

**Pwyllgor Cyfrifon Cyhoeddus
Public Accounts Committee**

Cynulliad
Cenedlaethol
Cymru
National
Assembly for
Wales



Jocelyn Davies AM
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay CF99 1NA

30 July 2014

Dear Jocelyn,

At its meeting of 15 July, the Public Accounts Committee noted the Finance Committee's report into Higher Education Funding, which was published in May.

The Committee believed you might find the attached letter from the Auditor General for Wales of interest as you maintain a watching brief on Higher Education Funding. In his letter, the Auditor General reflects on the Welsh Government's response to his November 2013 report on Higher Education Finances. You will note that, while the Welsh Government accepted the report's six recommendations that applied to them, the Public Accounts Committee has not yet received a response from HEFCW on two recommendations relating to their 'risk review' process and their role in identifying, disseminating and promoting good practice.

Yours sincerely,

**Darren Millar AM
Chair**

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Croesewir gohebiaeth yn y Gymraeg a'r Saesneg/We welcome correspondence in both English and Welsh

Mr Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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Date: 9 July 2014
Our ref: HVT/2179/fgb
Page: 1 of 3

Dear Darren

HIGHER EDUCATION FINANCES

I am writing with regard to the Welsh Government response to my November 2013 report on *Higher Education Finances*. To help inform any further action by the Committee, I have also provided below an update on the Welsh Government commissioned work referred to in my report that was still on-going when I and Wales Audit Office staff briefed the Committee in January 2014.

Commissioned work on the processing of student finance applications and related data matching

As noted in my *Higher Education Finances* report (paragraphs 2.35-2.41), the Welsh Government had commissioned further work by the Wales Audit Office to review the operation of controls in relation to student finance applications at nine local authorities. That work followed on from a 2012 review of controls at four other local authorities. The latest report found that, since the 2012 review, the Welsh Government has improved aspects of its oversight and control of student finance, although a small number of significant weaknesses remain in the overall system of control operated collectively by the Welsh Government, Student Loans Company and local authorities. The report and the Welsh Government's response to its recommendations have been considered by the corporate governance committee for the Department for Education and Skills.

Wales Audit Office staff have also been facilitating a data matching exercise, the aim of which was to explore the use of data matching work to address potential control weaknesses in the assessment of applications for student finance, particularly in respect of the Tuition Fee Grant. The data processing itself was undertaken by the Audit Commission. Wales Audit Office staff have provided the Welsh Government with a summary of the findings from this work which covered three pilot local authority areas (Cardiff, Swansea and Wrexham). The work involved the matching of address details for students applying for student support with electoral data. The aim of this exercise was to

identify any anomalies between the data sets which could have arisen due to fraud or error (whilst accepting that timing differences may also be a source of anomalies). The exercise aimed to identify negative matches: those students who had applied for student finance via a Welsh local authority, but did not appear on the latest electoral data for Wales. For all of the negative matches, the process also identified from the electoral data, whether or not there was someone else living at the address with the same family name.

Wales Audit Office staff risk-assessed the data matching results and gave the three local authorities guidance to support their follow-up investigations. The local authorities indicated to Wales Audit Office staff that they had largely been able to obtain evidence to demonstrate that applicants were eligible for the Tuition Fee Grant (where negative matches had been identified). However, Wales Audit Office staff recommended to the Welsh Government that it should seek assurance from the local authorities on the eventual outcomes of their investigations and the evidence that they obtained in undertaking their investigations.

Welsh Government response to my *Higher Education Finances* report and further action by the Committee

At the time of writing this letter, I understand that the Committee has not yet received a response from HEFCW to recommendations 7 and 8 in my report. Those recommendations related to HEFCW's 'risk review' process and to HEFCW's role in identifying, disseminating and promoting good practice.

The Welsh Government has responded positively to the recommendations in my report. The Welsh Government has indicated that it accepts all six of the recommendations that were directed at it. However, it would have been helpful if the Welsh Government could have set out more clearly the likely timetable for discharging the actions that it has set out in response to recommendations 5 and 6, particularly given the time that has already passed since my report.

When the Committee discussed my report in January 2014, it noted the on-going Finance Committee inquiry on *Higher Education Funding*. The Finance Committee's report covers some similar ground to my report and I am aware that the Finance Committee report has recently been the subject of a plenary debate. Added to which, there is the on-going work of the '*Review of Higher Education Funding and Student Finance Arrangements in Wales*' and an expectation that the National Assembly will, as part of its regular budget scrutiny, have an opportunity to keep track of the financial implications of the current tuition fees policy. I have also written recently to the Children and Young People Committee to draw attention to issues arising from my report, and the Welsh Government's response to it, that are relevant to that Committee's scrutiny of the Higher Education (Wales) Bill.

In January 2013, we noted that one of the issues arising from my report that appeared to have been covered in less detail by the Finance Committee concerned the arrangements for the valuation of the student loan book and annual loan policy write-off charges (paragraphs 2.7 to 2.11). However, the Finance Committee's report does include a section on the student loan book and many of the related issues have also been covered by the Westminster Public Accounts Committee's February 2014 report on *Student Loan Repayments*, which followed a National Audit Office report on the same subject in November 2013. The planned consideration of the Welsh Government's 2013-14 consolidated accounts should provide an opportunity for your Committee to follow up these issues from a Welsh Government perspective.

The other issue that we highlighted to the Committee in January 2014 was the Student Finance Wales modernisation project (paragraphs 2.26 to 2.34 of my report). That project will see the Student Loans Company take on the processing of student finance applications for all new and returning students for the 2015/16 academic year, having taken on the applications for new students only in 2014/15. The Children and Young People Committee had expressed some concern about these changes when reporting on the Further and Higher Education (Governance and Information) (Wales) Bill in July 2013.

The Welsh Government responses to recommendations 2 and 4 in my report are both relevant to the Student Finance Wales modernisation project. As noted in the report (paragraph 2.38), the adequacy of controls around Tuition Fee Grant payments is material to my opinion on HEFCW's financial statements. The Wales Audit Office team that audits HEFCW's accounts is likely to be undertaking further work during 2014-15 to seek assurances about the robustness of the Student Loans Company's own processing of student finance applications. The specification for, and costing of, the new centralised student finance Wales service had not been finalised at the time of my report, but these costs and potential future savings are another issue that could be explored as part of scrutiny of the Welsh Government's budget.

I hope that this letter is helpful to the Committee.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES