

The Auditor-General
Audit Report No.48 2004–05
Performance Audit

Internationalisation of Australian Education and Training

Department of Education, Science and Training

Australian National Audit Office

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Canberra ACT
2 June 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Education, Science and Training in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Internationalisation of Australian Education and Training*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely



Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

AusAID	Australian Agency for International Development
AEC	Australian Education Centre
AEI	Australian Education International
Austrade	Australian Trade Commission
ANAO	Australian National Audit Office
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
DEETYA	Department of Employment, Education, Training and Youth Affairs
DEST	Department of Education, Science and Training
DFAT	Department of Foreign Affairs and Trade
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
ESB—NOOSR	Educational Standards Branch—National Office of Overseas Skills Recognition
ESOS Act	<i>Education Services for Overseas Students Act 2000</i>
Finance	Department of Finance and Administration
IDC	Inter Departmental Committee
IDP	International Development Program
IEG	International Education Group
IPB	International Policy Branch
MOU	Memorandum of Understanding
NOOSR	National Office of Overseas Skills Recognition
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PRISMS	Provider Registration and International Students Management System

Glossary

AEI-Online	An internet platform that supports the delivery of all IEG products and services.
Assurance Fund	Established under section 45 of the ESOS Act, to protect the interests of current and intending overseas students of registered providers.
Annual Registration Charge (ARC)	A compulsory charge levied on providers of international education and training services.
Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS)	A register established under the <i>Education Services for Overseas Students (Registration Charges) Act 1997</i> on which providers register to offer courses to people studying in Australia on student visas. CRICOS listed providers pay an ARC to IEG to maintain and publish the registered listing of providers.
Engaging the World through Education	The Australian Government's Ministerial Statement on the internationalisation of Australian education and training.
Inter Departmental Committee (IDC)	A committee established to promote Australian education internationally. The committee comprises the Department of Education, Science and Training, Department of Immigration and Multicultural and Indigenous Affairs, Department of Foreign Affairs and Trade, Australian Trade Commission, Department of Industry, Tourism and Resources, Australian Tourist Commission, and the Australian Agency for International Development.
Provider Registration and International Students Management System (PRISMS)	A secure system that assists providers registered on CRICOS.
2002 AEI Review	Internal review of AEI, undertaken by DEST in 2001–02, to assess AEI's performance.
Tuition Assurance Scheme	The ESOS legislation requires all providers who are not exempt from the requirements to pay annual Assurance Fund contributions to be a member of the Tuition Assurance Scheme.

Summary and Recommendations

Summary

Background

1. The Department of Education, Science and Training's (DEST's) International Education Group (IEG), previously known as Australian Education International Group (AEI), and DEST's International Network, have primary responsibility for administering the Australian Government's international education and training policy framework.¹
2. DEST estimates that the total value to the Australian economy of all international education activity was \$5.7 billion in 2003, making education the third largest service export. The industry mainly provides educational services in Australia to students who are not residents of Australia. Total enrolments for 2004 were 322 776, up six per cent on 2003.
3. IEG has undergone major reform in the past three years, which has considerably increased its role in Australia's international education and training export industry with a concomitant increase in Budget funding for the Group's activities.
4. IEG, together with the DEST International Network, administers five key roles in support of the Australian international education and training export industry. These roles are: facilitating the export of Australian education and training services; industry regulation, compliance, enforcement and the assessment of overseas qualifications; policy development, coordination and advice; stakeholder engagement; and the administration of grant programs. In 2004–05, the Budget funding provided to undertake these roles is in excess of \$60 million.
5. The objective of the audit was to assess the administrative effectiveness of DEST's support for the Australian education and training export industry, including its regulatory and associated roles, and how it monitors and reports on its performance in undertaking these roles.

¹ DEST's Australian Education International Group was restructured, and renamed IEG in late 2004. During the course of the fieldwork for this audit, IEG was known as AEI. Also, IEG together with the DEST International Network, is known outside the Department as AEI.

Key findings

Effectiveness of IEG's activities relating to Australia's education and training export industry (Chapter 2)

6. The ANAO identified a number of weaknesses in IEG's administration of the wide range of activities it undertakes in support of the Australian education and training export industry and relevant international relationships.

Planning

7. While IEG has developed a draft strategic plan, it is yet to finalise this plan. The ANAO considers that IEG, as a priority, needs to finalise its strategic plan to inform business planning in the Group. The IEG Group and Branch business plans need to be supportive of, and consistent with, the Group's strategic plan. To support the successful implementation of these plans, appropriate project plans, including risk management schedules, should routinely be developed. In relation to the export facilitation role undertaken by IEG, it is important that future monitoring and reporting on the implementation of relevant plans include marketing and promotional outcomes.

Overseas skills recognition

8. The National Office of Overseas Skills Recognition (NOOSR) is incorporated within IEG. In 2004, the median turnaround time for completion of assessments by IEG of overseas qualifications was about nine weeks.² This is much longer than performance targets IEG has recently introduced, which require assessments to be completed within 30 days, and advice to individuals and other clients on assessments to be provided within 15 days.

9. IEG's main system for automated processing, and recording of assessment decisions, is the NOOSR Information Intranet System, which was introduced in 2001. IEG advised the ANAO that the NOOSR Information Intranet System could be more effective particularly with respect to speed, storage and retrieval of data. IEG has successfully sought funding through DEST's Business Technology Improvements process to enhance this system, and this work has been underway since 2003.³

² IEG advised of this median assessment time, and noted that the long time frame was partly because many assessments require information from overseas, and that some cases are referred to the Education Standards Branch-NOOSR expert advisory panel, which only meets twice a year.

³ IEG has advised the ANAO that in 2005–06 the Group is hoping to enhance the reporting and tracking features of the NOOSR Information Intranet System.

10. Universities, and post secondary non-university institutions, make assessments of overseas students' qualifications for their own purposes using information from IEG's Country Education Profiles. Many of the Country Education Profiles, covering education systems in some 90 countries, have not been updated for over 10 years, and are not available online through the AEI-Online website.

11. IEG commenced development of a project plan, in July 2004, to have its Country Education Profiles made available through the AEI-Online website. The purpose of this project was to make access easier for institutions and others, and potentially reduce the number of enquiries to the Educational Standards Branch—NOOSR. Although funding for the project commenced in July 2004, IEG advised the ANAO that efforts to date had focussed on modelling IT infrastructure options, analysing client requirements and researching and updating Country Education Profile content. Consequently, only a small number of County Education Profiles will be converted to online format by July 2005.

12. A large proportion of overseas students coming to Australia reside in a relatively small number of countries (such as Korea, Hong Kong, Indonesia, and India). Given this, and the limited progress achieved thus far with this project, the ANAO suggests that that IEG take into account the relative user demand for individual Country Education Profiles in deciding the priority order for making Country Education Profiles available through the AEI-Online website.

Industry regulation

13. IEG undertakes a range of compliance and enforcement activities in relation to international education providers. These include: on-site assessments of providers' compliance with the *Education Services for Overseas Students Act 2000* (ESOS Act); joint compliance reviews with relevant State and Territory government agencies; provision of industry seminars and workshops; and answering hotline and mailbox queries concerning compliance with ESOS legislation.

14. To assist in its compliance and enforcement role, IEG has developed a risk matrix model that assesses the risk of providers committing breaches of ESOS legislation and related policies and practices. The model contains risk weightings relating to: offences; facilities and resourcing; complaints; enforcement activity; financial viability; and overall risk rating.

