



## International Students: risks and responsibilities of universities





VICTORIA

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Victorian  
Auditor-General

# International Students: risks and responsibilities of universities

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Ordered to be printed

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VICTORIAN  
GOVERNMENT PRINTER  
June 2009



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Victorian Auditor-General's Office

*Auditing in the Public Interest*

The Hon. Robert Smith MLC  
President  
Legislative Council  
Parliament House  
Melbourne

The Hon. Jenny Lindell MP  
Speaker  
Legislative Assembly  
Parliament House  
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *International Students: risks and responsibilities of universities*.

Yours faithfully



D D R PEARSON  
*Auditor-General*

24 June 2009



# Foreword

International demand for education services in Victorian universities has grown considerably with fee-paying overseas student revenue rising from \$226 million in 1998 to \$903 million in 2007. As growth from this source of revenue is not guaranteed, universities need to develop appropriate risk management strategies.

This audit examined how well three universities were managing this risk, including whether they were meeting their legislative obligations to students. While the audited universities have established risk management processes, more could be done to identify and manage risk in a proactive way. More could also be done by universities to determine how well they meet students needs.

Since the audit was completed the issue of the safety of international students has arisen. While pastoral care obligations of universities do not typically extend to safety off-campus, these recent events highlight why it is important to remain proactive in identifying and analysing risks as they emerge.

In reporting on a selection of universities for this audit, our aim was to make findings and recommendations of general application that would be of value to all Victorian providers of education services.



D D R PEARSON  
*Auditor-General*

24 June 2009





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# 1 Audit summary

## 1.1 Introduction

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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

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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

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### 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

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### 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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# 2 Audit Act 1994 section 16— submissions and comments

## 2.1 Introduction

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In accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the University of Ballarat, University of Melbourne, Monash University and the Department of Innovation, Industry and Regional Development with a request for comments or submissions.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for their accuracy, fairness and balance rests solely with the agency head.

## 2.2 Submissions and comments received

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***RESPONSE provided by the Vice-Chancellor of the University of Ballarat***

### **Section 4 – University goals for international students**

*The University of Ballarat has in place a comprehensive international strategic plan that goes beyond student enrolments and satisfaction and encompasses matters relating to culture, curriculum, staff and student exchange and community engagement. In addition, it has in place evaluation mechanisms that monitor the standard of teaching and unit relevance throughout each course.*

#### *Section 4.3.1 – Student growth*

*The University of Ballarat has a comprehensive international strategy which sets the context, direction and objectives that are sought to be achieved through our international student programs. This goes beyond the enrolment and revenue targets and includes such matters ranging from internationalisation of curriculum, enabling international development for overseas and domestic students and staff, and the positioning of the University on the international education stage. Progressive reporting on the implementation of the strategy is made regularly to Council and the University community.*

**RESPONSE provided by the Vice-Chancellor of the University of Ballarat – continued**

*Section 4.3.2 – Student satisfaction*

*The University has in place various activities that enable it to monitor student satisfaction and progression throughout their period of study including:*

- *intervention strategies and moderation processes that identify students who may be having difficulty with their study or who seek additional support. This real-time monitoring process is often far more effective than one-off survey techniques.*
- *the conduct of our Student Evaluation of Teachers (SET) and Student Evaluation of Units (SEU) instruments, which are well established and indicative of consistent student satisfaction.*

**Section 5 – Risk management**

*The University of Ballarat has developed a core set of risks under each of its strategic goal areas with broad risk treatment plans that are further developed and implemented by the responsible officer. Treatment actions are reported regularly against these actions. While the University has not yet implemented a process to undertake systematic risk assessment for each individual school/section, this strategic risk assessment process, based on Risk Management Standard AS/NZS 4360:2004, is practicably managed at the operational level through clearly defined management processes. The University has also developed a framework for operational risk management that will be linked to school/section operating plans as part of the current five year planning cycle being implemented by the University.*

*Section 5.2.3 – Identifying risks*

*The contracts referred to in this section of the report have now been revised to include assurances of private providers ongoing financial viability.*

*Recommendation 5.1*

*The University of Ballarat operates a strategic risk management process that focuses on organisational risk identification, monitoring and treatment to ensure that the strategic goals of the University can be met as planned. Various management processes are also in place that enable the University to identify and put in place risk management actions, from an operating level, without recourse to detailed operational risk management processes.*

*The University has also developed an operational risk management process linked to annual operating plans. It is intended to implement this process across the University progressively through the next five year planning cycle that is currently underway.*

**RESPONSE provided by the Vice-Chancellor of the University of Ballarat – continued**

*Recommendation 5.2*

*We do not agree with recommendation 5.2. The report does not adequately reflect the University's comprehensive contractual and quality management processes that underpin its partner provider arrangements. The University has recently completed a review of its contracts with partner providers and this has been adequately endorsed through internal and external audits of the international program. The contractual and quality management processes that underpin the partner provider business model in our view do not deserve or require this observation and recommendation.*

