by the University.

From our review of Internal Audit documents and from interviews we noted that:

- Internal Audit Plans were discussed initially with the Director of Finance and the University Secretary, then presented to the Audit Committee for further discussion and approval; and
- none of these Internal Audit Plans included reviews of data quality or the processes for determining income streams such as the HESA and HESES returns;
- an Internal Audit report on Student Retention was commissioned to assess the extent to which the existing strategy and systems contributed towards the retention of students and the adequacy of management information for monitoring student retention and decision-making purposes. This report identified that there were systems in place; however, these were not yet effective as arrangements for monitoring and reporting progress against plans had not been agreed; and
- each of the annual Internal Audit opinions for the period under investigation highlighted that key controls, procedures and risk management arrangements were generally operating satisfactorily with sufficient effectiveness to provide reasonable, but not absolute assurance. There was no work agreed by the audit committee in relation to funding completion or data quality and therefore there were no specific references to any of these issues in the annual Internal Audit opinion.

We have also been informed that:

- no committee was responsible for reviewing the quality of data throughout the University until 2008;
- in 2006 the Academic Board raised concern about the accuracy of data for monitoring purposes; however it was not until 2008 that a Data Quality Group was set up to improve student record data as a priority;

- the Data Quality Group established in 2008 was disbanded earlier this year to be replaced by the creation of a Project Board to improve the quality of the data in the HESA and HESES return; and
- despite the establishment of the Data Quality group, we have been informed that concerns remain about the quality of data. The results of our data analysis (see Section 4) show limited improvement in data quality since the merger.

3.4 Risk Management

In this section we discuss:

- risk management arrangements the University had in place; and
- how the University captured its risks in its risk register.

Having reviewed the risk register we noted:

- they included the risks that poor retention levels could lead to reduction in income and potential reputational damage, and that changes in government policy funding mechanisms for teaching of widening participation could lead to reduction in income; and
- there was no evidence that the issues and subsequent risk of University income reducing, identified within the HEFCE audit reports, were added to the University Risk Register.

In addition, we were informed by the Governors that they were aware in December 2003 of some minimal potential claw back as a result of LMU exceeding HEFCE percentage tolerances levels; however this was not added to the risk register.

This we understand from our interviews with the members of the Executive Group was as a result of the fact that the risk register contained only those risks that would have an impact on the University risks associated with its strategic objectives and did not focus on operational risks.

Whilst operational risks were not updated onto the risk register we also noted through our interviews and review of documents supplied to committee meetings that Governors were not always informed about issues. As highlighted earlier in section 3.2, Governors did not receive the HESES 03 and HESES 05 audit reports.

We were also informed from interviews with the Executive Group and the Governors, that assurance on risks and issues were gained through the use of external audits and reviews such as those completed by HEFCE.

We have seen evidence or we have been informed that during 2005 a Governors' effectiveness review was undertaken, which looked at the Board of Governors' structure and its reporting committees. One of the outcomes of this review was the reduction in the number of Governors during 2006.

We have seen evidence that in 2008, the Audit Committee raised concerns about the basic training needs of Governors and that the role of the Audit Committee regarding risk management and governance needed to be clearly defined. We have been informed that some training has been provided but there is recognition that further action needs to be undertaken.

3.5 HEFCE

We have set out in this section a number of key points in relation to HEFCE that provide some context to this review and its findings.

We were informed from interviews with members from the Executive Group, Senior Management team and Governors that:

- HEFCE adopted a light touch regulatory framework with audits being conducted on a seven year cycle;
- audits were not as in-depth in the earlier years of the period under investigation; and
- the earlier audits undertaken at LMU did not raise significant issues.

Given that HEFCE had conducted a number of audits at LMU within the seven year cycle period, we understand from our interviews that HEFCE had concerns with the LMU data and the data returns.

We understand from interviews that the application of the HEFCE funding completion guidance was not applied literally by other Universities and so LMU was not alone in applying a different methodology. We have been informed that HEFCE representatives were informed about this issue at regional meetings and the issue was raised nationally in 2004 by Peter Knight (former Vice Chancellor at University of Central England). We have seen evidence that:

- his general criticism at the time was that the funding completion definition assumes linear progression and it does not fit with the policy requirement for widening participation and flexible modes of study; and
- the view held was that if the definition was applied literally, then it would not fund many students in post 92- Universities.

HEFCE has informed us that it has sought to clarify the funding completion rules on a number of occasions, as a result of the complex nature of the rules.

We have been informed by the Executive Groups members and Governors at LMU and a representative from HEFCE that there was a good relationship between the respective bodies. However, this relationship deteriorated after HEFCE commissioned BDO Stoy Hayward to undertake an independent review ("the BDO Report") and the findings in this report were strongly refuted by LMU.

With respect to the BDO report we have been informed that:

- the LMU Board felt that the BDO Report was not factually correct; and
- it was not an independent report as it was managed by a former member of the HEFCE Audit Committee, thereby reducing its credibility as an independent report.

We understand HEFCE maintains that the BDO Report was independent and their view is that it accurately reflects the findings. We have been informed that subsequent discussions and meetings have occurred between

representatives from HEFCE and LMU to address and settle the disagreement over the BDO Report.

From our interviews with the Executive Group and the Governors we were informed that proposed changes to the BDO report were not accepted or considered by HEFCE and the BDO report was in the view of some Executive Group and the Governors at LMU “defamatory”.

Further, we have been informed by some of the Governors and Senior Management from LMU who attended these meetings that additional agreements have been made which have, in the view of LMU, not been fulfilled by HEFCE. HEFCE has informed us that no such binding agreements were made by them.

Whilst there are personal notes of the various meetings that LMU and HEFCE have as evidence to the discussions, we have been informed that only the minutes from the meeting on 1 July 2008 were shared after the meeting. The personal notes from the other meetings were not shared and there is no evidence that matters and issues were agreed by other parties.

PRIVATE AND CONFIDENTIAL

4 Data Quality Arrangements

We segmented our review of data quality arrangements to focus on four specific areas. These are as follows:

- Organisational Level
- Student Records Management
- Reporting
- IT System Control

We have summarised below in the relevant subsections our findings in each of the four specific areas. These have been gathered from our interviews and data analysis which allowed us to map the processes under each of the four specific areas. The detailed data analysis and supporting evidence can be found in Appendix 3, 4, 5 and 6. We have also considered the evidence we have gathered from interviews from individuals (Appendix 2).

4.1 Organisational Level

In this section we have set out at an organisational level three key areas of weaknesses. These weaknesses relate to lack of formal policies and procedures in relation to the HEFCE data returns, an ineffective whistle blowing process and lack of an independent review of the compilation process.

✓ = Examples seen on the existence of policies, procedures and controls.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Formal policies and procedures were in place to govern the complete and accurate preparation and timely submission of HEFCE returns.	x	x	x	x	x

Our interviews highlighted that a lack of clarity existed within the senior members of the reporting team on exact job responsibilities and accountabilities. In addition, concerns were raised as early as 2003 and 2004, around the non-compliance with HEFCE completions guidance, which did not receive appropriate attention and action. This was despite a number of Executive Group members and Senior Management being aware of the matter. Further, we noted that of five HESES and four HESA sign off slips reviewed:

- one return was inappropriately signed off by the preparer;
- one return was submitted and signed off three times due to missing data in the return; and
- three returns were submitted late.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
The 'whistle blowing' process was used within the University to support the escalation of concerns on how the University applied HEFCE guidance on completions.	x	x	x	x	x

Whilst we were informed that a whistle blowing policy exists, we identified through our interviews that the process was not used. This was particularly evident by the fact that Sir David Melville has received a considerable amount of information (e-mails and letters) raising concerns in a number of areas from staff members. These concerns should have been made through an appropriate whistle blowing process. In addition, we have not seen any evidence of responses to concerns highlighted by the reporting team to the Executive Group in 2003 and 2004 on non-compliance with HEFCE completions guidance. This led to the University continuing to adopt the same approach to funding completions which was not in adherence with HEFCE requirements.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
An independent review over the returns compilation process was performed.	x	x	x	x	✓

Having reviewed the compilation process adopted by the University for the HESA and HESES returns, we have seen no evidence that there was any process by which the University assured itself that the compilation process was appropriate and fit for purpose.

We have reviewed the scope of work and reports undertaken by Internal Audit and External Audit that have been submitted to a number of committees at LMU during the period 2002 to 2007 and we note that neither the scope of work nor the reports reviewed covered the returns compilation process.

4.2 Student Records Management

In this section we have set out our finding from reviewing:

- the admissions and enrolments process;
- the module selection process;
- the attendance monitoring process; and
- arrangements to amend data on the key tables

	Existence of Weak Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Control weaknesses were identified in the admissions and enrolments process	x	x	x	x	x

Weakness in the management of the admissions and enrolments process can have an impact on the understatement/overstatement of both the HESA and HESES returns. We have identified in Appendix 5 a list of process and control weaknesses. The key findings are as follows:

- key controls within the SITS system are not in place to validate the data entered prior to storing data fields in a student record;
- there was a lack of periodic review to identify duplicate student records, records with missing information, or inaccurate fields followed by rectification. Our analysis on key data fields in SITS identified number of data quality weaknesses. For example:
 - In 2004/2005, 3,002 students had blank or invalid UK current postcode;
 - In 2005/2006, 101 students had blank or invalid status within their enrolment record;
 - During the period under investigation 531 students were identified who were aged under 16 or over 65 years old. In particular there were 19 students with a year of birth between '03 and '12, which would indicate they are either between 96 and 106 or between 0 and 6 years old;
 - 5,280 students did not have a date of birth entered in the SITS system during the period under investigation; and
 - During the period under investigation 1,883 student records were identified as potential duplicates using the surname, initials and date of birth data fields.

Detailed analysis of the findings represented above can be found in Appendix 6.

We have also identified an area which we believe that the University may be under-claiming on the HESA and HESES return. These relate to students who have not enrolled but have course and module activity assigned to their record. Our analysis of student data found that 2,878 students who had module results on their student record were not correctly enrolled at the University.

These students may have been eligible for funding but may have been omitted from the student return because they did not have an enrolled status.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Weaknesses and process inefficiencies were not identified in the module selection process and on module intentionality of students	x	x	x	x	x

There is a lack of a centralised approach to module registration with the key control being registration sign off from the academic leader. Students were able to submit module choices via an online or a manual submission form. The online system (E-vision) did not have a mechanism in place to ensure that restricted lists of modules were available for selection, but this is in line with the provision of the undergraduate scheme.

As highlighted in section 3.1.3, under module intentionality, our analysis also identified that first year, first semester and full time students were automatically assigned to modules which they may not necessarily have signed up to for a given academic year. This process was also applied to continuing students. For the full time students, we were informed that this is likely due to the student following a compulsory programme, where there is limited benefit in a student 'signing up'. This has an impact on the number of modules for which a student was registered as per the student's record (exceeding the number of credits allowed for an academic year). Our analysis on student data for the period under investigation identified that more than 1,000 student course instances (over the period from 2003 to 2008) were registered for modules totalling more than 180 credits within an academic year. In the majority of cases these are legitimate, whilst there are a significant number that are not legitimate. See Appendix 6 for details.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
The attendance monitoring process and recording of student withdrawals was operating effectively between the periods 03/04 to 06/07.	x	x	x	x	x

The attendance monitoring process was not complete and therefore insufficient throughout an academic year to ensure the timely identification and removal of students who no longer attended the University.

We were informed by a number of the interviewees that prior to submission of a return, the University performs a review to identify if a student can be deemed as withdrawn, however, we have also been informed that there were no specific guidelines to support this.

The profiling of student "end dates" for withdrawals and suspensions reflected large peaks between September and November each academic year which suggests that withdrawals are processed in batches on an infrequent basis (carried out mostly before the submission of a return).

A graphical representation is shown in Appendix 6. Appendix 3 provides an illustration of the sensitivity analysis performed to determine impact of the withdrawals and un-flagged withdrawals on the non-completion rate for academic years 2003/04 to 2007/08.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Policies and procedures in place to manage changes to course master data were designed and implemented effectively	x	x	x	x	x

A review of the policies and procedures allowing the changes to the course master data identified the following key issues:

- a formalised change management process was not in place for course master data;
- controls were not in place to ensure that all key data fields³ were completed (e.g. source of funding) by the academic staff;
- there is a lack of ownership and responsibility over the maintenance of course specification information;
- the urgency with which the course setup requests are raised means that new courses are often created in the SITS system prior to receiving approval from the BDG (Business Development Group); and
- a process is not in place to remove unapproved courses from the SITS system.

