

VICTORIA

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Auditor General

Victoria

**International students  
in  
Victorian universities**

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AUDITOR GENERAL  
VICTORIA

The Hon. B.A. Chamberlain MLC  
President  
Legislative Council  
Parliament House  
MELBOURNE

The Hon. A. Andrianopoulos MLA  
Speaker  
Legislative Assembly  
Parliament House  
MELBOURNE

Sir

Under the provisions of section 16 of the *Audit Act 1994*, I transmit my performance audit report on *International students in Victorian universities*.

Yours faithfully

J.W. CAMERON  
*Auditor-General*

18 April 2002

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# Foreword

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The role and functions of our public universities continues to evolve in response to the changing requirements of, and funding commitment by, governments, the expectations of the community, and the influence of globalisation. Over the past 15 years, our universities have become more market orientated, customer focused and entrepreneurial in their activities.

One consequence of this new orientation is that some universities now attract substantial enrolments of full fee-paying international students. While international student programs raise considerable revenue for Victorian universities, these programs also generate discussion concerning their potential effect on access to university places for Victorian students, their impact on academic standards, and the need to ensure that such programs are adequately regulated and monitored.

The combination of the level of public interest, the significance of the activities of public universities, and the magnitude of the costs and benefits involved led to my decision to examine the impact of international student programs in Victorian universities, and to provide Parliament and the community with an independent assessment of this activity. I trust this report will facilitate informed debate on this topical issue and lead to improved decision-making by all those associated with this important aspect of our community activity.



J.W. CAMERON  
*Auditor-General*

# Part 1

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## Executive summary

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## INTRODUCTION

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**1.1** Since 1988, the Commonwealth Government has encouraged Australia's higher education system to be more commercially-oriented. The Higher Education Contribution Scheme (HECS) was introduced in 1989 for domestic undergraduate places, and universities were no longer penalised financially for raising private income. Universities were permitted to set fees for international students at cost or above, and were not constrained in the number of international students they could admit. Since 1998, the Commonwealth Government has also permitted universities to charge fees for domestic undergraduate student places.

**1.2** Trends in university revenues show that Commonwealth operational funding has levelled off since 1996 in real terms, with student fees and charges being the key source of revenue growth for universities. In 1999, revenue from international students accounted for \$805 million, or 9 per cent of Australian universities' income, a three-fold increase in 10 years.

**1.3** International students are now an important and growing part of Australia's higher education system. In Victoria, international students made up about 20 per cent of the local university student population and 30 per cent of the national total of 143 788 international students studying in Australia in 2001.

**1.4** These changes have generated considerable public debate. Comments have been made that Commonwealth funding levels are now inadequate, that fee-paying international students are taking university places in preference to domestic students, and that the academic standards of our universities are falling.

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## AUDIT OBJECTIVES AND SCOPE

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**1.5** The objectives of the audit were to assess whether international student programs in Victorian universities have:

- impacted on access to university for Victorian students;
- impacted on the academic standards of universities;
- been of financial benefit to universities and the Victorian economy; and
- been adequately regulated and monitored.

**1.6** The audit also assessed whether appropriate follow-up action had been taken on key recommendations contained in the Auditor-General's 1993 report on *International Student Programs in Universities*.

**1.7** The scope of the audit was confined to Victorian universities and did not include TAFE institutes or private providers of higher education. Three universities were selected for detailed examination: Monash University; RMIT University; and The University of Melbourne. Together these universities accounted for 74.5 per cent of all full fee-paying international students in Victorian universities in 2000.

## AUDIT CONCLUSION

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**1.8** Victorian students access university through Commonwealth-funded HECS places and, in more recent times, fee-paying places. Direct displacement of domestic HECS students by fee-paying domestic or international students is both protected against and regulated by the Commonwealth's higher education policies. However, over the past 15 years, changes to Commonwealth educational policy and funding arrangements have altered the financial incentives faced by universities, such that the relative proportion of marginally-funded domestic HECS students has reduced and the proportion of full fee-paying domestic and international students has increased. Victorian universities have been particularly responsive to these new arrangements.

**1.9** At a broad level, criteria for university entry are the same for both domestic and international undergraduate students, i.e. past academic performance and the capacity to succeed. However, the selection processes for international and domestic students against these criteria are different. Domestic students are selected on a competitive basis judged on their individual Equivalent National Tertiary Entrance Rank scores, and university first round offers are administered by the Victorian Tertiary Admissions Centre. International students, on the other hand, are assessed directly by university Admission Offices, with assistance from faculties, and are selected on the basis of published minimum entry requirements.

**1.10** The capacity of international students to succeed in their courses is related to their English language proficiency. Our survey results show that a significant proportion of university teaching staff have concerns regarding the English language proficiency of international students. However, the Universities use accepted tests of English proficiency when assessing international students. Possible explanations could lie in the administration of the tests in foreign countries, or perhaps the students experiencing English language problems entered the university from a pathway that bypassed the testing requirement.

**1.11** Academic standards are affected by a range of factors including student entry criteria, course curriculum, student-to-staff ratios, and assessment practices. Student-to-staff ratios and the workloads of academic staff have increased in most university courses due to cost pressures and the need for universities to achieve greater efficiencies. However, faculties with a larger proportion of international students tend to have experienced smaller percentage increases in their student-to-staff ratios compared with courses with fewer international students (with the exception of Information Technology).

**1.12** University assessment practices are changing in all faculties, irrespective of whether they have high or low numbers of international students. Our audit evidence suggests that:

- while it is common for academics to be lobbied by students seeking a higher grade, where “soft marking” exists, it is an isolated and occasional incident within universities; and

- there is no evidence to suggest that systematic institutionalised “soft marking” occurs in any of the 3 universities examined. On the occasions when preferential assessment does occur, it arises most commonly where an academic gives a student with under-developed English skills the “benefit of the doubt” on the student’s written work.

**1.13** All 3 universities have established comprehensive quality assurance processes for the submission, development and approval of new courses, or amendments to existing courses. These systems effectively maintain the academic standards of course curricula.

**1.14** Student surveys are used to assess the quality of university teaching and the overall satisfaction of students with their course. The Course Experience Questionnaire which is administered nationally by the Graduate Careers Council of Australia, and other student surveys do not indicate any significant negative change in student perceptions over the past 5 years. That is, over a period of significant international student growth in Victoria, overall student satisfaction with university courses has remained at a high level.

**1.15** Academic staff have expressed concern regarding their increased workloads, stress levels, low morale and a perceived decline in academic standards. However, academic staff generally perceive international students as having a positive impact on universities.

**1.16** International students have been of financial benefit to universities and the Victorian economy. Monash University, RMIT University, and The University of Melbourne have all made effective use of international student programs in order to offset reduced levels of government operational funding per student. There will be continued strong growth in the numbers of domestic and international fee-paying students as Victorian universities focus on marketing courses to students in Australia and overseas.

**1.17** Revenues derived from international student fees have been distributed by universities to areas such as capital construction, libraries, investment funds and general student services. Although it is not possible to establish the level of resource usage by international students within each university, the revenues generated by international students are contributing to the capacity of the 3 universities to deliver educational services to all students.

**1.18** The 3 universities have all undertaken activity-based costing studies to identify the total costs of providing educational services to international students. University fees are calculated to recover the full costs of providing services to international students, and to limit cross-subsidisation.

**1.19** The total financial impact of international university students on the Victorian economy was equal to \$714.5 million in 1999. This is equivalent to 0.47 per cent of Victoria’s Gross State Product of \$151 006 million for 1999.

**1.20** This audit has occurred at a time of transition for the higher education sector. Victorian universities are currently in the process of adapting to the requirements of the new Commonwealth *Education Services for Overseas Students Act 2000* which came into effect on 4 June 2001, and the Australian Universities Quality Agency is now conducting trial audits at selected universities. It will be some time yet before these various legislative and monitoring arrangements are fully implemented, or can be assessed.



*International students are finding Victoria an increasingly attractive place to study.*

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## AUDIT FINDINGS

### Student access

**1.21** State secondary education systems are fairly homogenous throughout Australia. Courses, subjects, curricula, assessment systems and the qualifications gained by domestic students are developed in consultation with the higher education sector to be comparable across State and regional boundaries. In contrast, international students come from a diverse range of educational systems. Victorian universities can, on occasion, experience considerable difficulty in assessing a student's level of academic preparation for undertaking an Australian degree program. (*para. 4.2*)

**1.22** We found that the 3 universities apply common entry criteria for both domestic and international undergraduate students and that:

- Entry standards are based on an appropriate selection criterion, i.e. the capacity to succeed in the course;

- The instrument for measuring “capacity to succeed” is based on past academic performance in pre-requisite subjects and overall academic achievement. In addition, students must meet English Language standards as demonstrated through completion of pre-requisite subjects, or where a student’s previous studies were not examined in English, achievement in an appropriate English Language test; and
- Course entry is subject to competition for available places in any course in any given year. *(para. 4.4)*

**1.23** Establishing English language proficiency is an important aspect of assessing a student’s capacity to succeed in their chosen course of study. *(para. 4.12)*

**1.24** The International English Language Testing System (IELTS), developed in 1989 by a consortium of linguists and educational researchers, is a standard test of English for students intending to study in Australia. IELTS provides a reliable assessment of a candidate’s ability to read, write, speak and listen in English. *(para. 4.13)*

**1.25** Results from our survey of 359 academics from the 3 universities indicated that 53 per cent of respondents were of the view that English language entry requirements were set too low for domestic HECS students, and 66 per cent thought that standards were set too low for international students. Only 30 per cent of academics considered that international students in their classes had adequate English language proficiency, compared with 75 per cent for domestic HECS students. *(para. 4.21)*

**1.26** Although it is argued that marginal funding by the Commonwealth for over-enrolments of domestic undergraduate HECS students allows for growth in these places, there is a greater financial incentive for universities to enrol full fee-paying domestic or international students rather than marginally-funded HECS students. *(para. 4.35)*

**1.27** Around 19 000 eligible domestic university applicants in Victoria could not be offered a university HECS place in the 2 years 2000 and 2001. This gap was substantially larger in Victoria than in any other State. *(para. 4.38)*

### **Academic standards**

**1.28** The maintenance of high academic standards in the face of tremendous growth in student numbers has been a key concern for university management and governments over the past 15 years. There is no single set of academic standards that can be applied across the entire sector. *(para. 5.1)*

**1.29** Historically, the quality of teaching and learning within individual universities has been the responsibility of the universities themselves. Governments, in turn, were responsible for ensuring that appropriate systems were in place for the accreditation of courses in order to safeguard the standards of university degrees. *(para. 5.2)*

**1.30** Academics teaching courses with a low proportion of international students were more likely to report changing their assessment practices than academics with a high proportion of international students. This suggests that assessment practices are changing due to many factors, only one of which is the presence of international students. (*para. 5.45*)

### **Financial impacts**

**1.31** The number of international students in Australian universities has doubled over the past 5 years, while the number of domestic enrolments has increased by less than 10 per cent. (*para. 6.2*)

**1.32** International education also has other less tangible, but nonetheless important benefits to Australia. Although difficult to quantify, having business, community and political leaders in key overseas markets that have studied in Australia is strategically important. (*para. 6.4*)

**1.33** Revenue from fee-paying international students in Victorian universities has grown from \$190.5 million in 1997 to \$260.2 million in 1999, which translates to approximately 18 per cent growth per annum. Of the 3 universities, RMIT University has experienced the greatest growth in numbers of international students. Income from international students accounted for 22.6 per cent of its total operating revenue in 1999. (*para. 6.11*)

### **Government regulation**

**1.34** Rapid growth in international students wanting to study in Australia has resulted in a proliferation of both private and public providers of education and training services. This growth has also resulted in strategies being implemented, both by governments and the higher education sector, to monitor and regulate international student programs. (*para. 7.1*)

**1.35** Under the *Tertiary Education Act* 1993, Victoria is responsible for awarding and protecting the titles of “university” and “degree”. University courses must be endorsed for registration on the Commonwealth Register of Institutions and Courses for Overseas Students by the Department of Education and Training before they can be delivered to international students. (*para. 7.15*)

## RECOMMENDATIONS

<i>Report reference</i>	<i>Paragraph number</i>	<i>Recommendation</i>
<b>Student access</b>	4.25	We support the research being done by Monash University to track the relationship between entry pathways and subsequent academic outcomes, to better support future admission decisions. We recommend that this research be undertaken by all universities.
	4.26	We recommend that universities undertake research to examine the countries of origin, entry pathways, and courses of study of those international students experiencing English language problems. This will provide a basis for identifying any systemic issues that may be present and for taking appropriate action to improve outcomes.
	4.27	We recommend that the Commonwealth be approached to develop good practice guidelines to support Australian universities in assessing the capacity of international students to succeed in their academic studies.
	4.46	The Commonwealth Government has a key funding and regulatory role in higher education. Given the level of unmet demand for domestic HECS places in Victoria, the Victorian Government should ensure that current funding mechanisms for higher education are understood and debated by the Victorian Parliament and the community.
<b>Academic standards</b>	5.29	We recommend that universities actively monitor changes in student-to-staff ratios and take them into account when allocating resources.
	5.34	We recommend that universities regularly review their provision of support services to academic staff teaching international students - particularly given the increasing number of international students in Victorian universities.
	5.60	Academic staff find it difficult to assess the written work of students with underdeveloped English skills. We recommend that academic staff be given greater guidance on how to assess the work of such students.
	5.73	Consistent with submissions made to the 2001 Commonwealth Senate inquiry into Higher Education, we recommend that universities give consideration to further strengthening student assessment practices through: <ul style="list-style-type: none"> <li>• making greater use of external examiners to cross-mark the work of a sample of undergraduate students;</li> <li>• using independent panels of experts to assess the evidence that is used to determine the final grade given to a sample of students; and</li> <li>• the use of some common examination questions for universities with similar curricula, which will then support cross-institutional moderation exercises.</li> </ul>

**RESPONSE** provided by The University of Melbourne

*The University of Melbourne welcomes the performance audit of its international student programs and accepts, with few qualifications, the conclusion and findings relating to it.*

*The University's international student program is primarily part of the University's strategic commitment to internationalisation. Without a significant international student cohort the University is unable to fulfil its aspiration of being a world class university or to offer all its students a university experience that is enriched by the values, cultures and perspectives of students from a diverse range of backgrounds.*

*The University's international student program has also been part of a wider strategy to reduce reliance on public funding through the diversification of its revenue base. This has been particularly important over the period since 1996 when substantial reductions in Commonwealth funding have occurred. Without a growth in fee-based enrolments, including international students, the University would have been required to reduce staff numbers and wind back its substantial infrastructure upgrade activities, both of which would have led to a diminution of quality and course offerings for all students.*

*It is, therefore, pleasing to note audit's findings that, despite a rapid increase in international student enrolments:*

- *the University has developed and appropriately maintained standards and practices for admitting international students to its courses;*
- *the University has comprehensive quality assurance processes for the development and review of courses and for monitoring student satisfaction with their courses, processes which safeguard the academic standards of course curricula;*
- *the University's assessment practices appear to be proper and appropriate;*
- *in setting fees for international students, the University has proper systems in place to ensure that it recovers the full costs of providing services, thereby limiting the risk of cross-subsidisation;*
- *academic staff at Melbourne reported a relatively smaller gap between their expectations and the actual level of services provided to them to assist their teaching of international students.*

**In relation to the specific matters identified by audit:**

- *The University of Melbourne recognises that English proficiency is an important determinant of sound academic outcomes for all students, particularly those for whom English is not a first language. Although the University does not accept that concerns with the level of English proficiency are necessarily due to the factors identified by audit, i.e. administration of the IELTS test in foreign countries or cohorts of students who bypass the benchmark test, the University will continue to give high priority to identifying international students experiencing difficulty with the rigours of academic English at Melbourne, providing them at an early stage in their enrolment with additional support and identifying any systemic causes that might be remedied;*
- *The University of Melbourne undertakes its own cohort tracking exercises to monitor the performance of particular categories of students and will continue to refine and enhance its quality assurance activities in this area;*
- *Student-to-staff ratios are one of a number of determinants of the quality of the University's teaching and learning programs. The University of Melbourne will continue to monitor these ratios and other factors as part of its resource allocation process;*
- *The University of Melbourne has a range of activities and programs designed to provide academic staff with the skills and support that will enhance the teaching of international students. The University will continue to give priority to these initiatives;*

**RESPONSE** provided by The University of Melbourne - continued

- The University of Melbourne has programs in place to assist academic staff assess the written work of students with under-developed English language skills and will aim to increase understanding of their availability; and
- The University of Melbourne does not consider it feasible or appropriate to initiate a comprehensive package of cross-institutional assessment moderation exercises but will continue to use external examiners in areas such as final year honours theses and periodic external benchmarking for the purposes of re-affirming the integrity of its assessment practices.

Finally, The University of Melbourne notes that much of the evidence for the performance audit was drawn from a specially commissioned survey of academic staff. The survey results indicate staff concerns with work loads, morale and standards. It is important to note that these findings are not necessarily attributable to the expansion of international student programs. A more likely causal link may be to the consequences of the significant decline in public funding that has occurred since 1996. Without the resources generated by the international students program it is likely that staff concerns would be greater.

**RESPONSE** provided by Monash University

Monash University welcomes the findings of this performance audit, which is constructive and helpful. The independent findings affirm the many benefits of international education, acknowledge the strengths of our universities and make suggestions for further improvement of certain aspects of higher education in Victoria.

It is particularly pleasing that this study also helps to dispel the myth that international students somehow displace domestic students in our universities. The study confirms that such displacement “is both protected against and regulated” by the Commonwealth Government. Indeed, the additional funds provided by international student fees have cushioned the financial blow of years of declining per capita federal funding for universities. It is important to remember that revenue generated by public universities is invested directly back into the institution in the form of additional staff, library materials, computer and laboratory facilities, and other essential educational infrastructure. This is for the benefit of all students, staff and the community at large. Much of what Monash has been able to do for the Victorian community over the past 15 years has been made possible by its very successful international program.

Monash welcomes the report’s investigation of concerns that surface from time-to-time about inappropriate assessment of international students. The report confirms that there are well-developed, transparent and rigorous selection and assessment systems for international as well as local students. These findings affirm the academic integrity of our universities.

Monash also welcomes the report’s recognition of the substantial financial contribution of international education to the State and the vital flow-on effects throughout the economy. It is very encouraging to see that it also stresses other equally important non-quantifiable benefits: the social enrichment of the learning environment, the enhanced cultural vibrancy of the community, and the influence of Victoria’s international alumni serving as leaders in their field throughout Asia and the world. For decades, this has been a major strength of Victoria’s universities in general and of Monash, in particular.

**RESPONSE** provided by RMIT University.

*RMIT welcomes the report on “International Students in Victorian Universities”. The report validates the significant contribution of higher education international student activities to the Victorian economy and to the national higher education sector. The close analysis of university structures, admission procedures, assessment practices and student outcomes counters the often ill-informed comment that international programs are subsidised by taxpayer funds and that international students are somehow favoured by “soft-marking” practices.*

*RMIT will give consideration to implementing the report’s recommendations on student access and academic standards where these are operable and relevant. The University tracking mechanisms and staff development programs already address the issues referred to in paragraphs 5.29, 5.34 and 5.60. The University will investigate a co-operative approach with other universities to the issues covered by paragraphs 4.26 and 5.73.*

**RESPONSE** provided by La Trobe University

*With regard to the report as a whole the University commends the auditors on a thorough, positive and useful report, which in its comprehensive coverage conclusively falsifies a number of popular mythologies about “soft-marking”, entry standards, and the impact of increasing numbers of international students. The only major reservations that the University would have would be in respect of recommendations 4.27 and 5.73 which appears to be inconsistent with the appropriate diversity of the sector as well as representing a serious infringement upon the autonomy of universities. The University is supportive of the other recommendations.*

*With reference to the issues specifically related to La Trobe University in Part 8 of the report, the University is naturally pleased with the confirmation that it has implemented all of the recommendations of the 1993 report.*

**RESPONSE** provided by Department of Treasury and Finance

*Thank you for your draft of this performance audit which I believe provides a useful factual basis to inform debate.*

*The Department of Treasury and Finance has no comment to make on the report.*

**RESPONSE** provided by Department of Education and Training

*Department of Education and Training welcomes the findings of the report, which we note:*

- *confirms the high standing and reputation of Victorian universities;*
- *refutes claims of preferential treatment of international students;*
- *refutes claims of cross-subsidisation of international students by domestic students;*
- *acknowledges the significant contribution international students now make to the financial viability of the higher education sector.*

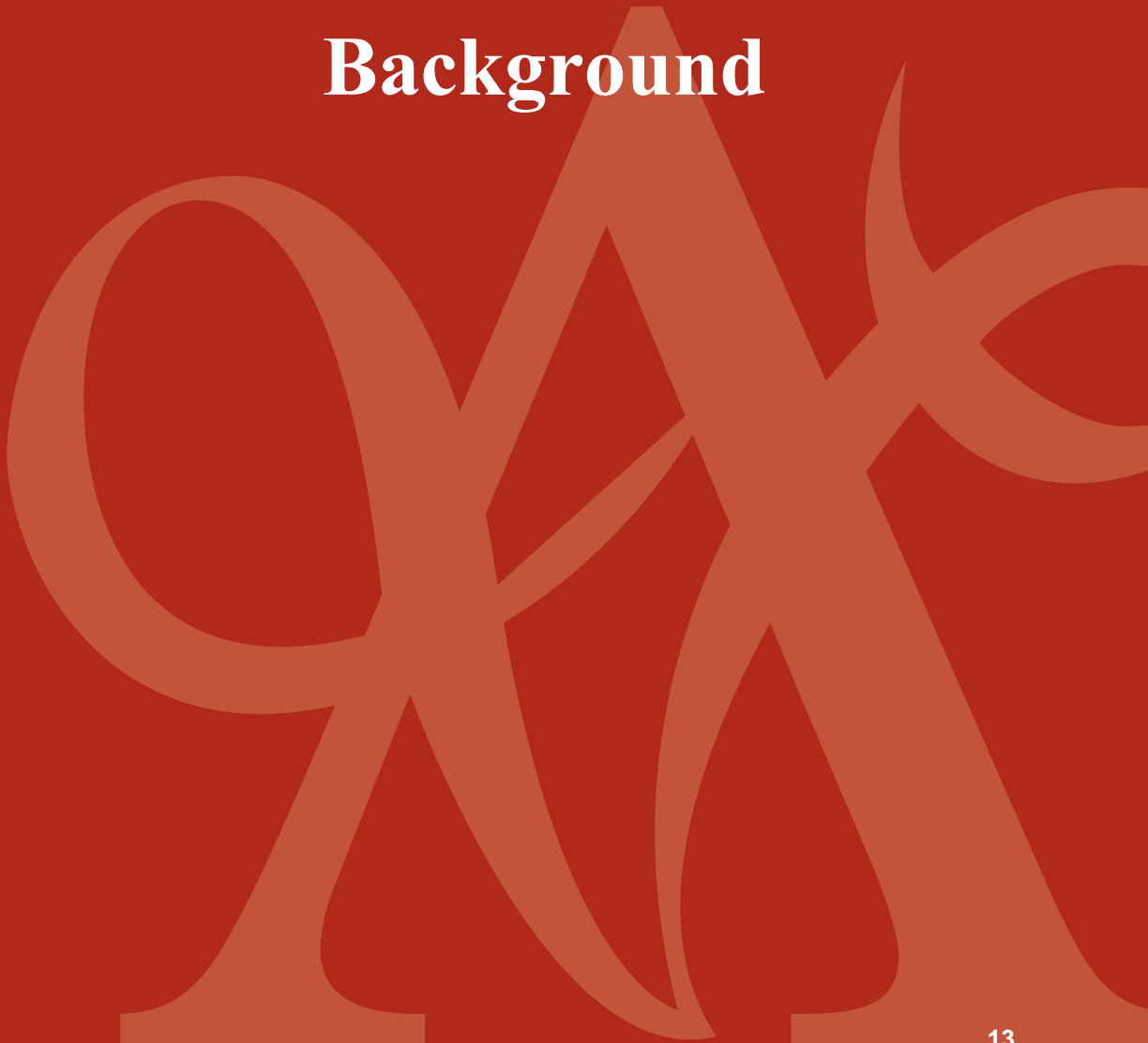
*There are 2 additional issues that seem to be absent from the report and which you may wish to consider, namely:*

- *There does not seem to be enough recognition of the opportunities for other revenue generating activity undertaken offshore by Victorian universities (e.g. consultancies and offshore delivery of courses) which is often facilitated through international student work-of-mouth brand recognition; and*
- *Similarly the report does not recognise any indirect non-commercial benefits to universities devolving from the presence of international students in Victorian campuses.*

## Part 2

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# Background



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## AN HISTORICAL PERSPECTIVE

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**2.1** The number and diversity of Australian students undertaking higher education has increased markedly over the past 25 years. Between 1983 and 2000, university student enrolments almost doubled from 255 000 to 464 000 equivalent full-time student units (EFSTU).

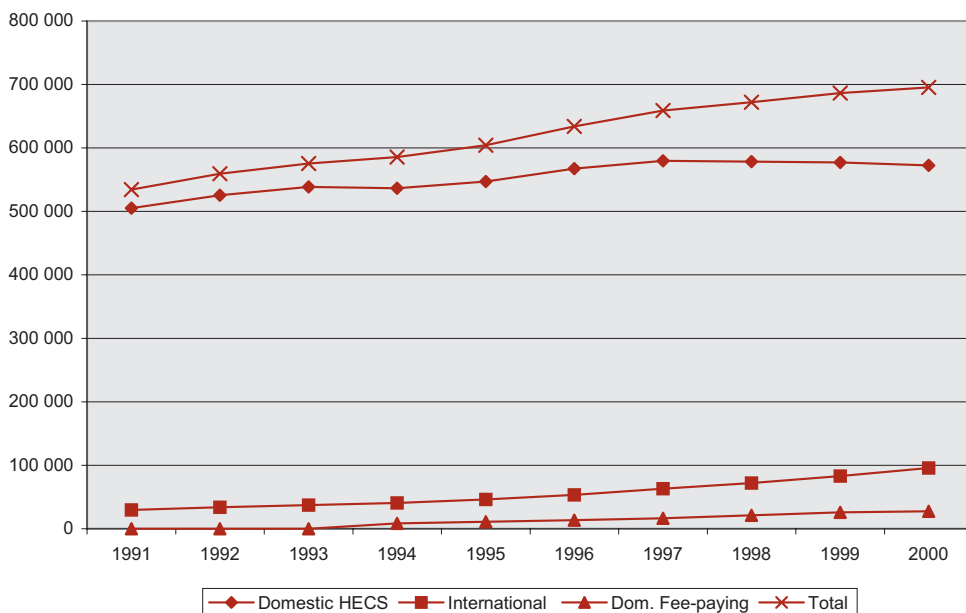
**2.2** International students are an important and growing part of Australia's higher education system. Australia's universities have the third highest proportion of international students in the countries of the Organisation for Economic Co-operation and Development (OECD). Nationally, some 18 per cent of Australia's university enrolments comprise international full-fee-paying students. In Victoria, international students made up about 20 per cent of the university student population and 30 per cent of the national total of 143 788 overseas students studying in Australia in 2001.

**2.3** Educating overseas students in Australian universities, particularly students from Asia, has occurred since the early 1900s. In 1950, the Commonwealth's Colombo Plan formalised these arrangements whereby international student places were publicly subsidised and numbers were limited by quotas.

**2.4** In 1988, the Commonwealth Government announced a more commercially oriented approach towards Australia's higher education system. The Higher Education Contribution Scheme (HECS) was introduced in 1989 for domestic undergraduate places, and universities were no longer penalised financially for raising private income. Universities were permitted to set fees for international students at cost or above, and were not limited to the number of international students they could admit. Since 1998, the Commonwealth Government has also permitted universities to charge fees for domestic undergraduate student places (fees for domestic postgraduate students having been introduced in 1987 for selected courses).

**2.5** Chart 2A illustrates that the number of domestic HECS students has levelled off since 1995, while international students and domestic fee-paying students have increased.

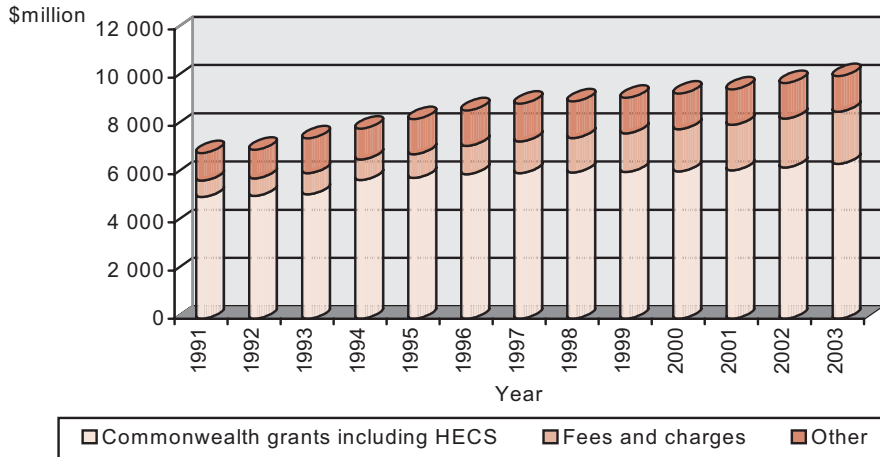
**CHART 2A**  
**TOTAL STUDENTS, AUSTRALIA,**  
**1991 TO 2000**  
 (Enrolments)



Source: Department of Education, Science and Training, Higher Statistics Collection, 2001.

**2.6** Trends in university revenues are shown in Chart 2B. It can be seen that Commonwealth funding has levelled off since 1996, with fees and charges being the key source of revenue growth for universities. In 1999, revenue from international students accounted for \$805 million (9 per cent) and domestic postgraduate fees \$176 million (2 per cent) of Australian universities' income.

**CHART 2B**  
**HIGHER EDUCATION REVENUE, AUSTRALIA,**  
**1991 TO 2003**  
 1991 to 1999 (actual), 2000 to 2003 (estimates) (a)



(a) Fees and charges do not include estimates for the new Postgraduate Education Loans Scheme that will be implemented in 2002.

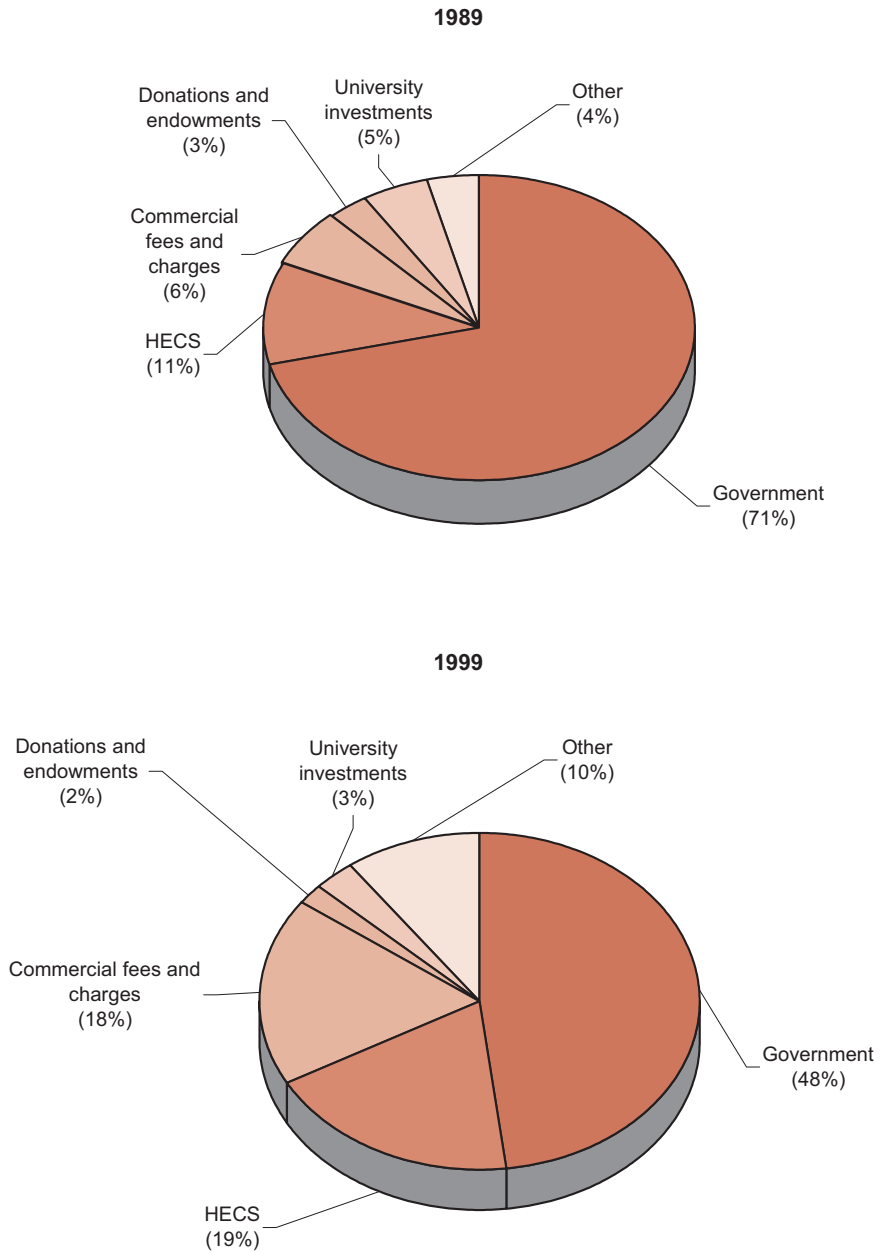
Includes additional funding the Commonwealth Government will give to institutions to provide supplementary places for HECS-liable undergraduate students for 2000-2003 and estimates of the HECS payments for these students. 2002 and 2003 include funding provided under the innovation action plan package *Backing Australia's Ability*. Revenue for 1991 to 1999 is based on institutions' financial statements (excluding deferred income for superannuation and Vocational Education and Training funding in dual sector institutions). Projected fee-paying revenue is based on institutions' profile plans for the triennium.

For comparison purposes all amounts have been expressed in estimated 2001 prices.

Source: Department of Education, Science and Training, 2001.

**2.7** Chart 2C further illustrates how revenue sources for universities have changed over the period 1989 to 1999. These national trends are also reflected in Victorian universities.

**CHART 2C**  
**SOURCES OF UNIVERSITY REVENUE, AUSTRALIA,**  
**1989 AND 1999**



Source: Australian Council of Deans of Education, 2001.

## **COMMONWEALTH GOVERNMENT POLICY**

**2.8** Although universities are established under State legislation, the Commonwealth retains primary responsibility for funding and policy-making. Commonwealth policy over the last 2 decades has shifted from the provision of educational services to international students as a component of economic aid, to a new focus on export earnings. More recently, government policy has aimed to enhance the degree of responsiveness by universities to market forces, to encourage universities to broaden their revenue base, and to integrate them more competitively into the global education market.

**2.9** Since 1988, the key objectives of Commonwealth policies for higher education have focused on expanding access to university for domestic students, improving universities' responsiveness to student needs and industry requirements, assuring quality of educational services, promoting efficiencies and enhanced accountability within the university sector, and controlling Commonwealth expenditures.<sup>1</sup> Key Commonwealth policy milestones are listed in Table 2D.

**TABLE 2D  
KEY COMMONWEALTH POLICY MILESTONES**

<i>Policy</i>	<i>Year</i>
• The Commonwealth Government assumed responsibility for higher education funding in Australia and abolished student fees.	1974
• International students were first required to pay an Overseas Student Charge (a visa charge) of about 30 per cent of the total cost of their tertiary education, with the Commonwealth retaining all revenues.	1980
• The Commonwealth Government announced the establishment of full-fee marketing of international education.	1985
• The Higher Education Administrative Charge for domestic students commenced. Initially set at \$250 per annum, with the Commonwealth retaining 90 per cent of revenues.	1986
• Fees were introduced for a limited range of domestic postgraduate courses.	1987
• The Higher Education Contribution Scheme (HECS) was announced and new Commonwealth legislation, the Higher Education Funding Act, was introduced.	1988
• The Commonwealth Government announced that the fee-based market for international education was to be the norm and the subsidised scheme with the Overseas Student Charge would be phased out.	1988
• Limited funding for enrolling domestic undergraduate HECS students in excess of Commonwealth targets, was introduced in the 1996 budget, effective from 1996-97.	1996
• Universities were permitted to charge and retain fees to enrol domestic undergraduate students up to 25 per cent of total award enrolments. Fee-paying applicants are not offered a place through the normal HECS system.	1998
• Education Services for Overseas Students Act and related legislation.	2000

<sup>1</sup> See: Dawkins, J. S. 1988, *Higher Education: A Policy Statement* (white paper), AGPS, Canberra; White, V., Kemp, J., Kruger, K. and Taylor, J. 1993, *The Impact of Fee-paying International Students on Australian Educational Institutions*, University of Southern Queensland; and Kemp, D.A. 1999 *Knowledge and Innovation: a policy statement on research and research training*, DEST, Canberra.

**2.10** Each year, the Commonwealth determines a target number of government-funded domestic HECS student enrolments for each university. The Commonwealth then imposes financial penalties should a university fail to meet its target level of places, while any enrolments above this target level are funded at a much reduced rate per undergraduate student. This provides a financial incentive for universities to marginally exceed their quota for domestic HECS students, but to focus on attracting full-fee-paying domestic and overseas students to achieve increases in university revenue.

**2.11** In response to the Commonwealth policy changes outlined in Table 2D, Australian universities now undertake a greater amount of revenue-generating research supported by industry funding, and earn increased revenues from the provision of higher education to international and domestic fee-paying students. In a little over 10 years, education has developed to be Australia's tenth largest export industry, earning \$3.7 billion in export income in 2000, more than wool and almost as much as wheat.

## UNIVERSITY LEGISLATION AND FUNDING

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### Legislation

**2.12** Australian universities are self-managing institutions. They are free to use all the resources at their disposal to advance the purposes for which they are constituted, provided they comply with relevant laws and regulations. In Victoria, public universities are established under their own individual Acts which define their powers and governance structures, as well as accountability and audit requirements.

**2.13** Victoria's higher education legislation, the *Tertiary Education Act 1993*, aims to assure the quality of education and training services, and the *Financial Management Act 1994* requires universities to provide annual audited financial reports to the State Parliament. Established universities are self-accrediting, however, the Victorian Office for Higher Education (within the Department for Education and Training) is responsible for the accreditation of other higher education providers and their individual courses, planning and monitoring the delivery of higher education in Victoria, liaison with the Commonwealth, and undertaking strategic research and development projects.

**2.14** The quality and reliability of educational programs and the protection of the interests of international students is specifically provided for by the Commonwealth's *Education Services for Overseas Students Act 2000*. This Act requires all institutions offering courses to international students to be accredited by the relevant State authority and to be recorded on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).

## Government funding

**2.15** Since the 1950s, State Government funding for higher education had been declining significantly as a proportion of total public funding for universities, and now constitutes between one and 2 per cent of university budgets. Conversely, Commonwealth funding increased considerably as a proportion of total funding from the 1940s until the late 1980s after which it too declined (see Table 2E). Finally, student contributions have fallen as Commonwealth expenditures have increased, and risen as Commonwealth funding has declined.

**TABLE 2E**  
**UNIVERSITY INCOME BY SOURCE, AUSTRALIA,**  
**1939 TO 1999**  
(per cent)

Source of income	1939	1951	1961	1971	1981	1987	1994	1999 (a)
State Government	44.9	43.7	36.3	35.7	0.8	1.0	1.9	1.1
Commonwealth Government	-	20.5	43.9	43.0	89.3	82.9	60.0	46.9
Student contributions	31.7	16.7	8.6	10.4	0.0	2.3	12.7	19.0
Investments, endowments and donations	16.1	8.5	6.2	5.5	4.4	5.4	2.6	5.0
Other income (b)	7.2	10.5	5.0	5.3	5.5	8.3	22.8	28.0
<b>Total</b>	<b>99.9</b>	<b>99.9</b>	<b>100.0</b>	<b>99.9</b>	<b>100.0</b>	<b>99.9</b>	<b>100.0</b>	<b>100.0</b>

(a) 1999 data is approximate.

(b) includes fee-for-service activities such as commercial research and consultancy work.

Source: Baker, M, Creedy, J. and Johnson, D. 1996, *Financing and Effects of Internationalisation in Higher Education: An Australian Country Study*, AGPS, Canberra; 1999 data is from Australian Council of Deans of Education, 2001.

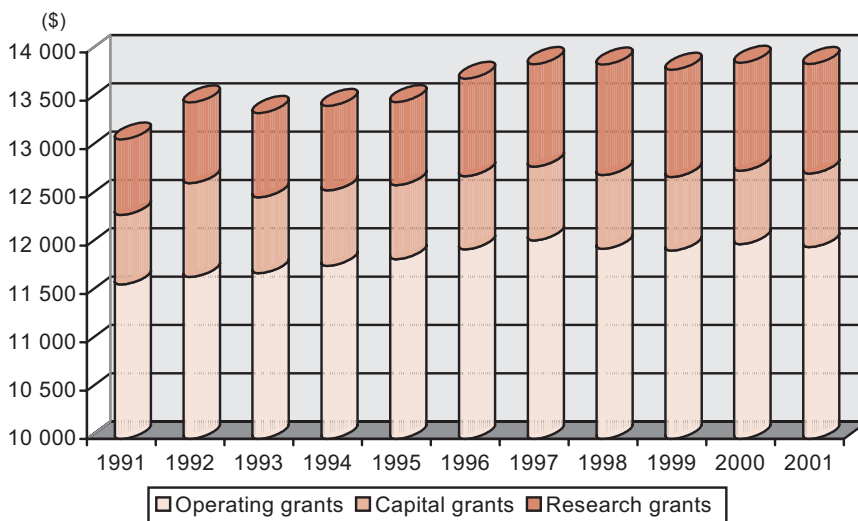
**2.16** Current funding arrangements for higher education were established in 1988 in line with under the Commonwealth's White Paper, *Higher Education A Policy Statement*. Key changes in financial and management arrangements included:

- the previous grants legislation, which channeled funding for higher education to State governments, was replaced with the *Higher Education Funding Act* 1988 (HEFA);
- universities gained triennial funding and more freedom in expenditure of grants with a number of specific purpose allocations being folded into a single operating grant;
- each university in receipt of funding under the HEFA was required to provide and abide by a performance profile (known as the educational profile) that was negotiated between the university and the then Commonwealth Department for Education, Employment and Training; and
- the Higher Education Contribution Scheme (HECS) was introduced to increase the sources of university funding through the contribution by all domestic undergraduate students to the costs of their tertiary education.

**2.17** Commonwealth outlays, excluding HECS contributions, subsequently decreased as a proportion of total sector income from 71 per cent in 1989 to 48 per cent in 1999. Over the same period, HECS fee contributions increased from 11 per cent to 19 per cent of all university income. In addition, revenue from commercial fees and charges trebled as a proportion of universities' total income, from 6 to 18 per cent as the number of fee-paying students increased dramatically.

**2.18** Although the Commonwealth's total expenditure on university places for local students has increased over time, this funding has not grown as quickly as the rising number of students. The HECS and operating grants funding rate per student (EFTSU) declined by 6.5 per cent over the period 1989 to 1999. As shown in Chart 2F, however, when Capital Development Pool funding and non-Australian Research Council research funding are taken into account, the funding rate per student (EFTSU) has increased by 7.5 per cent since 1991.

**CHART 2F**  
**TOTAL COMMONWEALTH FUNDING PER STUDENT, AUSTRALIA,**  
**1991 to 2001**  
 (EFTSU) (a)



(a) Funding in constant prices - currently 2001 Outturn prices.  
 Excludes marginal funding for undergraduate over-enrolment after 1998.  
 Includes all operating grant funding, Capital Development Pool funding, and non-ARC research funding. Note that non-ARC research funding would impact little on availability of teaching resources.  
 Source: Department of Education, Science and Training (formerly DETYA ), 2001.

**2.19** To compensate for the Commonwealth's reduced rate of operating grant per student since 1997, universities have sought to raise additional income from other sources, including fees from international students.

## Non-government funding

**2.20** University revenues from non-government sources include investment income, donations and endowments, HECS student fees, and commercial fees and charges. As previously shown in Chart 2C, universities now obtain about 50 per cent of their income from non-government sources, including HECS payments and full fee-paying students. Table 2G illustrates national trends in the number of fee-paying students from 1994 to 2000.

**TABLE 2G**  
**NATIONAL FEE-PAYING STUDENTS, AUSTRALIA,**  
**1994 TO 2000 (a)**

	1994	1995	1996	1997	1998	1999	2000
Fee-paying overseas students	33 667	38 872	51 250	60 487	68 342	78 078	90 138
Non-overseas fee-paying postgraduates	8 517	10 814	13 514	16 327	21 286	24 097	24 977
Non-overseas fee-paying undergraduates (b)	-	-	-	-	-	1 798	2 650

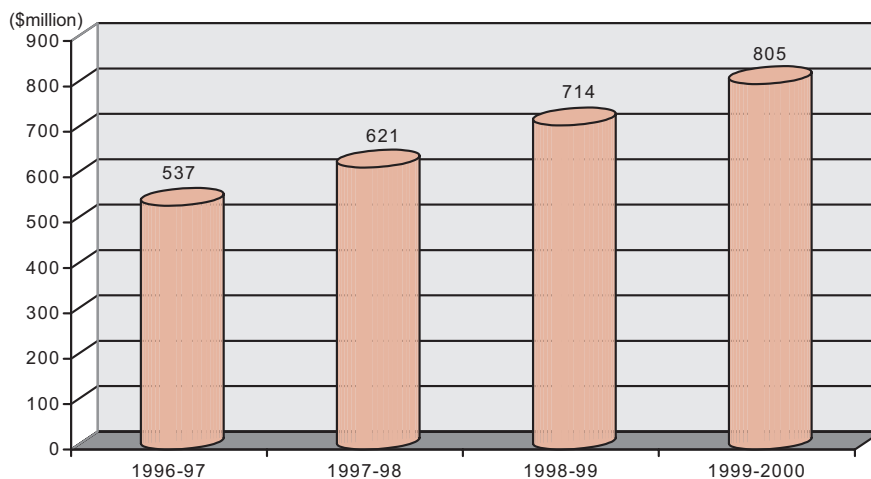
(a) Student enrolments are based on the actual full year student load as at the second census date of the academic year.

(b) Non-overseas fee-paying student load prior to 1998 includes undergraduates which is minimal to non-existent prior to 1998.

Source: DEST's unpublished tables - Selected Higher Education Student Collection.

**2.21** Chart 2H shows that Australian universities have significantly increased their revenues from international student fees in recent years.

**CHART 2H**  
**REVENUE FROM FULL-FEE-PAYING OVERSEAS STUDENTS, AUSTRALIA,**  
**1996-97 TO 1999-2000**



Source: Department of Education, Science and Training, 2001.

**2.22** The Department of Education, Science and Training estimates that university revenues from sources other than government operating grants and HECS will have risen over the period 1995 to 2003 by \$1.2 billion (53 per cent), excluding any additional growth in revenue arising from expansion of domestic postgraduate coursework programs associated with the introduction of the new Postgraduate Education Loans Scheme in 2002.

## THE INTERNATIONAL MARKET FOR HIGHER EDUCATION

### National trends

**2.23** Overall, the Australian share of the world market for international students is estimated at 7 per cent. Australia's onshore higher education student enrolment grew by 20.3 per cent in 2000, which was substantially higher than the growth rate of 6.8 per cent in 1998 and 8.2 per cent in 1999. This increase is attributed to economic recovery in some parts of Asia and to growth in new markets, such as India, China, USA, Thailand, Brazil and Scandinavia.

**2.24** Table 2I shows that Australia had the third highest percentage of foreign students compared with all tertiary students (both foreign and domestic) within the OECD countries in 1998.

**TABLE 2I  
FOREIGN STUDENTS AS A PERCENTAGE OF ALL  
TERTIARY STUDENTS,  
SELECTED OECD COUNTRIES, 1998**

<i>OECD countries (a)</i>	<i>Per cent</i>
Luxemburg	30.5
Switzerland	15.9
<b>Australia (b)</b>	<b>12.6</b>
United Kingdom	10.8
Germany	8.2
France	7.3
Denmark	6.0
Ireland	4.8
Sweden	4.5
Belgium	4.0
Canada	3.8
New Zealand	3.7
Norway	3.2
United States	3.2
<b>OECD average (c)</b>	<b>4.4</b>

(a) Country mean excludes Luxemburg.

(b) Does not include TAFE/VET students studying in Australia.

(c) Nine OECD countries with less than 3.2 per cent foreign students excluded from table.

Source: OECD Education at a Glance: OECD Indicators, 2000  
In AVCC Key Statistics 2001.

**2.25** Table 2J shows the median fees in 1997 for selected degrees in Australian universities compared with those of its main international competitors. Supported by our favourable exchange rates for overseas visitors, the Australian education industry is very competitive internationally.

**TABLE 2J**  
**MEDIAN FEES FOR SELECTED INTERNATIONAL DEGREES, 1997**  
(\$US, at 6 Nov 2001 exchange rates)

Country	Arts PhD	Arts Masters	Arts, Bachelor	Business, Bachelor
Australia	<b>6 103</b>	<b>5 595</b>	<b>5 086</b>	<b>5 086</b>
New Zealand	5 642	5 645	4 426	4 779
UK	8 822	8 822	8 691	8 677
Canada	4 877	5 718	5 825	5 825
USA (Public)	9 551	9 365	8 757	8 757

Source: IDP Education Australia website: [www.idp.edu.au](http://www.idp.edu.au)

**2.26** The majority of international students in Australian universities (69 per cent) undertake a bachelor level degree, while 19 per cent undertake a higher-level degree by coursework. Compared with Australian domestic students, only a very small percentage of international students undertake combined degrees in Australia.<sup>2</sup>

### Victorian trends

**2.27** Table 2K indicates that over 30 000 international students were enrolled at Victorian universities in 2000 and this number is growing by about 15 per cent per annum.

**TABLE 2K**  
**INTERNATIONAL STUDENT ENROLMENTS,**  
**1997 TO 2000**

University	1997	1998	1999	2000
Deakin University	1 840	2 196	2 088	2 190
La Trobe University (a)	1 132	1 217	1 591	1 784
Monash University	5 738	6 293	7 648	8 852
RMIT University	5 865	6 944	7 849	9 035
Swinburne University of Technology	1 247	1 299	1 504	1 836
University of Ballarat	334	291	327	391
University of Melbourne	2 370	3 085	4 043	4 902
Victoria University	1 568	2 596	2 479	2 668
<b>Total Victoria</b>	<b>20 094</b>	<b>23 921</b>	<b>27 529</b>	<b>31 658</b>
<b>Growth per annum (%)</b>	<b>-</b>	<b>19.0</b>	<b>15.0</b>	<b>14.9</b>

(a) La Trobe University advises that these figures are incorrect and should be adjusted as follows: 1998, 1901 enrolments; 1999, 2445; and 2000, 2902.

Source: DEST, Students: Selected Higher Education Statistics, various issues.

<sup>2</sup> Combined degrees refer to 2 separate degrees taken over a 5 year period, usually involving courses across more than one Faculty such as Arts/Law, Science/Commerce, Music/Engineering, etc.

**2.28** Table 2L shows that the international students in Victoria's universities are mainly drawn from south-eastern Asian countries. There are relatively few students from Africa and Latin America.<sup>3</sup> In 2000 students from the former British colonies of Singapore, Malaysia and Hong Kong comprised 28 per cent of Victoria's international students.

**TABLE 2L**  
**MAJOR SOURCE COUNTRIES OF INTERNATIONAL STUDENTS,**  
**VICTORIA, 2000**

<i>Country</i>	<i>Total share</i>	<i>International students</i>
Indonesia	14.6	4 622
Malaysia	11.5	3 641
Hong Kong	9.2	2 913
India	9.0	2 849
China	8.7	2 754
Singapore	7.3	2 311
Thailand	5.5	1 741
Other Asia	24.0	7 598
<b>Total Asia</b>	<b>89.8</b>	<b>28 429</b>
Other source countries	10.2	3 229
<b>Total international students</b>	<b>100</b>	<b>31 658</b>

Source: AEI, 2001, Year 2000 Final International Student Numbers, <http://aei.DEST.gov.au/industry/stats/PsnFinal/2000final.htm>

**2.29** Table 2M shows that during 2000 international students comprised 19.6 per cent of the student load (measured in equivalent full-time student units) in Victorian universities. RMIT University enrolled the largest number of international students, followed by Monash University and The University of Melbourne.

<sup>3</sup> Dobson, Ian, R. (1998) "Overseas Students in Australian Higher Education: Trends to 1996" Website maintained by Monash University library <http://www.elecpress.monash.edu.au/pnp/pnpv5n/dobson.htm>

**TABLE 2M**  
**EQUIVALENT FULL-TIME STUDENTS, VICTORIA, 2000**

<i>University (in declining order of proportion of international students)</i>	<i>Total students</i>	<i>International students</i>	<i>International students (per cent)</i>
RMIT University	25 162	8 326	33.1
Monash University	33 545	8 064	24.0
Swinburne University of Technology	9 691	1 863	19.2
Victoria University of Technology	13 463	2 185	16.2
University of Melbourne	28 956	4 873	12.0
Deakin University	17 710	1 929	10.8
La Trobe University	16 855	1 661	9.8
University of Ballarat	3 968	383	9.6
Marcus Oldham College	65	-	-
<b>Total</b>	<b>149 415</b>	<b>29 284</b>	<b>19.6</b>

Source: Department of Education, Science and Training, Student Statistics, 2000.

**2.30** During 2000, the majority (60.1 per cent) of full-fee-paying international students in Victoria were undertaking courses in the fields of business studies and information technology, 18.4 per cent in science and 17 per cent in either health, the arts, humanities or social sciences.

### **Educating international students offshore**

**2.31** International students wishing to obtain an Australian university degree can choose from several different modes of study, including:

- coming to Australia to study (the subject of this audit);
- studying through distance education;
- attending an Australian university campus located in a foreign country; or
- commencing studies overseas by attending an Australian degree course provided through a foreign university and then completing the final year(s) of the course back in Australia (termed a “twinning” arrangement).<sup>4</sup>

<sup>4</sup> Some “twinning” is also called the “3+0” model which is the franchising of an Australian degree offshore at a foreign education provider’s site.



*A group of Omani students visiting the RMIT stand at an exhibition in Muscat, Oman, 2001.*

**2.32** Over the period 1996 to 2000, the proportion of international students studying on campus in Australia has declined from 76 per cent to 65 per cent and the proportion studying offshore has risen from 18 per cent to about 30 per cent.<sup>5</sup>

**2.33** Seventy per cent of all Australian university offshore programs are in Singapore, Malaysia and Hong Kong. Monash University is now operating a campus in South Africa and RMIT University is planning to build and operate a campus in Vietnam. Table 2N shows the proportion of international students enrolled in offshore programs by Victorian universities. Five Victorian universities have a significant proportion of their international students enrolled in offshore programs.

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<sup>5</sup> IDP Education Australia, 2000, *Survey of International Students in Australian Universities*, IDP Canberra, (excerpt available at [www.idp.edu.au](http://www.idp.edu.au))

**TABLE 2N**  
**INTERNATIONAL STUDENTS IN OFFSHORE PROGRAMS,**  
**VICTORIA, 2000**

<i>University</i>	<i>Onshore students</i>	<i>Offshore students</i>	<i>Total</i>	<i>Proportion offshore (per cent)</i>
Deakin University	2 190	-	2 190	-
La Trobe University (a)	1 373	411	1 784	23.0
Monash University	5 648	3 204	8 852	36.2
RMIT University	4 912	4 123	9 035	45.6
Swinburne University of Technology	1 836	-	1 836	-
The University of Melbourne	4 902	-	4 902	-
University of Ballarat	86	305	391	78.0
Victoria University	1 134	1 534	2 668	57.5
<b>Total Victoria (b)</b>	<b>22 081</b>	<b>9 577</b>	<b>31 658</b>	<b>30.3</b>

(a) *La Trobe University* advises that these figures are incorrect and should be adjusted as follows: Onshore students, 1874; Offshore students, 1028; Total, 2902, and Proportion Offshore, 35 per cent.

(b) The latest 2001 figures from IDP Australia indicate a total of 27 923 onshore, 14 258 offshore campus and 4 355 offshore distance international students studying in Victoria. IDP also supplies some figures for individual universities, e.g. Monash in 2001 had 6 201 onshore, 1 280 off shore campus and 2 970 off shore distance international students.

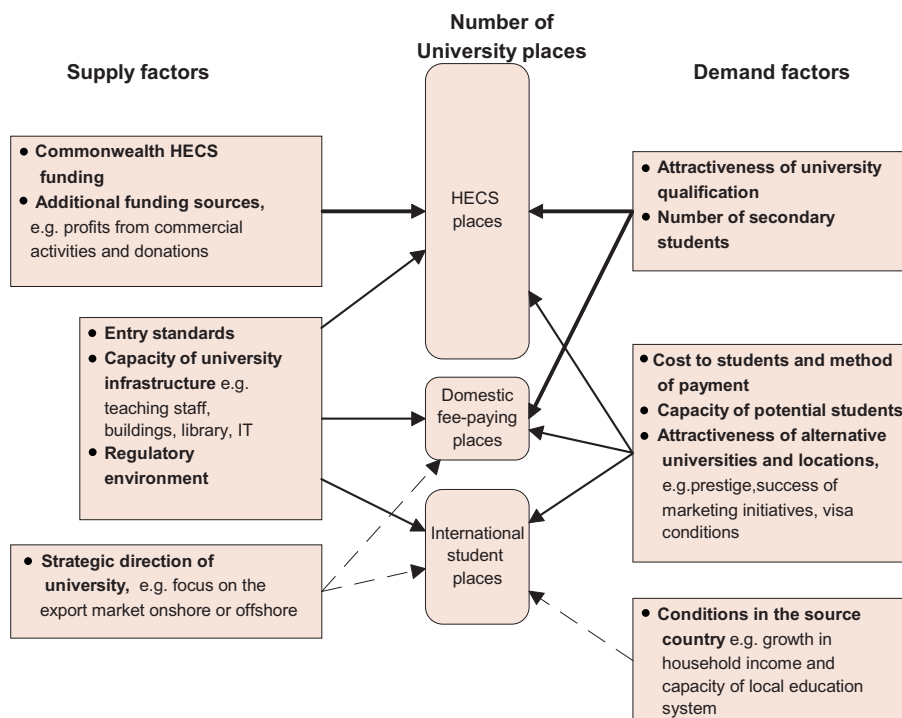
Source: Department of Education, Science and Training, Higher Education Statistics.

## **Relationship between the markets for domestic and international students**

**2.34** One of the key purposes of universities is to provide higher education for Australian domestic students. Ministerial guidelines under the *Higher Education Funding Act 1988* include a requirement that there should be no displacement of Australian domestic students as a result of the enrolment of international students, and that higher education institutions must charge at least the full cost of educating international students. Similarly, the number of domestic fee-paying undergraduate students within universities is limited to a maximum of 25 per cent of the total number of domestic undergraduate students, again with the requirement for no displacement. All fee-paying students, both domestic and international, need to satisfy minimum entry requirements that are equivalent to those prescribed for domestic HECS students in order to gain admission to university.

**2.35** The total number of domestic undergraduate HECS students has fallen, while the number of fee-paying undergraduate international students has increased considerably in Australia. The number of domestic fee-paying undergraduate students has also increased steadily since their introduction in 1998, although overall numbers remain small. These trends reflect the impact of Commonwealth funding policy on the 3 relatively distinct student markets within universities, as shown in Chart 20.

**CHART 20**  
**RELATIONSHIP BETWEEN THE MARKETS FOR DOMESTIC AND INTERNATIONAL UNDERGRADUATE STUDENTS**



Source: Victorian Auditor-General's Office, 2002.

**2.36** Chart 20 illustrates the features of the markets for HECS, domestic fee-paying and international student places. Of particular note is the relative independence of the HECS market from international students and the importance of entry standards, the regulatory environment and university infrastructure capacity in determining the supply of places between the 3 markets. These areas are the main focus of this report.

## Part 3

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# Conduct of the audit



## AUDIT OBJECTIVES

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**3.1** The objectives of the audit were to assess whether international student programs in Victorian universities have:

- impacted on access to university for Victorian students;
- impacted on the academic standards of universities;
- been of financial benefit to universities and the Victorian economy; and
- been adequately regulated and monitored.

**3.2** The audit also assessed whether appropriate follow-up action had been taken on key recommendations contained in the Auditor-General's 1993 report on *International Student Programs in Universities*.

## SCOPE OF THE AUDIT

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**3.3** The audit was confined to Victorian universities and did not include TAFE institutes or private providers of higher education. Three universities were selected for a detailed examination of the impact of international student programs: Monash University; RMIT University; and The University of Melbourne. Together, these universities accounted for 74.5 per cent of all full-fee paying international students in Victorian universities in 2000. Within the 3 universities, the majority of international students are located in the faculties of business studies and information technology. The audit focused on these 2 faculties at both the undergraduate and postgraduate levels. To provide a point of comparison, data was also collected from the faculty of Education which has proportionately fewer international students.

**3.4** The audit examined the business planning processes and finances of 4 offshore university campuses (2 campuses belonging to RMIT University and 2 from Monash University were studied). Due to the complexity of the issues raised in the preliminary investigations, it was decided that a wider and more in-depth assessment was required. The results of this assessment will be included in a later report to Parliament.

**3.5** For the purpose of following-up the Auditor-General's 1993 report, RMIT University, Monash University, La Trobe University and Swinburne University of Technology were subject to a limited survey.

## AUDIT METHODOLOGY

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**3.6** The audit methodology comprised:

- A review of the Australian and international literature;
- A comprehensive examination of relevant administrative processes and management data at the selected universities;

- Interviews of both administrative and teaching staff at the universities concerned, as well as with senior staff from other State and Commonwealth agencies;
- Roy Morgan Research was engaged to undertake a survey of university academics to determine their perceptions of the impact of international students on Victorian universities. Of the 711 academics surveyed from the faculties of Business, Information Technology and Education across RMIT University, The University of Melbourne and Monash University, 50 per cent responded;
- The Institute for Research into International Competitiveness (at Curtin University of Technology in Western Australia), was engaged to undertake an analysis of the economic impact of international students on the Victorian economy;
- Stockford Accounting Services and PriceWaterhouseCoopers were contracted to examine the business planning processes and finances at the 4 offshore university campuses;
- The audit team reviewed the Report of the Senate Employment, Workplace relations, Small Business and Education References Committee Inquiry: *The capacity of public universities to meet Australia's higher education needs: Universities in Crisis* which was tabled in the Commonwealth Parliament in September 2001; and
- The statistics contained in this report were obtained from a wide range of Australian government agencies, research bodies and international organisations. In addition to the universities themselves, key sources of Australian higher education statistics include the websites for the Commonwealth Department of Education, Science and Training<sup>1</sup> and the Australian Vice-Chancellors' Committee<sup>2</sup>.

## ASSISTANCE TO THE AUDIT

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**3.7** Two Victorian academics and educational experts, Professor Simon Marginson and Professor Peter Cuttance, were engaged to provide specialist advice during the conduct of the audit.

**3.8** I would like to acknowledge the assistance of the Office of the Senior Vice-Principal and the University Planning Office, University of Melbourne, the Office of International Affairs, Monash University and the Statistics and Reporting Unit, RMIT University in supplying data and providing a central point of contact for the conduct of the audit at each university.

**3.9** I would also like to acknowledge the significant assistance and co-operation of university managers and academic staff at the 5 universities involved in the audit in making themselves available for our many questions, questionnaire surveys and requests for information.

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<sup>1</sup> <http://www.dest.gov.au>

<sup>2</sup> [http://www.avcc.edu.au/policies\\_activities/resource\\_analysis/key\\_stats/index.htm](http://www.avcc.edu.au/policies_activities/resource_analysis/key_stats/index.htm)

## Part 4

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# Student access

## **SELECTION AND ENTRY OF STUDENTS**

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**4.1** Past academic performance is generally the best indicator of an individual's future academic success. Entry standards for domestic Victorian students are determined by their academic achievements in Years 11 and 12 in the Victorian Certificate of Education (VCE).

**4.2** State secondary education systems are fairly homogenous throughout Australia. Courses, subjects, curricula, assessment systems and the qualifications gained by domestic students are developed in consultation with the higher education sector to be comparable across State and regional boundaries. In contrast, international students come from a diverse range of educational systems. Victorian universities can, on occasion, experience considerable difficulty in assessing a student's level of academic preparation for undertaking an Australian degree program.

**4.3** As part of this study the audit examined procedures and standards for student selection and entry at Monash University, RMIT University, and The University of Melbourne.

### **Entry requirements**

**4.4** We found that the 3 universities apply common entry criteria for both domestic and international undergraduate students and that:

- entry standards are based on an appropriate selection criterion, i.e. the capacity to succeed in the course;
- the instrument for measuring "capacity to succeed" is based on past academic performance in pre-requisite subjects and overall academic achievement. In addition, students must meet English Language standards as demonstrated through completion of pre-requisite subjects, or where a student's previous studies were not examined in English, achievement in an appropriate English Language test; and
- course entry is subject to competition for available places in any course in any given year.



*Entry to university courses is subject to stringent selection criteria.*

**4.5** The Academic Boards of the 3 universities have appointed student selection committees to set minimum standards and entry scores for domestic and international students. All eligible domestic HECS students compete for a finite number of Commonwealth funded places. Course places for fee-paying international students are not subject to quotas. The number of HECS course places per faculty is governed by the university in question, within the constraints of the total number of funded places allocated to the university through the Commonwealth's operating grant.

**4.6** The selection of domestic students is generally based on their tertiary entrance (ENTER) score with alternative selection pathways for particular categories of students, such as mature age students, Koories or other social equity groups. All 3 universities have formally documented and published the minimum entry standards for prospective domestic students in course guides, which are published each year. This information sets out the ENTER score required for entry in each course and the minimum grade required for particular overseas year 12 qualifications deemed equivalent to the Victorian Certificate of Education (VCE).

**4.7** All Victorian universities are assisted in identifying eligible VCE students by the Victorian Tertiary Admissions Centre, which manages a central records information system that calculates ENTER scores for students studying year 12 in Victoria. This publicly-funded and regulated service is not provided for universities to screen the *bona fides* or eligibility of full-fee paying international students (unless they have studied year 12 in Victoria). International students are assessed directly by university Admission Offices with assistance from faculties, and students are selected on the basis of predetermined entry requirements including English proficiency. At Monash University, international students with unique entry pathways, i.e. with uncertain academic abilities, an unknown qualification or VCE equivalency, or from a country that has not previously been a source of students, are noted in the university's student database. Their academic progress is monitored to set case precedents for future international student applicants using similar entry pathways. The University of Melbourne advises that it has also undertaken various projects in order to inform its selection policies.

### Overseas course equivalency

**4.8** Due to differences in educational systems and cultures, it is difficult to consistently compare the equivalency of overseas qualifications and courses with Australian education standards. The audit examined the processes within each of the 3 universities for assessing the equivalency of overseas courses and qualifications with the Victorian Certificate of Education (VCE).

**4.9** Universities may refer to assessments of overseas qualifications as undertaken in Australia by the National Office of Overseas Skills Recognition (NOOSR) or by the British Council's International Guide to Qualifications in Education. Both Monash University and The University of Melbourne, however, prefer to conduct their own detailed assessments of international course equivalencies by academics with a comprehensive knowledge of the VCE curriculum. The formal processes instituted by The University of Melbourne for assessing the equivalency of overseas qualifications are undertaken independently of the university's faculties and departments through the Student Entry Pathways Committee. This process provides a mechanism for ensuring the consistency of appropriate university entry standards.

**4.10** Since 1996 RMIT University has utilised NOOSR standards to determine course equivalencies. The NOOSR standards have not been updated since 1996, hence RMIT University has not updated its international student entry standards. Where questions have arisen over the adequacy of NOOSR standards, RMIT University has referred to the British Council's International Guide to Qualifications in Education.

**4.11** Educational assessments made under NOOSR guidelines are comparisons rather than measures of course equivalence. The NOOSR guidelines are:

- carefully considered opinions and are intended to indicate the general level of qualification in Australian terms;

- generalisations about the minimum educational standards represented by overseas awards;
- of increasingly limited value to universities given the time since they were last updated; and
- only one of several sources of information that can be considered by universities in evaluating an individual's qualifications, achievements and potential.

### English language proficiency

**4.12** The language of instruction in all Victorian universities is English. As shown previously in Table 2L, a majority of international students in Victorian universities come from non-English speaking countries. Establishing English language proficiency is, therefore, an important aspect of assessing a student's capacity to succeed in their chosen course of study.

**4.13** The International English Language Testing System (IELTS), developed in 1989 by a consortium of linguists and educational researchers, is a standard test of English for students intending to study in Australia.<sup>1</sup> IELTS is a comprehensive test of English language skills designed to assess the ability of non-native speakers of English who intend to study or train in English. IELTS provides a reliable assessment of a candidate's ability to read, write, speak and listen in English.

**4.14** Another measure is the Test of English as a Foreign Language (TOEFL), first developed in 1965 through the co-operative effort of more than 30 US college organisations. This test is less commonly used in Australia and is considered in the university sector to be a less comprehensive English language test. Neither of the tests is intended to, nor can they, predict academic performance. Both simply provide information about students' general English proficiency.

**4.15** A survey published in 1999 found that although more than 60 different proficiency indicators were used in Australian universities to select students of non-English speaking background, many were deemed by the study to be inadequate.<sup>2</sup> In practice, proficiency in English is accepted for students who have qualified through an English medium of instruction, foundation courses, English Language Intensive Courses for Overseas Students (ELICOS), or through direct entry programs.

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<sup>1</sup> The 3 partners in the consortium which continues to jointly manage, research and develop the IELTS are the University of Cambridge Local Examinations Syndicate (UCLES), the British Council and IDP Education Australia: IELTS Australia.

<sup>2</sup> Coley, M. (1999) "The English Language Entry Requirements of Australian Universities for Students of Non-English Speaking Background", *Higher Education Research and Development*, Vol. 18, No. 1, pages 7 -17.

**4.16** Recent changes to the migration regulations, made by the Australian Government to tighten student entry into Australia, require some students who have previously studied in English to now sit the IELTS English language test. However, other immigration changes mean that students can now enter Australia with a lower IELTS language test score, provided they agree to further language studies in Australia.

**4.17** At Monash University, RMIT University and The University of Melbourne, the English language proficiency testing of international students is undertaken independently of the universities through assessments conducted by international testing agencies. The 3 universities all had the same high standards for international students undertaking the English language test, i.e. an overall IELTS score of 6.5. In contrast, some Australian universities have course entry requirements set at an IELTS score of 4.5. Table 4A explains the meaning of different IELTS scores.

**TABLE 4A**  
**IELTS TEST SCORE INTERPRETATION**

<i>Overall score</i>	<i>Summary</i>	<i>Descriptive interpretation</i>
Band 9	Expert user	Has fully operational command of the language; appropriate, accurate and fluent with complete understanding.
Band 8	Very good user	Has fully operational command of the language with only occasional unsystematic inaccuracies and inappropriacies. Misunderstandings may occur in unfamiliar situations. Handles complex detailed argumentation well.
Band 7	Good user	Has operational command of the language, though with occasional inaccuracies, inappropriacies and misunderstandings. Can use and understand fairly complex language, particularly in familiar situations.
Band 6	Competent user	Has general effective command of the language despite some inaccuracies, inappropriacies and misunderstandings. Can use and understand fairly complex language, particularly in familiar situations.
Band 5	Modest user	Has partial command of the language, coping with overall meaning in most situations, though is likely to make many mistakes. Should be able to handle basic communication in own field.
Band 4	Limited user	Basic competence is limited to familiar situations. Has frequent problems in understanding and expression. Is not able to use complex language.
Band 3	Extremely limited user	Conveys and understands only general meaning in very familiar situations. Frequent breakdowns in communications occur.
Band 2	Intermittent user	No real communication is possible except for the most basic information using isolated words or short formulae in familiar situations and to meet immediate needs. Has great difficulty in understanding spoken and written English.
Band 1	Non-user	Essentially has no ability to use the language beyond possibly a few isolated words.
Band 0	Did not attempt the test	No assessable information provided.

Source: From IELTS Handbook, 2002 – <http://www.ielts.org>

**4.18** An examination of applications from international students for university entrance in 2001 showed that all students who entered universities through the IELTS pathway had attached evidence to their applications to show that they had met the required English proficiency standard. Although the 3 universities could not produce data to show us precisely how many international students entered via non-IELTS pathways, they estimated between 20 to 33 per cent of international students were accepted based on other English language pre-requisites.



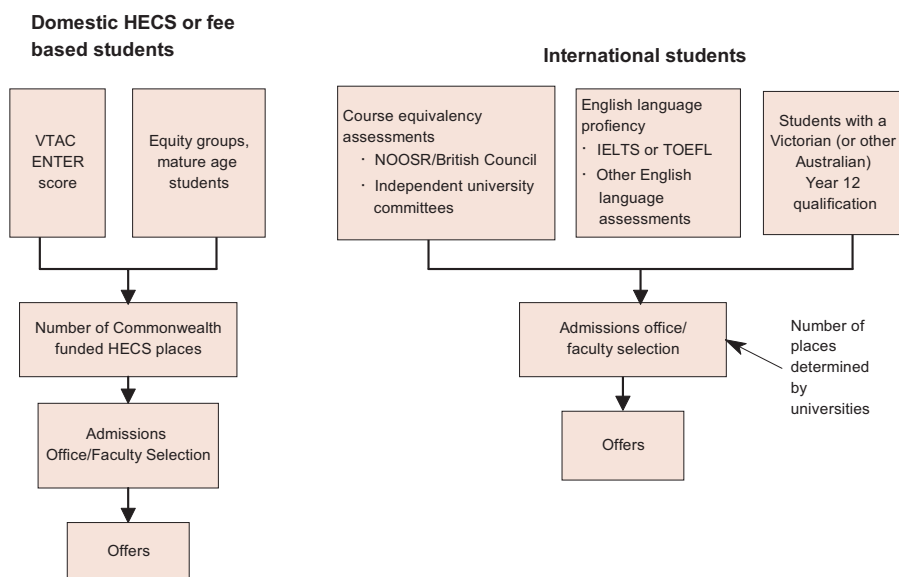
*RMIT University provides valuable assistance in English language through its Centre for English Language Learning (CELL).*

**RESPONSE** provided by The University of Melbourne

Audit notes that all 3 universities require the same high standard for international students undertaking the IELTS English language test, i.e. a score of 6.5 but indicates that, based on advice from the universities, some 20 to 33 per cent of international students were accepted based on other English language pre-requisites. At The University of Melbourne this group comprises international students who have completed the Victorian Certificate of Education (VCE) or equivalent qualification in other States/Territories, have completed an equivalent program of study at a Foundation program in Australia or have undertaken their final years of secondary education and related examinations in English in another country. For each of these groups of students an IELTS score of 6.5 is not required because the standard of English language proficiency required for eligibility for admissions is at least as high as the 6.5 IELTS score.

**4.19** The following chart illustrates the different student entry pathways experienced by domestic HECS and international students.

**CHART 4B**  
**STUDENT ENTRY PATHWAYS FOR DOMESTIC AND INTERNATIONAL STUDENTS**



Source: Victorian Auditor-General's Office, 2002.

**4.20** These entry processes are intended to ensure a consistent and adequate standard of English for the majority of international students. All 3 universities also offer support services to assist international students with their language skills. The University of Melbourne monitors students in all programs and encourages students who are having English language problems to have their skills tested. Follow-up training is offered to those in need. Monash University has also established a language and learning services unit. International students comprise 50 per cent of the unit's teaching activities. RMIT has developed a range of services to assist international students with their English proficiency, both before and after commencing their courses.

**4.21** Results from our survey of 359 academics from the 3 universities indicated that 53 per cent of respondents were of the view that English language entry requirements were set too low for domestic HECS students, and 66 per cent thought that standards were too low for international students. Only 30 per cent of academics considered that the international students in their classes had adequate English language proficiency, compared with 75 per cent for domestic HECS students.

**4.22** Frequently mentioned comments from respondents included:

- international students have highly variable levels of English proficiency;
- if an international student does experience language problems, it is most likely to be in the first 1-2 years of their course, particularly with their written work;
- the written skills of domestic HECS students are also often underdeveloped; and
- universities need to ensure that they provide adequate support services to students experiencing language and cultural adjustment problems.

**4.23** The findings from the survey of academics are difficult to reconcile with the results of widely accepted tests of English proficiency. Possible explanations could lie in the administration of the tests in foreign countries, or perhaps the students experiencing English language problems entered the university from a pathway that by-passed the testing requirement.

**RESPONSE** provided by RMIT University

*The perception by a majority of 359 academics, who answered the Auditor-General's survey in the 3 universities, that English language standards for both domestic and international students were set too low (4.21) merits comment.*

*RMIT sets a level of 6.5 IELTS for international student entry into its Higher Education award programs. This is half a band above the level set by the Commonwealth Government for an undergraduate course student visa from high risk category countries. At this level, a student will have a "general effective command of the language despite some inaccuracies, inappropriacies and misunderstandings" (IELTS Handbook 2002). This superficial linguistic error may too easily be conflated with a student's differing educational cultural expectations and lack of disciplinary understanding into a damning perception of inadequate English to undertake tertiary study at an Australian university.*

**RESPONSE** provided by RMIT University - continued

*International students access Australian university programs to enhance their disciplinary, cultural and linguistic competencies. To expect students to have these at the outset is to misunderstand the value-adding nature of the Australian university experience for international students.*

## Conclusions and recommendations

**4.24** At a very broad level, criteria for university entry are the same for both domestic and international undergraduate students, i.e. past academic performance and the capacity to succeed. The selection processes for international and domestic students against these criteria, however, are different. Domestic students are selected on a competitive basis judged on their individual ENTER scores, and university first round offers are administered by the Victorian Tertiary Admissions Centre (VTAC). International students, on the other hand, are assessed directly by university Admission Offices with assistance from faculties and selected on the basis of published minimum entry requirements.

**RESPONSE** provided by The University of Melbourne

*For reasons indicated in its comment at paragraph 4.18 The University of Melbourne does not accept that any gap between academic staff perception of the desired and actual level of English language proficiency of international students is due to the cohorts of students for whom an IELTS test is not required. Rather, in The University of Melbourne's view, the gap may be due more to the high expectations of academic staff in this area and the challenges that a demanding academic curriculum presents to students for whom English is a second language and for whom Australian universities represent a change in teaching and learning methods.*

**4.25** We support the research being done by Monash University to track the relationship between entry pathways and subsequent academic outcomes, to better support future admission decisions. We **recommend** that this research be undertaken by all universities.

**4.26** Survey results show that a significant proportion of university teaching staff have concerns regarding the English language proficiency of international students. We **recommend** that universities undertake research to examine the countries of origin, entry pathways, and courses of study of those international students experiencing English language problems. This will provide a basis for identifying any systemic issues that may be present and for taking appropriate action to improve outcomes.

**RESPONSE** provided by The University of Melbourne for paras 4.24 to 4.26

*The University of Melbourne also undertakes its own cohort tracking projects, as part of a wider quality assurance program, to monitor performance of particular categories of international students. The University encourages all international students to sit, at the time of commencement of study, a diagnostic English language test and depending upon the result, to undertake additional English language training.*

**RESPONSE** provided by The University of Melbourne for paras 4.24 to 4.26 - continued

The University also conducts biennial surveys of international students, a key component of which is to monitor international student perceptions of their English proficiency. English proficiency is one of the key contributors to academic success. The University of Melbourne will pursue each of these initiatives in an endeavour to identify particular cohorts of international students having difficulty with English language proficiency and to implement action to address identified issues.

**RESPONSE** provided by Department of Education and Training

A study of these issues might be suitably covered by the Department of Education, Science and Training's (DEST) Evaluations and Investigations Programme (EIP).

**4.27** We **recommend** that the Commonwealth be approached to develop good practice guidelines to support Australian universities in assessing the capacity of international students to succeed in their academic studies.

**RESPONSE** provided by Department of Education and Training

The Department is supportive of measures which contribute to good practice in this area. A suitable study might be covered by DEST's Evaluations and Investigations Programme.

## PARTICIPATION IN HIGHER EDUCATION

### Trends in student numbers

**4.28** Table 4C shows changes in the number of Commonwealth-funded domestic HECS student places in each State since 1996. It can be seen that the number of places in Victoria has fallen by 5.6 per cent between 1996 and 2000, more than for any other State.

**TABLE 4C**  
**COMMONWEALTH FULLY-FUNDED STUDENT PLACES,**  
**1996 TO 2000 (a)**

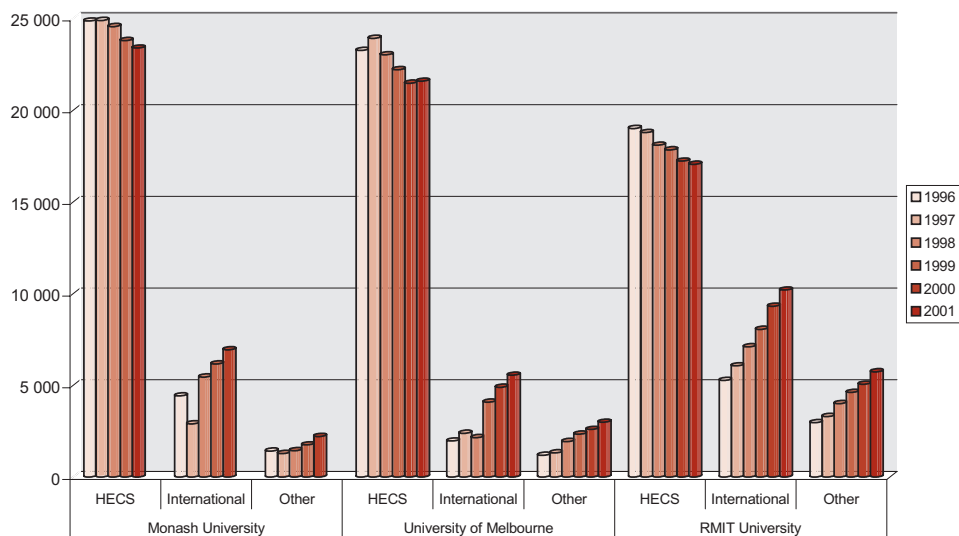
	1996	1997	1998	1999	2000	Change 1996–2000		Percentage share by State	
						No.	Per cent	1996	2000
NSW	128 590	128 815	125 845	125 295	124 230	-4 360	-3.4	30.8	30.2
<b>Vic.</b>	<b>110 410</b>	<b>109 730</b>	<b>106 570</b>	<b>105 510</b>	<b>104 224</b>	<b>-6 186</b>	<b>-5.6</b>	<b>26.5</b>	<b>25.3</b>
Qld	73 075	75 665	76 750	79 105	79 775	6 700	9.2	17.5	19.4
WA	39 525	39 865	39 460	39 840	40 065	540	1.4	9.5	9.7
SA	33 330	33 095	32 140	31 820	31 495	-1 835	-5.5	8.0	7.7
Tas.	9 205	9 185	9 525	9 440	9 360	155	1.7	2.2	2.3
NT	2 795	2 795	3 215	3 185	3 160	365	13.1	0.7	0.8
ACT	12 795	12 750	12 405	12 295	12 170	-625	-4.9	3.1	3.0
<b>Total</b>	<b>409 725</b>	<b>411 900</b>	<b>405 910</b>	<b>406 490</b>	<b>404 479</b>	<b>-5 246</b>	<b>-1.5</b>	<b>100.0</b>	<b>100.0</b>

(a) These figures are for fully-funded HECS student places counted in EFTSUs.

Source: Higher Education Funding Reports.

**4.29** Chart 4D shows that since 1996 HECS student numbers have fallen and full fee-paying students loads have increased at the 3 universities.

**CHART 4D**  
**STUDENTS, MONASH, MELBOURNE, AND RMIT UNIVERSITIES,**  
**1996 TO 2001 (a)**  
**(EFTSU)**



Note: "Other" refers to Australian full fee-paying undergraduate and postgraduate students.

Source: The University of Melbourne, Monash and RMIT universities, 2001.

**4.30** The extent of these changes is further detailed in Table 4E. It can be seen that the growth in international students and the decline in domestic HECS students is not evenly distributed across the 3 universities.<sup>3</sup>

**TABLE 4E**  
**CHANGE IN STUDENT NUMBERS, MONASH (a), MELBOURNE AND RMIT UNIVERSITIES,**  
**1996 TO 2001**  
**(EFTSU)**

	1996	2001	Change	Per cent
RMIT University – HECS	19 007	17 056	-1 951	-10.2
- International	5 055	10 197	5 142	101.7
Monash University – HECS	24 868	23 393	-1 485	-5.97
- International	4 420	6 936	2 516	56.9
The University of Melbourne – HECS	23 264	21 588	-1 667	-7.2
- International	1 963	5 550	2 969	151.2

Note (a) Monash University data for 1996 and 2000.

Source: University statistics, 2001.

<sup>3</sup> The total number of international students each year includes both onshore and offshore students for RMIT and Monash Universities.

**4.31** Similarly, patterns of growth and decline are not evenly distributed across different faculties within individual universities. Both domestic and international students are increasingly attracted to the business and information technology faculties. See Table 4F.

**TABLE 4F  
INTERNATIONAL STUDENTS PER FACULTY, 2000**

Faculty	RMIT University		Monash University		The University of Melbourne	
	EFTSU	(%)	EFTSU	(%)	EFTSU	(%)
Business, Administration, Economics	4 228	56	-	-	-	-
Business and Economics	-	-	3 156	45	-	-
Economics and Commerce	-	-	-	-	1 244	25
Information Technology	-	-	1 850	27	-	-
Engineering	927	12	562	8	716	15
Arts, Humanities and Social Sciences	913	12	-	-	-	-
Art and Design	-	-	400	6	-	-
Science	753	10	352	5	657	14
Medicine	-	-	321	5	-	-
Medicine, Dentistry and Health Science	-	-	-	-	651	13
Arts	-	-	85	1	546	11
Architecture, Building	663	9	-	-	-	-
Architecture, Building and Planning	-	-	-	-	328	7
Health, Community Services	112	1	-	-	-	-
Pharmacy	-	-	77	1	-	-
Law	1	0	69	1	198	4
Education	17	0	57	1	207	4
Melbourne Business School	-	-	-	-	94	2
Victoria College of the Arts	-	-	-	-	86	2
Music	-	-	-	-	73	1
Land and Food Resources	-	-	-	-	49	1
Veterinary Science	-	-	-	-	35	1
Other/unallocated	59	-	6	0	35	-
<b>Total</b>	<b>7 673</b>	<b>100</b>	<b>6 936</b>	<b>100</b>	<b>4 919</b>	<b>100</b>

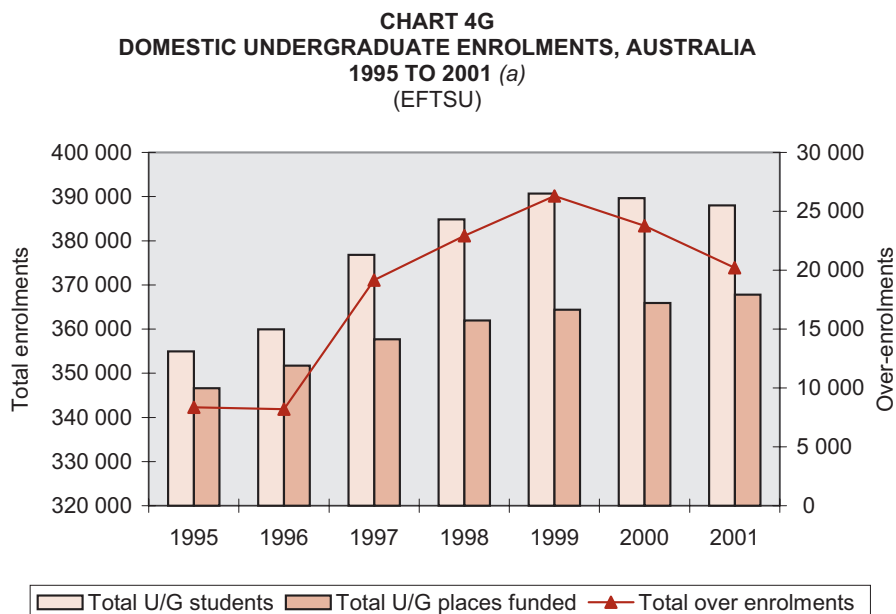
Source: University Statistics, 2001.

**4.32** Table 4F shows that:

- 56 per cent of RMIT's international students were enrolled in the faculties of Business, Administration and Economics;
- 57 per cent of The University of Melbourne's international students were enrolled in the faculties of Economics and Commerce, Engineering and Science; and
- 72 per cent of Monash University's international students are enrolled in 2 of the 10 faculties, namely, the faculties of Information Technology, and Business and Economics.

## Funded HECS places and actual HECS students

**4.33** Over-enrolments occur when universities accept a greater number of students than the domestic HECS student quotas set by the Commonwealth. Chart 4G shows a trend towards an increasing number of over-enrolments by Australian universities reaching a peak of 26 304 in 1999, before beginning to decline in 2000.



(a) Data for 2001 is an estimate for comparison purposes.

Source: Department of Education, Science and Training, Higher Statistics Collection.

**4.34** In 1996-97 the Commonwealth Government announced a funding arrangement whereby universities could receive additional funding at the marginal rate of approximately \$2 500 for enrolments above agreed HECS student loads, compared with a fully-funded rate of \$9 000. Universities with under-enrolments (universities below their agreed student targets) are required to repay the Commonwealth for each funded place left unfilled. They were also required to repay the Commonwealth for any fully-funded HECS places occupied by fee-paying undergraduate or postgraduate places.

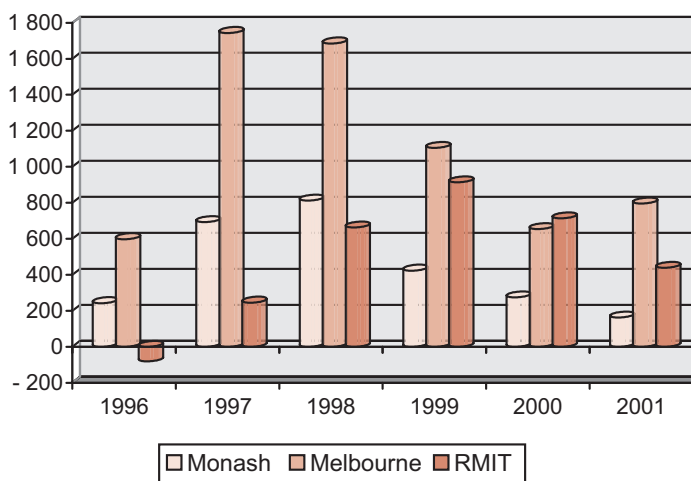
**4.35** Since 1998, universities have been permitted to enrol fee-paying domestic students up to a maximum of 25 per cent of the total number of domestic undergraduate student places in a particular award. Although it is argued that marginal funding for over-enrolments allows for growth in domestic HECS student places, there is a greater financial incentive for universities to enrol full fee-paying domestic or international students rather than marginally-funded HECS students.

**4.36** Chart 4H illustrates the trends in HECS over-enrolments from 1996 to 2001 at the 3 universities. It can be seen that an initial trend towards an increasing number of domestic HECS over-enrolments was reversed in 1998-1999. This reversal coincides with the introduction of Australian fee-paying undergraduate students in 1998. This suggests that universities now have a financial incentive to accept fee-paying domestic undergraduate students rather than to over-enrol domestic HECS students.

**RESPONSE** provided by Swinburne University of Technology

*It should not be implied that the financial incentive to enrol international students is being done at the expense of the marginally HECS funded undergraduate places for domestic students. It would not be financially responsible to over-enrol HECS only funded places as the costs involved for these places largely exceeds the marginal revenue contribution. As a consequence the revenue shortfall then needs to be met either from the other revenue sources (such as full fee-paying programs) or by stretching infrastructure resources which is also undesirable.*

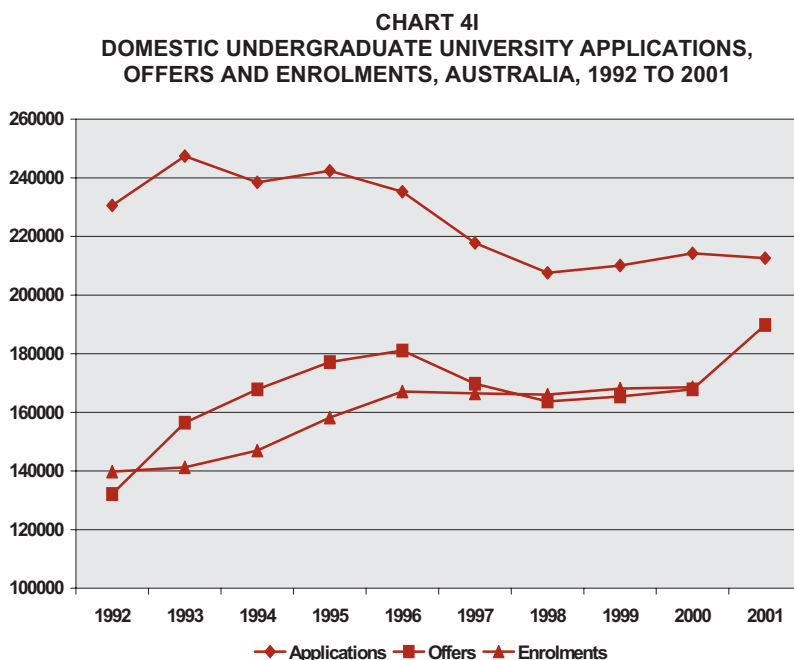
**CHART 4H  
OVER-ENROLMENTS OF DOMESTIC HECS STUDENTS,  
MONASH, MELBOURNE AND RMIT UNIVERSITIES,  
1996 TO 2001**



Source: University Statistics, 2001.

## Unmet demand

**4.37** Chart 4I shows that, nationally, there has been a reduction in the number of domestic students applying for university entrance over the period 1997 to 2001. This fall has been attributed to an increase in HECS fee levels since 1997.<sup>4</sup> The gap between applications and enrolments narrowed in the early 1990s and appears to be again narrowing in the early 2000s.



Source: AVCC Data, 2002.

**4.38** As shown in Table 4J, around 19 000 eligible domestic university applicants could not be offered a university HECS place in the 2 years 2000 and 2001. This was a substantially larger gap in Victoria than in any other State and reflects the limited number of HECS-based student places funded by the Commonwealth.

<sup>4</sup>See Australian Council of Deans of Education (2001) *New Learning: A Charter for Australian Education*, October, 2001, page 135.

**TABLE 4J**  
**NUMBER OF ELIGIBLE UNIVERSITY APPLICANTS NOT RECEIVING AN OFFER, 2000-2001**

State	Total eligible applicants				Eligible applicants not receiving offers			
	2000	2001	Change	Change (%)	2000	2001	Change	Change (%)
NSW/ACT	63 698	64 595	897	1.4	9 555	10 189	634	6.6
<b>Victoria</b>	<b>59 096</b>	<b>58 288</b>	<b>-808</b>	<b>-1.4</b>	<b>19 439</b>	<b>18 464</b>	<b>-975</b>	<b>-5.0</b>
Qld.	54 484	53 907	-577	-1.1	12 202	11 030	-1 172	-9.6
S.A.	14 621	15 008	387	2.6	1 907	1 666	-241	-12.6
WA..	16 161	16 293	132	0.8	2 439	2 251	-188	-7.7
Tas.	6 172	5 962	-210	-3.4	828	826	-2	-0.2
<b>Total</b>	<b>214 232</b>	<b>214 053</b>	<b>-179</b>	<b>-0.1</b>	<b>46 370</b>	<b>44 426</b>	<b>-1 944</b>	<b>-4.2</b>

Source: AVCC Survey of Applicants for Higher Education Places, 2001.

**4.39** A 2001 study commissioned by the Department of Education Science and Training Affairs showed that unmet demand was increasing most rapidly for information technology and telecommunications (IT&T) courses in Victoria. In 1998, for example, 1 432 eligible applicants could not be enrolled in Computer Science/Information Systems courses in Victorian universities. Moreover, between 1997 and 1999 both Monash University and The University of Melbourne reduced the number of offers in IT&T courses by 200 (4.1 per cent) and 11 (1.2 per cent), respectively.<sup>5</sup> RMIT University increased the number of IT&T course offers over the same period by 52 (3.8 per cent).

**4.40** Although unmet demand in Victorian is lower for Business Studies than it is for Computer Science, the demand for courses still outstripped supply in 1998 by 3 746 eligible applicants for Business Studies who could not be enrolled in Victorian universities.<sup>6</sup>

**4.41** Growth in the numbers of full fee-paying international students in Victorian universities has been particularly significant for some faculties. Chart 4K indicates that The University of Melbourne has seen growth in international students undertaking Bachelor degrees in Arts, Engineering, Medicine, Information Systems, Commerce and Science. There are now more international full fee-paying students than HECS-based students undertaking some courses towards the Bachelor of Information Systems and the Bachelor of Commerce degrees at The University of Melbourne.

**4.42** At all 3 universities, targets for student numbers within particular faculties are driven by university-determined revenue targets, rather than demand in the community for particular course places.

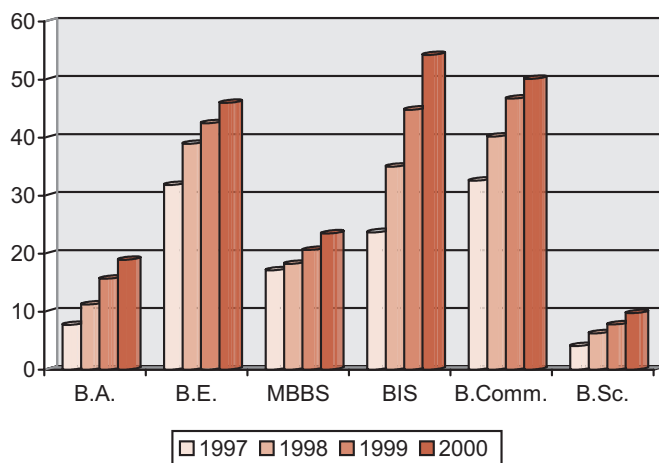
<sup>5</sup> DEST (2001) "Unmet demand for Information Technology and Telecommunications Courses", South Australian Centre for Economic Studies, January 2001, page 82.

<sup>6</sup> DEST (2001) – Id, page 84.

**RESPONSE** provided by The University of Melbourne for Paras 4.39 to 4.42

*The decline in the number of offers in IT&T courses at The University of Melbourne (1.2 per cent) from 1997 to 1999 needs to be understood in the context of the 6 per cent reduction in HECS-based places funded by the Commonwealth Government over the period 1997 to 2000. It is not correct to say that at The University of Melbourne targets for student numbers within particular faculties are driven by University-determined revenue targets, rather than unmet demand. Over many years the University has re-allocated its finite allocation of HECS-based places away from courses with low demand either to courses with higher demand or to new courses such as the Bachelor of Information Systems. The restriction on the number of HECS-based places limits the amount of re-allocation that can take place. As there is less restriction on the allocation of fee-based places, the number of places in individual courses reflects to a greater extent the level of demand for such courses. Fee revenue targets are set on the basis of demand for courses. They do not determine the availability of places.*

**CHART 4K**  
**INTERNATIONAL STUDENTS AS A PERCENTAGE OF TOTAL DOMESTIC STUDENTS BY COURSE, THE UNIVERSITY OF MELBOURNE, 1997 TO 2000**  
 (per cent)



Source: The University of Melbourne, Statistics, 2001.

## Conclusions and recommendations

**4.43** The Commonwealth Government funds the number of domestic HECS places in Victoria's universities. The number of these places funded by the Commonwealth has fallen despite a significant level of unmet local demand. The size of the Commonwealth's reduction in domestic HECS places has been more severe in Victoria than in other States. Consequently, the level of unmet demand for domestic HECS places is greater in Victoria than in other States.

**4.44** Direct displacement of domestic HECS students by fee-paying domestic or international students is both protected against and regulated by the Commonwealth's higher education policies. However, over the past 15 years, changes to Commonwealth educational policy and funding arrangements have altered the financial incentives faced by universities. Universities have responded to these new incentives by reducing the relative proportion of over-enrolled (marginally-funded) domestic HECS students and increasing the proportion of fee-paying domestic and international students. Victorian universities have been particularly responsive to these new arrangements.

**4.45** A larger proportion of international undergraduate students enrol in the fields of Business and Information Technology. Increased student numbers are likely to place additional pressure on university infrastructure for these courses, at least in the short-term. Universities need to monitor this situation to ensure that academic staff and teaching resources do not become over-burdened.

**4.46** The Commonwealth Government has a key funding and regulatory role in higher education. Given the level of unmet demand for domestic HECS places in Victoria, the Victorian Government should ensure that current funding mechanisms for higher education are understood and debated by the Victorian Parliament and the community.

**RESPONSE** provided by Swinburne University of Technology

*An approach to the Commonwealth Government for additional fundings in order to accommodate additional places might be a more realistic approach to the problem. Additionally, the State Government may wish to fund some higher education places as has happened in the past.*

**RESPONSE** provided by Department of Education and Training

*Deficiencies in present Commonwealth funding for higher education have been the subject of a Senate Inquiry and widely debated. The Victorian Government has stressed to the Commonwealth the need for more equitable funding arrangements for Victorian universities. The Minister for Education and Training has further acted consistently with this recommendation by raising awareness of the unmet demand in Victorian universities in Parliament and by issuing press releases about the situation.*

## Part 5

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# Academic standards

## INTRODUCTION

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**5.1** The maintenance of high academic standards in the face of significant growth in student numbers has been a key concern for university management and governments over the past 15 years. There are perceived differences between the relative academic standards of vocational training and research-based education, between faculties and courses, such as arts-based and core-sciences, and between individual universities. There is no single set of academic standards that can be applied across the entire sector.

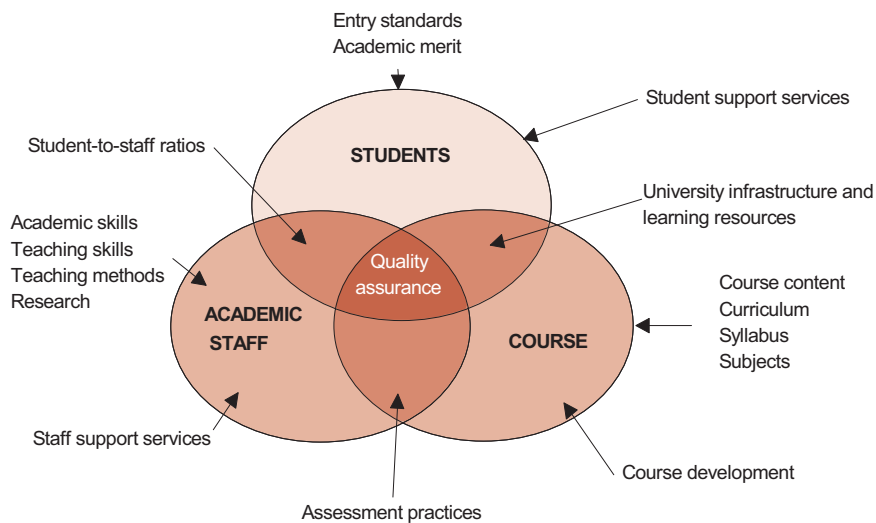
**5.2** Historically, the quality of teaching and learning within individual universities has been the responsibility of the universities themselves. Governments, in turn, were responsible for ensuring that appropriate systems were in place for the accreditation of courses in order to safeguard the standards of university degrees.

**5.3** The Commonwealth and State Governments have agreed to a set of national protocols for the accreditation of Australian higher education providers and courses. Once accredited, universities are listed on the Australian Qualifications Framework (AQF) register. Inclusion on the AQF register indicates that the members of the inter-governmental Ministerial Council for Employment, Education, Training and Youth Affairs vouch for the quality of the university.