**Section 6 – Universities' service provision obligations**

*Ballarat has revised its written agreement with international students and it now forms part of the Letter of Offer. Accordingly, each agreement is individualised and the student is only required to sign and return. The University's ESOS procedures for deferment, suspension and cancellation of enrolment have been updated and students' information is readily available/accessible on our web site.*

**RESPONSE provided by the Vice-Chancellor of the University of Melbourne**

*Section 1.1 – Introduction and Section 3.3 – Audit scope*

*The scope is restricted to international students studying in universities. In our view Victoria should be proud of the standard and quality of its higher education institutions. However, events recently reported in the media both domestically and abroad demonstrate the significant sensitivities that attach to international students studying in Victoria. This audit and the manner in which it may be interpreted by others will be crucial.*

*Section 1.3.1 – University goals for international students and Section 4*

*Internationalisation*

*Internationalisation is a key strategic goal of the University of Melbourne. Melbourne's international goals relate to the international standing and orientation of our academic programs and research activity. In relation to student feedback through surveys we would like to clarify:*

- *Course Experience Questionnaire (CEQ). The University analyses results for international students separately. You will be aware from the material supplied to the audit that our analyses of 2006 and previous years' CEQ data shows that the experience of international students is little different to that of domestic students. For these reasons and because we undertake other cohort analyses – for example through the Melbourne Experience Survey – we did not produce a separate report on international students in the 2007 CEQ.*

**RESPONSE provided by the Vice-Chancellor of the University of Melbourne  
– continued**

- *Melbourne Experience Survey (MES) is a positive initiative which gives the University immediate feedback on student satisfaction and allows us to act in a timely manner. The MES provides disaggregated data on the levels of student satisfaction by different cohort groups, including international students.*

**Section 5 – Risk management**

*In relation to risk management, the University of Melbourne links risk management closely to business planning and performance monitoring. Risk assessment is comprehensive at Melbourne at all levels – Strategic, Operational and Specialist – and is assessed and monitored at University, faculty and divisional levels.*

*As risk assessments are an integral part of faculty/divisional plans, they are directly linked to performance targets and indicators. These targets include international student numbers, fee revenue, student progress and student satisfaction. Deans and Heads of Division also have comprehensive compliance obligations which are monitored centrally.*

*Performance against targets is monitored regularly through the year, with key review points through the Vice-Chancellor’s Strategic and Performance Review of faculties and divisions and end-of-year reporting. Deans and Division Heads are directly responsible for risk mitigation strategies and achieving outcomes.*

*Melbourne’s risk committees are management and governance committees with senior membership and authority. At Melbourne, the Risk Management Committee reports directly to the Senior Executive and to the Council subcommittee Audit and Risk Committee.*

*Student representation is built into many University committees and accordingly the University supports the emphasis in the report on consultation and communication with international students. International students are active representatives on many University of Melbourne advisory groups and committees, most notably, the Melbourne Experience Advisory Group chaired by the Provost, and the International Students Consultative Committee.*

**RESPONSE provided by the Vice-Chancellor of the University of Melbourne  
– continued**

**Section 6 – Universities’ service provision obligations**

*Your report raises a potentially significant question as to the form rather than the substance of our written agreements with international students. This is a matter on which we have immediately sought legal advice. The University takes its responsibilities to students and to ensure compliance with the National Code very seriously. Should legal advice confirm your findings the University will immediately revise its practice in this area to ensure it accords with what is required under the Code. The University is grateful that your review has brought this matter to attention.*

**RESPONSE provided by the Vice-Chancellor and President of Monash University**

**Section 4 – University goals for international students**

*Recommendation 4.1*

*Monash supports this recommendation. It should be noted that since 2003 Monash has developed its own Monash Experience Questionnaire (MEQ) administered every two years. It enables systematic identification of issues, by student cohort, of student experience and assists in formulation of action plans to support positive feedback and for addressing issues that require attention.*

**Section 5 – Risk management**

*Section 5.2.1 – Consult and communicate*

*Monash reports its University risk profile annually to the Vice-Chancellor’s Group, Audit Committee and Council.*

*Recommendation 5.1*

*Monash supports this recommendation. The better alignment of risk management and planning processes at Monash will ensure risk management is incorporated into the faculty business planning process. School related risks are included in the faculty risk profile.*

*Recommendation 5.2*

*Monash supports this recommendation and has a policy in place where annual monitoring of contractual relationships with private providers is undertaken annually and a full review including a site visit is undertaken every three years.*

**RESPONSE provided by the Vice-Chancellor and President of Monash University – continued**

**Section 6 – Universities’ service provision obligations**

*Recommendation 6.1*

*Written agreements*

*Monash supports this recommendation. Monash recognises that the written agreement with Monash as presently constituted contains a number of stand-alone documents. Although these documents provide the required information to students, Monash is investigating the possibility of amending the agreement to better align it with the National Code requirement that students confirm an individually tailored and university prepared agreement. This modification to the agreement will also result in the clearer disclosure of any administrative fees associated with course withdrawal to be contained in the signed student agreement.*

*Defer, suspend or cancel enrolment*

*Monash supports this recommendation. Section 6.2.4 of the report confirms that ‘Monash...had an explicit policy and provided the relevant information to students in the international student handbooks or via the web’.*



# 3 Background

## 3.1 Introduction

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International students represent a significant revenue source and are major purchasers of Australian education services. The goal towards internationalisation recognised by the recently released Bradley report on Australian higher education, highlights the need for universities to develop appropriate strategies to compete on the world stage.

The 1988 White Paper, *Higher Education: a policy statement*, resulted in substantial changes to Australia's higher education system. It led to the introduction of the Higher Education Contribution Scheme in 1989, and a shift from subsidising overseas students to declaring places 'over quota' and enabling universities to set fees for international students at, or above, cost.

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

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

### 3.1.1 Legislation

The legislation governing international students is:

- the *Education Services for Overseas Students Act 2000 (ESOS Act)*
- the *Education Services for Overseas Students Regulations 2001*
- *National Code of Practice for Registered Authorities and Providers of Education and Training to Overseas Students 2007 (the National Code 2007)*.

The *ESOS Act* was enacted to provide quality assurance, establish consumer protection for international students, and support migration policy. It imposes a number of requirements on Australian universities, including:

- transparent marketing of services to international students
- provision of assistance to students so they achieve satisfactory results and comply with visa conditions
- making dispute resolution services available.

Universities are also required to provide support service to assist students on campus.

The National Code 2007 sets out the standards that education service providers are required to meet.

### 3.1.2 Source markets

In 2007–08, 278 000 visas had been issued to students from 190 countries.

Eighty per cent of international students are from Asia, with 21 per cent from Mainland China. More than half of the international students are studying business or commerce, with 67 per cent of the Chinese cohort (58 588) studying for degrees in these areas.

Commonwealth government research shows that around 66 per cent of Indian students seek full residency in Australia, compared with 38 per cent of Chinese students.

In 2007–08 on-shore Chinese students made the largest contribution to export income with \$3.1 billion and Indian students \$2.0 billion.

### 3.1.3 Revenue

Revenue from international students ranges from 3 to 44 per cent at individual universities, and approximately 15 per cent of the total revenue received by Australian universities.

In 2007–08, revenue sourced from Australian exported education services totalled \$14.2 billion, with 96 per cent generated from international students studying in Australia. This represented an increase in revenue of 23.4 per cent from the previous financial year.

Education services to international students in Victoria were the state's largest export in 2007–08, amounting to almost \$4.5 billion.

Over the four-year calendar period to 2007, revenue from full fee-paying international university students in Victoria increased from \$639.3 million in 2004 (63 per cent of all fees and charges) to \$903.5 million in 2007 (69 per cent of all fees and charges). Commonwealth Government financial assistance for Victorian universities for this same period remained at approximately 47 per cent of total revenue.

The significant and growing revenue from international students is not guaranteed. Victorian universities compete locally and on the global stage for international students.

Universities with international students are exposed to additional risks due to market economies and national and international policies. This has the potential to affect the affordability, desire and demand for educational services in Australia.



### 3.1.4 Risk

The growth of international students and the significance of this source of revenue for universities increase their business and financial risks, which include:

- reputation risks
- international students' experience as part of the broader university student population
- inadequate provision of amenities and other support for international students by universities.

Managing these risks and complying with the Commonwealth services regulations is an important requirement for universities.

## 3.2 Audit objective

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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.

## 3.3 Audit scope

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The audit examined the policy and procedural frameworks to manage international students studying higher education, on campus, in Victoria. Three universities were examined as they enrol almost 50 per cent of the total Victorian tertiary population.

They are:

- Monash University
- University of Ballarat
- University of Melbourne.

For the three universities examined in this audit, revenue from international students represented:

- 16 per cent at Melbourne
- 18 per cent at Monash
- 31 per cent at Ballarat.

The percentage revenue for Ballarat reduces significantly when service fee payments to private providers are taken into account.

## 3.4 Audit criteria

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Audit criteria were applied to determine whether:

- the universities have developed strategic and operational goals that identify the role of international students
- strategies supporting the implementation of business plans included performance measures and implementation plans
- risk management frameworks identify, analyse, evaluate, treat and monitor the business and financial risks associated with international students
- services provided meet the legislative requirements, e.g., honest and accurate marketing of education services; study and pastoral support for students while in Australia; accessible complaints and appeals processes.

## 3.5 Resources

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The audit was performed in accordance with the Australian Accounting Standards applicable to performance audits, and included tests and procedures sufficient to allow audit conclusions to be reached.

The total cost of this report was \$255 000, which includes staff time, overheads and printing costs.

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# 4 University goals for international students

## At a glance

### Background

Changes to universities' funding arrangements, the need to remain competitive in an increasingly global environment and the expectations of international students have necessitated universities becoming more strategic in their approach to international students. Planning is an important part of this.

### Findings

- The universities have established goals relating to international students in strategic, business and internationalisation plans.
- International student goals were primarily related to increasing the number of student enrolments, and student satisfaction with their experience at the university.
- All of the universities have achieved their planned growth for international students.
- Melbourne and Monash assess international student satisfaction while they are enrolled. Students were generally satisfied with course content, however, they indicated lower satisfaction levels with feedback from teaching staff on work and sense of belonging to the university community.