Our analysis on the course master data during the period under investigation identified the following:

- 316 students were identified who were registered on courses belonging to “dummy” departments; and
- 328 students were found to have been registered on a “dummy” course.

³ Example of key data fields are those data fields that identified home and overseas students, course start date and end date, course name, assessment pattern (coursework or final examination) etc.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
A control was designed and implemented to detect, review and remove redundant data from the SITS system	x	x	x	x	x

Our data testing highlighted the occurrence of redundant data on the SITS system. The University should have an arrangement in place to cleanse and remove redundant data. We were informed by the University that ‘Module Availability Records’ are required to enable the registration of students to these redundant modules and courses. Some key points to note from our review include that:

- during our analysis, we identified 1,255 courses and 17,000 modules on the SITS system which had not been used in the academic years 2003/4 - 2007/8. These courses and modules in some cases, may relate to new courses and modules for 2009/10 which are not yet active; and
- of the 1,255 courses, 1,220 did not have an end date, indicating they are still live on the SITS system. 5,052 of the redundant modules were flagged as “in use” meaning they are still active on the system.

4.3 Reporting

We reviewed the University's controls and processes in place during the period under investigation to establish formal accountability and responsibility to manage principal activities in the returns reporting cycle. In this section we have set out our findings in relation to LMU's adherence to HEFCE guidance and for policies for preparing and reporting data returns. Our review highlighted the following:

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Formal policies and procedures were in place to manage risks around data manipulation programs and field structures used in / with SITS system for the preparation of returns.	x	x	x	x	x

The arrangements for extracting, compiling and reporting the HESA and HESSES returns to HEFCE need to be robust to ensure accurate returns are submitted. We have identified in Appendix 4 and 5 some key issues in relation to this area. These are as follows:

- A SQL script is used to manipulate data in HESA tables to determine funding completion. This has not been reviewed independently by LMU to confirm the accuracy of the technical contents and to ensure that it is in line with HEFCE guidelines.
- The SQL script used to determine funding completion from 2003 to 2007 was not in line with the HEFCE definition of non-completions. Instead, it was identifying student non-completions based on the student having withdrawn before the 31 May.

Further details on this functionality performed by the SQL script for academic years 2003/2004 to 2007/08 is provided in Appendix 4.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
The control in place to identify and review instances where the reporting team were unable to apply HEFCE funding criteria were operating effectively.	x	x	x	x	x

The methodology used for the calculation of funding completion in the SITS system was approved via email by the HESA return preparer. This approved methodology was not in line with HEFCE guidelines. While we have seen evidence that the senior management within the reporting team were aware of the methodology suggested, we have seen no evidence that they raised any concerns at the time, and the above methodology continued to be used until 2007.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Policies and procedures were in place to ensure that appropriate management information was given to inform executive oversight.	x	x	x	x	x

The return documentation submitted to the Vice Chancellor with the sign off slip did not have appropriate management level information, such as a summary of key figures in a return (e.g. non-completions). This had an impact on the ability of management to make an informed decision on the return prior to sign off.

However, we have been informed that there was also informal discussion highlighting the key issues and caveats with the returns with the Vice Chancellor, the level of discussion varied depending on who was providing the information and data returns to the Vice Chancellor. If the returns were supplied with consistent management level information, this would have allowed a more detailed comparison on prior year submissions and further scrutiny and challenge.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Policies and procedures were in place to ensure that data validation reports produced by the HESA data validation kit were investigated and rectified timely prior to submission of the returns.	x	x	x	x	x

Data error reports were generated by the HESA data validation kit. We could not establish any evidence to confirm how the errors in these data error reports generated were rectified prior to the final submission of a return.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Formal policies and procedures were in place to log instances where data quality weaknesses were identified and monitor timely rectification of such issues.	x	x	x	x	x

Our review of relevant email correspondence in relation to five HESSES returns and four HESA returns identified six data quality weaknesses during the process of preparing the returns. A log of such issues was not maintained to confirm that they have been rectified subsequently in the SITS system.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
The guidelines in place to determine and record if a student is fundable or not fundable (based on domicile), has operated effectively.	x	x	x	x	x

Our data analysis identified 1,296 students who had inaccurate funding conclusions due to differences in home/overseas data across their courses or academic year records. For example, a student studied one course in 2003/04 to 2005/06 as an overseas student, in 2006/07 studied one course as a home student and in 2007/08 was studying a course as an overseas student.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Controls were identified that prevented conflicts between the fundability and fee status of a student.	x	x	x	x	x

The 'fee status' field is used to determine what level of funding a student will pay and the 'fundability' flag is used to determine if a student is fundable or not. During our analysis we found 1,590 student course enrolments which had a conflict between these two fields. For example, 29 students had an overseas fee status but were marked as "fundable".

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
The 'fee status' field was used correctly to determine the mode of study of a student.	✓	✓	✓	x	✓

During the 2006/07 return, reliance was placed on the fee status field to determine if a student was full time. In the absence of data in this field the default was to set the student to part time. 55 records were found which had a blank fee status in this year. This is a finding in relation to data quality. While it did not have an impact on funding for these 55 students, it may impact on funding if this principle was applied to other students. Of the 55 student records, there were 10 student records that had a full time mode of attendance.