**5.4** Universities so listed are authorised to accredit their own courses and are responsible for safeguarding their own academic standards. These universities must have appropriate quality assurance processes in place, including peer assessment procedures, external examination of higher degrees and the involvement of professional bodies in the accreditation of particular courses.

**5.5** Chart 5A illustrates the 3 key components of the education system and the major influences within each component on the academic standards of universities. The diagram also shows that the different components are inter-related, resulting in a complex array of factors that influence academic standards. For example, increased student-to-staff ratios may reduce opportunities for student-to-staff contact. However, this impact may be lessened by changes in teaching and learning methods, staff and student support services or in university infrastructures and learning environments.

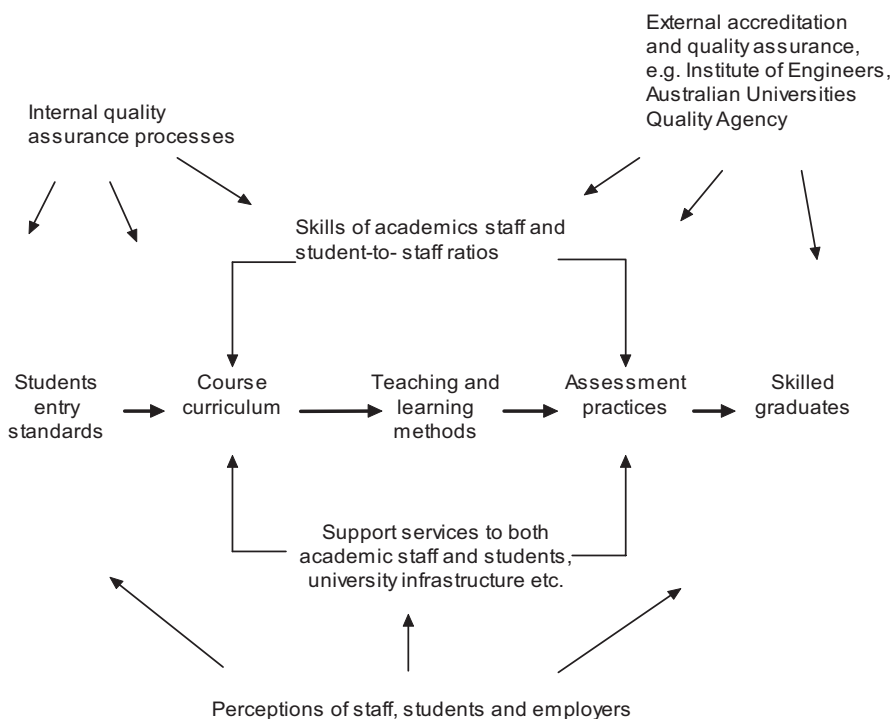
**CHART 5A**  
**FACTORS THAT INFLUENCE ACADEMIC STANDARDS**



Source: Victorian Auditor-General's Office, 2002.

**5.6** Chart 5B shows how the same factors that influence academic standards also form an integral part of the process by which universities produce skilled graduates.

**CHART 5B**  
**THE TEACHING AND LEARNING PROCESS WITHIN UNIVERSITIES**



Source: Victorian Auditor-General's Office, 2002.

**5.7** In the following sections of this report we discuss each step in the teaching and learning process, and consider whether international student programs have impacted on academic standards at Monash University, RMIT University, and The University of Melbourne.

## **STUDENT ENTRY STANDARDS**

**5.8** Student entry standards have been covered in Part 4 of this report.

## **COURSE CURRICULUM**

### **General trends**

**5.9** It has been argued by some that course curricula have been changed to accommodate international students, potentially to the detriment of domestic students. Based on interviews with key stakeholders and a review of the international literature, there is general agreement that university courses are continuously being changed and adapted, as they should. Factors influencing these course changes include:

- developments in knowledge and understanding of how best to maximise learning outcomes;
- new labour market needs;
- the developing globalisation and de-regulation of education;
- rapid advances in information and communications technology;
- the drive for efficiencies within universities; and
- growing diversity in the student population.



*University curricula are constantly changing to meet changing needs.*

### **Subjects and courses offered**

**5.10** In response to budgetary pressures, The University of Melbourne commenced to rationalise a number of its subjects in 1996, eliminating subjects that attracted only limited numbers of students. This rationalisation occurred across all faculties, although its greatest impact has been in the faculties of Arts and Education. Our review of the higher education literature indicates that the majority of Australian universities have rationalised their subject offerings over the past 5 years.

**RESPONSE** provided by *The University of Melbourne*

*The University of Melbourne has initiated a significant reduction in the number of undergraduate subjects since 1996. The reduction has not been driven by budgetary pressures. Rather, it has been undertaken by a desire to enhance the quality of its undergraduate courses by reducing the unnecessary additional workload placed on academic staff associated with the administration of subjects with low enrolments in areas where a proliferation of optional subjects has resulted in a fragmentation of the core curriculum.*

**5.11** Similar to changes in the number of subjects taught at universities, there was a trend at the 3 universities examined for newly created courses to be developed in the fields of Business, Economics, and Information Technology. These new courses had an increasing proportion of fee-paying international students over time.

### **Views of academic staff**

**5.12** Just over half (58 per cent) of the academics surveyed considered that international students had no effect on the standard of course materials. Just under one-third (30 per cent) of academics surveyed for this audit reported that the curriculum had changed as a result of having international students in their classes. One-quarter (25 per cent) considered that having international students had lowered the standard of course material and 12 per cent believed that it had raised the standard of the course material.

**5.13** Interestingly, academics with both high and low numbers of international students in their classes, reported similar changes in course curriculum. This suggests that any observed curriculum changes are being driven by a multiplicity of factors, aside from the presence of international students.

### **Conclusions**

**5.14** In response to cost pressures and changing market demands, universities have rationalised their variety of subject offerings. This has resulted in a reduced range of options for students.

**5.15** Nationally, course curricula are changing across faculties with both high and low numbers of international students. Curricula will continue to evolve over time due to many factors, only one of which is the presence of fee-paying international students.

*RESPONSE provided by The University of Melbourne*

*As indicated in its response to paragraph 5.10, at The University of Melbourne the reduction in the number of subjects has responded to student demand and, by reducing administrative overheads placed on academic staff, is contributing to the quality of undergraduate courses.*

### **TEACHING AND LEARNING METHODS**

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**5.16** Teaching and learning methods are changing in response to new technologies and the needs of an increasingly diverse student population. In the survey of university academics conducted as part of this audit, almost half reported that they had changed their teaching methods in response to the presence of international students. This was irrespective of whether their classes contained a large or small proportion of international students.

**5.17** The types of changes made to teaching methods and the reasons for making these changes were explained by 170 academics in their survey comments. In descending order of frequency, the changes made were:

- a greater use of multi-media, course materials and structured approaches to tuition resulting in clearer presentations and slower delivery of lectures;
- adapting teaching styles to the different learning cultures of Asian international students and taking account of the culturally diverse audience through the greater use of examples of international issues and experiences; and
- spending greater amounts of time on the basics, providing more practical examples, longer, simpler explanations and introducing small group work.

**5.18** Reasons given by academics for changing teaching methods mainly related to addressing the different learning style of international students, their lower level of English proficiency and the need to provide a culturally relevant education. Most academics believed that the resulting changes have had an overall positive effect on the teaching program for both domestic and international students.

## Conclusions

**5.19** University teaching and learning methods are changing in response to new technologies and in order to be more responsive to the needs of a diverse range of students. These changes have the potential to improve educational outcomes for both domestic and international students.

## STUDENT-TO-STAFF RATIOS

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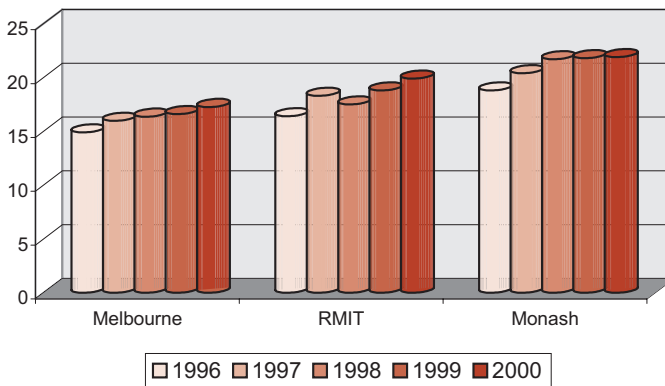
**5.20** High student-to-staff ratios are believed to reduce the quality of teaching once a certain critical threshold has been reached. This reduction in quality is the result of increased levels of stress among academic staff, greater teaching loads, less interactive learning, and less contact time with individual students.

**5.21** Unfortunately there is little empirical evidence determining what constitutes an appropriate maximum student-to-staff ratio. Furthermore, any negative effects from increased class sizes may be offset to some extent through the use of different teaching methods. For example, online services have improved the availability of lecture notes and training material for students, and e-mail has given students greater access to teaching staff.

**5.22** As discussed in Part 2 of this report, as a result of Commonwealth policy changes, universities are under pressure to identify alternative sources of revenue and achieve budget efficiencies. During the 1990s, there was a major increase in student-to-staff ratios in Australian universities from 12.8 to 1 in 1990, reaching 17.4 to 1 in 1998.<sup>1</sup> The 2001 Commonwealth Senate report found that total teaching loads in Australian universities have doubled over the past decade and are now approximately twice those of Britain, Canada and the United States of America.

**5.23** Chart 5C shows that from 1996 to 2000 student-to-staff ratios increased across all 3 universities. The increases in student-to-staff ratios were most marked at the RMIT University (21.3 per cent), followed by Monash University (16.5 per cent) and The University of Melbourne (15.8 per cent).

**CHART 5C**  
**STUDENT-TO-STAFF RATIOS, SELECTED UNIVERSITIES,**  
**1996 TO 2000**

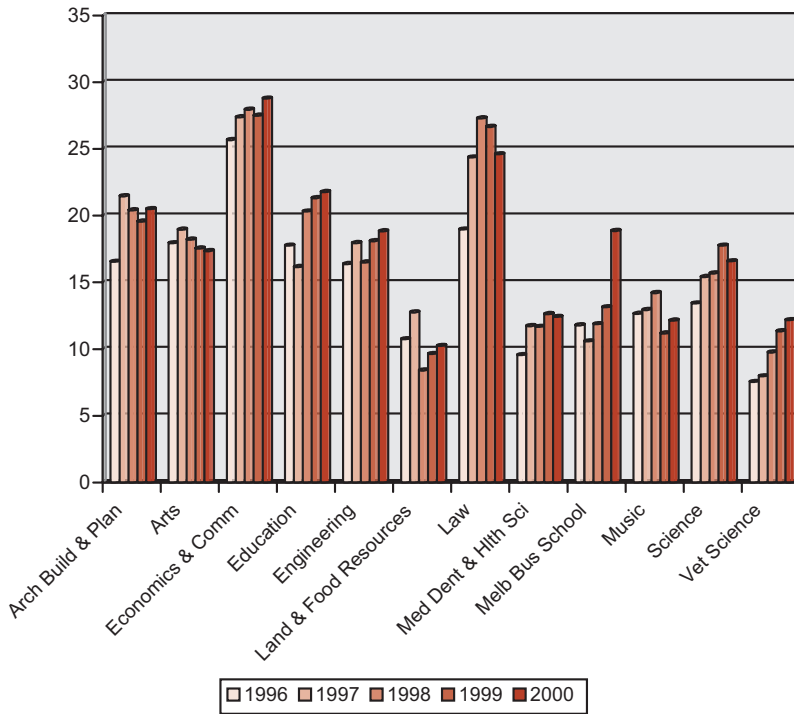


Source: University statistics, 2001.

**5.24** Charts 5D, 5E and 5F show the changes in student-to-staff ratios for faculties at The University of Melbourne, Monash University and RMIT University from 1996 to 2000.

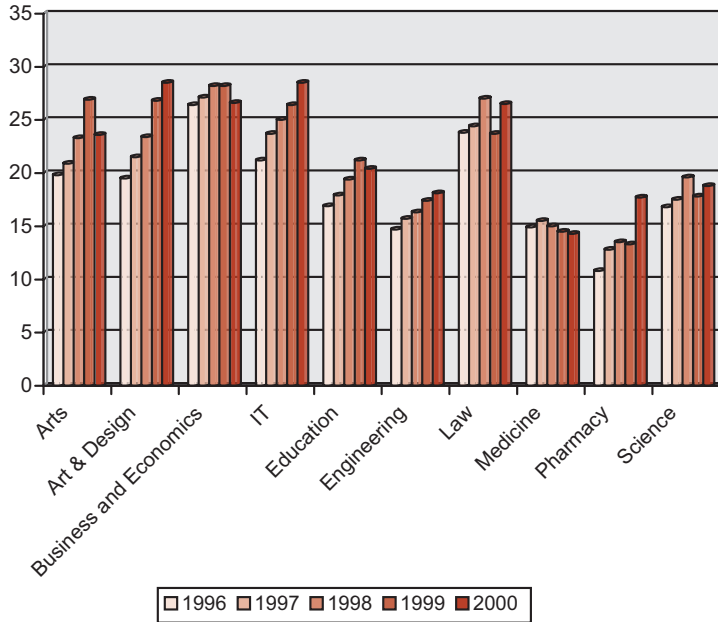
<sup>1</sup> Units of student load per effective full-time teaching-related staff, DETYA Higher Education Data Collection.

**CHART 5D**  
**STUDENT-TO-STAFF RATIO PER FACULTY, UNIVERSITY OF MELBOURNE,**  
**1996 TO 2000**



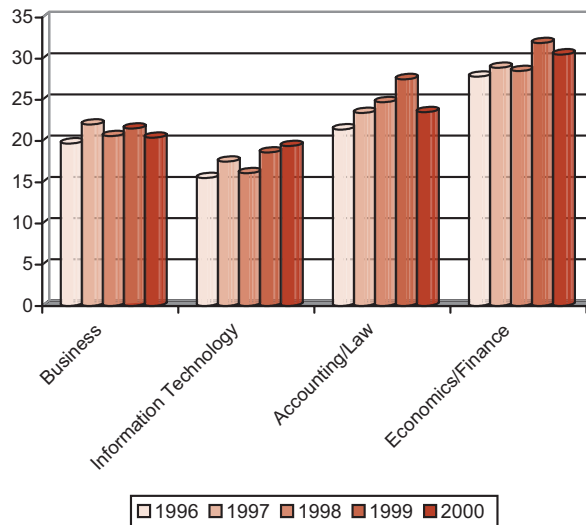
Source: The University of Melbourne, 2001.

**CHART 5E**  
**STUDENT-TO-STAFF RATIO PER FACULTY, MONASH UNIVERSITY,**  
**1996 TO 2000**



Source: Monash University, 2001.

**CHART 5F**  
**STUDENT-TO-STAFF RATIO, SELECTED FACULTIES, RMIT UNIVERSITY,**  
**1996 TO 2000**



Source: RMIT University, 2001.

**5.25** Charts 5D, 5E and 5F show that over the period 1996 to 2000:

- Certain faculties such as Economics and Commerce, and Law, typically have high student-to-staff ratios, while science-based courses such as Medicine, Veterinary Science, and Land and Food Resources typically have low ratios;
- Student-to-staff ratios at The University of Melbourne have increased across most faculties except for Arts, Land and Food Resources, and Music. Similarly, ratios have also increased at Monash University except for the faculties of Business and Economics, and Medicine;
- Student-to-staff ratios have increased in faculties that have not attracted large numbers of international students, such as Education, Law and Veterinary Science; and
- Student-to-staff ratios in faculties with larger proportions of international students, such as those shown in Chart 5F for RMIT University; Engineering, and Economics and Commerce at The University of Melbourne; and Business and Economics at Monash University have generally experienced smaller percentage increases in student-to-staff ratios when compared with faculties with fewer international students (with the exception of faculties of Information Technology). Information Technology tends to be an exception due to a shortage of IT professionals, and universities have experienced difficulty in filling vacancies for lecturers.

**5.26** The smaller percentage increases in student-to-staff ratios in faculties with high levels of full fee-paying international students were explained by The University of Melbourne in terms of its budget model. This model ensures that, despite a level of cross subsidisation, faculties retain a substantial proportion of the income received from international student enrolments and accordingly are able to engage additional academic staff, a factor which is of benefit to all categories of students.

**5.27** Monash University advises that individual faculties undertake monitoring processes that then feed into formal reviews. Deans of Faculties have responsibility for ensuring resources are allocated according to the best interests of students. This includes taking into account student and other stakeholder feedback and allocating resources as appropriate.

**5.28** RMIT University advises that the university funding model is based largely on student numbers and that student-to-staff ratios are actively monitored. Where student-to-staff ratios are thought to be too high, as revealed by local staff concerns or student survey results, then that information feeds into funding allocation discussions for the next budget cycle. Between budget cycles, monitoring data is provided to individual faculties, and the university's program renewal process then concentrates on areas of particular concern. Ongoing student/staff consultative committees also provide a means of highlighting any issues in need of attention.

## Conclusions and recommendations

**5.29** Student-to-staff ratios have increased in most university courses due to cost pressures and the need for universities to achieve greater efficiencies. This has led to an increase in the workloads of academic staff. However, faculties with a larger proportion of international students tend to have experienced smaller percentage increases in their student-to-staff ratios compared with courses with fewer international students (with the exception of information technology). We **recommend** that universities actively monitor changes in student-to-staff ratios and take them into account when allocating resources.

### *RESPONSE provided by The University of Melbourne*

*Student-to-staff ratios are one of a number of factors that are likely to impact on the quality of teaching and learning, and the overall student “university experience”. The University of Melbourne has for many years conducted an annual review of Faculty performance, a part of which involves a detailed analysis against a range of indicators of Faculty performance in teaching and learning, research etc. One of the indicators is student-to-staff ratios. The outcomes of the review are taken into account as part of the University’s annual budget allocation process.*

### *RESPONSE provided by RMIT University*

*The unaccredited assertion that high student ratios reduce the quality of teaching is, as the report acknowledges, without empirical support and it is complicated by the impact of different teaching modes, the use of new educational technologies and the substantial variation across disciplines and courses of study. Students’ improving academic results (para. 5.82), the levels of student satisfaction (para. 5.98) and the high employability of RMIT students (para. 5.91) further negates the assumption that there must be an automatic quality downgrade in the student experience with rising student/staff ratios.*

*The global-wide pattern of increasing student/staff ratios interrelates with trends towards course offerings that are now more professionally relevant, towards more flexible and more client-centred modes of delivery and towards the reinvestment of efficiencies achieved in course delivery into course renewal.*

## SUPPORT SERVICES TO ACADEMIC STAFF

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**5.30** As part of this audit, academic staff at the 3 universities were surveyed about the availability of teaching resources for their work with international students, see Table 5G.

**TABLE 5G**  
**PERCEPTIONS OF AVAILABILITY OF TEACHING RESOURCES FOR ACADEMICS WORKING**  
**WITH INTERNATIONAL STUDENTS, 2001 (a) (b)**  
(per cent)

<i>Teaching resources</i>	<i>University</i>			<i>Overall result</i>
	<i>Melbourne</i>	<i>Monash</i>	<i>RMIT</i>	
Number of responses→	(91)	(185)	(83)	(359)
Seminar/workshops on internationalising course content	41	33	46	38
Information on different cultural styles of learning	52	28	35	35
Multi-lingual resources	10	13	19	14
Training in strategies for teaching students from diverse cultural backgrounds	57	28	31	36
Other	-	4	5	3

(a) Base = All respondents.

(b) Column totals do not add to 100 per cent as respondents could select as many answers as applied.

**5.31** Overall, academics from Monash University were the least likely to report having teaching resources available for their work with international students. Of the different types of teaching resources potentially available to academic staff, multilingual resources were rated as the least available resource at the 3 universities.

**5.32** Table 5H identifies teaching resources desired by university academics for their work with international students, but not currently available to them.

**TABLE 5H**  
**TEACHING RESOURCES DESIRED BUT NOT CURRENTLY AVAILABLE FOR WORK WITH**  
**INTERNATIONAL STUDENTS, 2001 (a) (b)**  
(per cent)

<i>Teaching resources</i>	<i>University</i>			<i>Overall result</i>
	<i>Melbourne</i>	<i>Monash</i>	<i>RMIT</i>	
Number of responses→	(91)	(185)	(83)	(359)
Seminar/workshops on internationalising course content	15	22	17	19
Information on different cultural styles of learning	22	39	35	34
Multi-lingual resources	18	16	20	17
Training in strategies for teaching students from diverse cultural backgrounds	20	39	38	34
Other	11	8	12	9

(a) Base = All respondents.

(b) Column totals do not add to 100 per cent as respondents could select as many answers as applied.

**5.33** Survey results indicate that one-third (34 per cent) of all academics desired but did not perceive they had access to:

- information on different cultural styles of learning; and
- training in strategies for teaching students from diverse cultural backgrounds.

**RESPONSE** provided by The University of Melbourne

*Through its Faculties, the Centre for the Study of Higher Education, Cultural Diversity Forums, staff leadership and development training and student and staff support programs, the University provides a range of services to support academic staff involved in teaching an increasingly diverse student population, one key group of whom are international students. The University of Melbourne regularly reviews its internationalisation policies and programs, including support services for academic staff and international students.*

## Conclusions and recommendations

**5.34** A significant proportion of academic staff report having a need for additional teaching resources to support their work with international students. We **recommend** that universities regularly review their provision of support services to academic staff teaching international students - particularly given the increasing number of international students in Victorian universities.

## UNIVERSITY INFRASTRUCTURE

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**5.35** As part of its 2001 Evaluation Cycle, The University of Melbourne surveyed students about the quality of administrative and support services.<sup>2</sup> The survey was designed to obtain feedback on students' perceptions of the quality and effectiveness of the administrative services provided by the Faculty, School Offices and the Student Administration Office, and to gauge student satisfaction with academic and support services such as the library, computing facilities, and health and welfare services.

**5.36** Overall, based on the 2001 survey The University of Melbourne students were moderately to highly satisfied with the University's administrative and support services. Trends from 1997 indicated that while library resources and access to computer facilities continued to have the lowest student satisfaction levels, satisfaction with these services had improved.

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<sup>2</sup> Daroesman, Suzanne and Kim Looi, "Quality of administrative and support services for students: Report of the 2001 survey of students based at the Parkville campus", University Planning Office, The University of Melbourne, December 2001.



*Students of The University of Melbourne are indicating increasing levels of satisfaction with facilities.*

**5.37** RMIT University obtains feedback on student satisfaction primarily through the conduct of yearly student satisfaction surveys and university experience surveys. Our examination of the 2000 and the 2001 survey results indicated that student concerns about the university's infrastructure were rated as sixth in 2000 and fifth in 2001 of the top 10 student concerns. Students noted that library services had improved, but raised concerns regarding the maintenance of university infrastructure, and access to computer facilities. In June 2001, RMIT University adopted an improvement plan to address these issues.

**5.38** Monash University advises that all support services undertake customer satisfaction surveys. This includes areas such as the Library, and Information Technology Services. The most recent survey was conducted in June 2001 on the university's student administration and support services functions, and the results were positive. As part of its quality improvement activities, the university is currently developing an enhanced approach to these surveys.

**5.39** The financial impact of fee-paying international students on the university infrastructures is covered in Part 6 of this report.

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## ASSESSMENT PRACTICES

### Recognition of prior learning

**5.40** Universities may grant course credits to students who have previously passed subjects that are in their current course.

**5.41** We were advised by The University of Melbourne that its faculties rarely grant course credits to international students in recognition of prior learning, preferring to teach students all the subjects in a course, regardless of their prior knowledge. The University does not believe that data on course credits provides useful information, and hence they do not collect and analyse this data. On the other hand, Monash University monitors subject exemptions (i.e. course credits) as part of its quality assurance system.

**RESPONSE** provided by The University of Melbourne

*Audit's advice about the grant of course credits at The University of Melbourne is incomplete. There are a number of instances where credit is granted by The University of Melbourne for previous studies taken offshore by international students. Mostly, these arrangements are negotiated on a Faculty or award course basis. In some cases there are formal arrangements with overseas institutions for block credit to be awarded in some University of Melbourne programs. Other cases are assessed individually on the basis of the student's academic record. The International Admissions area of The University of Melbourne manages a credit database which documents specific agreements and co-ordinates the flow of information from Faculties to the database.*

**5.42** Table 5I shows the number of subject exemptions granted to international students by the Faculty of Business and Economics at Monash University from 1996 to 2001.

**TABLE 5I**  
**MONASH UNIVERSITY SUBJECT EXEMPTIONS, INTERNATIONAL BUSINESS AND ECONOMICS STUDENTS, 1996 TO 2001**

Year	Subject exemptions		Total
	Subject 1 (a)	Subject 2 (b)	
1996	57	426	483
1997	44	362	406
1998	153	602	755
1999	160	479	639
2000	114	325	439
2001	190	294	484

(a) Subject 1 = Equivalent subject exemption granted.

(b) Subject 2 = No equivalent subject exists credit granted as an unspecified course year level exemptions.

Source: Monash University, 2001.

**5.43** Relative to the significant increase in international students in the Faculty of Business and Economics, the above figures indicate a declining trend in the number of international students granted subject exemptions by Monash University. An examination of the number of subject exemptions granted to information technology students at Monash University showed a similar declining trend.

### Changing assessment methods

**5.44** In response to our survey of academics at the 3 universities, more than one-third (37 per cent) of respondents indicated that assessment methods in the subjects they teach had changed as a result of having international students.

**5.45** Academics teaching courses with a low proportion of international students were more likely to report changing their assessment practices than academics with a high proportion of international students. This suggests that assessment practices are changing due to many factors, only one of which is the presence of international students.

**5.46** In terms of the types of changes made to assessment practices, analysis of the survey comments indicated that:

- In response to the level of written and oral skills of both domestic and international students, a wider range of assessment methods are now utilised. These methods include undertaking more practical assessments rather than testing students' knowledge of theories, more group work and the avoidance of setting difficult research essays;
- Greater use of examinations that offer students some choice in the questions answered, and the questions themselves being simpler and shorter. There is also less use made of case studies as a form of assessment;
- Increased flexibility by academic staff in assessing the written work of students. For example, a particular essay may not read well because the student lacks the subject matter knowledge or because their written skills are under-developed. Academics are also more likely now to seek clarification from the student about what has been written; and
- Active discouragement of plagiarism and cheating through the targeted use of interviews and oral examinations.

### **Preferential assessment practices**

**5.47** One of the most widely publicised and contentious issues concerning fee-paying international students in Australian universities is the allegation that such students may, on occasion, receive preferential assessment of their academic work. It has been suggested that in order to protect their fee revenues, universities might be tempted to grant an international student a pass mark when the student had not actually fulfilled the relevant academic requirements. The media refers to this issue as “soft marking”.

**5.48** Through interviews with university staff, the audit established that it is not uncommon for academics to be lobbied by individual students seeking to have their grades increased. The focus of this audit, however, is whether preferential assessment has become an institutionalised practice within Victorian universities.

**5.49** Our survey asked academics the following question: “*It may happen that students receive a pass when they have not actually met the required standard for a pass. Have you ever observed this happening with respect to any of the following types of student?*” Table 5J shows the survey results from the 359 academics who responded to this question.

**TABLE 5J**  
**ACADEMICS WHO CLAIM TO HAVE OBSERVED PREFERENTIAL ASSESSMENT IN RELATION TO DIFFERENT TYPES OF STUDENTS**  
 (per cent)

<i>Student type</i>	Yes	No	<i>Don't know/Can't say/ No answer</i>
Full fee-paying international student	35	48	16
Full fee-paying Australian student	14	55	30
HECS student – English as a first language	21	58	20
HECS students – English as a second language	20	53	27

Source: Victorian Auditor-General's Office, Survey of University Academics, 2002.

**5.50** It can be seen that a greater proportion of the 359 academics reported that they had observed preferential assessment in relation to fee-paying international students, and the fewest in relation to the smaller group of fee-paying domestic students. Results were similar whether or not the respondent reported being able to identify the fee-paying international students in their classes.

**5.51** Given the broad nature of the survey question, these results need to be interpreted with reference to the explanatory comments that were provided by 154 academics as part of the survey. Of these 154 respondents, 57 (36 per cent) indicated that preferential assessment was an issue. Their comments are summarised in Table 5K.

**TABLE 5K**  
**SURVEY COMMENTS ABOUT PREFERENTIAL ASSESSMENTS**

<i>Academics</i>	<i>Issue identified</i>
27	Said the problem was related to academics giving the “benefit of the doubt” to students with under developed skills in English when assessing the student’s written work.
14	Described a single incident of conflict with university administrators over an adjustment to an individual student’s final grade.
11	Reported that they themselves had complied with the student’s request for a better mark.
5	Reported that had they “felt sorry” for a particular student and were reluctant to fail him or her.

Source: Victorian Auditor-General's Office, Survey of University Academics, 2002.

**5.52** Out of a total of 359 survey respondents, only one academic made specific allegations of systematic, institutionalised “soft marking” of international students. These allegations were investigated and found to be factually incorrect.

### **“Alternative” passes**

**5.53** Students are deemed to have passed if they are awarded a “faculty pass” in any failed subject. Faculties at the 3 universities were found to apply specific rules to ensure that only those students who fail one subject by a small margin will be permitted to progress in their courses, for example, into a professional year.

**5.54** Similarly, each of the 3 universities has established policies and procedures in relation to student applications for special consideration. Grounds for special consideration include serious illness or psychological condition, or suffering hardship or trauma. Examples of hardship include close family bereavement, being a crime victim, or a sudden loss of income or employment. If a special consideration is granted, the student is required to sit a special examination or submit additional work for assessment.

**5.55** Students with borderline grades can, under certain circumstances, be offered a supplementary examination. Audit examinations at the 3 universities found that only a very small proportion of students are given supplementary tests in any year, and that there is usually a greater proportion of domestic HECS students, rather than fee-paying international students, undergoing this form of assessment.

**5.56** The audit found no evidence of inappropriate use being made of faculty passes, special consideration, or supplementary testing by any of the 3 universities.

### **Moderation of student grades**

**5.57** To ensure consistency in the distribution of student grades across different courses and between departments, it is common for universities to standardise student grades. This standardisation (or moderation as it is termed) of grades does not change the raw scores of students but alters the distribution of students across the different categories of passing grades. The audit found no evidence that faculties change marks on student exam papers to ensure faculty progression rates or to favour particular groups of students. Furthermore, there was no evidence of course pass grades having been lowered in order to pass cohorts of international students at any of the 3 universities examined.

### **Conclusions and recommendations**

**5.58** University assessment practices are changing in all faculties, irrespective of whether they have a high or low number of international students. Assessment practices will continue to evolve over time due to many factors, only one of which is the presence of fee-paying international students.

**5.59** Our audit evidence suggests that:

- while it is common for academics to be lobbied by students seeking a higher grade, where “soft marking” exists, it is an isolated and occasional incident within universities; and
- there is no evidence to suggest that systematic institutionalised “soft marking” occurs in any of the 3 universities examined. On the occasions when preferential assessment does occur, it arises most commonly where an academic gives a student with underdeveloped English skills the “benefit of the doubt” on the student’s written work.

**5.60** It is also clear that university academic staff find it difficult to assess the written work of students with underdeveloped English skills. We **recommend** that academic staff be given greater guidance on how to assess the work of such students.

**RESPONSE** provided by The University of Melbourne

*The University of Melbourne provides support services to assist academic staff to assess the written work of students with under-developed English language skills. For example, a program offered through its Centre for Communication Skills and English as a Second Language enables a staff member and student to agree to participate in structured coaching in English language skills as a formal part of the preparation of work for written assessment.*

**5.61** The audit did not identify any instances within the 3 universities of university administrators compromising student assessment practices.

## **QUALITY ASSURANCE WITHIN UNIVERSITIES**

### **Monash University**

**5.62** Monash's approach to Quality is contained in the document *Quality at Monash: Values and Principles*. This policy document makes explicit some of the core values and principles that underpin the University's approach to quality. Within this broad framework, Monash University has a number of policies and procedures related directly to ensuring the maintenance of academic standards.

**5.63** The Education Committee of the University has responsibility for monitoring the implementation of the University's education policy. This policy requires regular review and evaluation of subjects at departmental and school level, and requires faculties to report their review schedule to the Education Committee. Departments and faculties are required to undergo regular reviews by external reviewing panels whose focus includes "... the academic content, structure and level of program and learning objectives".

**5.64** In addition, the Distance Education, Open Learning Courses and Offshore courses all have quality assurance policies and processes in place. Where it is proposed that an existing award course be offered offshore by Monash University, the faculty needs to demonstrate that the proposed offshore course maintains standards of quality and reliability equivalent to the course offered in Australia.

**5.65** To assist the University in its Quality Assurance Process, the University has established the Centre for Higher Education Quality (CHEQ). CHEQ advises staff on quality process in programs and provides an extensive evaluation service for teaching and for subjects. More than 2 000 teaching evaluations are conducted annually through CHEQ.

**5.66** All faculties that teach professional courses (e.g. medicine and health sciences, engineering, computing, accountancy and social work) are subject to accreditation by outside professional bodies and the University works to ensure accreditation requirements are met.

### **RMIT University**

**5.67** At RMIT University the Quality Unit, within the Office of the Vice Chancellor, provides advice on quality assurance and reports to the Vice Chancellor and to a number of Council sub-committees, such as the Educational Quality Review Committee. The Quality Unit has 2 roles:

- to provide faculties with assistance in implementing quality assurance systems and in complying with relevant standards and regulations; and
- to examine the operation of the quality assurance systems implemented by the University and to make recommendations for improvement.

**5.68** The Quality Unit prepares an annual audit plan to systematically review all departments and schools within RMIT University. The plan is posted on the Quality Unit website and departments and groups are notified when reviews are due. The individual schools and departments undertake self assessments which are then reviewed by the Quality Unit. Where corrective action is required, the Quality Unit monitors the action taken.

**5.69** Another key characteristic of RMIT University's quality assurance system is the use of course improvement teams located within all faculties, and reporting through the deans to faculty boards. The activities of the course teams are conducted within the overall umbrella of the University's planning and re-accreditation processes which comprise a 5 year cycle of reporting, review and re-accreditation of courses. The function of these teams is to understand the student's experience of the programs.

**5.70** RMIT University was the first in Australia to receive ISO certification for its education programs. At the date of our audit, the University was in the process of replacing its *Educational Quality Assurance System* with the *Program Quality Assurance System* to ensure compatibility with the new *Education Services for Overseas Students Act 2000* and the requirements of the Australian Universities Quality Agency. Additionally, the University makes extensive use of the Course Experience and Student Satisfaction Surveys as supplementary mechanisms for improving its quality assurance processes.

### **The University of Melbourne**

**5.71** The University of Melbourne has comprehensive quality assurance processes aimed at safeguarding academic standards which include the annual Vice-Chancellor's Operational Performance Review, and visits to faculties and performance reviews by the Teaching and Learning Quality Assurance Committee (TALQAC). Annual reporting to the TALQAC through data collected by the University Planning Office occurs against a full and comprehensive suite of performance indicators. The indicators show trends in academic performance, student progression rates and the results of detailed student feedback surveys on the quality of teaching per course since 1994.

**5.72** The University also conducts regular surveys of the quality of university management and administration, quality of research student experience, and international student experience. The reports of the TALQAC on the University's academic standards are reported to the Academic Board. Report's include advice on where decisions and action might be taken to safeguard the University's academic standards.

## Conclusions and recommendations

**5.73** All 3 universities have established comprehensive quality assurance processes for the submission, development and approval of new courses, or amendments to existing courses. These systems effectively maintain the academic standards of course curricula. Consistent with submissions made to the 2001 Commonwealth Senate inquiry into Higher Education, we **recommend** that universities give consideration to further strengthening student assessment practices through:

- making greater use of external examiners to cross-mark the work of a sample of undergraduate students;
- using independent panels of experts to assess the evidence that is used to determine the final grade given to a sample of students; and
- the use of some common examination questions for universities with similar curricula, which will then support cross-institutional moderation exercises.

### *RESPONSE provided by The University of Melbourne*

*The University of Melbourne understands that the recommendations made by audit were included in a submission to the 2001 Commonwealth Senate Inquiry into Higher Education but were not considered by the Inquiry to be of sufficient importance to be incorporated into the Inquiry's report or recommendations. The University of Melbourne currently undertakes external moderation, in areas including examinations in some Departments, as part of the process for marking honours theses or when conducting departmental reviews. External assessment is a cornerstone of the University's assessment practices in relation to its research higher degree programs. However, to conduct such a program on a wider scale poses a range of difficulties including the selection of "experts", lack of common course content, and logistical and security issues involved in setting common exam questions. While the general adoption of the practices recommended by audit are inappropriate, the University will continue to monitor its assessment methodology and practices against relevant external benchmarks.*

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## EXTERNAL QUALITY ASSURANCE

**5.74** External quality assurance mechanisms are covered in Part 7 of this report.

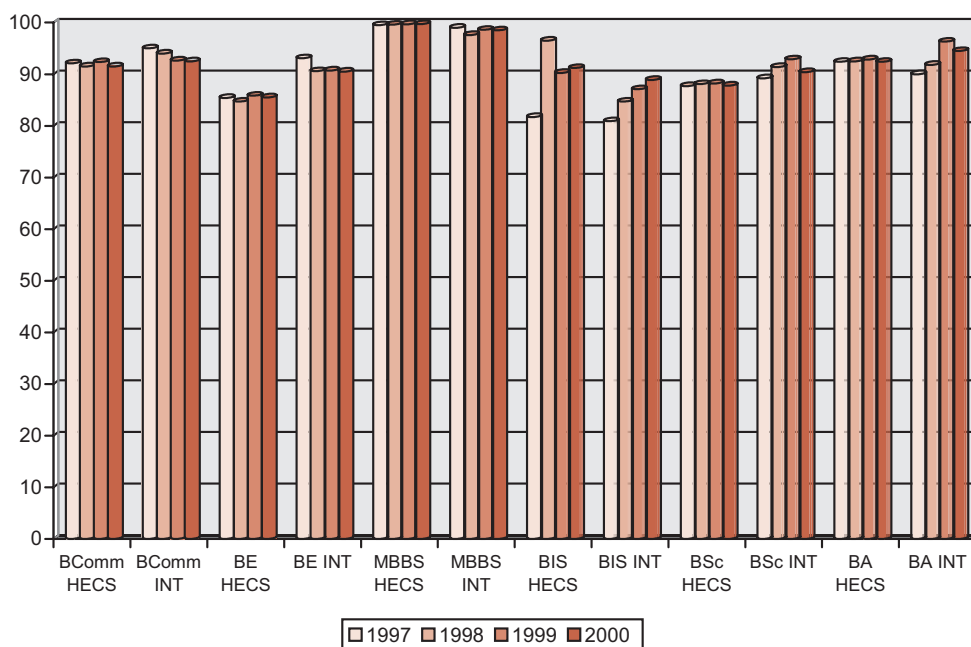
## SKILLED GRADUATES

### Pass grades

#### The University of Melbourne

**5.75** Chart 5L shows the student pass rate for HECS and international students in 6 courses at The University of Melbourne from 1997 to 2000.

**CHART 5L**  
**STUDENT PASS RATES, UNIVERSITY OF MELBOURNE,**  
**1997 TO 2000 (a)**  
 (per cent)



(a) Data on the pass grades for domestic fee-paying students have been omitted from this analysis due to the limited numbers of these students in individual courses.

Source: University of Melbourne, 2001.

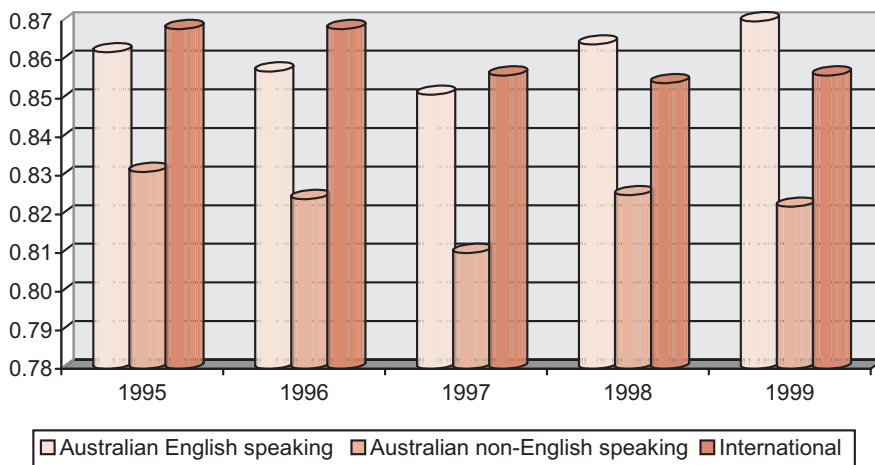
**5.76** Chart 5L shows that, overall, international students have performed better than domestic students in 4 out of the 6 undergraduate degree courses at The University of Melbourne. A higher proportion of international students, compared with HECS students achieve First Class Honours in courses for the Bachelor of Commerce, Bachelor of Engineering and Bachelor of Science degrees. However a higher proportion of international students receive the minimum pass grade than do HECS students (e.g. Bachelor of Medicine/Bachelor of Surgery, Bachelor of Information Systems and Bachelor of Arts).

## Monash University

**5.77** Monash University has undertaken its own analysis of the academic achievements of domestic and international students using Student Progress Units (SPUs).

**5.78** Student Progress Units are generated when a student successfully completes a subject. Averaging SPUs across students enables one to compare the academic progress of different student groups. High average SPU scores indicate smooth course progress, while low average SPU scores indicate subject failures and withdrawals.<sup>3</sup> Chart 5M shows the SPU scores for Bachelor's pass degree students between 1995 and 1999 at Monash University.

**CHART 5M**  
**STUDENT PROGRESS UNIT SCORES, MONASH UNIVERSITY,**  
**1995 TO 1999**



Source: Monash University, 2001.

**5.79** Chart 5M shows that international students had higher SPU scores than domestic English speaking students until 1997, after which time the international students progressed less rapidly. Both domestic English speaking students and international students progressed more rapidly than domestic students from a non-English speaking background.

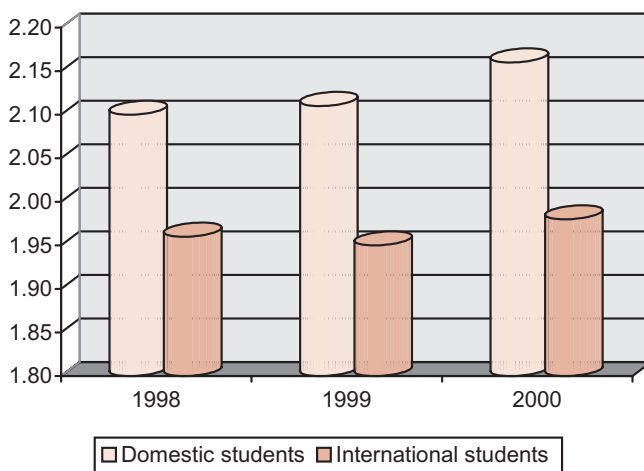
## RMIT University

**5.80** RMIT University has undertaken its own analyses of the academic achievements of domestic and international students using student Grade Point Averages. Under the Grade Point Average system, an overall score is calculated for each student based on a weighted average of their grades.

<sup>3</sup> For example, see Dobson, I. R., R. Sharma and A. J. Calderon (1998) *The Comparative Performance of Overseas and Australian Undergraduates*, in 'Outcomes of International Education: Research Findings' - Research Papers presented at the 12<sup>th</sup> Australian International Education Conference, Canberra, 1998. Edited by Dorothy Davis and Alan Olsen, IDP Education Australia.

**5.81** The total Grade Point Average from 1998 to 2000 for all RMIT University faculties for undergraduate domestic and international students (not including offshore students) is shown in Chart 5N.

**CHART 5N**  
**GRADE POINT AVERAGE FOR ALL UNDERGRADUATES**  
**RMIT UNIVERSITY, 1998 TO 2000**



Source: RMIT University, 2001.

**5.82** Chart 5N shows that domestic undergraduate students at RMIT University performed better than international undergraduates. However, additional analysis reveals that international students performed better than domestic students in 2 faculties: Applied Science and Engineering. Finally, academic grades for both groups of students are improving over time.



*RMIT international students attending business studies courses.*

### **Course completion rates**

**5.83** Course completion rates measure the successful completion of university studies by a group of students. For example, if 400 students commenced together in a 3-year business course and after 3 years, 200 of them graduated, the course completion rate would be 50 per cent. Significant trends in course completion rates or differences in completion rates between groups of students undertaking the same course may indicate that academic standards have changed. They may also be the result of changing university entry requirements, modified curriculum, new teaching methods or altered assessment practices.



*Course completion is accompanied by a fitting and valuable award.*

**5.84** We found that Monash University, RMIT University and The University of Melbourne do not monitor course completion rates. Currently, the data collection systems at the 3 universities are incapable of tracking groups of students throughout their courses. The main difficulty in tracking course completion rates is that it is common for students to alter their enrolment status as their degree progresses. For example, students may defer a required course, add new subjects, change between full-time and part-time studies, or complete their degree at another institution.

**5.85** The University of Melbourne advised that it does not monitor the course completion rates of domestic students and international students for the following reasons:

- the number of international students has only recently increased to the level where an analysis of completion rates would result in statistically valid comparisons between different groups, e.g. the completion rates of domestic students undertaking the same course;
- the introduction of combined degrees has made the calculation of retention rates all but impossible for domestic students, who are the main group undertaking combined degree courses; and
- large numbers of international students were first enrolled at The University of Melbourne in 1997, which is too short a time frame for many international students to have completed their degrees.

**5.86** The University of Melbourne, however, has conducted cohort tracking for students undertaking single degree programs to provide the Selection Procedures Committee with reports on the comparative academic performance of international students to other groups of students. The reports indicate that average marks achieved by first year international students have remained consistent over a 5-year period (1995 to 1999). The reports also indicate that the proportion of students passing all their first year subjects is similar for both international and HECS students, within the range 67 to 71 per cent. Finally, international students actually overtake domestic HECS students in terms of their pass grades from year 1 to year 3, suggesting that international students perform well academically once they have adjusted to their new environment.

**5.87** The limited data available does not permit any conclusions to be reached as to whether international students and domestic students perform similarly in terms of their course completion rates. However, data provided by The University of Melbourne indicates that progression rates for international students undertaking Bachelors Pass courses are consistent with those of domestic HECS students.

### **Graduate employment**

**5.88** Each year Victorian universities conduct graduate destination surveys on behalf of the Graduate Careers Council of Australia. These surveys gather information on employment outcomes for both Australian and international student graduates. Data is collected on both employment details and further study. Graduates are asked to participate in the survey 4 months after the completion of their course.

**5.89** A recent study that examined graduate outcomes for international students for the period 1993 to 1997 found that international students completing Bachelor degrees at Australian universities are very successful in gaining employment after graduation. The employment is predominantly in the private sector and in professional or managerial/administrative occupations. Employment outcomes for international students compare favourably with those of Australian graduates.<sup>4</sup>

**5.90** Data from the graduate destination survey indicates that employment outcomes for all graduates from The University of Melbourne have improved since 1997 and that employment outcomes for international fee-paying graduates are above the national average for Australian universities.

**5.91** RMIT University surveys both domestic and international students concerning their employment outcomes, but only reports the combined results. The overall employment rate for Bachelor degree graduates in 2000 was 83 per cent, its highest level since 1990.

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<sup>4</sup> Kerry Trembath (1998) *Graduate Employment Outcomes for International Students*, University of NSW, in 'Outcomes of International Education: Research Findings' - Research Papers presented at the 12<sup>th</sup> Australian International Education Conference, Canberra, 1998. Edited by Dorothy Davis and Alan Olsen, IDP Education Australia.

**5.92** Due to the considerable logistical problems in surveying international graduates after they have returned home, Monash University prefers to focus on the employment outcomes for domestic students. Australian Bachelor degree students graduating from Monash University between 1997 and 2000 have enjoyed improving employment opportunities.



*University graduates have excellent employment and career prospects.*

## **Conclusions**

**5.93** Results from both national and university conducted student surveys suggests that both domestic and international students perform satisfactorily in their university studies and enjoy positive employment outcomes after graduation.

## **PERCEPTIONS OF STUDENTS AND ACADEMIC STAFF**

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### **Student views**

**5.94** The Course Experience Questionnaire (CEQ) is a national survey of graduates from Australian universities. Since 1993, the CEQ has been administered by the Graduate Careers Council of Australia.

**5.95** The Course Experience Questionnaire is used to gather perceptions about the quality and usefulness of university courses. It measures the level of agreement on each of the following course aspects:

- *quality of teaching*: teachers' feedback, motivation, attention, understanding of problems and skills in explaining concepts;
- *clarity of goals and standards*: clarity with which teachers communicated expected academic standards and course goals;
- *nature of assessment*: extent to which assessment stresses intellectual skills rather than the recall of information;
- *level of workload*; appropriateness of course workload; and
- *development of generic skills*: for example, problem solving, communications, planning, team working.

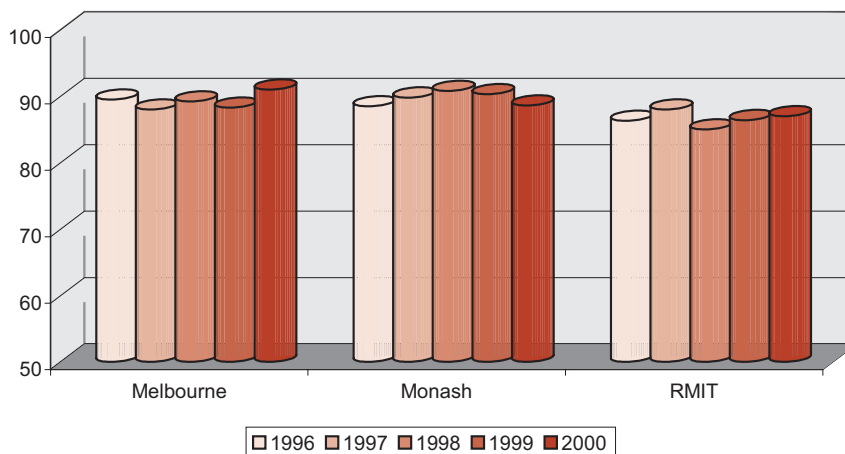


*University students often work in teams.*

**5.96** In 2000, 91 per cent of all Bachelor degree graduates in Australia were satisfied with their university course. CEQ results also show that the overall satisfaction of Bachelor degree graduates with their courses has been gradually increasing since 1995. All of the other indicators reflected in the national CEQ results, apart from the appropriateness of assessment indicator, which has gradually fallen over time, have also gradually increased over this period.

**5.97** Chart 50 shows the trends in the satisfaction ratings for the 3 universities from 1996 to 2000.

**CHART 50**  
**OVERALL STUDENT SATISFACTION, 1996 TO 2000**  
 (per cent)



Source: Graduate Careers Council of Australia, 2001.

**5.98** Chart 50 indicates that there are high levels of student satisfaction with the courses run by the 3 universities. Over the past 5 years, levels of student satisfaction have varied in the range of 85 to 91 per cent at the 3 universities.

**5.99** Detailed analysis of the 2000 CEQ results by The University of Melbourne and Monash University indicate that there are only minor, statistically insignificant differences between the perceptions of international and domestic Bachelor degree students.

**5.100** In addition to participating in the annual Course Experience Questionnaire, The University of Melbourne conducts a Quality of Teaching survey on a semester basis for all students in all subjects. These surveys, however, do not differentiate between international and domestic students undertaking the same subject. In addition, every two years The University of Melbourne conducts a survey of its international students' learning experience to determine their perceptions of teaching and learning quality.<sup>5</sup> The surveys of "International Student Experience" provide valuable feedback to the university and have shown only insignificant changes in students' perceptions of course experiences since 1994.

<sup>5</sup> RMIT University conducts an annual University Experience Survey, which distinguishes the perceptions of overseas and local students, however, the survey does not address the quality of teaching and learning but focuses on the physical condition of buildings and facilities, online resources and student extracurricular activities.

## Views of academic staff

**5.101** In the course of undertaking interviews with academics, it was common for complaints to be made concerning academics' increasing workloads, stress levels, falling morale within the higher education sector and allegations of a general decline in academic standards over the past 10 to 15 years. As part of a survey conducted for this audit, 359 academics from the 3 universities were asked to rate the impact of international students on key aspects of university functioning. These ratings are shown in Table 5P.

**TABLE 5P  
ACADEMICS' PERCEPTIONS OF THE IMPACT  
OF FEE-PAYING INTERNATIONAL STUDENTS**

<i>Ranking of issues</i>	
<b>International students have a moderately positive effect on the:</b>	<ul style="list-style-type: none"> <li>- Victorian economy</li> <li>- International profile of the university</li> <li>- Academics' cross-cultural understanding</li> <li>- Cultural diversity within the university</li> <li>- Academics' cross-cultural communication skills</li> <li>- Students' cross-cultural understanding</li> <li>- Students' cross-cultural communication skills</li> <li>- Financial situation of the university</li> </ul>
<b>International students have a mixed but mostly positive effect on the:</b>	<ul style="list-style-type: none"> <li>- Job opportunities for academics within the university</li> <li>- International career opportunities for Victorian students</li> <li>- Nature of the learning experience for HECS students</li> <li>- Nature of teaching experience for academics</li> <li>- Support services available for HECS students</li> <li>- Calibre of Victorian graduates</li> </ul>
<b>International students have no effect on the:</b>	<ul style="list-style-type: none"> <li>- Quality of education for HECS students</li> </ul>
<b>International students have a negative effect on the:</b>	<ul style="list-style-type: none"> <li>- (no issues identified)</li> </ul>

Source: Victorian Auditor-General's Office, 2002.

**5.102** The survey results indicate that academics were, on average, positive about the effects of international students on Victorian universities. However, they were clearly more positive about some aspects than others. For example, academics were very positive about the effect of international students on the Victorian economy, while their perception of the effect of international students on the quality of education for HECS students was more neutral. It is important to note that academics did not, on average, rate international students as having a negative effect on any of the issues canvassed.

**5.103** The 37 per cent of academics who reported that they were always or often able to identify the international students in their class, were also more likely to say that international students had a positive effect on their teaching experience (54 per cent of this group). The 35 per cent of academics who reported being unable to identify the international students in their class, still chose to rate the impact of these students in the relevant survey questions, and these ratings tended to be more negative. The reason for this is unclear, but it raises the possibility that such persons were relying on negative stereotypes in their assessment of the impact of international students.

### **Conclusions**

**5.104** Student surveys are being used to assess the quality of university teaching and the satisfaction of students with their course. The CEQ and other student surveys do not indicate any significant negative change in student perceptions over the past 5 years. That is, over a period of significant international student growth in Victoria, overall student satisfaction with university courses has remained at a high level.

**5.105** On average, academic staff perceive international students as having a positive impact on universities. Academic staff have expressed concern regarding their increased workloads, stress levels, low morale and a perceived decline in academic standards.

#### **RESPONSE** provided by The University of Melbourne

*It is important to note that the surveys of academic staff conducted by audit for this report were undertaken after a period of great change in Australian universities, the most significant contributor to which has been a substantial reduction in public funding. The University of Melbourne estimates that by 2001 the reduction in recurrent funding amounted to \$67 million a year. The consequences of managing this have had the greatest impact on workloads, stress levels, morale and perceptions of academic standards.*

## Part 6

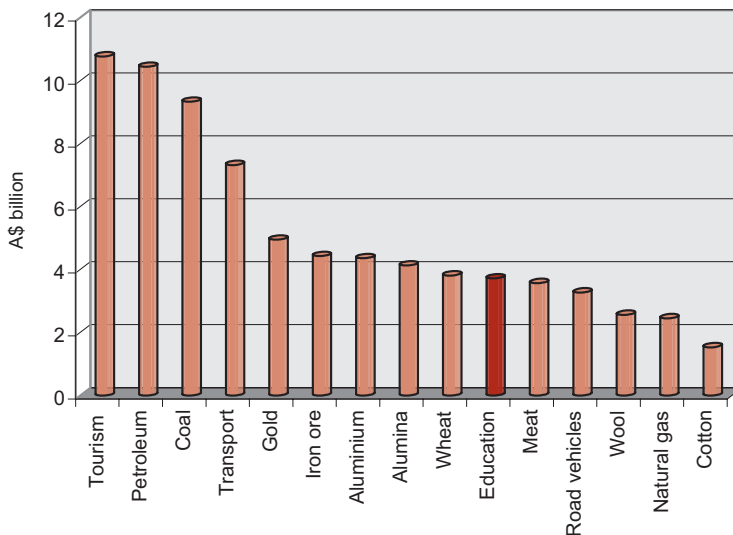
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# Financial impacts

## IMPACT ON THE AUSTRALIAN ECONOMY

**6.1** The export of education is Australia's tenth most important foreign income earner, contributing \$3.7 billion to the Australian economy in 2000. Higher education is directly responsible for almost half, or \$1.6 billion, of this market. Chart 6A shows education export earnings relative to other Australian exports. This figure includes expenditure by students in the broader Australian economy but does not include tourism earnings generated by visits to Australia by parents, other relatives and friends of international students. The foreign income earnings for education are, therefore, likely to be understated.

**CHART 6A**  
**EDUCATION'S COMPARATIVE EXPORT EARNINGS,**  
**2000**



Source: ABS, *Balance of Payments and International Investment Position*, 5 302.0.

**6.2** The number of international students in Australian universities has doubled over the past 5 years, while the number of domestic enrolments has increased by less than 10 per cent. Linked with this increase in numbers of international students is the growth in revenues associated with fees. Revenue from fees has increased substantially in the second half of the 1990s as shown in Table 6B.

**TABLE 6B**  
**REVENUE FROM INTERNATIONAL AND DOMESTIC STUDENTS,**  
**1995 AND 1999**

Source	1995	1999	Change: 1995-1999
Fee income from international students	\$400.9 million	\$686.3 million	71.2%
International student load	39 367	78 109	98.4%
Income from governments and the HECS	\$4 828.6 million	\$5 155.4 million	6.8%
Domestic student load	422 720	466 037	10.2%

Source: *Universities in Crisis: Report on Higher Education* Senate Employment, Workplace Relations, Small Business, and Education References Committee, 2001.

**6.3** The presence of international students in Australian universities has also:

- Created further employment opportunities in the education sector. An Australian study showed that an additional 50 000 jobs were created annually within the sector;<sup>2</sup>
- Enhanced mutual understanding and cultural enrichment and added both quality and diversity to students' educational experience, and to Australian society in general;<sup>3</sup> and
- Secured fiscal relief for the Commonwealth Government in terms of an improved balance of trade.

**6.4** International education also has other less tangible, but nonetheless important benefits to Australia. Although difficult to quantify, having business, community and political leaders in key overseas markets that have studied in Australia is strategically important.<sup>4</sup>

<sup>2</sup> Baker, M., Robertson, F., Taylor, A. and Doube, L. 1996, *The Labour Market Effects of Overseas Students*, Bureau of Immigration, Multicultural and Population Research, Australian Government Publishing Service, Canberra.

<sup>3</sup> National Tertiary Education Industry Union (NTEU), 2001, *Submission to the Senate Employment, Workplace Relations, Small Business, and Education References Committee*.

<sup>4</sup> Australian Vice-Chancellors' Committee (AVCC), 2001a, *AVCC Discussion Paper on International Education*, September.



*Significant intangible benefits are derived from mixing of international and domestic students.*

## **IMPACT ON THE VICTORIAN ECONOMY**

**6.5** A cost-benefit analysis of the impact of international students on the Victorian economy was undertaken as part of this audit. The initial benefit of international students on the Victorian economy includes the difference between revenues from student fees and the cost to universities of providing educational services. Based on the number of international students, the average fees paid and university costs per student, the net benefit from international student fees was \$15.4 million in 1999. However, economic benefits to the economy also arise from further expenditure by international students. Using the 1997 Australian International Education Foundation estimate<sup>5</sup> that students spend roughly \$280 per week or \$14 560 per annum on non-education related expenses, we calculate that the 27 529 international students attending Victorian universities spent \$460.9 million in 1999. Adding these 2 figures together, we obtain a direct net economic impact of international students on the Victorian economy of \$476.3 million.

<sup>5</sup> Australian International Education Foundation, 1997, *Survey of International Students Studying in Australia*, author.

**6.6** By attracting income from outside the State economy, and hiring people and purchasing intermediate inputs from its host region, Victorian universities boost the level of economic activity and employment in Victoria both directly and indirectly via multiplier effects. Based on previous research conducted in Australia, we know that the “international student” multiplier is about 0.5.<sup>6</sup> That is, for every \$1 spent by an international student in Victoria, the State experiences an increase in Gross State Product (GSP) of \$0.50, which implies an indirect impact of \$238.2 million.

**6.7** Hence, the total financial impact (both direct and indirect) of international university students on the Victorian economy was equal to \$714.5 million in 1999 as shown in Table 6C. This is equivalent to 0.47 per cent of Victoria’s GSP of \$151 006 million for 1999.

**TABLE 6C**  
**FINANCIAL IMPACT OF INTERNATIONAL STUDENTS ON**  
**THE VICTORIAN ECONOMY, 1999**

<i>Revenue source</i>	<i>Total (\$m)</i>
Total student fees	260.2
Total university costs	244.8
Net benefit	15.4
Student expenditures (e.g. rent, food, transport)	<u>460.9</u>
Sub-total	476.3
Economic multiplier on sub-total (0.5)	238.2
<b>Total net benefit</b>	<b>714.5</b>

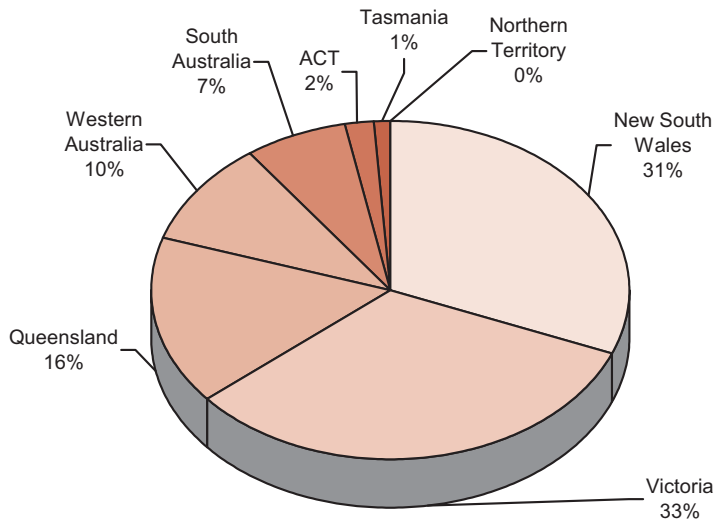
Source: Victorian Auditor-General's Office, 2002.

## **FINANCIAL IMPACT ON THE VICTORIAN UNIVERSITY SECTOR**

**6.8** During 2000, Victoria hosted the largest number of international students in higher education, accounting for a 33.1 per cent share of the national total. It was followed by New South Wales and Queensland. These 3 States held almost 80 per cent of the international higher education student market in Australia (Chart 6D).

<sup>6</sup> Peter, M. 1997, “The Short-Run Economic Effects of Foreign Student Expenditure in Tasmania”, *Economic Papers*, vol. 16, no. 3.

**CHART 6D**  
**PROPORTION OF INTERNATIONAL STUDENTS**  
**IN HIGHER EDUCATION, BY STATE, 2000**



Source: DEST, 2001b, Students 2000: Selected Higher Education Statistics.

**6.9** Total costs for Victorian universities in 1999 were \$2 215.6 million for all domestic and international students (147 282 EFTSU). Based on consolidated operating revenue figures, the 8 Victorian universities accumulated revenue of \$2.3 billion in 1999. The single biggest source of revenue for universities is the Commonwealth Government's block grant. Other important sources of income included HECS contributions from domestic students and fees from international students, as shown in Table 6E.

**TABLE 6E**  
**CONSOLIDATED REVENUE AND EXPENDITURE**  
**OF VICTORIAN UNIVERSITIES, 1999**

<i>Source</i>	<i>Consolidated revenue (\$m)</i>
Commonwealth Government grants	999.6
Higher Education Contribution Scheme	446.0
Fees and charges	474.6
Scholarships and prizes	2.2
Donations & bequests	37.5
Investment income	41.9
Other	324.8
<b>Total operating revenues before abnormal items</b>	<b>2 326.6</b>
	<i>Consolidated expenditure (\$m)</i>
Academic activities	1 367.5
Libraries	106.3
Other academic support services	103.2
Student services	110.4
Public services	8.8
Buildings and grounds	126.4
General institution services	340.5
Deferred employee benefits	14.1
Other	38.4
<b>Total expenditure before abnormal items</b>	<b>2 215.6</b>

*Source:* DEST, 2000b, Finance: Selected Higher Education Statistics.

**6.10** The individual revenue figures from the international student programs at 8 Victorian universities is shown in Table 6F.

**TABLE 6F**  
**REVENUE FROM INTERNATIONAL STUDENTS**  
**IN VICTORIAN UNIVERSITIES, 1997 TO 1999**

<i>Year</i>	<i>Revenue from all international fee-paying students</i>	<i>Total operating revenue</i>	<i>Percentage of operating revenue from international student fees</i>
	<i>(\$m)</i>	<i>(\$m)</i>	<i>(%)</i>
<b>Deakin University</b>			
1999	19.3	277.4	6.95
1998	18.6	243.3	7.64
1997	15.6	231.9	6.73
<b>La Trobe University</b>			
1999	19.2	254.0	7.56
1998	14.9	199.4	7.47
1997	14.3	249.7	5.73
<b>Monash University</b>			
1999	62.0	559.1	11.09
1998	57.3	533.5	10.74
1997	53.9	525.5	10.26
<b>RMIT University</b>			
1999	72.0	319.0	22.57
1998	64.2	272.0	23.60
1997	50.2	283.1	17.73
<b>Swinburne University of Technology</b>			
1999	15.5	112.2	13.81
1998	11.5	105.5	10.90
1997	10.3	95.9	10.74
<b>The University of Melbourne</b>			
1999	57.9	588.9	9.83
1998	45.1	564.6	7.99
1997	33.4	558.9	5.97
<b>University of Ballarat</b>			
1999	1.9	53.4	3.56
1998	1.7	49.0	3.47
1997	1.6	52.6	3.04
<b>Victoria University</b>			
1999	12.3	160.1	7.68
1998	13.2	150.8	8.75
1997	11.3	147.7	7.65
<b>Total Victoria</b>			
<b>1999</b>	<b>260.2</b>	<b>2 326.6</b>	<b>11.18</b>
<b>1998</b>	<b>226.5</b>	<b>2 120.7</b>	<b>10.68</b>
<b>1997</b>	<b>190.5</b>	<b>2 147.1</b>	<b>8.87</b>

Source: DEST, Selected Higher Education Finance Statistics, various issues.

**6.11** Revenue from fee-paying international students in Victorian universities has grown from \$190.5 million in 1997 to \$260.2 million in 1999, which translates to approximately 18 per cent growth per annum. Of the 3 universities, RMIT University has experienced the greatest growth in numbers of international students. Income from international students accounted for 22.6 per cent of its total operating revenue in 1999.

## **INTERNATIONAL STUDENT FEES AND THE ALLOCATION OF REVENUES**

### **Setting university fees to recover full costs**

**6.12** Commonwealth Government guidelines for full-fee courses for international students require that:

- institutions charge, as a minimum, fees designed to recover full economic costs including recurrent services, equipment and capital facilities applicable to the course on offer;
- full average costs rather than marginal costs should be the basis of determining fees; and
- in assessing full recurrent costs, account should be taken of all overheads and common service costs.

**6.13** The various financial costs and benefits associated with fee-paying international students are shown in Table 6G.

**TABLE 6G  
COSTS AND BENEFITS OF INTERNATIONAL STUDENT PROGRAMS**

<i>Costs</i>	<i>Benefits</i>
Teaching and associated costs <ul style="list-style-type: none"> <li>• Teaching staff</li> <li>• Library and laboratory costs</li> <li>• Special courses (incl. language and language testing)</li> <li>• Congestion costs</li> </ul>	Fees from students
Administration <ul style="list-style-type: none"> <li>• Admission</li> <li>• Liaison officers, accommodation advice etc.</li> <li>• Marketing costs (overseas visits and advertising)</li> <li>• Cost associated with non-academic student facilities (sporting and other societies)</li> </ul>	Economies of scope or scale <ul style="list-style-type: none"> <li>• Higher numbers may allow a wider variety of courses to be viable (more likely for postgraduate)</li> </ul>
Capital <ul style="list-style-type: none"> <li>• Lecture, tutorial, office laboratories.</li> </ul>	Advantageous links with overseas institutions
Opportunity costs <ul style="list-style-type: none"> <li>• Net revenue forgone from possible additional domestic students</li> </ul>	Externalities <ul style="list-style-type: none"> <li>• Value of degrees is increased through international associations, leading to more marketable qualifications and higher demand for courses.</li> </ul>

Source: Creedy, J., Johnson, D. and Baker, M. 1997, "The Cost and Benefit of International Students", *Economic Papers*, vol. 16, no. 3.

### **Monash University**

**6.14** Monash University has recently revised its *Fees Policy and Procedures*, which requires each course or service offered to cover its full cost of delivery and to demonstrate a reasonable financial return to the University. Monash University has indicated that its international student program is fully costed, and the University has conducted "activity-based costing" studies in 2000 and 2001.

**6.15** Monash University has also developed an Academic Cost Model which includes 17 key variables ranging from the number of commencing students through growth projections, progression rates, fee levels, course structures, academic and administrative infrastructure, delivery models and research profiles to the industrial relations environment. While the model was devised for offshore campus developments, it is now a useful tool for the analysis of the underlying cost structure of many Monash activities.

### **RMIT University**

**6.16** RMIT University has developed a formal means for setting international student fees. The methodology takes into account the formula by which the Commonwealth Government makes its contributions, faculty components, capital contributions components, and university overheads. Both higher education programs and Vocational Education and Training programs are taken into account.

**6.17** The Financial Services Department of RMIT University conducted an "*Activity-Based Costing*" study in 2000. However, due to staff resistance and non-cooperation, the exercise experienced some delays. The University advises that their costing study has now been completed, and that it is satisfied that RMIT University recovers the full costs of providing educational services to international students.

### **The University of Melbourne**

**6.18** The methodology developed by The University of Melbourne for calculating full cost recovery for all fee-based courses is sound and diligently applied by its Financial Operations Branch. These costings include components to cover the additional outlays on recruitment, administration, services and financial arrangements incurred by servicing international students. The costing includes an infrastructure component calculated at 13 per cent of the fee charged to international students. The final fees set by the University are calculated so that public funds are not used by The University of Melbourne to subsidise the education of fee paying international students.



*International student fees assist in providing better infrastructure for all students.*

## **Distributing revenues raised through international student programs**

### ***Monash University***

**6.19** Fee-paying international students enrolled at Monash University were budgeted to contribute \$88.6 million in course fees in 2001. Over the period 1993 to 2000, Monash University received \$411.1 million in international student fees.



*Cross-cultural experience is a non-financial benefit recognised by students and staff.*

**6.20** Monash University has established a budget model to cater for the distribution of Commonwealth and other non-fee income for direct allocation to faculties. The proportion of total funding distributed to the faculties from 1996 to 2001 has remained fairly stable. However, Commonwealth funding makes up more than 50 per cent of total funding for the faculties of Arts, Education, and Science with Commonwealth funding for Art and Design and Law being as high as 90 per cent. Other faculties such as Business and Economics and Information Technology receive in excess of 30 per cent of their revenue from international student fees, and this amount has been gradually increasing since 1996.

**6.21** The distribution of revenue to individual faculties is based on each faculty's financial contribution. After deduction of a capital levy, ranging from 12.5 to 16 per cent, the balance of faculty revenue is distributed 68.5 per cent to faculties and 31.5 per cent to Academic Support, including library, IT services, university services and university-wide costs. The capital levy on international fees directed to infrastructure projects from 1996 to 2000 amounted to some \$40 million.

**6.22** Analysis of the distribution of revenue by funding source revealed that Business and Economics and Information Technology faculties obtain a larger portion (around 50-60 per cent) of their income from student fees (this also includes postgraduates studies). See Table 6H.

**TABLE 6H**  
**PROPORTION OF 2001 INCOME BY FUNDING SOURCE, MONASH UNIVERSITY**  
 (per cent)

<i>Faculty</i>	<i>Commonwealth funding</i>	<i>Fees</i>	<i>Other</i>
Art and Design	82.7	16.3	1.1
Arts	72.2	15.9	11.9
Business and Economics	33.1	48.8	18.1
Education	65.8	6.5	27.7
Engineering	46.4	13.2	40.4
Information Technology	31.5	58.2	10.3
Law	57.4	36.0	6.6
Medicine	38.5	6.4	55.1
Pharmacy	52.3	18.4	39.3
Science	61.1	8.1	29.8

Source: 2001 Budget, Monash University.

### ***RMIT University***

**6.23** In 2001, RMIT University received \$103 million in course fees from international students, up from \$61 million in 1996. RMIT University also experienced a significant increase in revenues from fee-paying domestic students.

**6.24** Revenues derived from international student programs at RMIT University is distributed amongst the faculties primarily on the basis of student load. From time to time however, the university does provide special assistance to various faculties based on need or other criteria not strictly in accordance with student loads.

**6.25** Analysis of the distribution of revenues revealed that the faculties of Business, Engineering and Applied Science faculties received between 60-70 per cent of total international student fee income, a larger portion than the 15-20 per cent received by the faculties of Constructed Environment, Life Sciences and Education, Languages and Community Services.

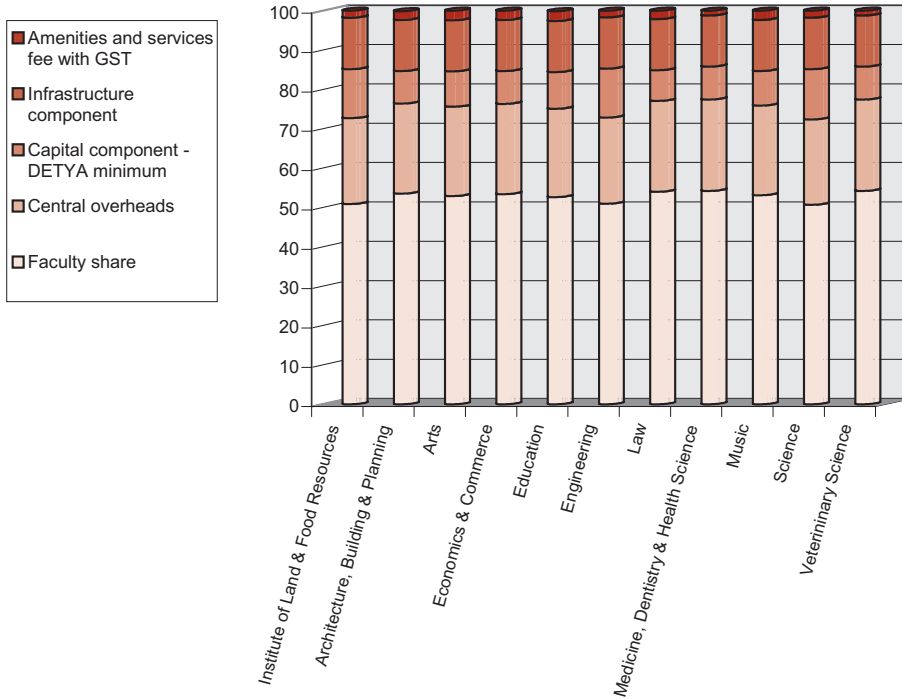
**6.26** In addition to direct distribution to the faculties, significant amounts are also allocated towards other areas of the university's operations. These include the capital program (\$51 million between 1995 and 2000), University wide support (\$27.5 million) and libraries (\$9 million).

### ***The University of Melbourne***

**6.27** In 2000 The Melbourne University received \$71.6 million in course fees from international students, up from \$25 million in 1996. In light of the overall decrease in Commonwealth grants for recurrent operating expenditures, the increase in revenues from course fees has alleviated financial pressures on the University and enhanced its capacity to continue to provide higher education.

**6.28** Chart 6I shows how the income from international student fees is distributed by the University of Melbourne.

**CHART 6I**  
**THE UNIVERSITY OF MELBOURNE, DISTRIBUTION OF FEE INCOME**  
 (per cent)



Source: University Planning Office, University of Melbourne, 2001

**6.29** The above chart shows that, on average, 53 per cent of the course fees are returned to the faculty, 22.6 per cent is allocated for central overheads, 13 per cent is a mandatory capital component, 9.4 per cent is provided for infrastructure and 2 per cent is distributed for amenities and services.

**6.30** After distribution of the capital, infrastructure fund and amenities and services fee components, individual faculties are permitted to retain 100 per cent of the net fee income above university-determined fee revenue targets. This policy encourages faculties to expand fee-paying student loads, and supplies the faculty with additional funds that can be used to match the additional student load with teaching resources.

## CONCLUSIONS

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**6.31** In response to decreasing levels of Commonwealth operational funding per domestic HECS student (in real terms) and to growing competition in the global higher education market, Victorian universities have become more commercially orientated in their operations. Monash University, RMIT University, and The University of Melbourne have all made effective use of international student programs in order to offset reduced levels of government operational funding per student. There will be continued strong growth in the numbers of domestic and international fee-paying students as Victorian universities focus on marketing courses to students in Australia and overseas.

**6.32** Revenues derived from international student fees have been distributed by universities to areas such as capital construction, libraries, investment funds and general student services. Although it is not possible to establish the level of resource usage by international students within each university, the revenues generated by international students are contributing to the capacity of the 3 universities to deliver educational services to all students.

**6.33** As well as generating additional revenues, international students also require additional university expenditures in areas such as marketing and support services. The 3 universities have all undertaken activity based costing studies to identify the total costs of providing educational services to international students, and university fees are set accordingly. This ensures that the fees paid by international students recover the full costs of their education, and no cross subsidisation is occurring.

## Part 7

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# Government regulation

## INTRODUCTION

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**7.1** Rapid growth in international students wanting to study in Australia has resulted in a proliferation of both private and public providers of education and training services. This growth has also resulted in strategies being implemented, both by governments and the higher education sector, to monitor and regulate international student programs.

## INDUSTRY STANDARDS

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**7.2** The Australian higher education sector acknowledged the economic, financial and cultural benefits (as well as the risks) arising from the export of educational services by establishing a set of agreed industry-wide requirements for the provision of education to international students.

**7.3** These requirements were expressed in the 1990 Australian Vice-Chancellors' Committee (AVCC) *Code of Ethical Practice in the Provision of Education to Overseas Students by Australian Higher Education Institutions*, which was subsequently revised in December 1994. In April 1995, the AVCC issued the *Codes of Ethical Practice in the Provision of Offshore Education and Educational Services by Australian Higher Education Institutions*. All AVCC members were signatories to the codes. In March 1998, the two codes were reviewed and combined into one document, namely, *The Code of Ethical Practice in the Provision of Education to International Students by Australian Universities*.

**7.4** This code was issued as a set of guidelines rather than required compulsory practice in order to provide flexibility to universities and their students to reflect specific circumstances. Such flexibility allows universities the option of applying such guidelines or not, raising concerns regarding variations of practices across universities.

**7.5** Since the international education industry requires not only the protection of educational standards and student rights but also affects migration laws and requires the application of both Commonwealth and State laws, the Code of Ethical Practice was incorporated under the *Education Services for Overseas Students (ESOS) Act 2000*, effective from 4 June 2001. In addition, the Ministerial Council on Education, Employment, Training and Youth Affairs developed and promulgated guidelines on quality provision of educational services in universities.

## COMMONWEALTH REGULATION

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**7.6** The Commonwealth Government regulates international education through the *Education Services for Overseas Students (ESOS) Act 2000* and its National Code of Conduct, as well as through the Migration Act and associated regulations. This complementary legislation acknowledges that the benefits derived from the international education industry depend on the quality of services provided to the students and on public confidence in the integrity and quality of the system.

**7.7** Only education providers endorsed on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) are permitted to offer education or training services to international students. Furthermore, universities can only offer those courses that have been approved by the relevant State or Territory education authority.

**7.8** Following a process of review and consultation, in 2000 the Commonwealth Government formulated a legislative package focusing on the provision of a more effective regulatory framework for the education and training export industry. The legislative package came into effect primarily on 4 June 2001 and comprised the:

- *Education Services for Overseas Students Act 2000* (the Principal Act);
- *Education Services for Overseas Students (Assurance Fund Contributions) Act 2000*;
- *Education Services for Overseas Students (Consequential and Transitional) Act 2000*;
- *Education Services for Overseas Students (Registration Charges) Amendment Act 2000*; and
- *Migration Legislation Amendment (Overseas Students) Act 2000*.

**7.9** The aims of the new legislation include:

- providing international students with stronger protection for prepaid fees and continuing education if their provider collapses, through an industry-based assurance fund;
- establishing a legally enforceable National Code of practice providing nationally consistent standards for the registration and conduct of providers, which will deliver improved and more reliable quality assurance nationally;
- creating new obligations for providers to report student breaches of their visa conditions through an electronic confirmation of enrolment system;
- making it an offence to be a bogus provider, that is, to fail to provide genuine courses to students and in doing so intentionally or recklessly facilitate visa breaches;
- providing powers for the Department of Education, Science and Training (DEST) to investigate possible breaches of the ESOS Act and of the National Code; and
- providing greater powers to impose suspension and cancellation action and other conditions on providers that breach the provisions of the Act or of the National Code.

**7.10** Following the introduction of this legislation, all new registered providers must comply with the National Code of Ethical Practice as incorporated in the Act, and all existing providers must comply with the National Code in accordance with the transitional provisions of the Act. The National Code is now legally enforceable and the ESOS Act provides sanctions for breaches of the Code including fines, conditions, suspension or cancellation from the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).

**7.11** The National Code defines requirements for educational providers regarding:

- courses and course duration;

- requirements for registration by the State registration authority, including inspection of premises, maximum student numbers and educational resources and facilities;
- integrity and accuracy of marketing of education and training services and student information;
- student recruitment and placement;
- recognition of prior learning and of current competence;
- maintenance of student records;
- written agreements for refunds;
- students support services; and
- relationships between universities and their agents.

**7.12** The Commonwealth Minister for Education has indicated that the legislative package will be reviewed in 2005 to assess its effectiveness in addressing existing industry problems.



*Important legislative changes have been made to protect the rights of international students.*

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## STATE REGULATION

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**7.13** Universities in Victoria are essentially self-governing institutions, established under State legislation and accountable to the State Government for financial management and governance. State legislation requires universities to prepare annual reports and for the Victorian Auditor-General to audit the financial statements of public universities. The State's responsibilities are set out in the *Tertiary Education Act 1993*, as amended, the main purpose of which is to provide for the better promotion, development and co-ordination of post-secondary education in Victoria.

**7.14** The State Government, through the Victorian Department of Education and Training's Office of Higher Education is responsible for:

- planning, co-ordinating and monitoring the delivery of higher education provision in Victoria, negotiating with the Commonwealth Government for necessary resources, and undertaking strategic policy research associated with these functions;
- managing the authorisation of private providers to conduct accredited courses and the endorsement of specific courses for delivery to international students in Victoria;
- developing and implementing legislation, managing the processes for approvals of statutes and appointments, investigating issues relating to the provision of higher education and monitoring compliance with statutory reporting requirements;
- planning and negotiating implementation of strategic research and development projects in co-operation with universities and industry; and
- ensuring the higher education sector has a constructive influence on other parts of Victoria's education system by encouraging links with industry and the community and across the tertiary education sector.

**7.15** There were a total of 32 private providers of higher education courses operating in Victoria during 2000. Under the *Tertiary Education Act* 1993, Victoria is responsible for the accreditation and review of higher education courses offered by non-university higher education institutions. Under this Act, the State is also responsible for the awarding and protection of the titles of "university" and "degree" in Victoria. University courses must also be endorsed for registration on CRICOS by the Department of Education and Training (DE&T) before they can be delivered to international students.

**7.16** Key activities undertaken by DE&T in fulfilling these responsibilities during 2000 include:

- accrediting 6 new higher education courses offered by private providers;
- authorising 5 new private providers to conduct higher education courses;
- re-accrediting and re-authorising one established private provider to conduct higher education courses;
- endorsing 2 interstate universities to offer higher education courses in Victoria;
- approving 32 private providers to operate in Victoria;
- endorsing 13 new private provider courses and 19 amended private provider courses for delivery to overseas students; and
- endorsing 545 new public university courses and 754 amended public university courses for registration on CRICOS.

## AUSTRALIAN UNIVERSITIES QUALITY AGENCY

**7.17** The introduction of the new national accreditation and quality assurance frameworks in education and training, including the Australian Recognition Framework for registered providers, is an important step in ensuring the quality and integrity of the higher education sector in Australia. The Australian Universities Quality Agency Limited (AUQA), will assess quality assurance practices within universities as well as within State Government agencies responsible for the accreditation of higher education providers. AUQA was established jointly by Commonwealth, State and Territory Ministers of Education.

**7.18** AUQA is an unlisted Australian public company limited by guarantee. The company was registered in May 2000 with the following objectives:

- to arrange and manage a system of periodic audits of quality assurance arrangements relating to the activities of Australian Universities, other self-accrediting institutions, and State and Territory higher education accreditation bodies;
- to monitor, review, analyse and provide public reports on quality assurance arrangements in self-accrediting institutions on processes and procedures of State and Territory accreditation authorities, and on the impact of those processes on quality of programs;
- to report on the criteria for the accreditation of new universities and non-university higher education courses as a result of information obtained during the audit of institutions and State and Territory accreditation processes; and
- to report on the relative standards of the Australian higher education system and its quality assurance processes, including their international standing, as a result of information obtained during the audit process.

**7.19** The membership of the company comprises the Commonwealth Minister responsible for higher education and each of the corresponding State and Territory Ministers. The management of the company is undertaken by 12 directors each of whom is a person with significant experience in the business, government or academic sectors. The chief executive officers of higher education institutions will appoint 5 directors, 3 directors will be appointed by the Commonwealth Minister, 3 by State and Territory Ministers, and one director is to be appointed by the Board and will occupy the position of Executive Director of the company. A Director will be elected as chairman of the company for a term of up to 3 years.

**7.20** At the time of this audit, AUQA was in the process of establishing its corporate structure and defining its own timetable for conducting university audits. An examination of available documentation indicates that AUQA's methodology includes a heavy reliance upon self-assessments by universities of their own quality assurance systems. While this approach is appropriate for basic information gathering and the preparation of audit programs, AUQA will need to gather sufficient independent and objective evidence to supplement the self-evaluations of universities.

**7.21** AUQA's role in ensuring the consistent application of standards by both public and private providers of higher education in all Australian States will be critical to the quality, and market confidence in the sector.

## **REGULATION AND MONITORING BY INDIVIDUAL UNIVERSITIES**

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### **Monash University**

**7.22** Monash University has processes in place to comply with standards for protecting the interests of international students as specified in the Australian Vice-Chancellors' Code of Ethical Practice. The University is currently examining the new National Code of Conduct to identify any additional requirements.

**7.23** Monash University is also taking action to ensure that its staff, students and agents are aware of the new ESOS legislation and to ensure that Monash fulfils these requirements. The main strategy within Monash University for promulgating statutory requirements and monitoring their achievement is through the various committees of the University Council and Academic Board. Monash University's transnational programs were reviewed by the international quality assurance body, *Global Alliance for Transnational Education (GATE)*, in both 1996 and 1999. The motivation for Monash University to seek GATE certification was three fold:

- to complement the University's internal procedures for ensuring the quality of programs;
- to gain an independent external "stamp of approval" that can enhance the University's reputation in the competitive international education market; and
- to help satisfy the quality assurance requirements of host governments.

**7.24** We believe the University's academic quality control processes are satisfactory.



*A quality education also involves extra curricular activities.*

### **The University of Melbourne**

**7.25** The University of Melbourne’s Accountability Structure sets out responsibility for regulatory compliance. The University’s Compliance Program assigns individual responsibilities to senior officers for compliance awareness, action, monitoring and reporting. These processes include international student matters.

**7.26** In examining the University’s handling of various international student compliance requirements, the following processes were noted:

- the ESOS Act and the National Code requirements were translated into plain English and an analysis was undertaken identifying areas for action;

- the regulatory framework, plain English guidelines and action requirements, were promulgated via website, brochures, seminars and co-ordination meetings to students, international student services areas and relevant administrative units within faculties, and to its offshore agents; and
- Academic progress of international students is monitored at the faculty/departmental level and reviewed by “progress committees” who then report “unsatisfactory progress” to Student Records/International Student Services units which, in turn, maintain systematic reporting to the University’s Academic Board.

**7.27** The University of Melbourne has adequate control processes in place to regulate and monitor the international student program. The main vehicle for monitoring and promulgating its statutory requirements is through various committees of the University Council and Academic Board and through regular reporting to the Council by the University’s Compliance Officer. Interviews with faculty and departmental staff confirmed that the various committees were effectively communicating and monitoring the statutory obligations of the University in relation to the regulation of international students.

### **RMIT University**

**7.28** RMIT University has processes in place to comply with the requirements of the Australian Vice Chancellors’ Code of Ethical Practice regarding international students. The University is currently examining the National Code of Conduct to identify any new requirements and any actions needed to achieve compliance.

**7.29** RMIT University has implemented adequate control processes in order to regulate and monitor its international student programs. It is noteworthy that RMIT University was the first in Australia to receive ISO certification for quality assurance programs. Like Monash University, RMIT University’s main vehicle for promulgating and monitoring statutory requirements is through the various committees of the University Council and Academic Board.

**7.30** Significant effort has been expended by the University to ensure that all staff, students and agents are aware of the ESOS legislation and to achieve university compliance.

### **IMPACT OF NEW LEGISLATION (ESOS ACT)**

**7.31** Notwithstanding the effort made by each of the universities to comply with the new ESOS Act, all 3 have expressed reservations about the additional requirements and responsibilities placed upon them. These concerns include:

- The ESOS legislation is written in very general terms and is open to inconsistent interpretation;
- The monitoring and reporting requirements of universities are expected to have a significant impact on administrative resources. In addition, university staff will have to make every effort to ensure that students are adhering to their visa requirements and also be sure to report any student who is in breach;

- Universities will need to review their systems and procedures to ensure that they are ESOS compliant, and any changes to these systems will take time to implement;
- The categorisation of all foreign countries into one of 4 risk levels is causing dissatisfaction in countries placed within the high risk categories. There is also concern about the impact the migration reforms will have on level 3 and 4 markets, as it appears a number of students will find it difficult to meet the financial criteria for these assessment levels. Many students and staff have expressed concern that the financial criterion for these markets is unrealistic. Problems have already been experienced regarding visa delays and allocations;
- The disaggregation of one class of student visas into 7 sub-classes is complex. It has now become very difficult to accurately advise students who need to renew their visa, as the whole process is time consuming and confusing. The new system is creating an additional expense for students;
- The application of the National Code of Ethical Practice to the university's agents and associates will involve significant time and expense; and
- the lack of differentiation in the Act and the National Code relating to the autonomous nature of universities and their complexity compared with small private providers.

## CONCLUSIONS

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**7.32** This audit has occurred at a time of transition for the higher education sector. Victorian universities are currently in the process of adapting to the requirements of the new ESOS Act which came into effect on 4 June 2001, and the Australian Universities Quality Agency is now conducting trial audits at selected universities. It will be some time yet before these various legislative and monitoring arrangements are fully implemented, and the Commonwealth Minister has indicated that the effectiveness of the Government's new legislative package will be reviewed in 2005.

## Part 8

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# Follow-up of the 1993 audit

**8.1** The Auditor-General’s 1993 report titled *International Student Programs in Universities* was confined to those universities which had international student programs at that time: La Trobe University, Monash University, Swinburne University of Technology and RMIT University. The audit examined the practices and procedures in place for international student programs in order to determine whether the programs had been managed in an economic and efficient manner, complied with relevant guidelines and codes in place at that time, and whether strategies devised by the universities were conducive to the safeguarding of academic standards and the enhancement of Australia’s reputation overseas.

**PROGRESS SINCE THE 1993 REPORT**

**8.2** Our follow-up of the findings and recommendations of the 1993 report indicate that a great deal of progress has been made. International student programs were relatively new in 1993, and are now conducted more efficiently and with more rigorous procedures. A summary of the status of the recommendations from our 1993 report is provided in Table 8A.

**TABLE 8A  
STATUS OF THE IMPLEMENTATION OF RECOMMENDATIONS MADE IN 1993 REPORT**

<b>University</b>	<i>La Trobe University</i>	<i>Swinburne University</i>	<i>RMIT University</i>	<i>Monash University</i>
<b>STRATEGIC AND OPERATIONAL PROCESSES</b>				
<ul style="list-style-type: none"> <li>Swinburne and La Trobe Universities needed to develop business plans for their international student programs. Monash and RMIT already had well-developed plans in place.</li> </ul>	Implemented	Implemented	n.a	n.a
<ul style="list-style-type: none"> <li>Swinburne and La Trobe University needed to develop and implement strategic marketing plans for their international student programs. Monash and RMIT had marketing plans in place.</li> </ul>	Implemented	Implemented	n.a	n.a
<ul style="list-style-type: none"> <li>Universities needed to implement procedures for obtaining regular feedback from international students on their satisfaction with the quality of educational courses. RMIT had already implemented such procedures.</li> </ul>	Implemented	Implemented	n.a.	Implemented
<b>SAFEGUARDING ENTRY AND ACADEMIC STANDARDS</b>				
<ul style="list-style-type: none"> <li>Universities needed to periodically monitor and review the academic progress of international students in accordance with the Australian Vice-Chancellors’ Committee Code of Ethical Practice.</li> </ul>	Implemented	Implemented	Implemented	Implemented
<ul style="list-style-type: none"> <li>Swinburne needed to develop performance measures covering its international student program. Monash and La Trobe needed to broaden the scope of performance indicators to include the use of more sophisticated measures such as student retention rates and periodic surveys of levels of student satisfaction with university services. RMIT’s measures were considered adequate (a)</li> </ul>	Implemented	Implemented	n.a	Implemented

**TABLE 8A**  
**STATUS OF THE IMPLEMENTATION OF RECOMMENDATIONS MADE IN 1993 REPORT -**  
*continued*

<b>University</b>	<i>La Trobe University</i>	<i>Swinburne University</i>	<i>RMIT University</i>	<i>Monash University</i>
<b>SAFEGUARDING ENTRY AND ACADEMIC STANDARDS - continued</b>				
<ul style="list-style-type: none"> <li>Selection arrangements for international students needed to meet the same entry requirements as domestic students (b).</li> </ul>	n.a	n.a	n.a	n.a
<ul style="list-style-type: none"> <li>RMIT needed to publish information on overseas Year 12 equivalent qualifications, i.e. the minimum entry standards applied to prospective international students. The other 3 universities had published this information.</li> </ul>	n.a	n.a	Implemented	n.a
<b>FINANCIAL ADMINISTRATION OF PROGRAMS</b>				
<ul style="list-style-type: none"> <li>Universities needed to determine the total costs incurred in the provision of services to international students.</li> </ul>	Implemented	Implemented	Partly implemented (c)	Implemented
<ul style="list-style-type: none"> <li>Universities needed to re-examine the practice of allowing international students to receive education services prior to payment of fees.</li> </ul>	Implemented	Implemented	Implemented	Implemented
<b>ENGAGEMENT AND MONITORING OF OVERSEAS AGENTS</b>				
<ul style="list-style-type: none"> <li>Universities needed to upgrade the quality of their management practices in respect of the engagement of overseas agents. This included investigation of agents prior to engagement, formal assessment processes, formal contractual arrangements, evaluation of performance and investigation of joint agency arrangements.</li> </ul>	Implemented	Implemented	Implemented	Implemented
<b>CAPITALISING ON TOURISM POTENTIAL</b>				
<ul style="list-style-type: none"> <li>The Government needed to capitalise on the tourism potential of the education export industry, through tourism-related promotions and a State-focused marketing approach.</li> </ul>	Not included in scope of current audit.			
<b>EXTERNAL MONITORING</b>				
<ul style="list-style-type: none"> <li>The offshore educational programs of universities needed to be subject to external monitoring to prevent erosion of academic standards affecting Australia's reputation in the education export industry.</li> </ul>	Monitoring has been improved by the introduction of self-regulation through the AVCC Code of Ethical Practice, externally via the Commonwealth ESOS Act and the Australian Universities Quality Agency.			

- (a) Since 2000, measurement of key performance indicators for international student recruitment has been subsumed into annual benchmarking by Victorian Universities International, a committee of the International Directors of Victorian Universities. The benchmarking provides a comprehensive set of indicators, which can be benchmarked against other Victorian universities, and is conducted by an external analyst.
- (b) At the time of the conduct of the audit, universities had underdeveloped administrative and financial procedures, which led to concerns over the potential for international students to crowd-out domestic students. International student programs now more clearly constitute a separate market from the provision of domestic student programs. In these circumstances, equivalence of entry requirements is not relevant, as discussed in Part 4.
- (c) RMIT does not disaggregate the costs associated with the provision of services to domestic and onshore international students. It does, however, use costing tools to evaluate the viability and costs of offshore student programs.

## **AREAS OF SUBSTANTIAL DEVELOPMENT**

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### **Feedback from international students**

**8.3** All 4 universities have implemented procedures for obtaining regular feedback from international students on their satisfaction, or otherwise, with the quality of educational services. Universities obtain feedback from international students through surveys such as the nationwide Course Experience Questionnaire used to gather perceptions about the quality and usefulness of university courses. In addition, student satisfaction surveys are conducted as part of the universities' quality framework.

**8.4** RMIT University also indicated that the Office of the Pro Vice-Chancellor (International) and relevant groups, such as the Centre for International Students and Scholars, undertake research specifically related to onshore international students in the form of program evaluation, formal and informal consultative meetings and focus groups to elicit feedback from international students.

### **Academic progress**

**8.5** All 4 universities progressively monitor the academic progress of international students. However, given the recent changes to the ESOS Act and the reporting requirements for institutions, all 4 universities are developing guidelines for closer monitoring of international students' academic progress.

**8.6** Significant effort has been expended by the 4 universities to ensure a smooth transition to the new legislative requirements and ensure all staff, students and agents are fully aware of the legislation and to make sure they are ESOS compliant. For example, La Trobe University has formed an ESOS Advisory Group, led by the International Programs Office, to ensure the University complies with the legislation. This includes developing policies and procedures to monitor international student progress on a semester basis, rather than the current annual reporting and academic progress system. Swinburne, Monash and RMIT Universities have also formed similar advisory groups.

### **Unpaid international student fees**

**8.7** All 4 universities had established policies on the payment of international student fees. Table 8B shows the policies at each of the 4 universities.

**TABLE 8B  
POLICIES FOR UNPAID INTERNATIONAL STUDENT FEES**

<i>University</i>	<i>Policy</i>
La Trobe	New international students must pay a deposit prior to enrolment at the University. Without the deposit, a Confirmation of Enrolment form will not be issued by the University, thus making it impossible for the student to be granted a student visa.  Re-enrolling international students are invoiced quarterly by the University for tuition fees. Students with outstanding debts at the end of any semester have their results withheld and are unable to re-enrol in the following semester.
Swinburne	Swinburne University does not allow international students to receive educational services prior to payment of fees. Swinburne does offer an instalment payment option. However, students will not be allowed to graduate until all fees have been paid in full.
Monash	Late payment of fees is not allowed and the matter is pursued in every case. All private students are required to pre-pay at least one semester's tuition fees. Certain scholarship students, e.g. AusAid students, are allowed to commence prior to payment being received from their funding supporter.
RMIT	Private international students are required to pay full semester fees before enrolling in their first year. Government-sponsored students sometimes start before the fees have been paid. In later years, particularly towards the end of the degree, special circumstances may mean that students are offered payment plans that may include staggered payments throughout the semester.

**8.8** Following the establishment of policies for collecting unpaid student fees, we found that as at 31 December 2000 there was around \$1.26 million in outstanding fees and over \$730 000 was written-off during 2000 relating to prior years' debts. This result represents an improvement on the position in December 1992, when aggregate unpaid fees at the 4 universities were in excess of \$1.8 million, at a time of significantly fewer numbers of students. Table 8C provides a break down by university of outstanding fees and debts written-off from prior years.

**TABLE 8C  
OUTSTANDING FEES AND DEBTS WRITTEN-OFF FROM PRIOR YEARS**

<i>University</i>	<i>Outstanding fees as at December 2000</i>	<i>Debts from prior years written-off in 2000</i>
La Trobe	\$78 276	\$33 380
Swinburne (a)	\$992 800	nil
Monash	\$112 271	\$701 000
RMIT	\$78 725	RMIT was unable to provide amounts previously written-off

(a) Swinburne University of Technology advises that the figure for 'outstanding fees' largely represents those fees that were being paid under an agreed instalment payment plan and those fees in respect of the Summer School Program which had then commenced.

Source: Victorian Auditor-General's Office 2002.

## **ENGAGEMENT AND MONITORING OF OVERSEAS AGENTS**

**8.9** Since our report in 1993, the 4 universities have upgraded the quality of management practices in respect of the engagement of overseas agents. For example:

- At La Trobe University, all intending agents must submit in writing a request for appointment as a representative of the University. The submission must include a list of institutions either in Australia or around the world with which the agent already works, for the purpose of reference checks. In the absence of any existing relationships, the intending agent must establish their bona fides via submission of a detailed business plan.
- Swinburne University has developed an internal policy and procedure relating to appointment of representative agents, dealing with:
  - investigation and formal assessment of overseas agents prior to engagement;
  - formal contractual arrangements with agents;
  - documented evaluations of agent's performance; and
  - Swinburne University does not have any joint agency arrangements with agents.
- Monash University has developed a number of procedures for appointment, assisting, monitoring and reviewing agents. These include:
  - checking of references;
  - confirming that the agent is registered;
  - signing Monash Agency Agreement;
  - training and briefing of agents' staff and counsellors;
  - provision of regular updated information through newsletter;
  - visits during year by recruiting and faculty staff;
  - support in Australia from Admissions, Student Services, Faculties and Country Managers;
  - annual review of agents' performance and updating of agents' database;
  - provision of weekly status reports of all applications; and
  - immediate investigation of any concerns expressed by students or potential students.
- RMIT University has formal signed agreements with agents that set out the responsibilities of both agent and RMIT International. Regular communication and visits to agents' offices and agents' visits to RMIT University's Melbourne campuses are undertaken to encourage information exchange.

**8.10** All 4 universities have indicated that an annual analysis of agent performance is conducted. Where performance is deemed not to accord with university standards, the contract is terminated.

## ABBREVIATIONS

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ACPET	Australian Commercial Providers of Education and Training
AEC	Australian Education Centre
AUQA	Australian Universities Quality Agency
AVCC	Australian Vice-Chancellors' Committee
AES	Australian Education System
CEQ	Course Experience Questionnaire
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
DE&T	Victorian Department of Education and Training
DEST	Commonwealth Department of Education, Science and Training, formerly DEYTA
DETYA	Commonwealth Department of Education, Training and Youth Affairs
DIMA	Department of Immigration and Multicultural Affairs
EFTSU	Equivalent full-time student unit
ELICOS	English Language Intensive Courses for Overseas Students
ENTER	Equivalent National Tertiary Entrance Rank
ESL	English as a Second Language
ESOS	<i>Education Services for Overseas Students Act 2000</i>
GAT	General Achievement Test
HECS	Higher Education Contribution Scheme
IB	International Baccalaureate
IELTS	International English Language Testing System
LOTE	Language(s) Other than English
MCEETYA	Ministerial Council on Education, Employment, Training and Youth Affairs
NACCIETS	National Advisory Consultative Committee on International Education and Training Services
NESB	Non-English Speaking Background
NOOSR	National Office of Overseas Skills Recognition
RMIT	Royal Melbourne Institute of Technology
TAFE	Technical and Further Education
TER	Tertiary Entrance Rank
TESOL	Teaching English to Speakers of Other Languages
TOEFL	Test of English as a Foreign Language
VCE	Victorian Certificate of Education
VICTER	Victorian Tertiary Entrance Requirements
VTAC	Victorian Tertiary Admissions Centre

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