15. This matrix is useful in directing IEG compliance and enforcement resources towards providers that are relatively likely not to comply with ESOS legislation and related policies and practices. However, the matrix does not contain standard risk management approaches, such as separating likelihood

and consequence, nor does it feed into a clearly defined framework for controlling risks, determining residual risks, and monitoring and evaluating risk treatments. Further, the ANAO found that few risk assessments have been undertaken, and IEG Branch plans contain little reference to compliance and enforcement.

16. IEG advised the ANAO that it is reviewing its compliance activities, and is developing new tools to assist in administering its compliance responsibilities. These include a compliance package and case management system.

Annual Registration Charge

17. IEG recovers some of the costs of administering the ESOS Act, including its compliance activities, through a compulsory Annual Registration Charge (ARC) levied on providers of international education and training services. The charge comprises a base fee plus a charge per student enrolment. In 2003–04, DEST collected some \$6 million from the ARC.

18. ANAO noted that IEG had detected errors in the annual registration charges remitted by providers in 2003–04, resulting in overpayments of \$200 000 and underpayments of \$400 000. Providers calculate the amount of the charge they assess they are liable for and remit this to IEG. However, the ESOS Act does not specify that providers must use the enrolment data contained in IEG's Provider Registration and International Students Management System (PRISMS) computer system. Accordingly, currently providers may use their own enrolment data instead, which may be different from the data in the PRISMS system, affecting the calculation of the charge. Additionally, providers may make an error in calculating the fee payable.

19. To address these issues, the ANAO has recommended that IEG make it clear to providers, that PRISMS data is available to use when calculating the ARC. The ANAO also recommends IEG undertake an annual reconciliation between the payments received from providers and the ARC calculated as payable on the basis of the data in PRISMS, to identify significant variances and, where cost effective, take remedial action (see Recommendation No.1).

Administration of grant programs

20. IEG does not have a centralised grant management system. This makes it difficult for IEG to comprehensively determine what activities have been undertaken, and how such activities contribute to meeting IEG's key deliverables and outputs. The ANAO considers that the implementation of such a grant management system has the capacity to:

- accommodate systems-generated monitoring of key milestones;
- monitor actual grant payments against budgets;

- interface with other organisational systems, for example the Department's Financial Management Information System; and
- facilitate exchange of information and or documentation between, and within, IEG and grant recipients.⁴

21. The ANAO suggests that IEG's administration of grants could be improved, through adopting those better practices outlined in the ANAO's May 2002 Better Practice Guide that are not currently included in its grant management frameworks or practices. In addition to the development of a centralised grants management system, these include:

- an improved reporting framework, setting out the status of each grant program, and the linkage to IEG's outputs and outcome; and
- regular reviews to provide assurance to IEG management that the grant programs are being appropriately administered.

IEG's performance reporting framework (Chapter 3)

22. IEG is responsible for delivering Output Group 3.3 of DEST's current Outcome/Output Framework namely, 'Support for the Australian education and training export industry and international relationships'.⁵ While it is likely that IEG's wide range of activities are beneficial in terms of achieving the aims of Output Group 3.3, and so contributing to DEST's Outcome 3⁶, the ANAO considers that a lack of adequate performance information and indicators is significantly hampering IEG's capacity to both gauge and demonstrate the level of effectiveness of its activities and the extent of its contribution.

23. This has two effects on DEST's performance measurement and reporting structure:

- the achievement of the IEG functions cannot be adequately measured, and, therefore, the performance of IEG cannot be adequately assessed; and
- a flow-on effect, whereby the reliability and quality of the higher-level departmental indicators of performance, which rely on these lower level measurements as their basis, are compromised.

⁴ ANAO Audit Report No. 16 2002–03, *The Administration of Grants (Post-Approval) in Small to Medium Organisations*, p. 42.

⁵ Portfolio Budget Statements 2005–06, *Education, Science and Training Portfolio*, p. 36.

⁶ Portfolio Budget Statements 2005–06, *Education, Science and Training Portfolio*, Outcome 3: 'Australia has a strong science, research and innovation capacity and is engaged internationally on science, education and training to advance our social development and economic growth'.

24. Therefore, in assessing DEST's performance information at an organisational level, the ANAO found it difficult to ascertain how well IEG had achieved its outputs relating to Australia's international education and training industry or the extent of its contribution to the relevant part of DEST's Outcome 3, that is 'Australia is engaged internationally on science, education and training to advance our social development and economic growth.'

25. The fieldwork for this audit was primarily undertaken in IEG's National Office in Canberra between May and September 2004. Accordingly, ANAO's analysis was undertaken against DEST's 2004-05 Portfolio Budget Statements (PBS). However, Outcome 3 and Output Group 3.3 remain the same in the department's 2005-06 PBS.

26. The DEST 2004-05 PBS includes two strategic priorities to explain the Australian Government's medium-term goals relating to IEG's outcome and outputs⁷. However, on the basis of the performance information currently available, it would be difficult for the Department to know when it had achieved its desired performance relating to these priorities.

27. ANAO also noted that IEG's performance measurement framework did not incorporate the expectations of key stakeholders concerning IEG, and their perspectives of IEG's performance in satisfying these expectations. The ANAO considers that there would be benefit in IEG including customer satisfaction surveys and/or other feedback tools as key components of its performance monitoring framework.

Overall audit conclusion

28. As noted in paragraph 22, it is likely that there are benefits to Australia's international education and training industry from IEG's activities. However, the lack of effective performance monitoring and reporting across all of IEG's main functions made it very difficult for the ANAO to identify even the broad magnitude of such benefits.

29. An effective performance reporting and monitoring system is a key aspect of a well-governed agency. Good governance requires that the agency have a structured and regular system of performance monitoring and review. This system should be aligned with the agency's outcomes and outputs framework and generate information that is appropriate for both internal and

⁷ In the DEST 2005-06 PBS these Strategic Priorities are slightly reworded and Strategic Priority 13 is re-numbered to 14.

external performance management needs and external reporting requirements such as the annual report.⁸

30. In this context, it is important that IEG and DEST implement a performance framework that effectively monitors and reports on IEG's performance. This framework needs to provide measurable indicators of effectiveness, from the individual branch level through to DEST's reporting to the Parliament. This will allow DEST to better demonstrate how it is achieving its outcome and outputs relating to Australia's international education and training export industry.

31. The ANAO also identified opportunities for IEG to improve the administration of its various activities, particularly:

- planning, both at the Group level and across all of IEG's branches, with most current IEG plans lacking measurable performance indicators and targets, and some plans being incomplete, or inconsistent in format and content;
- the speed of assessments of overseas qualifications by the National Office of Overseas Skills Recognition within IEG;
- IEG's risk management approach to compliance/enforcement activities undertaken by the Group as part of its regulation of the Australian education and training export industry;
- controls to ensure the correctness of Annual Registration Charges remitted under the ESOS Act by providers of education services to overseas students; and
- scope for improvement to IEG's grants administration systems and processes.

Recommendations

32. The ANAO made four recommendations to improve the administrative effectiveness of DEST's support for the Australian education and training export industry.

DEST response

33. Appendix 2 contains detailed comments provided by DEST on the proposed report. DEST's summary response appears below:

⁸ *Better Practice in Annual Performance Reporting*, Department of Finance and Administration and Australian National Audit Office, April 2004, p. 1.

The Department of Education, Science and Training generally concurs with the findings of the ANAO report, and fully agrees with its recommendations. It is noted that there are several areas identified in the Report where International Education Group (IEG) could improve its administrative processes and performance management framework. These areas became evident in the course of the audit and, in the main, immediate action was taken by the Department to address these aspects of administration, management and reporting. IEG has thus already made significant progress in implementing the Report's recommendations and the various suggestions to identify appropriate performance indicators and targets, and to enhance IEG's performance reporting framework.

Recommendations

**Recommendation
No.1**

Para. 2.63

The ANAO recommends that IEG:

- (a) clearly inform registered providers as to the legislative requirements of the *Education Services for Overseas Students (Registration Charges) Act 1997* for calculating the amount for the Annual Registration Charge payable, so that providers can remit correct payments; and
- (b) undertake an annual reconciliation between the total enrolments reported by providers, as the basis of their calculation of the Annual Registration Charge, with the total enrolments held in IEG's PRISMS computer system, to identify significant variances and, where cost effective, take remedial action to address them.

DEST response: Agreed.

**Recommendation
No.2**

Para. 2.76

The ANAO recommends that, to improve the efficiency and effectiveness of future policy development activities undertaken by the Group, IEG develop risk assessments and operational plans for significant policy projects.

DEST Response: Agreed.

**Recommendation
No.3**

Para. 2.98

The ANAO recommends that, as an important element of measuring IEG's performance in supporting the Australian international education and training industry, IEG commences surveying industry members to determine their satisfaction with the services provided to them by the Group.

DEST response: Agreed.

**Recommendation
No.4
Para. 3.55**

The ANAO recommends that:

- (a) DEST review the structure and content of its Portfolio Budget Statement performance reporting framework for IEG activities, and use intermediate outcomes to complement the existing high-level Outcome 3; and
- (b) IEG revise its internal performance monitoring and reporting framework, to more effectively measure its outputs and their impacts, against meaningful indicators and targets.

DEST Response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter provides background information on the Department of Education, Science and Training's International Education Group, explains the audit objective, scope and methodology, and outlines the structure of the report.

Background

1.1 The Department of Education, Science and Training (DEST) has primary responsibility for administering, through a whole of government approach,⁹ the Australian Government's policy on international education and training. DEST's activities in this area are undertaken under Outcome 3 of the Department's outcomes/outputs framework namely:

Australia has a strong science, research and innovation capacity and is engaged internationally on science, education and training to advance our social development and economic growth.¹⁰

1.2 In 1993, the Australian International Education Foundation was established as a branch of the Department of Employment, Education, Training and Youth Affairs (DEETYA), to sustain and increase Australia's exports of education and training through a partnership with industry. In 1998, the Australian International Education Foundation was renamed Australian Education International (AEI), with its role to undertake generic promotion abroad on behalf of the Australian education and training industry.

1.3 The Australian Government decided at the time of establishing AEI that there would be a formal review, after approximately three years, to assess AEI's performance and the impact of market developments. In April 2002, DEST completed an internal review of AEI's operations (2002 AEI Review).¹¹ The review made 15 recommendations aimed at improving AEI's performance. These are set out in Appendix 1.

1.4 Stemming from the review, DEST's International Policy Branch (IPB) and National Office of Overseas Skills Recognition (NOOSR) Branch, as well as DEST's Counsellors: Education, Science and Training, and the Australian Education Centres, were incorporated into AEI and renamed AEI Group in 2002. AEI Group was further restructured, in mid-2004, and renamed the

⁹ DEST liaises with several Australian Government agencies in administering the Government's policy on international education and training, particularly the Department of Immigration and Multicultural and Indigenous Affairs, and the Australian Trade Commission (see Figure 1.1).

¹⁰ Portfolio Budget Statements 2005-06, *Education, Science and Training Portfolio*, Outcome 3, p. 88.

¹¹ DEST 2002, *Review of Australian Education International*, Research, Analysis and Evaluation Group.

International Education Group (IEG), in late 2004. IEG, together with the DEST International Network, is known outside the Department as AEI.

1.5 In the 2003–04 Federal Budget, the Australian Government committed to provide DEST an additional \$105.3 million over four years, commencing in 2003–04, to further support the internationalisation of Australian education and training. This Budget Package was subsequently supported by the announcement, in October 2003, of the Australian Government's policy agenda, *Engaging the World Through Education*. This document outlined the Government's policy framework for the coming decade and the principles underpinning it.

1.6 DEST estimates that the total value to the Australian economy of all international education activity was \$5.7 billion in 2003, making education the third largest service export.¹² The industry mainly provides educational services in Australia to students who are not residents of Australia. Total enrolments for 2004 were 322 776, up six per cent on 2003.¹³

IEG business focus

1.7 IEG's business operation's focus is defined in its *2004–05 Group Business Plan* as:

advancing the internationalisation of Australian education and training and promoting the export of Australian education services. IEG works with Australia's international education institutions and their peak bodies to promote globally the capability, quality and recognition of Australian education, science and training. IEG impartially represents all education and training sectors and supports Australian institutions in identifying and realising international opportunities.¹⁴

1.8 IEG administers its business operations through its International Cooperation Branch, Educational Standards Branch, Market Development Branch, Business Management Unit, and the DEST International Network. The DEST International Network operates in 14 countries overseas and employs approximately 80 staff.

Stakeholder engagement

1.9 The Australian international education and training industry has a number of government and non-government stakeholders, including:

¹² Advice provided by IEG on 21 September 2004.

¹³ IEG data released on 16 February 2005.

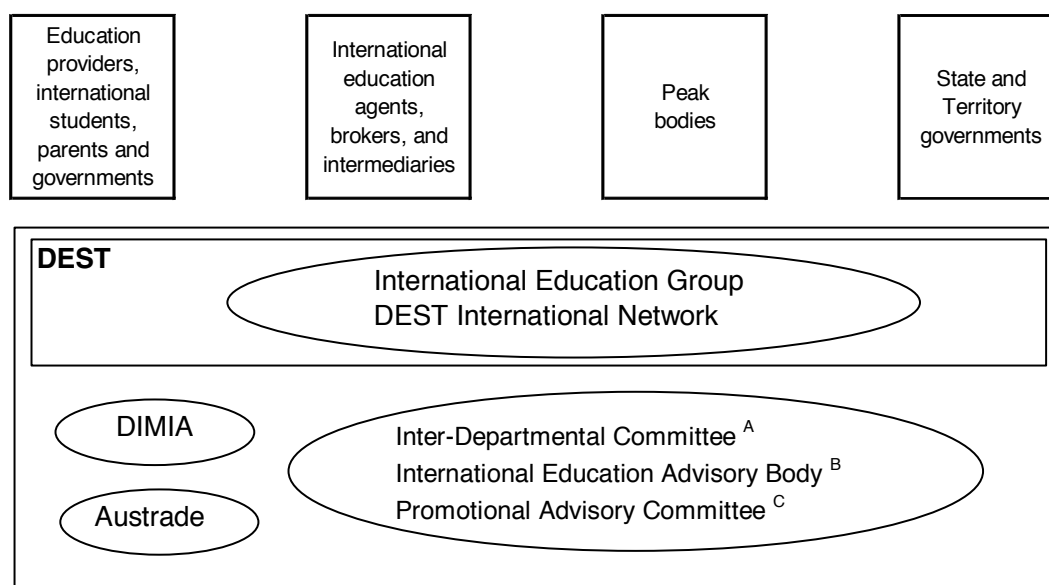
¹⁴ IEG *2004–05 Group Business Plan*, p. 1.

- Australian Government agencies: the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA); the Department of Foreign Affairs and Trade (DFAT); the Australian Trade Commission (Austrade); the Department of Industry, Tourism and Resources; the Australian Tourist Commission; and the Australian Agency for International Development (AusAID);
- State and Territory Government education and training portfolios;
- international education agents, brokers and intermediaries;
- peak bodies, including the Affiliation of International Education Peak Bodies;
- more than 1200 providers of education and training services; and
- international students, parents and governments.

1.10 Figure 1.1 sets out key stakeholders in the Australian international education and training export industry and their relationship with IEG.

Figure 1.1

International education and training stakeholder framework



Notes: (A) A committee established to promote Australian education internationally.
 (B) An expert Ministerial advisory body to advance strategic leadership and direction-setting for Australia's engagement in international education.
 (C) Advises on and assists Australian Government planning of promotion of Australia's education and training capabilities around the world.

Source: Australian National Audit Office (ANAO) analysis.

Audit approach

1.11 In March 1998, the ANAO tabled Audit Report No.35 1997–98, *DEETYA International Services*, and in June 2000 the ANAO tabled Audit Report No.48 1999–2000, *Follow-up audit of Department of Education, Training and Youth Affairs (DETYA) International Services*. Both these audits examined aspects of the international consultancy operations of the then Department. However, these operations were significantly different to those of the current IEG.

1.12 The objective of this audit was to assess the administrative effectiveness of DEST's support for the Australian education and training export industry, including its regulatory and associated roles, and how it monitors and reports on its performance in undertaking these roles.

1.13 The audit examined IEG's:

- planning and administration of its export facilitation, industry regulation, policy development, stakeholder engagement and grants management roles; and
- performance management and monitoring, including measurement and reporting arrangements.

1.14 DEST was the principal agency audited. However, in light of the role that DIMIA plays in administering international student visas, the audit scope included relevant consultation with DIMIA. The ANAO also consulted DFAT and Austrade during the audit.

Audit methodology

1.15 The audit methodology included:

- a review of IEG's files relating to its role in promoting and supporting international education and training;
- interviews with staff involved in international education and training from IEG and other areas of DEST, DIMIA, DFAT and Austrade;
- identifying and assessing IEG's planning framework;
- an assessment of IEG's response to the 2002 AEI Review¹⁵, including implementation of recommendations;
- an assessment of IEG's role in export facilitation; industry regulation, compliance, enforcement, and the assessment of overseas

¹⁵ The recommendations from the 2002 AEI Review are set out in Appendix 1 to this report.

qualifications; policy development, coordination, and advice; stakeholder engagement; and grant administration; and

- an analysis of how IEG measures and reports performance, having regard to the ANAO's *Performance Information in Portfolio Budget Statements* Better Practice Guide, May 2002, and the joint publication by the Department of Finance and Administration and the ANAO, *Better Practice in Annual Performance Reporting*, issued in April 2004.

1.16 The fieldwork was primarily undertaken in IEG's National Office in Canberra between May and September 2004. The audit focussed on the administration and management of international education and training policy and programs by IEG. ANAO did not directly consult with industry and the educational institutions.

1.17 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of some \$390 000.

Structure of the report

1.18 This audit report contains three chapters. Chapter 2 discusses the effectiveness of IEG's activities relating to Australia's Education and Training Export Industry. Chapter 3 discusses IEG's performance reporting framework.

2. Effectiveness of IEG's Activities Relating to Australia's Education and Training Export Industry

This chapter assesses the effectiveness of the key elements of IEG's activities that aim to support Australia's education and training export industry.

Introduction

2.1 To assess the administrative effectiveness of IEG's activities affecting the Australian education and training export industry, the ANAO focused on IEG's main roles and responsibilities, namely:

- facilitating the export of Australian education and training services;
- industry regulation, compliance, enforcement and the assessment of overseas qualifications;
- policy development, coordination and advice;
- stakeholder engagement¹⁶; and
- administration of grant programs.

IEG roles and responsibilities

2.2 In 2004–05, the budget to undertake IEG's roles and responsibilities as outlined in paragraph 2.1 is in excess of \$60 million.

2.3 As noted in paragraph 1.5, IEG's Budget funding was increased significantly in 2003–04. This additional funding was provided for a number of Budget initiatives, which partly stemmed from the results of the 2002 AEI Review.¹⁷ These initiatives included: additional scholarships; establishment of International Centres of Excellence and a National Centre for Language Training; development of an industry based framework for offshore quality assurance; increased promotion and marketing of Australia's international education and training export market; and additional onshore compliance.

2.4 The responsibilities involved in undertaking the roles outlined at paragraph 2.1 are undertaken through the IEG's three Branches and its

¹⁶ In so far as IEG goes about this role and measures its performance of the role.

¹⁷ DEST 2002, op.cit.

Business Management Unit, and the DEST International Network, as outlined in Figure 2.1 below.

Figure 2.1

IEG and DEST International Network responsibilities, December 2004



Note: (A) Includes the National Office of Overseas Skills Recognition

Source: IEG, DEST.

Export facilitation

2.5 IEG has the Australian Government's lead role in promoting Australian international education and training capabilities to educational authorities and institutions, and to potential students overseas.

2.6 IEG's role is to support the export growth of Australia's international education and training export industry, through marketing and promotion. Examples include:

- establishment of the Inter Departmental Committee (IDC) to promote Australian education internationally, and the Promotional Advisory

Committee¹⁸ to advise on and assist in the planning of promotion of Australia's education and training capabilities;

- the provision of student enrolment statistics and research documentation to the market through IEG's web site, AEI-Online, and information on studying in Australia on the Study in Australia web site;
- organising and sponsoring conference events in Australia and offshore, for example, industry forums, seminars, regional workshops and Study in Australia agents workshop; and
- generic promotional activities including: development and provision of Study in Australia brand advice and materials; exhibitions; media profiling; and production of Vocational Education and Training and Higher Education material.

2.7 To assess the effectiveness of IEG's export facilitation function, the ANAO: considered findings from the 2002 AEI Review related to export facilitation; examined progress in implementing relevant recommendations; assessed IEG business plans; and reviewed IEG's performance information (refer Chapter 3).

2002 AEI Review: export facilitation findings and progress of implementation

2.8 DEST's Research, Analysis and Evaluation Group completed a comprehensive review of AEI in April 2002.¹⁹ The review made 15 recommendations designed to improve AEI's: management and corporate governance framework; measurement, monitoring and reporting of AEI performance; and promotion of the internationalisation of Australian education and training (see Appendix 1 for a list of the recommendations).

2.9 The 2002 AEI Review identified problems with AEI's export facilitation activities, noting that:

The university sector, in particular, was generally negative about AEI's effectiveness in developing the education export market and its effectiveness in generic promotion and development of a whole of government approach.²⁰

2.10 Ten of the 15 recommendations in the 2002 AEI Review related to AEI's export facilitation activities — five directly and five indirectly. Figure 2.2

¹⁸ The Promotional Advisory Committee is made up of representatives from the Australian Government, State and Territory Governments, education providers and education agents.

¹⁹ DEST 2002, op.cit.

²⁰ DEST 2002, op. cit., pp. 4-5.

summarises the 2002 AEI Review recommendations directly and indirectly related to export facilitation, as well as relevant implementation progress.

Figure 2.2

2002 AEI Review recommendations directly and indirectly related to export facilitation, and relevant implementation progress, November 2004

Recommendation [*]	ANAO comment
Directly related to export facilitation	
3a-3i. Various promotion recommendations, including to improve research, improve training of relevant agents, increase its role as a facilitator, undertake reviews, and enhance relationships with key stakeholders.	Being implemented within current business operations.
4. Provide more services of commercial value to individual providers.	Being implemented within current business operations.
5. AEI to seek formal responsibility for whole of government aspects of export facilitation.	AEI established the IDC.
8. Modify PRISMS to assist service providers increase business.	Being implemented within current business operations.
10. Consider AEI's promotion role in developing its multi-year strategic plan.	Multi-year strategic plan in draft.
Indirectly related to export facilitation	
1. Improve performance management framework.	New performance framework implemented, and action is underway to develop effective outcome and output performance measures.
2. Develop a multi-year strategic plan.	Multi-year strategic plan in draft.
6. Explore, through the IDC, the feasibility of establishing a round table that would bring together relevant Commonwealth Ministers, with key stakeholders representatives on a regular basis.	The proposed Ministerial round table was considered but overtaken by Cabinet consideration of the 2003–04 Budget package and the Ministerial Statement on the internationalisation of Australian education and training.
7. Improve relationships with industry.	IEG is seeking to address this through improving service to industry, increased participation in industry forums including the IDP annual conference, and regular consultation with industry bodies and the newly established International Education Advisory Body.
9. AEI and International Policy Branch improve their collaboration, and consider the scope for education export promotion.	Implemented with the establishment of International Group in 2002, which combined not only these functions, but also the international functions of NOOSR, which had been located in the Higher Education Group.

^{*}Note: Appendix 1 reports the full text of each recommendation from the 2002 AEI Review.

Source: ANAO analysis of AEI data.

2.11 The 2002 AEI Review indicated that the main problems relating to export facilitation were: strategic planning; performance measurement; making AEI operations and strategic goals more transparent and visible to industry; and the development of more effective coordination between the industry and Government.

IEG planning of export facilitation activities

2.12 IEG planning of export facilitation occurs through its draft *IEG Strategic Plan 2004–2008*, its 2004–05 Group Business Plan and its three annual Branch business plans.²¹

2.13 The draft *IEG Strategic Plan 2004–2008* outlines IEG's mission, main functions, role, strategic priorities, and key initiatives to be undertaken over the four-year period. This plan contains a variety of international education and training export facilitation strategies.

2.14 IEG business plans list group, branch and unit deliverables, and some have performance measures on marketing and promotion. These plans include a number of key export facilitation activities, such as: enhancing and diversifying industry performance, through providing information services to industry and potential students; and development of publications and products for use by offshore Counsellors and institutions.

2.15 The ANAO observed that most mid-year progress sections in IEG's various business plans were incomplete. There was also little mention in the mid-term branch and group reports of marketing and promotional outcomes; and there were few risk or project plans sighted for implementing promotional activities.

2.16 An effective planning framework should link business and corporate plans, to develop a consistent approach towards achievement of the agency's outcomes and outputs.²² The ANAO identified inconsistencies between the draft *IEG Strategic Plan 2004–2008* and IEG's Group and Branch business plans. IEG advised that the draft *IEG Strategic Plan 2004–2008* is a work in progress, requiring substantial further work. IEG further advised:

that this Plan is intended as a document for working with and communicating with IEG's stakeholders, complementary to the other planning frameworks in IEG. The issue of whether the draft 2004 Strategic Plan should contain performance measures or should focus only on high level vision, strategic

²¹ IEG's three Branch business plans are: *International Cooperation Branch Business Plan 2004–05*; *Educational Standards Branch Business Plan 2004–05*; and *Market Development Branch Business Plan 2004–05*.

²² ANAO Audit Report No.18 2001-02, *Performance Information in Portfolio Budget Statements*, p.67.

priorities and long term outcomes will need to be considered in the process of its completion.²³

2.17 The ANAO suggests that, to improve the business planning within IEG, including in relation to export facilitation activities, IEG, as a priority, needs to finalise its strategic plan. The IEG Group and Branch business plans need to be supportive of and consistent with the strategic plan. To support the successful implementation of these plans, appropriate project plans, including risk management schedules, should routinely be developed. Monitoring and reporting on the implementation of these plans should include marketing and promotional outcomes.

Industry regulation, compliance, enforcement and the assessment of overseas qualifications

2.18 IEG supports regulation and compliance of the international education and training industry through administration of the *Education Services for Overseas Students Act 2000* (the ESOS legislation).

Industry regulation

2.19 To assess the effectiveness of IEG's industry regulation, the ANAO:

- assessed the main elements of industry regulation, including tuition and financial assurance, administration of the Provider Registration and International Students Management System (PRISMS)²⁴, and collection of the ARC; and
- examined trends in compliance and enforcement activities, and aspects of their implementation.

2.20 The ESOS legislation²⁵ provides:

...a nationally consistent basis for regulating the quality, and ensuring the integrity of Australia's national education and training export industry. It also

²³ Advice provide by IEG on 17 December 2004.

²⁴ PRISMS is a DEST computer system that stores information reported by education providers on international students, and visa information provided by the DIMIA, and enables IEG to monitor compliance with the ESOS Act.

²⁵ The ESOS Act came into effect on 4 June 2001, and regulates the provision of education and training services to overseas students in Australia. The ESOS Act is administered by DEST through IEG and is supported by: the *National Code of Practice for Registration Authorities and Providers of Education and Training to Overseas Students*, *Education Services for Overseas Students (Registration Charges) Act 1997*; *Education Services for Overseas Student Regulations 2001*; and *Guide for Providers of Education and Training Services to Overseas Students ESOS Act 2000*.

protects the interests of the people coming to Australia on student visas, by providing tuition and financial assurance.²⁶

Tuition and financial assurance

2.21 Consumer protection for overseas students is provided for under section 45 of the ESOS Act, through the Tuition Assurance Scheme and an Assurance Fund. All registered providers of courses for overseas students, unless exempt²⁷, are required to be in a Tuition Assurance Scheme. A Tuition Assurance Scheme must have arrangements in place to ensure the placement of students among member-providers when necessary, that is when the original provider is unable to provide the course the student has paid for. Students need to be provided with suitable alternative courses, and must not be required to pay any additional amount for which course money has been paid to the original provider.²⁸

2.22 The purpose of the Assurance Fund is to ensure that overseas students are provided with suitable alternative courses, or have their course money refunded if:

- the provider cannot provide the course for which the student has paid, or give a refund; and
- if the provider's Tuition Assurance Scheme membership, Indemnity Agreement or Bank Guarantee is unable to cover the student.²⁹

2.23 IEG advised the ANAO that non-exempt providers³⁰ make direct contributions to the Assurance Fund, based on criteria established by the

²⁶ IEG document titled *Regulation of Australia's Providers of Education and Training to Overseas Students*.

²⁷ Section 22 of the ESOS Act requires all providers to be in a Tuition Assurance Scheme unless the provider:

- is exempt from the requirement to pay annual Assurance Fund contributions under subsection 24(2) of the ESOS Act;
- has a bank guarantee approved by the Minister;
- has an indemnity agreement approved by the Minister; or
- has obtained a Ministerially-approved exemption, where the Minister (or Minister's delegate) believes on reasonable grounds that the provider should not be expected to become a member of a Tuition Assurance Scheme (because, for example, the courses are not covered by a Tuition Assurance Scheme).

²⁸ *ESOS Act 2000 Guide – An Online Resource for Providers of Education and Training Services to Overseas Students*, Chapter 4, viewed at http://www.dest.gov.au/esos/ESOSguide/4_TAS.htm, 23 March 2005.

²⁹ *ibid*, Chapter 5, viewed at http://www.dest.gov.au/esos/ESOSguide/5_assurance.htm.

³⁰ Exempt providers include those that have provided an indemnity agreement or bank guarantee, approved by the Minister, which provides alternative assurance to students in respect of their tuition fees.

Contributions Review Panel, which comprises Cabinet-approved appointees who must meet requirements specified in the ESOS legislation.

2.24 DEST is responsible for contracting a fund manager to administer the Assurance Fund, and the cost of this contract is paid by the fund. There is no Australian Government funding on an ongoing basis although the Australian Government did make an initial contribution of \$1 million in seed funding to establish the fund.

2.25 IEG advised the ANAO that, in 2003, there were 69 claims for refunds, of which 44 have been paid to students. IEG data shows that \$393 224 was paid to overseas students from the fund, in the 2003 calendar year. The majority of these claims related to students who were paid refunds following the cancellation³¹/collapse of two providers. Of the remaining 25 claims, the students: were being assessed; had found alternative courses; provided insufficient documentation; withdrew their claim; or had not responded to requests for information from the Assurance Fund.

2.26 IEG does not survey students who have sought assistance from the Tuition Assurance Scheme, or the Assurance Fund, to determine their level of satisfaction with the service provided. The ANAO suggests that IEG consider surveying students who have approached either the Tuition Assurance Scheme or the Assurance Fund, to determine their satisfaction with the services provided. Survey questions could seek information on IEG's performance in meeting the stated objectives of the Tuition Assurance Scheme and the Assurance Fund, and would cover both technical and personal elements of service. Such a survey would provide assurance as to the effectiveness of the operations of these mechanisms and/or identify opportunities for improvement.

Administration of PRISMS

2.27 A key element of administering the ESOS legislation involves the management of IEG's Provider Registration and International Students Management System (PRISMS) computer system. IEG advised the ANAO that, in January 2005, PRISMS contained some 26 956 registered courses, which are publicly listed on the Internet through the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).³²

2.28 Student enrolment information is entered into PRISMS by providers in order to create an enrolment record and thus print out an enrolment letter to give to the student (a Confirmation of Enrolment). The information entered is

³¹ Cancellation of the provider's registration under the ESOS Act.

³² The Commonwealth Register of Institutions and Courses for Overseas Students lists all providers registered to offer courses to people studying in Australia on student visas and the courses offered.

transmitted to the DIMIA. DIMIA forwards this data to its visa processing offices so that when a student applies for a student visa the DIMIA officer is able to authenticate the Confirmation of Enrolment document.³³

2.29 Since the introduction of compulsory Confirmation of Enrolment records in 2001, over 1.1 million Confirmation of Enrolment records have been created by providers. By January 2005, 865 452 students had gone on to complete enrolment in their nominated courses. An 'enrolment' being defined as where a student has actually commenced a period of study.³⁴

2.30 Data entry into PRISMS is the responsibility of individual providers and of the State and Territory governments' CRICOS administrators, who input the information supplied by registered providers. IEG advised the ANAO that around five percent of records in the PRISMS database contain errors. IEG commented that most errors are minor, such as spelling mistakes of customer details, which affect the accuracy of explanatory information, and rarely generate errors in decisions made. IEG seeks to minimise data input errors through standard programming protections on data and course duration fields and automated warnings on data entry. In addition, IEG works closely with DIMIA to continuously review data integrity.

2.31 While IEG advises that the data errors do not detrimentally affect its ability to regulate the industry, the ANAO considers that such errors affect IEG's efficiency in administrating the system due to the time and resources required to rectify these errors.

2.32 Data entry into PRISMS is the responsibility of individual providers and State or Territory government CRICOS administrators, who input the information supplied to them by registered providers. IEG seeks to minimise data input errors through standard programming protections on date and course duration fields, and automatic warnings on data entry. In addition, IEG works closely with DIMIA to continuously review data integrity.

2.33 IEG has recently developed, and signed, a Memorandum of Understanding (MOU) with DIMIA, in response to ANAO Audit Report No. 33 2002–03, *Management of e-Business in the Department of Education, Science and Training*.³⁵ The MOU defines each agency's responsibilities for maintaining the timeliness, accuracy and completeness of data transfers between the

³³ *ESOS Act 2000 Guide – An Online Resource for Providers of Education and Training Services to Overseas Students*, Chapter 9, viewed at http://www.dest.gov.au/esos/ESOSguide/9_PRISMS.htm, 23 March 2005.

³⁴ There were also 196 870 'active' Confirmations of Enrolments as at January 2005. That is providers had issued Confirmation of Enrolment letters to 196 870 students but these students were yet to commence their courses.

³⁵ Recommendation No.3.

agencies, to improve data quality within PRISMS. IEG and DIMIA meet monthly to discuss, and where required, take actions to improve the quality, reliability and integrity of data transferred between the two departments.

Compliance and enforcement

2.34 IEG undertakes compliance and enforcement activities in relation to international education providers.

2.35 Compliance activities include: on-site assessments of providers' compliance with the ESOS legislation; joint compliance reviews with relevant State and Territory government agencies; provision of industry seminars and workshops; and answering hotline and mailbox queries concerning compliance with ESOS legislation.

2.36 Figure 2.3 outlines compliance activities undertaken by IEG in 2002–03 and 2003–04. It shows that IEG's compliance visits to providers, State and Territory government meetings, and industry seminars all increased considerably from 2002–03 to 2003–04. IEG advised the ANAO that the significant increase in Hotline and Mailbox enquiries from 2002–03 to 2003–04 was due to greater promotion of the existence of these services, via IEG industry seminars, workshops and compliance visits undertaken in 2003–04.

Figure 2.3

IEG compliance activities, 2002–03 and 2003–04

Compliance activities	2002–03	2003–04
Compliance visits	24	156
State/Territory government meetings	3	26
Industry seminars	11	65
Hotline enquiries	900	1403
Mailbox queries	300	497

Source: IEG data.

2.37 Figure 2.4 outlines enforcement actions undertaken by IEG in 2002–03 and 2003–04. Enforcement activities undertaken by IEG include suspending, cancelling, placing conditions on international education providers and production notices. Production notices are where IEG formally requests information from a provider relating to a compliance issue.

Figure 2.4

IEG enforcement actions, 2002–03 and 2003–04

Enforcement actions	2002–03	2003–04
Notice of intention to suspend	27	13
Notice of intention to cancel	2	1
Notice of intention to impose conditions	20	0
Notice of intention to impose conditions, suspend or cancel	2	1
Production Notice	12	9
Notice of suspension	0	3
Notice of cancellation	3	3

Source: IEG data.

2.38 IEG advised the ANAO that the difference in enforcement actions undertaken between 2002–03 and 2003–04:

is a direct result of the national rolling programme of targeted compliance reviews and the underpinning education plank in the compliance and enforcement strategy which has resulted in widespread improvements in provider understanding of their obligations to comply with the requirements of the ESOS Act and the National Code.³⁶

2.39 However, the ANAO notes that IEG did not have a cogent explanation for the differences in enforcement actions from 2002–03 to 2003–04.