4.4 IT Systems Controls

We reviewed the IT system controls that were established on the SITS systems. In this section we have set out the weaknesses with respect to the controls in the SITS system, the procedures and policies to manage change and the SQL script used to extract data from the HESA returns.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Procedures and controls were in place to monitor and report to management on data quality deficiencies.	x	x	x	x	x

Data validation reports were not implemented in the SITS system to support periodic monitoring of data quality deficiencies.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
Formal policies and procedures were in place to manage changes applied to SITS and SQL programs used outside of the SITS system.	x	x	x	x	x

Where requests for changes to systems and SQL scripts are required, most organisations have implemented change control mechanisms which include the requirement of formal change control forms to be completed in for any changes to IT systems. These are followed up with robust testing procedures to ensure that the changes that should have been implemented are tested thoroughly to ensure that these have taken into effect and there has not been other adverse impact. In the case of LMU, our review in this area identified:

- No evidence that a formal change management process was in place to approve and test changes applied to the SITS system and SQL scripts used for data manipulation prior to implementation in the live SITS system; and
- There is only one staff member in IT who is involved in administering and developing changes relating to the funding areas of the SITS system. Therefore, the development work carried out during the period investigated has not been technically reviewed or tested to assess the integrity of functionality.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
An automated program is used to cleanse and overwrite data fields within SITS. These have been independently reviewed.	x	x	x	x	x

We identified that an automated program is used within SITS to cleanse data (which may also require overwriting certain data fields). This process is executed every year prior to the production of returns. We noted that this automated program has not been independently reviewed (internally or externally) to confirm the accuracy of its functionality and to ensure that it does not performed unauthorised or unintended changes to data.

	Policies/ Procedures / Controls by Academic Year				
	03/04	04/05	05/06	06/07	07/08
The University has reviewed the functionality in the SITS system used to create initial HESA tables to confirm that the functionality is in line with University's expectations and to ensure that the required level of data quality is established in the SITS system to support this functionality.	x	x	x	x	x

The University uses functionality from within the SITS system to create the initial data tables for the HESA return. There is limited knowledge within the University of what this functionality does, and whether it takes account of the practice adopted by the University. This is an in-built function within the SITS system and we were informed by the senior members of the reporting team that they were aware that this process made data exclusions and calculated data fields based on source data.

5 Summary and Areas of Improvement

In this section we have summarised the key findings and provided some suggestions for areas of improvements that the University may want to consider implementing.

5.1 Summary of Findings

It was evident through the interviews and the documentary evidence that we reviewed that there was awareness and acknowledgement within the Senior Management group that the application of the funding completion rules was not in line with the HEFCE guidance.

We note from our interviews and our review of the HEFCE audit report presented to the Audit Committee that there was a lack of congruence between the HEFCE definitions and LMU's interpretation and application.

We were also unable to ascertain from the minutes the level of scrutiny and challenge that may have occurred at the various committee meetings.

In the context that dropout rates of around 30% were reported in this period, with non-completion rates being reported of between 3%-7%, there should have been sufficient significant challenge and scrutiny by the some of the Executive Group meetings, and the Senior Management team to understand why there was a significant difference between the two sets of figures. While we accept the two sets of figures do not necessarily measure the same data, there is some correlation and the large difference between the two sets of figures should have alerted more challenge and scrutiny.

It is not unusual to have a two tier system of governance within a University. In the case of LMU, the first tier is the Executive Group and the second tier is the Governors of LMU. We understand from our interviews that there was significant distance between the two tiers to enable the governance and management arrangements to be effective.

This was particularly demonstrated by our review of documentary evidence and the information from the interviews from which we understand that Governors were not always informed about issues by certain members of the Executive Group and the Senior Management team.

It was also apparent that issues that were being raised by senior members of staff to the Executive Group were not being addressed or even discussed at the Executive Group meetings. This was evidenced by the e-mails dated between 23 October 2003 and 18 May 2004 that demonstrates concerns by senior team members of the Executive Group.

We also understand from interviews that there was over-reliance on external audits and reviews such as those undertaken by HEFCE. Most Universities have internal assurance mechanisms in place to address known risks and issues. A comprehensive risk register which identified operational risks and the controls to mitigate these risks would have helped LMU develop internal assurance systems.

HEFCE had conducted a number of audits at LMU within the seven year cycle period and from the reports we understand that it had concerns with the data and the returns.

The production and reporting of the HESA and HESES return was completed by two key departments. We noted that members within these two departments were pivotal to the production of these returns and according to interview comments there was a lack of congruence and communication between the departments.

The University failed to address this problem and consequently we found through our review, a lack of accountability and responsibility taken by the members within these departments. This was not helped by the fact that over the last seven years, both of these departments had a number of different managers. Given the critical nature of these two departments, this should have been addressed and we understand this still remains an issue for the University.

We also discovered that the data returns for both HESA and HESES were not reviewed by any committee or other Executive Group members other than the former Vice Chancellor. Given the importance of these returns those individuals that were aware of the issues with the data returns should have insisted on seeing the returns in a more formal setting.

Through our data testing and process analysis we identified that controls weaknesses and process inefficiencies at a number of different levels. These included at:

- an organisational level;
- a student records management (and process);
- a reporting level; and
- IT Systems level.

We noted policies and procedures for key controls were either not set or were operating ineffectively.

We also identified a number of control weaknesses and process inefficiencies in the admissions and enrolments process to the reporting of data to HEFCE on the HESA and HESES returns. These directly impacted on the quality of the data that was held on the SITS system.

One of the key findings was the lack of control management and independent verification on the SQL script which was used to derive the data for the HESES and HESA return.

5.2 Areas of Improvements

In this section we have provided some suggestions for areas of improvements that the University may want to consider implementing.

- Ensure that minutes are detailed enough to reflect discussions that have occurred at committee meetings.
- Clarify and ensure that there is a common definition of funding completion which is understood by the Executive Group, Senior Management and Senior members.

- Establish proper mechanisms in place to ensure there is a proper flow of information from the Executive Group to the Governors.
- Establish whether the devices used by the University to maximise revenue on the HESA/HESES return are appropriate and in line with HEFCE guidance.
- Develop and update regularly an operational risk register to capture risks that are not on the strategic risk register.
- Establish a formal organisation / reporting structure for the returns compilation process and ensure that each staff member within the structure is fully aware of their job responsibilities.
- Promote the 'whistle blowing' process the University staff members to ensure that staff members are comfortable in accessing the process.
- Implement a process whereby a periodic independent review is performed on the return compilation process and the data quality.
- Establish formal documented processes for the record to report cycle including maintenance of course master data and compilation of the return.
- Establish application embedded controls to validate the student data entered to the SITS system.
- Perform periodic data validation checks followed by timely rectification of data quality issues.
- Establish a centralised approach to module selection across the University and reduce instances of incurrent module section by students.

- Establish a formal process to monitor the compliance with the attendance monitoring process and ensure that it is operating effectively throughout the academic year.
- Establish formal procedures to manage change management risks around the data manipulation programs and field structures used within / with the SITS system to prepare the returns.
- Establish a formal process to monitor the compliance with HEFCE funding rules.
- Establish appropriate management information which will inform executive oversight on the returns.
- Implement a formal process to manage the review and rectification of data errors reported by the HESA data validation kit.
- Implement validation checks in the SITS system which can be performed on a periodic basis.
- Implement a formal change management procedure for the SITS system.
- Automate programs used to cleanse data within the SITS system is independently reviewed to confirm the accuracy of its functionality.
- Ensure that the SITS system functionality in place to extract the initial HESA data is in line with University's expectations.

Appendix 1 - List of Interviewees

Executive Group

Name	Role	Name	Role
Brian Roper	Vice Chancellor (2002 - 2009)	Alfred Morris	Interim Vice Chancellor (2009 - current)
Max Weaver	Deputy Vice Chancellor - Research & Development (2002 - 2005)	Chris Topley	Deputy Vice Chancellor - Research & Development (Last Designation) (2002 - 2007)
Paul Lister	Deputy Vice Chancellor - Research and Development (2007 - current)	Robert Aylett	Deputy Vice Chancellor - Academic (2002 - current)
Pam Nelson	Director of Finance (2002 - current)		

Governors

Name	Role	Name	Role
Sir John Carter	Governor and Former Chair (2002 - 2006)	Peter Anwyl	Governor and Current Chair (2007 - current)
Finlay Scott	Governor & Current Audit Committee Chair (2003 - 2009)	Sir Michael Snyder	Governor & Former Audit Committee Chair (2002 - current)
Christopher Howe	Co-opted Member of the Audit Committee (2002 - 2009)		

HEFCE

Name	Role
Paul Greaves	Head of Assurance at HEFCE

Senior Management Team

Name	Role	Name	Role
John McParland ⁴	Board Secretary (2002 - current)	Ray Smith ⁵	Director of Academic Registry (2002 - current)
John Cooney ⁵	Head of the Planning Office (2002 - current)		

Other Staff Members

Name	Role	Name	Role
Kevin Kumar	Project Manager (HESA & HESES) (2009 - current)	David Ealey ⁵	Deputy Academic Register (2002 - current)
Debbie Karp ⁵	SITS System Administrator (2002 - current)	Graham Taylor-Russell	Deputy Director of Academic Registry (2002 - current)
Diahann Licorish	Coordinator (Enquires and Information) (2002 - current)	David Bullen	Senior Systems Officer (2002 - 2009)

Academic Staff Members

Name	Role	Name	Role
Robert Mull	Head of Architecture and Interior Design (2002 - current)	Bob Morgan	Dean of Business School (2002 - current)
Andrew Stone	Deputy Director of Architecture and Interior Design (2002 - current)	Roddie Gallacher	Dean of Humanities, Arts, Language and Education (2002 - current)

⁴ John McParland also attended the Executive Group Meetings with the Executive Group.

⁵ Individuals classified as part of the reporting team for the HESA/HESES return.

Appendix 2 - Review of Documentation

During our review, we reviewed the following documentation:

Documentation

Minutes of Board of Governors from 21/8/02 - 24/6/09

Minutes of Academic Board from 13/11/02 - 24/3/09

Minutes of Governance Committee 13/2/07 - 28/7/09

Minutes of Audit Committee from 14/11/02 - 1/7/09

Minutes of Finance and Human Resources Committee from 18/10/02 - 13/5/09

Minutes of Data Quality Group from 27/3/08 - 5/2/09

Minutes of Joint Standards Board from 15/2/07 - 4/2/09

Minutes of Award Board from 24/11/04 - 19/3/09

Minutes of Retention, Progression and Achievement Group from 20/8/03 - 24/2/06

Minutes of Executive Group from 2003 - 2005

External Audit Reports from 14/11/02 - 1/7/09

Internal Audit Reports, Annual Plans and Annual Reports from 14/11/02 - 1/7/09

BDO Stoy Hayward Report to London Metropolitan University (January 2009)

KPMG Report to HEFCE (July 2009)

E-mails and relevant information from current and former staff members to Sir David Melville

Appendix 3 - Detailed Data Testing

Submitted HESA Returns

We have obtained and reviewed the HESA student returns which were submitted to HEFCE by the University. Key figures extracted from these HESA return are as follows:

	2003/4	2004/5	2005/6	2006/7	2007/8
Number of Students in HESA return (a)	34,226	32,860	32,183	30,586	33,703
Number FE Student/course instances excluded (b)	(753)	(1,738)	(1,018)	(502)	(549)
Number of non-fundable student/course instances excluded due to student fundability (c)	(4,652)	(2,432)	(2,091)	(2,160)	(6,232)
Number of student/course instances excluded due to course fundability (d)	(4,710)	(5,198)	(5,478)	(5,124)	(4,859)
Total student/course instances eligible for funding (e) = (a-b-c-d)	24,111	23,492	23,596	22,800	22,063
Number of Non-complete fundable student/course instances (f)	921	1,214	1,338	797	7,003
% of Non-Completion Rate (g) = (e/f)	3.82%	5.17%	5.67%	3.50%	31.74%

Two key observations can be made using the information given above:

- The increase in the non-completion rates between 2006/7 and 2007/8; and
- Despite the non-completion rates in early years being low; as identified in section 1.3.1 of the main body of the report, the drop out rates were significantly higher.

It should also be noted that students are funded at a Student Course Enrolment (SCE) level, and this means that they are funded for each year they study and complete in a course. The numbers represented in the table above and subsequent tables represent students on courses during the period and not distinct students, i.e. a student who is on two fundable courses, is fundable twice and thus will appear in the student return twice.

SITS system non-completion sensitivity analysis

We obtained an extract of the SITS source data from the University for five academic periods to undertake some sensitivity analysis. The objective of this exercise was to use SITS source data in order to appraise the extent to which certain characteristics of activity per the SITS source data may have been contributing to non-completion rates. This high-level appraisal thus aimed to provide further understanding of the non-completion rate base line.