### Recommendation

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

## 4.1 Introduction

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The strategic planning process assists organisations to define the vision and direction of their business, and establish long-term goals. It also provides a framework for decision making, and assessing the corporate value of organisational activities.

Strategic plans tend to have a three- to five-year outlook, with an annual review linked to the business planning process. Business plans are derived from the strategic plan and identify the activities that will be undertaken during the year to achieve the longer-term organisational goals.

International students have become an important part of the tertiary education sector, particularly as a source of revenue. Changes to universities' funding arrangements, the need to remain competitive in an increasingly global environment and the expectations of international students have necessitated universities to become more strategic in their approach to international students.

Given this we expected to see specific references to international students in university strategic and business plans.

## 4.2 Goals for international students

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The three universities examined have developed three-year strategic plans and short-term annual plans. The universities' faculties and departments developed business plans that reflect the long-term goals and strategies of the university.

As the operations of the three universities extend to overseas countries, each has also developed an international plan. These plans included a range of strategies such as:

- growing relationships with offshore target countries
- sourcing international students
- developing research alliances
- fostering a culture of internationalisation within the university community
- recruiting internationally recognised lecturing and teaching staff
- improving their international reputation.

Melbourne and Monash had directly aligned their international plans with strategic goals. There were strategies relating to international students within the international and annual plans, along with performance indicators and targets.

Ballarat had a stand-alone document for its international plan that contained broad objectives relating to international students, such as, 'the enrolment on campus of international students'. Ballarat has not identified the strategies for achieving these objectives, or how achievement will be measured.

## 4.3 Achievement of goals for international students

In the universities examined, international students, once enrolled, are managed as part of the broader university student population.

Monash and Melbourne had a broad range of strategies within their internationalisation plan to achieve their related goals. The strategies included, but were not limited to, international students. The specific strategies for international students were primarily related to increasing student enrolments and student satisfaction with their experience at the university.

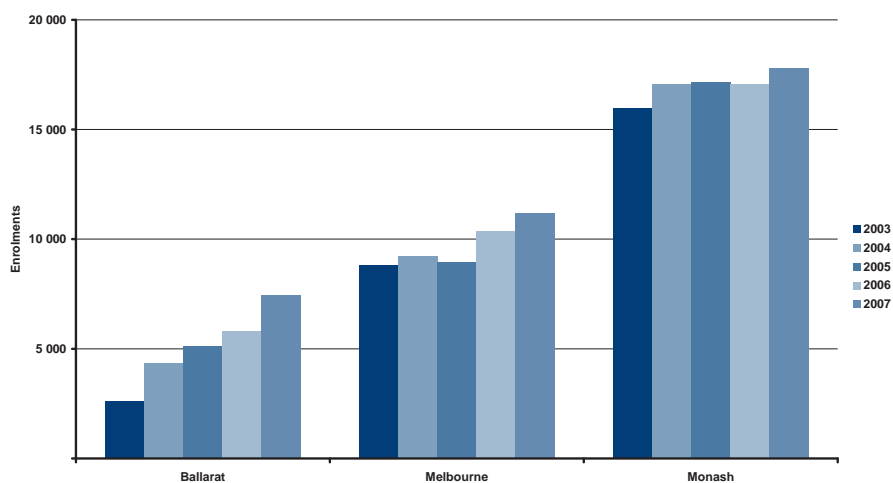
Ballarat had not established measurable targets against which to assess achievement.

### 4.3.1 Student growth

The number and mix of students, including the number of international students, is established once universities' executive staff have agreed the business plan. The universities' finance staff determine the implementation cost of these strategies and develop options, varying with the fee-structures of courses and the mix of students required to generate sufficient income to implement the strategies. The mix of students refers to the numbers of postgraduate, undergraduate, domestic and international students in an intake. The university executive approves the preferred option and targets are then set for individual faculties.

Figure 4A shows the enrolment trends for international students over a five-year period.

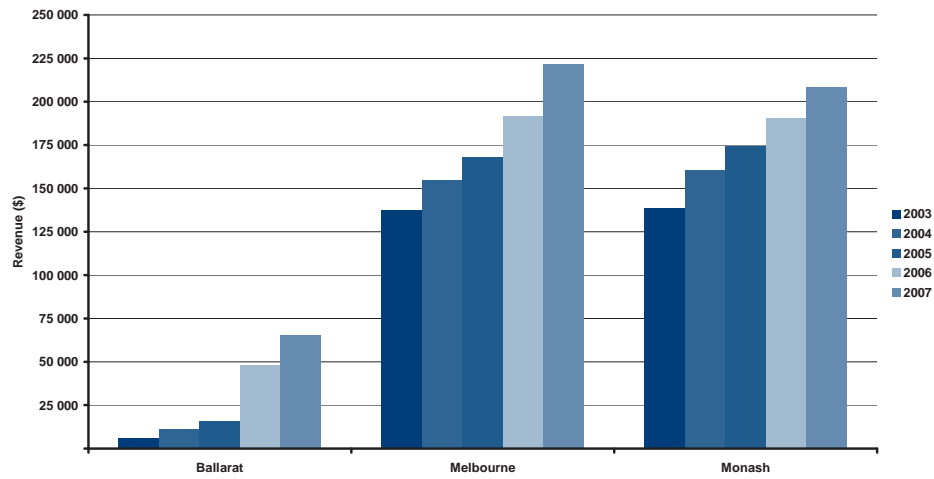
**Figure 4A**  
International student enrolment growth, 2003–07



Source: Victorian Auditor-General's Office, based on the Department of Education, Employment and Workplace Relations' (DEEWR's) Higher Education Statistics Collection.

Figure 4B shows fee revenue growth from international students from 2003 to 2007.

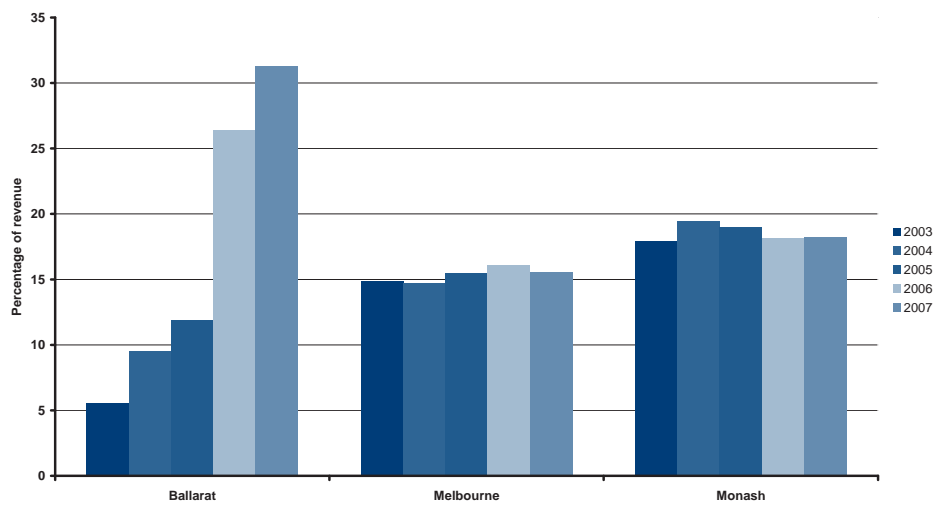
**Figure 4B**  
International student fee revenue growth, 2003–07



Source: Victorian Auditor-General's Office, based on DEEWR's Higher Education Statistics Collection.

Figures 4A and 4B show universities have experienced growth in international students numbers and fee revenue over the five-year period to 2007.

**Figure 4C**  
International student fee revenue as a percentage of total revenue, 2003–07



Source: Victorian Auditor-General's Office, based on DEEWR's Higher Education Statistics Collection.

Figure 4C indicates that fee revenue from international students as a percentage of total university revenue has generally remained the same at Melbourne and Monash, however, Ballarat has experienced significant growth in the period between 2003 and 2007.

The number of enrolments and subsequent revenue from international students at Ballarat has increased significantly since 2006. Ballarat retains a percentage of the derived income from international students, and pays the remainder to private providers who deliver the course under contractual arrangements.

### 4.3.2 Student satisfaction

All three universities undertake student satisfaction surveys on a regular basis.

One survey is the Course Experience Questionnaire (CEQ), which all students are requested to complete following their graduation. CEQ completion rates by international students were poor compared to all graduates, partly due to surveys being returned unopened.

Monash extracts the data for international students from the CEQ results. Melbourne also does this analysis for international students but not every year. Ballarat monitor and report student satisfaction from the CEQ results for the whole of student population only.

Melbourne has developed the 'Melbourne Experience Survey' (MES) and Monash the 'Monash Experience Questionnaire' (MEQ) to measure current international and domestic students' experiences.

Responses to the MES and MEQ from international students in 2007 indicated there were two main areas of lower satisfaction—'engagement and support' (commenting on work) and 'community' (feeling of belonging). International students were generally satisfied with the course content and their skill development.

Monash has included an internationalisation question in its MEQ with results indicating a high level of satisfaction from both international and domestic students that their higher education would make them employable anywhere in the world.

All of the universities survey students' satisfaction with the teaching staff and unit content. This information is used by the universities to assess the quality of staff and the relevance of subject matter.

## 4.4 Conclusion

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Universities are able to demonstrate a growth in international student numbers, which is one strategic goal.

The satisfaction of students is the other main strategic goal, and is important for managing risks to the universities' reputations and the future enrolment of international students.

However, response rates to post completion questionnaires are low, and data on the international student cohort is not being regularly reported.

Melbourne and Monash currently collect student satisfaction information while the international students are still enrolled. Ballarat has not established systems to collect this type of information, either on campus or through its private providers.

The universities' management of international students as part of the general student population needs to be balanced with adequate means of identifying operational issues specific to international students.

### Recommendation

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- 4.1 Universities should collect student satisfaction data while students are undertaking courses, and in a manner that enables data to be segmented by student cohort.
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# 5

## Risk management

### At a glance

#### Background

All businesses need to manage the risk and uncertainty associated with events and circumstances that may impact on the achievement of organisational goals.

Universities face risks associated with international students, including the number of students, reliance on fee revenue, students' expectations and compliance with the legislative framework establishing service standards.

#### Findings

- University-level risks are linked to the strategic plans. Management, monitoring and reporting of these risks is generally done well.
- Management of operational risks is of variable quality within and across universities. The University of Ballarat does not do systematic risk management at the operational level.

#### Recommendations

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

## 5.1 Introduction

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All businesses need to manage the risk and uncertainty associated with events and circumstances within and outside of their control that may impact on the achievement of corporate goals.

Including risk management as part of the strategic and business planning processes involves executive staff aligning the risks inherent in the corporate plan with the organisation's risk profile or tolerance. This is better practice.

Universities face a number of risks—actual and perceived—associated with international students. These include the number of students, the significance and reliance on fee revenue, the expectations of students and compliance with the legislative framework establishing service standards.

We expected to see risk identification and assessment processes both university-wide and within individual faculties. We also expected to see specific mitigation strategies for identified risks, and that the process was monitored and reviewed.

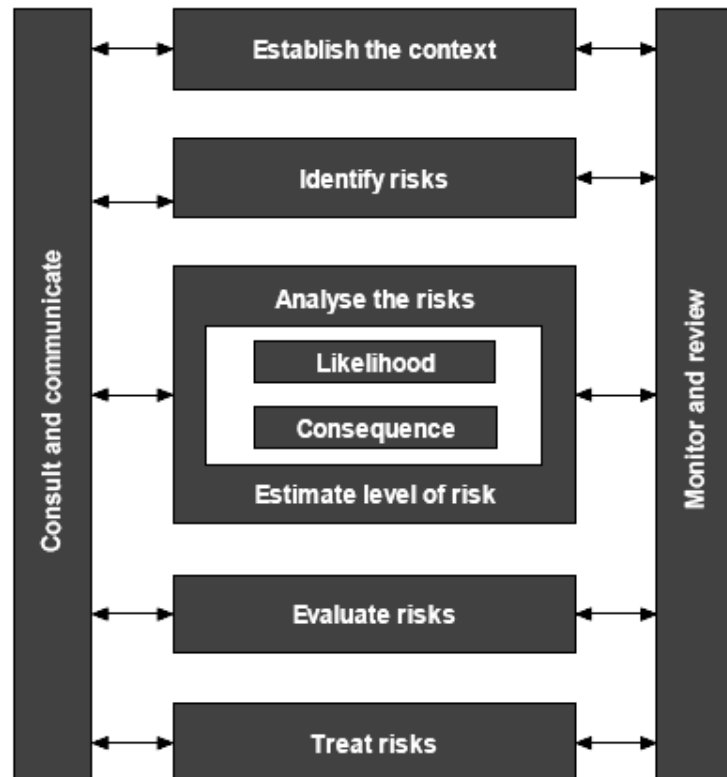
## 5.2 The risk management framework

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The Australian and New Zealand Risk Management Standard AS/NZS 4360:2004 promotes a proactive approach to risk management. The risk management framework can be applied to all levels of an organisation and consists of seven steps.

The three universities we examined have all adopted this standard (Figure 5A).

**Figure 5A**  
**Risk management framework**



Source: Based on Standards Australia, Australia and New Zealand Risk Management Standard AS/NZS 4360:2004.

### 5.2.1 Consult and communicate

The universities have committees that meet regularly to discuss issues relating specifically to international students and student programs. These committees are often advisory.

Issues that affect the general student population, including international students, are raised in issues-specific committees such as audit and risk committees, student housing services and academic boards.

International and domestic students, education agents, and local community and business are all rich sources of information. Regular feedback and surveying stakeholders can be a valuable source of information on potential risks.

The universities have divisions that manage the coordination and reporting of university-wide risk management. Reporting at faculty and school (operational) level varied in all three universities. Operational risks were primarily managed by the faculty or school, with significant operational risks reported to the risk management committee at Melbourne on a quarterly basis, and usually annually at Monash and Ballarat.

## 5.2.2 Establishing the context

As a first step in the risk management process, universities should define the external and internal environment in which they operate. The external context includes stakeholders, key business drivers, and the regulatory, political and business environment. The universities should document the external environment, and describe how it impacts on university business.

The internal context, which should also be documented, takes account of the university culture, internal stakeholders (such as international students), structure, resources and system capabilities, and the strategic objectives and goals of the university.

The universities must then develop risk criteria against which risk is to be evaluated.

All the universities had established the risk management context and developed sufficient risk criteria to enable systematic evaluation of risk. At Melbourne and Monash this was evident for strategic and operational risks; Ballarat had included strategic risks, and those risks identified by internal audit.

Criteria have been developed for commercial, financial, human resource, legal and compliance, reputation, operational and environmental risks.

## 5.2.3 Identifying risks

We expected, in line with the risk management standard, that there would be a robust and comprehensive risk identification process informed by faculties and departments' planning processes.

All universities identified their strategic risks annually.

Monash and Melbourne identified, in detail, the cause and consequence of the risk materialising at the faculty level. There was no evidence that Ballarat systematically and proactively identified and documented operational risk at the school level.

All three universities have recognised their reliance on revenue from international students and have identified related risks, including:

- volatility of international markets leading to a decline in international students
- a decline in the number of full fee-paying overseas students on Australian campuses
- maturity of the international student market
- failure to meet student expectations.

Faculties have identified operational risks that include:

- staffing issues
- inequitable entrance scores
- drop out rates
- overcrowding.

We expected to find risks relating to Ballarat's private provider relationships reflected in risk treatment strategies or incorporated into their contract terms. The private providers' ongoing financial viability assurances were not adequately covered initially. However, at the time of the audit Ballarat was in the process of revising the contract.

## 5.2.4 Risk analysis and evaluation

Risks, once identified, need to be analysed and evaluated for their potential impact and the likelihood of occurrence. This assessment should take account of business systems and whether mitigation strategies are required to address the residual risk relative to the universities' risk profile and tolerance.

The universities have developed rating systems to analyse risks. They use a combination of statistical data, past experience/trends and judgement to analyse 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' or a similarly general statement as a risk. The reason why the target would not be reached had not been identified, and analysis of the risk was not done.

The risk evaluation processes at each university were adequate. They included a review of the risk analysis and rating by an independent area within the university, or by external consultants.

## 5.2.5 Treatment plans

The Australian risk standard states that risk treatment involves identifying the range of options for treating risk, assessing these options and then preparing and implementing treatment plans.

Melbourne and Monash develop treatment plans 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 monitor and treat risks that have been rated as high. Performance measures were not included within risk management treatment plans. However, Melbourne includes performance measures within business plans in which risk management and mitigation strategies are an integral component.

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, the university has identified the risk of comparable educational outcomes not being achieved by third-party providers contracted to deliver courses on behalf of the university. The risk treatment includes equipping the providers with the necessary legislative compliance information. While this is important it does not address the achievement of educational outcomes.

### 5.2.6 Monitor and review

Progress against risk treatment plans provides an important performance measure, and reinforces the importance of risk management.

Progress reporting was widely used by all universities. Each university reviews its university-wide treatment plans every three months, with Melbourne also reporting faculty-level risks.

The universities had established risk committees that are responsible for review and continuous improvement of the risk management process. However, the lack of performance measures for risk treatment strategies, and inadequate identification of risk, has 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 monitoring of risk treatment plans, and reinforce continuous improvement practices.

## 5.3 Conclusion

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The three universities had established adequate processes to identify, manage and mitigate risks, including risks associated with international students, such as market volatility and enrolment numbers. The audit noted:

- The school and faculty-level risk identification at each university was of variable quality, and some of the risks identified contained insufficient information to adequately complete the risk assessment and treatment parts of the process.
- While Ballarat has policies and guidelines requiring the inclusion of risk management into their schools' operational plans, this was not evident in the plans examined.

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## Recommendations

- 5.1 Universities should require faculties and schools to incorporate risk management into their annual business planning process.
  - 5.2 Universities, as registered providers, should regularly review their contractual relationships with private providers to identify and mitigate the risks.
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# 6 Universities' service provision obligations

## At a glance

### Background

The Commonwealth Government enacted the *Education Services to Overseas Students Act 2000 (ESOS Act)* to provide assurance to overseas students on the education services they would receive, and protect and enhance Australia's reputation for quality education and training services.

In 2006 the *ESOS Act* was reviewed with the National Code subsequently amended to emphasise the importance of, and requirement for, improved documented procedures.

### Findings

Universities are largely complying with the requirements of the National Code 2007.

Universities are using a pro forma rather than entering into an individualised written agreement with each international student. This is not consistent with the National Code.

While universities have policies for deferring, suspending and cancelling students' enrolment, procedures supporting these policies were often unclear, and not easily accessible.

### Recommendation

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.

## 6.1 Introduction

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In 2000 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.

After three years of operation the *ESOS Act* was reviewed and supplemented with a mandatory code known as the National Code 2007. The code aims to:

- support the *ESOS Act* framework and its administration
- establish and safeguard Australia's international reputation as a provider of high quality education and training
- protect the interests of overseas students
- support registered providers in monitoring student compliance with student visa conditions and in reporting any student breaches to the Commonwealth Government.

## 6.2 University compliance with the National Code

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The National Code 2007 incorporates 15 standards that registered education and training providers must meet.

The audited universities are registered education and training providers and are therefore required to conform to the National Code standards. Ballarat contracts with private institutions to deliver educational services to international students on their behalf. Responsibility for *ESOS Act* compliance, however, remains with Ballarat.

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).

We expected that each of the audited universities would have documented policies and procedures in place demonstrating their compliance with the 15 standards.

## 6.2.1 Pre-enrolment engagement of students

This category outlines the conduct and information obligations of registered providers, and their education agents. The requirements address:

- the professionalism and accuracy of marketing
- recruiting students in an ethical and responsible manner
- student qualifications, including proficiency in English is appropriate for the selected course
- student awareness of the course costs, and other fees and charges, and refunds
- the use of education agents in source countries.

Aside from some issues around written agreements regarding enrolment, the three universities complied with this category of the National Code standards.

### Written agreements

Under the National Code, universities are required to enter into written agreements with the student which detail:

- the services to be provided
- fees payable
- information on refunding course money.

None of the universities complied fully with this standard. All students were required to complete the core details of the student agreement themselves, rather than confirm a university prepared written agreement.

Two of the universities referred students to multiple documents or website links as part of the written agreement, with one of these being the refund policy.

Under the *ESOS Act*, failure to have a written agreement which incorporates the refund policy for student default, invokes the *ESOS Act Regulations 2001*. Under these regulations the maximum administration fee that can be withheld as a result of student default is \$250.

Melbourne and Monash included some but not all of the details of their respective refund policies in their student agreements. Under the 2007 amendments to the *ESOS Act* the written agreement must include the amount to be refunded and the circumstances which constitute a student default.

While Melbourne disclosed that the education agent's fee is deducted from the monies to be refunded, the amount (or range) of the fee, which may be up to \$3 500, is not detailed in the signed student agreement.

Monash charges an administrative fee of \$1 000 for withdrawing from a course within four weeks of commencement. This is not disclosed in its signed student agreement.

Ballarat has a lengthy student agreement which contains more than the required information. Their disclosed administration fee is \$1 000.

While the universities assert that written agreements can include multiple source documents, the intent of the legislation governing the agreement is the disclosure of financial obligations and terms and conditions without students having to source, compile and complete documents.

## 6.2.2 Care for and services to students

The requirements under this category are that:

- where students under the age of 18 are not being cared for in Australia by a parent or suitable nominated relative, registered providers ensure that appropriate arrangements are made to protect their personal safety and social wellbeing.
- registered providers support students to adjust to study and life in Australia, to achieve their learning goals and to achieve satisfactory academic progress towards meeting the learning outcomes of the course.

All three universities had established processes to comply with this standard.

Examples include clubs, an additional orientation week for international students, and student support services on campus.

## 6.2.3 Students as consumers

This section relates to international students as consumers. It requires registered providers:

- to assess requests from students for a transfer between registered providers prior to the student completing six months of their principal course of study
- to put in place complaints and appeals processes that are independent, easily and immediately accessible, and inexpensive for the parties involved.

All three universities had established processes to comply with this standard.

Information on the complaint and appeals processes available to all students was generally accessible online and in person through student support services.

## 6.2.4 The student visa programme

This section of the National Code states that registered providers:

- must monitor the workload of students to ensure they complete the course within the duration specified in their conditions of enrolment, and meet online or distance learning requirements
- must monitor students' course progress, and be proactive in notifying and counselling students who are at risk of failing. Under the *ESOS Act*, registered providers are to report students who breach the course progress requirements to the Department of Education, Employment and Workplace Relations (DEEWR).

- must have documented procedures for granting and recording course credit to students in recognition of relevant prior learning achievements or experience, students are to be provided with a record of the course credit which must be signed or otherwise accepted by the student, and placed on the student's file
- may only allow students to defer or temporarily suspend their studies in certain limited circumstances.

### Course credits

Granting course credit may reduce the duration of a student's course and in turn impact on the period of their visa. While there were some minor issues associated with the student acceptance procedures, all three universities had established processes to comply with this standard.

### Deferring, suspending or cancelling student enrolment

Universities must have documented procedures for deferring, suspending or cancelling a student's enrolment. The provider is required to inform the student of the visa implications if their enrolment status changes. If enrolment is cancelled, the student visa is also cancelled.

Monash and Ballarat had an explicit policy, and provided the relevant information to students in the international student handbooks or via the web. Melbourne had included information in their policies and statutes, however, a reference to the relevant appeals process under Standard 8, was not evident in all documents. Better practice would be to have explicit, accessible guidelines for this requirement, and to provide students with this information, before enrolment, as part of course marketing materials.

Aside from some minor issues with granting course credit and procedures for deferring, suspending or cancelling student enrolment, all three universities met these requirements of the National Code.

## 6.2.5 Staff capability, educational resources and premises

This section of the National Code standards requires that:

- staff of registered providers be suitably qualified or experienced to carry out the functions they provide to students. The educational resources of registered providers support the delivery of courses to students. The premises of registered providers, including the floor space available for each student, support students' achieving their course outcomes
- registered providers proactively inform the designated authority of prospective ownership and/or management changes.

All three universities had sufficient processes in place and complied with this standard.

## 6.3 Conclusion

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All three universities had adequate documented policies and procedures and, apart from some minor exceptions, complied with the National Code 2007.

Without a written agreement with the university, students' entitlements and financial obligations are unclear and could lead to disputes.

Given that course deferment, suspension and cancellation of enrolment can have significant consequences for the affected student's visa, the potential consequences of these processes should be made known to the students; and they should be properly documented and readily accessible.

### Recommendation

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6.1 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.
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## Reports tabled during 2008–09

Report title	Date tabled
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