

1 Audit summary

1.1 Introduction

International students are a significant source of revenue and are major purchasers of Australian education services.

Policy changes in 1988 led to the introduction of the Higher Education Contribution Scheme, and enabled universities to set fees for international students at, or above, cost.

The number of international fee-paying students enrolled in Australian universities in 1987 was 667. In 2007, there were 177 760, with 56 176 or 32 per cent of international students enrolled in Victorian universities.

In Australia today, there are 37 public universities, two private universities and around 150 private providers of education.

Audit objective

The objective of the audit was to determine whether:

- universities were achieving the strategic and operational goals set for their international student programs
- business and financial risks associated with international full fee-paying students were being managed efficiently and effectively
- services provided to international students were in accordance with the relevant legislation.

The audit examined the policy and procedural frameworks to manage international students studying higher education, on campus, at the University of Melbourne (Melbourne), Monash University (Monash) and the University of Ballarat (Ballarat). These universities were selected as they account for approximately 50 per cent of international students enrolled in Victorian universities.

Ballarat provides 90 per cent of its education services to on-campus international students through private providers.

1.2 Overall conclusion

Universities have planned, and are achieving their goals for international students. They are also aware of the importance of, and risks associated with, international students.

The university wide planning and risk management frameworks reflect this, however, management of operational risks is of variable quality within and across universities, and one does not do systematic risk management at the operational level.

Universities had a good understanding of, and generally complied with, their service obligations. The areas of non-compliance were minor and have been raised with the individual universities during the audit.

1.3 Findings

1.3.1 University goals for international students

The three universities have established goals that relate to international students in strategic, business and internationalisation plans.

The specific strategies for international students were primarily related to increasing the number of student enrolments and student satisfaction with their university experience. Once international students are enrolled the universities manage them as part of the broader student population.

The number and mix of students—undergraduate, postgraduate, domestic and international—is determined once the business plan has been agreed.

All universities survey students, including international students, on completion of their degree courses. Monash separates out international students within the survey results. Melbourne also analyses the results for international students but not every year. All universities reported a low survey completion rate from international students.

All universities survey student's satisfaction with the teaching staff and unit content.

Melbourne and Monash survey international students for satisfaction while they are still enrolled. In 2007 international students were generally satisfied with the quality of their education; however, results indicated dissatisfaction in comments received for work submitted and acceptance by the university community.

1.3.2 Risk management

The risks universities face with international students include the number of students, the significance and reliance on fee revenue, student expectations and compliance with the service standards framework.

The universities identify strategic risks, those potentially affecting the achievement of their organisational goals, as part of their annual planning. Monash and Melbourne include the cause and consequence of the risk materialising, which is considered better practice.

Faculties at Monash and Melbourne included strategic and operational risk management in their business planning processes. Schools at Ballarat do not systematically identify and document operational risk.

The universities have rating systems to analyse risks and use statistical data, past experience/trends and judgement to assess the impact and likelihood of risks materialising. Financial analysis is done at all three universities, and includes the impact of differences between actual and target revenue.

Risk analysis relies on good risk assessment. Risk assessment was not always comprehensive, with universities sometimes identifying 'failure to achieve a target' as a risk. The reason why the target would not be reached had not been identified, and analysis of the risk was not done.

Melbourne and Monash develop treatment plans to mitigate the likelihood of risks materialising and their impact, at both the faculty and university levels. Ballarat only identifies organisation risks and therefore only develops treatment plans for these types of risk. The universities primarily treat and monitor risks that have been rated as high. Performance measures were not always included within risk management treatment plans.

Ballarat has developed a core set of risks under each of its strategic goal areas; however, the risk treatment plans did not always address the specific risk identified. For example, it has identified the risk of comparable educational outcomes not being achieved by private providers contracted to deliver their courses. The risk treatment includes providing compliance information to the providers. While important, this does not address the achievement of educational outcomes.

The universities had established risk committees that are responsible for review and continuous improvement of the risk management process. However, the inadequate identification of risk, and lack of performance measures for risk treatment strategies have made it difficult for audit to determine the extent to which the:

- process to address and review risks leads to continuous improvement
- universities test, review and use business improvements to confirm their risk management strategies are providing expected value and outcomes.

The universities have identified the need to link risk management to planning frameworks, which should assist with the development and monitoring of risk treatment plans, and reinforce continuous improvement practices.

University committees meet regularly to discuss issues specific to international students and student programs. These committees are often advisory. Issues that affect the general student population, including international students, are discussed by audit and risk committees, student housing services and academic boards.

1.3.3 Universities' service provision obligations

The Commonwealth Government enacted the *Education Services for Overseas Students Act 2000*, (*ESOS Act*) to:

- provide financial and tuition assurance to overseas students for courses for which they have paid
- protect and enhance Australia's reputation for quality education and training services
- complement Australia's migration laws by ensuring service providers collect and report information relevant to the administration of the law relating to student visas.

It was reviewed after three years and supplemented with a mandatory code—*National Code of Practice for Registered Authorities and Providers of Education and Training to Overseas Students 2007* (the National Code)—which incorporates 15 standards that registered education and training providers must meet.

The audited universities are required to conform to the National Code standards. Ballarat contracts with private institutions to deliver educational services to international students on their behalf. 'Private provider' institutions are also required to comply with the *ESOS Act* and the National Code.

The standards are grouped into the following categories:

- pre-enrolment engagement of students (standards 1 to 4)
- care for and services to students (standards 5 and 6)
- students as consumers (standards 7 and 8)
- the student visa programme (standards 9 to 13)
- staff capability, educational resources and premises (standards 14 and 15).

The universities largely complied with the standards although minor issues were identified with written agreements, the granting of course credits and procedures for deferring, suspending or cancelling student enrolment.

1.4 Recommendations

University goals for international students

- Universities should collect student satisfaction data while students are undertaking courses, and in a manner that enables data to be segmented by student cohort (**Recommendation 4.1**).

Risk management

- Universities should require faculties and schools to incorporate risk management into their annual business planning process (**Recommendation 5.1**).
- Universities, as registered providers, should regularly review their contractual relationships with private providers to identify and mitigate the risks (**Recommendation 5.2**).

Universities' service provision obligations

The universities should:

- develop a written agreement with individual students that clearly documents the education services to be provided, fees and charges payable and refund information, as required under the *ESOS Act 2000* and *National Code 2007*
 - document procedures to defer, suspend and cancel students' enrolment, including reference to visa implications and appeals processes (**Recommendation 6.1**).
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