We have used the SITS source data provided as at 24/08/2009. Our work is limited to this data as no historic representation of data can be provided, thus we can only use the data in the SITS system at this date. This means that data which has been retrospectively populated, cleansed or subsequently changed will be reflected as at the date of extract. As a result, the data provided to us cannot be reconciled to figures reported on the HESA returns (previous table) at the time. However, given that the data is likely to have been updated since the return was made, our analysis should provide a more up to date reflection of actual information. We have reconciled the data provided to record counts produced from the live SITS system with no material difference. We have not reconciled the SITS source data provided to data used in any other reports about LMU as this was outside the scope of our review.

We note that each area of analysis has been performed in isolation and thus a student may appear in multiple categories below. In order to approximate the records of potential relevance to the return, an exclusion of records was performed in line with key components in the HESA table above, with the resulting profiled data set being used for our analysis.

	2003/4	2004/5	2005/6	2006/7	2007/8
SITS Students (h)	38,430	37,650	36,421	34,733	34,819
Status Exclusion - Students which are not included in the HESA table produced in SITS	(198)	(265)	(101)	(78)	(44)
Number of FE Student/course instances excluded	(3,273)	(2,490)	(1,645)	(833)	(616)
Number of non-fundable student/course instances excluded due to student fundability	(8,264)	(8,179)	(8,086)	(7,954)	(8,205)
Number of student/course instances excluded due to course fundability	(1,822)	(2,691)	(3,108)	(3,379)	(3,677)
Total number of exclusions (SITS)	(13,557)	(13,625)	(12,940)	(12,244)	(12,542)
SITS HEFCE fundable (i)	24,873	24,025	23,481	22,489	22,277

The following factors were identified as either contributing directly towards the non-completion rate or potentially undermining the accuracy of that rate (both under and over-statement) because of poor data quality:

Table number	Contributing Factor	Explanation
1	Withdrawals	Students who have withdrawn from the University are non-completions.
2	Un-flagged withdrawals	Students who have requested to transfer but without an end date indicating they have withdrawn.
3	Students listed as current with no current year enrolments	It is assumed these students are not current and have left. The student is assumed to have left during the last year they were enrolled on the course.
4	Students registered for insufficient credits	Full Time students who are not registered for sufficient credits in the year are non-completions.
5	Students who have achieved zero credits across all modules	Students who have achieved no credits may indicate additional non-completions.

Table 1

	2003/4	2004/5	2005/6	2006/7	2007/8
(j) Number of withdrawals per SITS	573	1,896	1,236	1,236	1,525
% Withdrawn per SITS (j/i)	2.30%	7.89%	5.26%	5.50%	6.65%

Table 2

	2003/4	2004/5	2005/6	2006/7	2007/8
(k) RFT but no end date	341	136	131	95	91
Effect on non completion (k/i)	1.37%	0.57%	0.56%	0.42%	0.41%

Table 3

	2003/4	2004/5	2005/6	2006/7	2007/8
(l) "Current" students with no current enrolments	2,994	3,140	3,411	3,634	3,728
Effect on non completion (l/i)	12.04%	13.07%	14.53%	16.16%	16.73%

Table 4

	2003/4	2004/5	2005/6	2006/7	2007/8
(m) Students registered for insufficient credits	5,705	5,683	5,731	5,527	4,941
Effect on non completion (m/i)	22.94%	23.65%	24.41%	24.58%	22.18%

Table 5

	2003/4	2004/5	2005/6	2006/7	2007/8
(n) Students with zero credits for all modules*	3,468	3,460	4,041	3,738	3,710
Effect on non completion (n/i)	13.94%	14.40%	17.21%	16.62%	16.65%

From the above analysis of the profiled source data, we identified the categories which were having a significant impact on increasing the level of non completions. These were as follows:

- Students registered for insufficient credits (as identified in table 4); and
- Students with zero credits for all modules (as identified in table 5).

*Students with zero credits for all modules: The reason for this could be the extent of data capture (i.e. the system does not readily capture the reason for this).

Appendix 4 - SQL Script

1. History of the SQL Script used to determine funding completions 'FUNDCOMP'.

The SITS system has an embedded process which calculates the required fields for the student returns. The funding completion field in this initial calculation is based on a student's progression code (which is a data entry field in the SITS system). Thus, because this data field is not created appropriately by SITS in line with HEFCE guidelines on completion, a SQL script was developed by the University's IT department, with assistance from the SITS system administrator, to overwrite the data populated initially in this field. Prior to 2007/2008, the University did not conduct a detailed exercise to verify that the SQL code used was providing an accurate representation of completions founded upon HEFCE guidelines. We obtained and reviewed the SQL script used for the 2006/2007 HESA return to determine funding completions. We were informed that this code has been in use since 1999 and was previously used at the University of North London. We were informed by the SITS system administrator that the SQL script was modified to be used at LMU in 2003 and minor amendments were made annually in relation to changes in guidance and academic changes. In 2006/2007 a significant change was made to the definition of a non-completion, removing the default of "fundable completion" from the code.

Initially, funding completion value was set based on the progression code in the SITS system. In the table below we have described the steps that were performed in the SQL script during the various academic years.

<i>Academic Years</i>	<i>Functionality performed by the SQL script to determine funding completion</i>
2003/2004 To 2005/2006	<p>The SQL script performed the following steps:</p> <ol style="list-style-type: none"> (1) Student is not 'funding completed' if they have left for a reason other than successful completion, completion or exclusion and they have left before 31st of May in the academic year. (2) Student is not 'funding completed' as they are not returnable to HESES as they are an FE student. (3) Student is not 'funding completed' if they have left the University for various reasons for leaving and they left before 31st May in the academic year. The student is also not 'funding completed' if they are "not active". (The end date against which the student's withdrawal date was compared against, was set at 31/05/2007). (4) If the 'FUNDCOMP' (funding completed) field is still not populated and the progression code is does not have a valid value or is empty after the above three steps, the script sets it to "1". (fundable completion)

Academic Years	Functionality performed by the SQL script to determine funding completion
	The execution of the above steps meant that the default for the FUNDCOMP field was 1 (fundable completion) for the academic years 2003/2004 to 2005/2006.
2006/2007	In 2006/2007 a change was made to the SQL script to remove step 4 from the above process.
2007/2008	<p>After the HEFCE audits for 2005/6 and 2006/7 a new SQL code was developed in conjunction with HEFCE. This code follows the definition of a non-completion as prescribed by HEFCE during meetings with LMU, however there are certain elements of the SQL code which may cause students to be identified incorrectly if the data quality held for the student is not accurate, due to reliance on key fields.</p> <p>A significant issue with the 2007/8 script for non-completions is the reliance on three Fee status codes to determine full time status for undergraduates. The code does not consider a student's module load and is therefore not compliant with HEFCE guidelines (number of modules selected by a student for study within an academic year is also a factor to determine the full time / part time status, as this will give an indication on the period of study undertaken by the student, e.g. 24 weeks a year and 21 hours per week). This has previously been identified by HEFCE in letters to the University during the period June 2008 to December 2008. Despite several months of this being an issue, it was not resolved and the return was submitted on this basis.</p>

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Appendix 5 - Student Records Process and Management

The following control weaknesses and inefficiencies in processes were identified in relation to the student records management process

1. Admissions Process

- There is no regular review of applicant records on the SITS system to identify inaccurate / missing information on student records.
- An 'Outstanding Distribution List' is not periodically prepared by the Admissions team for validation.
- Where on the occasion an 'Outstanding Distribution List' is sent to course leaders we noted that there no process in place to chase those course leaders that had not returned in a timely manner checked and validated distribution lists.
- There is no periodic review performed by the Admissions team to identify the outstanding applicants to whom a letter has not been sent regarding offers made / offers not made.
- There is no regular review performed by the Admissions team to identify students who have not responded to offers made within a given period. This means that immediate action cannot be taken to request a response from the student.
- There is a lack of periodic review to identify missing pre-registration information; therefore such instances cannot be followed up with students.
- There is no periodic review of student records to ensure that all compulsory information prior to ATR (automatic transfer) process, including data fields that have to be completed for HEFCE returns reporting purposes, have been completed.

2. Enrolment Process

- During our interviews with the senior members in the Academic Registry department we were informed that there are instances where students complete a course and are then enrolled retrospectively or are never enrolled.
- There is a lack of periodic review to identify students who were subject to the ATR (automatic transfer) process but not enrolled.
- In some cases, when students are assigned modules, they are not required to confirm that they intend to complete those modules. This is an issue which is especially relevant to students studying their first semester in the first year. As a result of this there have been cases where a student's record includes modules which the student never signed up to follow
- A process named 'TRIAL' is executed in SITS during the process of assigning modules to students. This is to identify and rectify any errors during the assignment process. Evidence is not retained to identify if such errors have been rectified timely and accurately.

- There is a process whereby students can submit module choices via a manual form or an online module selection system through e-Vision. The lack of a centralised approach to module registration, though significantly mitigated by sign-off controls in place from academic leaders, does increase the University's exposure to risks relating to recording of inaccurate module registration data.
- E-Vision does not restrict module options dependant on the course that is followed by the student, however, this is in line with the provision of the undergraduate scheme

3. Assessments Process (including attendance monitoring)

- Whilst there is an attendance monitoring process in place, it is not complete and therefore insufficient.
- While there are academic guidelines on withdrawals, there is no formal guidance as to when and how these are processed onto the student record in a timely manner. We were informed that prior to submission of a HESSES return, the Academic Registry department will perform a check to identify if there are any students who can be deemed as 'withdrawn' and another check after the 1st semester exams. However, there are no formal guidelines to support the above activity.
- While there is a guidance document in place which defines the assignment of assessment codes in SITS (e.g. 0R for a resit), there is no process in place to ensure that guidelines are being communicated to all departments and its compliance is monitored.

4. Course master data management Process

- There is no formal change management process in place for course master data.
- There are no controls in place to ensure that all key fields in the course specification such as 'source of funding' are completed by academic staff.
- There are instances where a UCAS code is created for a course before the course has been setup in the SITS system by the Systems Office. The Systems Office is then provided with minimal information such as the course name and UCAS code only to create the course in the SITS system. Due to the urgency with which the course setup requests are raised and lack of formalisation in the course setup process, new courses are often created in the SITS system prior to receiving approval from the BDG (Business Development Group). There is no process in place to notify the Systems Office of courses which have not been validated by the BDG. Further, there is no process in place to remove unapproved courses from the SITS system.
- Course specifications and related documentation we have been informed are not provided to the Systems Office to assist the process of setting up a course record in the SITS system. Further, there is a lack of ownership and responsibility over the maintenance of course specification information.
- Access to maintain course master data is not restricted only to the Systems Office and it was difficult to ascertain who else had access to the course master data.
- During the course of our interviews we established that not all courses are subject to the same level of validation and approval. There is a risk that these courses are not accurately recorded on the student record system and do not have appropriate approval documentation. We were unable to establish the underlying reason for the different validation and approval processes.

Appendix 6 - Additional Data Analysis

We have provided below examples of data quality issues which do not necessarily have an impact on funding completion issues. However these provide examples of underlying data quality issues that may have broader funding consequences.

1. Students course enrolments > 180 credits

8,540 students course instances (years) were found to have module enrolments totalling more than 180 credits (including modules from which students have withdrawn subsequent to their original enrolment on that module). 1015 student course instances were found to have non-withdrawn module enrolments totalling more than 180 credits. This is broken down by year as follows:

Academic Year	Number of student course enrolments >180 credits (incl. Withdrawn modules)	Number of students course enrolments >180 credits (excl. Withdrawn modules)*	Total Number of Students	Percentage (incl. Withdrawn modules)	Percentage (excl. Withdrawn modules)
2003/4	412	191	38,430	1.1%	0.5%
2004/5	1,722	400	37,650	4.6%	1.1%
2005/6	2,306	205	36,421	6.3%	0.6%
2006/7	1,996	109	34,733	5.7%	0.3%
2007/8	2,104	110	34,819	6.3%	0.3%

* In the majority of cases these are legitimate, whilst there are a significant number that are not legitimate.

2. Based on the Student Master Record Table

Academic Year	Total Student Master Table records created	blank current address	Blank* or invalid UK current postcode	blank email address	blank first name	blank home address	Blank* or invalid UK home postcode
2003/4	17,134	2,486	3,414	763	4	1,434	3,354
2004/5	17,120	1,968	3,002	1,142	11	1,608	4,104
2005/6	16,524	1,964	3,056	987	3	1,487	3,748
2006/7	14,765	1,596	2,641	904	3	1,326	3,455
2007/8	14,594	1,602	2,300	821	4	1,450	3,287

*Note that these results will include some overseas addresses where no postcode exists.

3. Based on the SCE - Student Course Enrolment Table (annual course enrolment records and basis of HESA table)

Academic Year	Total	Blank or invalid fee status	Blank fundability
2003/4	38,430	161	1,730
2004/5	37,650	244	2,910
2005/6	36,421	101	2,854
2006/7	34,733	55	2,805
2007/8	34,819	56	1,704

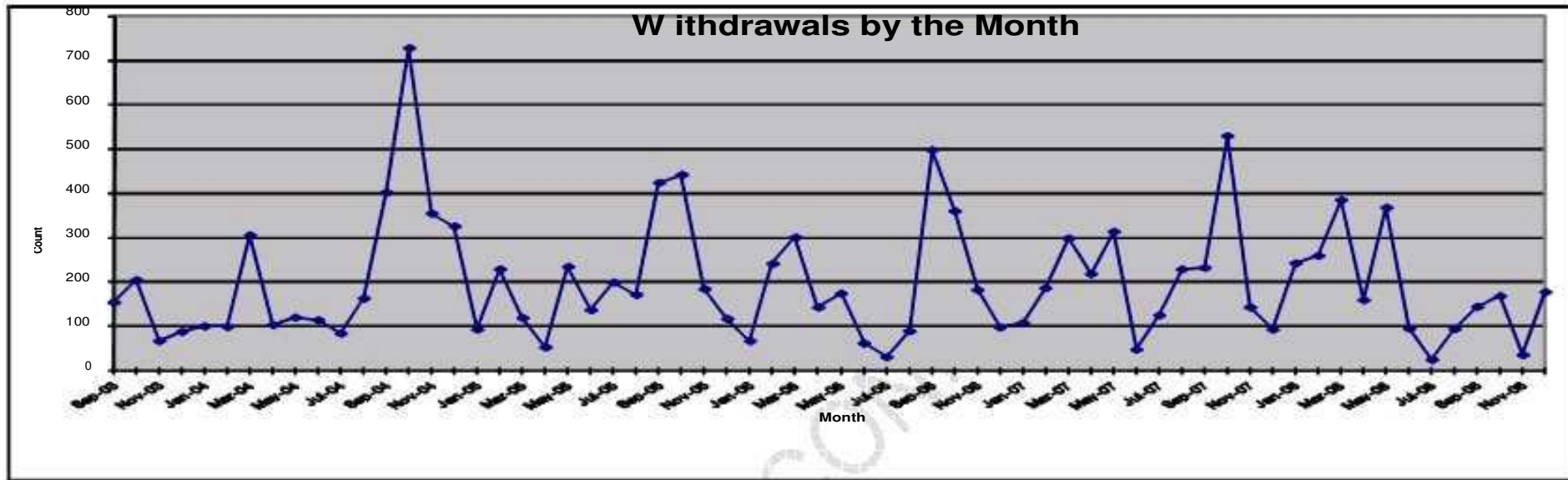
The fields listed are key fields expected in the HESA table, the system and other processes rely on data quality in these fields to accurately calculate student funding and provide an accurate return for HEFCE.

4. Students with an unusual date of birth

531 students were identified which were aged under 16 or over 65 years old. 5,280 students did not have a date of birth entered in SITS. In the context of the Student Records system, these may appear to be small numbers, but this analysis provides evidence to the lack of a comprehensive process of improving the quality of data.

5. Profiling of withdrawals by month

The graph on the next page shows withdrawals and suspensions by the month they were removed from the SITS system. This analysis of withdrawals and suspensions by month on the graph shows student end dates are populated in batch processes (the peak) and appear to be undertaken on an infrequent basis. The lack of comprehensive and planned validation processes shows that there will be instances where this will have impacted on both the HESSES and HESA returns.



6. Duplicate Students

A number of duplicate students were identified in the Student Master Record table using different methods as follows (please note the same student may be isolated as a duplicate in multiple tests below):

Duplicate Identified	Number
Exact - Surname, Initial and DOB	1,883
Exact Cleansed - Surname and DOB	2,697
Exact Cleansed - Post code and DOB	1,508
Intelligent matching (Surname, Initial and DOB)	733
Intelligent matching (Surname and DOB)	2,012

- Cleansed in this instance means removing all punctuation including spaces.

- Intelligent matching is an approach used to determine the similarity of two data items. Unlike exact matching, a tolerance is set, to allow for slight variances between the two items being compared, and items whose similarity fall within this tolerance are deemed “matches”. For example, the two names “Jonathan” and “Jonathon” are not identical, but are clearly similar.

7. Conflicts between fundability and fee status

Reliance is placed on key data fields in the SITS system during the process of creating the student returns. One of the key data fields is the ‘Fee status’ field which is used to determine what level of funding a student will receive and the fundability flag is used to determine if a student is fundable or not. It is not expected that there will be conflict between these two key fields (for example an overseas student who is flagged as fundable).

During our analysis we found 1,590 student course enrolments which had a conflict between these two fields. For example 29 students had an overseas fee status but were marked as “fundable”. This is poor data quality as only Home and EC students are funded through HEFCE and overseas students do not have status to be funded through HEFCE. A breakdown of these students by year is provided in the next table.

SCE	Total Conflicts	Fundable but non-fundable fee status	Not Fundable but fundable fee status
2003/4	155	133	22
2004/5	237	211	26
2005/6	433	422	11
2006/7	426	414	12
2007/8	339	333	6

8. Students with module results but no course enrolments

There were 2,878 students isolated which had module results but who were not enrolled at the University. These students may have been eligible for funding but may have been omitted from the student return because they do not have an enrolled status. A breakdown of these students by year is as follows:

	2003/4	2004/5	2005/6	2006/7	2007/8
Students with results but not enrolled	490	725	829	634	524