2.40 To assist in its compliance and enforcement role, IEG has developed a risk matrix model that assesses the risk of providers committing breaches of ESOS legislation and related policies and practices. The model contains risk weightings relating to: offences; facilities and resourcing; complaints; enforcement activity; financial viability; and overall risk rating.

2.41 This matrix is useful in directing IEG compliance and enforcement resources towards providers that are relatively likely not to comply with ESOS legislation and related policies and practices. However, the matrix does not contain standard risk management approaches, such as separating likelihood and consequence, nor does it feed into a clearly defined framework for controlling risks, determining residual risks, and monitoring and evaluating risk treatments. Further, the ANAO found that few risk assessments have been undertaken, and branch plans contain little reference to compliance and enforcement.

³⁶ Answers to questions from ANAO, 17 December 2004.

2.42 The ANAO considers that there is still much work to be undertaken to improve IEG's risk management, evaluation, monitoring and reporting approaches to industry compliance and enforcement.

2.43 IEG advised the ANAO that its compliance activities are currently being reviewed, and new tools are being developed to help improve its business processes. These include a compliance package and case management system. The ANAO emphasises that, to be effective, the case management system needs to feed into a robust reporting framework.

Assessment of overseas qualifications

2.44 IEG, through its Educational Standards Branch—National Office of Overseas Skills Recognition (ESB—NOOSR), undertakes assessments of overseas qualifications, on a fee-for-service basis. Applicants use these assessments for a variety of purposes, such as entry to university and gaining employment.

2.45 ESB—NOOSR is responsible for providing educational assessments of qualifications that compare with the Australian Qualification Framework (AQF) Diploma (or Certificate IV), or higher, level. Lower technical or vocational qualifications (which would be at the AQF III or lower level), are not part of ESB—NOOSR's scope. Figure 2.5 outlines the number of assessments and responses to enquiries provided by IEG in 2002–03 and 2003–04.

Figure 2.5

ESB—NOOSR assessments, hotline and e-mail box enquiries, 2002–03 and 2003–04

ESB—NOOSR assessments, hotline and e-mail enquiries	2002–03	2003–04
Qualification assessments	1260	1307
Teacher assessments	1383	1612
ESB—NOOSR hotline enquiries	11480	12776
ESB—NOOSR e-mail box enquiries	7300	5001

Source: IEG data.

2.46 Figure 2.5 shows that the number of assessments for both categories of assessments³⁷ increased in 2002–03 to 2003–04. This largely reflects a rise in the

³⁷ ESB-NOOSR provides assessments of higher education, post-secondary or technical and vocational qualifications. These assessments are for individuals who need to establish the educational level of an overseas qualification compared with an Australian educational qualification on the Australian Qualifications Framework.

number of people studying and migrating/working in Australia, and the recent decisions by some professional bodies to make ESB—NOOSR assessments compulsory.

2.47 ESB—NOOSR also answers enquiries, mainly from individuals seeking advice about making an application for assessment. The total number of such enquires remained fairly constant between 2002–03 to 2003–04, although there was an increase in hotline enquires and a decline in e-mail box enquires.

2.48 IEG commissioned a Stakeholder Consultation Survey³⁸ on ESB—NOOSR, which was delivered in June 2004. The Summary Report advised that:

- Decision-makers in universities and non-universities post secondary institutions, ..., consider ESB—NOOSR guidelines to be highly relevant to their admission procedures for overseas students; and
- its products and services are increasingly regarded as slow and out of date.³⁹

ESB—NOOSR Country Education Profiles

2.49 Universities, and post secondary non-university institutions, make assessments of overseas students' qualifications using information from IEG's Country Education Profiles. Many of the Country Education Profiles, covering education systems in some 90 countries, have not been updated for over 10 years, and are not available online through the AEI-Online website.

2.50 A large proportion of overseas students coming to Australia reside in a relatively small number of countries (such as Korea, Hong Kong, Indonesia, and India). Accordingly, the Education Profiles of these countries are used much more frequently than others, and are more important to universities and other educational institutions. In this circumstance, the Country Education Profiles for these countries would seem to warrant priority in resourcing by IEG to update.

2.51 However, IEG has not planned a process for updating its Country Education Profiles based on their relative importance and value to universities and other clients. The ANAO suggests that there would be merit in IEG adopting a risk-based approach to updating its Country Education Profiles, based on feedback from key users, and other relevant information.

2.52 IEG commenced development of a project plan, in July 2004, to have the Country Education Profiles made available through the AEI-Online website. The purpose of this project was to make access easier, and potentially

³⁸ Prepared by Colmar Brunton Social Research, June 2004.

³⁹ *ibid*, p. 2.

reduce the number of enquiries to ESB—NOOSR. Although funding for the project commenced in July 2004, IEG advised the ANAO that efforts to date had focussed on modelling IT infrastructure options, analysing client requirements and researching and updating Country Education Profile content. Consequently, only a small number of Country Education Profiles will be converted to online format by July 2005. The ANAO considers that decisions to make available Country Education Profiles through the AEI-Online website should also be guided by the relative importance of each profile, based on information from users, and other sources. IEG should attempt to gauge the relative value to users of this information, consider capturing some of this value, and weigh it against the cost of provision.

ESB—NOOSR processing of overseas qualifications

2.53 The median turnaround time for completion of IEG assessments of overseas qualifications in 2004 was about nine weeks.⁴⁰ This is much longer than performance targets IEG has recently introduced, which require assessments to be completed within 30 days, and advice to individuals and other clients on assessments to be provided within 15 days.

2.54 IEG advised the ANAO that it is currently engaged in an exercise designed to greatly reduce the turnaround time. It has also recently commenced accepting applications for teacher assessments on-line. The ANAO encourages IEG to continue to improve its processes and practices, to reduce the duration of its teacher and qualification assessments, and to cost-effectively meet its timeliness targets on a regular basis.

2.55 IEG's main system for automated processing, and recording of assessment decisions, is the NOOSR Information Intranet System, which was introduced in 2001. IEG advised the ANAO that the NOOSR Information Intranet System could be more effective particularly with respect to speed, storage and retrieval of data. IEG has successfully sought funding through DEST's Business Technology Improvements process to enhance this system, and this work has been underway since 2003.⁴¹

Annual Registration Charge and ESB—NOOSR assessment fees

2.56 The Australian Government recovers some of the costs of administering the ESOS Act through compulsory registration fees charged to

⁴⁰ IEG advised of this median assessment time, and noted that the long time frame was partly because many assessments require information from overseas, and that some cases are referred to the ESB-NOOSR expert advisory panel, which only meets twice a year.

⁴¹ IEG has advised the ANAO that in 2005–06 they are hoping to enhance the reporting and tracking features of the NOOSR Information Intranet System.

all providers registered on PRISMS.⁴² Revenue from the charge is returned to DEST, which administers the ESOS Act. The revenue collected contributes to, but does not fully reimburse DEST for all the costs incurred in administering the ESOS Act.

2.57 In the 2003–04 Federal Budget, the Australian Government announced a new ARC regime. The new charge was changed, from 1 January 2004, to a base fee plus a charge per enrolment. Previously, the charge was a 5-tiered range, with the maximum charge payable by any provider with more than 400 enrolments. In 2003–04 DEST collected \$6 million from the ARC.

2.58 IEG advised the ANAO that it has detected errors, resulting in overpayments of \$200 000 and underpayments of \$400 000 in the ARC in 2003–04. Providers calculate the charge they assess is payable under the ESOS Act and remit this amount to IEG. It is, therefore, possible that a provider may make an error in calculating the charge payable. However, IEG advised the ANAO that the main reason for the overpayments and underpayments was that the *ESOS (Registration Charges) Amendment Act 2003* does not specify what source of data is to be used to evidence enrolment.

2.59 Accordingly, to calculate the ARC, providers use either the relevant enrolment data contained in PRISMS or they may use their own enrolment data. In this circumstance, where there are differences between the two data sets, the providers' calculation of the charge payable may be inaccurate. IEG advised the ANAO that it is considering undertaking an assessment of the accuracy of providers' calculation of their ARC.

2.60 IEG also provides other products and services, not covered by the ESOS legislation, which it charges for on an individual basis. For example, ESB—NOOSR assesses post-secondary overseas educational qualifications, for both residents and non-residents of Australia.⁴³ The current fee for an educational assessment is \$145 for Australian citizens and permanent residents, and \$300 for others. This charge is far below the cost of providing the service.

2.61 IEG has developed a fee for service regime for its products and services, and a *Cost Recovery Impact Statement*⁴⁴ for the ARC paid by ESOS providers. IEG advised that a majority of IEG's products and services are

⁴² The ARC is imposed under the *Education Services for Overseas Students (Registration Charges) Act 1997*.

⁴³ *ibid.*

⁴⁴ DEST, *Cost Recovery Impact Statement on Growing Australia's International Education Export Industry*.

charged on a partial cost recovery basis, as they have a public interest component.

2.62 The ANAO noted that IEG's 2004–05 Market Development Branch business plan advises that IEG is currently reviewing and updating its fee-for-service policy framework for 2004–05.

Recommendation No.1

2.63 The ANAO recommends that IEG:

- (a) clearly inform registered providers as to the legislative requirements of the *Education Services for Overseas Students (Registration Charges) Act 1997* for calculating the amount for the Annual Registration Charge payable, so that providers can remit correct payments; and
- (b) undertake an annual reconciliation between the total enrolments reported by providers, as the basis of their calculation of the Annual Registration Charge, with the total enrolments held in IEG's PRISMS computer system, to identify significant variances and, where cost effective, take remedial action to address them.

DEST response

2.64 Agreed. The Department agrees that the issue of anomalies in the amounts being paid by providers for their Annual Registration Charge needs to be addressed and that any discrepancies between the expected revenue from this Charge and amounts actually paid by providers needs to be reconciled, with a view to ensuring compliance with the Education Services for Overseas Students (Registration Charges) Act 1997 (the Registration Charges Act) as amended in 2003. The Department will convey clearly to providers the legislative requirements of the Registration Charges Act for calculating the amount for the charge payable. The Department will continue to undertake an annual reconciliation between the payments received from providers with the details held on the PRISMS system.

Policy development, coordination and advice

2.65 DEST has the lead role in international education policy development, and undertakes this role via IEG, in consultation with other government agencies⁴⁵, the industry and educational institutions.

2.66 Policy development and implementation within IEG is undertaken across the Group. Recent policy development includes: the Australian

⁴⁵ Including DIMIA, DFAT, Austrade, Department of Industry, Tourism and Resources, Australian Tourist Commission, and AusAID.

Government's new policy framework on international education and training (*Engaging the World through Education*); the 2003–04 Budget measures related to this policy; advice to DFAT on international education and training for the development of the Australia-China Free Trade Agreement; and reviewing the ESOS legislation, in consultation with DIMIA and industry.

2.67 To assess the overall effectiveness of IEG's policy development processes, the ANAO:

- examined a recent internal audit that considered IEG's development of policy advice;
- reviewed IEG's development of the 2003–04 Budget measures related to the Government's new policy framework on internal education and training against ANAO better practice principles on policy advice⁴⁶;
- examined IEG business plans; and
- reviewed relevant performance information.

DEST internal audit on developing policy advice

2.68 DEST's Audit Unit undertook a compliance audit on developing policy advice in DEST in 2002–03 that included IEG.⁴⁷ The report made four key recommendations encompassing the ANAO better practice principles on policy advice, namely that DEST:

- more widely promulgate and adopt the ANAO Better Practice Principles and Check List;
- undertake formal risk assessments when developing major policy proposals;
- include criteria on policy development in staff performance agreements; and
- undertake internal and periodic external reviews at the end of policy projects.

2.69 A key finding of the internal audit was that:

internal reviews at the end of significant policy projects are not institutionalised as normal practice within the AEI Group.⁴⁸

⁴⁶ ANAO Audit Report No. 21 2001–2002, *Developing Policy Advice*, pp. 21–25.

⁴⁷ DEST Audit Unit, 2002–2003 *Compliance Audit, Developing Policy Advice*, Final Report, 27 June 2003.

⁴⁸ *ibid*, p. 20.

2.70 IEG advised the ANAO that subsequent to this internal audit, it has circulated the ANAO *Better Practice Guidelines on Policy Development* across the Group, to improve policy development practices, and also to implement the audit's recommendations.

2.71 To test whether IEG was implementing the ANAO *Better Practice Principles on Policy Development*, and addressing the internal audit's recommendations, the ANAO examined policy development processes for the 2003–04 Federal Budget measures relating to international education and training.

2.72 The ANAO recognises that IEG undertook substantial work to prepare the 2003–04 Budget measures including: stakeholder consultation; cost benefit analysis; research and analysis; examination of alternatives; and provision of supporting information.

2.73 However, the ANAO noted that in planning the 2003–04 Budget measures, IEG did not undertake a risk assessment or prepare resource and timing schedules. Further, the processes to develop the 2003–04 Budget measures have not been reviewed following the completion of their development.

2.74 Thus, IEG has not fully implemented the findings of DEST's internal audit on developing policy, and its policy development practices for the major policy initiative examined by the ANAO in this audit did not meet some key requirements outlined in the ANAO's *Better Practice Guidelines on Policy Development*.

2.75 In this circumstance, the ANAO suggests that it would be appropriate for IEG to look again at how it can usefully implement the findings and recommendations of the internal audit and the ANAO *Better Practice Guidelines on Policy Development*.

Recommendation No.2

2.76 The ANAO recommends that, to improve the efficiency and effectiveness of future policy development activities undertaken by the Group, IEG develop risk assessments and operational plans for significant policy projects.

DEST response

2.77 **Agreed.** Significant policy projects developed by IEG will follow the ANAO *Better Practice Guidelines on Policy Development*, including the development of risk assessments and operational plans as required.

Stakeholder engagement

2.78 To achieve its key role to support international education and training, IEG must effectively engage with other Australian Government agencies, State and Territory governments, international governments and industry. IEG's three branches, and the DEST International Network undertake this function.

2.79 To assess the effectiveness of IEG's stakeholder engagement, in so far as IEG goes about this role and measures its performance of the role, the ANAO examined IEG's relations with other government agencies both in Australia and overseas, and with Australia's international education and training industry.

Cooperation with other government agencies

2.80 IEG is undertaking a variety of activities to strengthen and grow its Australian, and international, government-to-government cooperation on international education and training. It undertakes these activities to improve the delivery of its three main roles relating to Australia's international education and training sectors: export facilitation, industry regulation, and policy development.

2.81 Examples include:

- development of the IDC and Promotional Advisory Committee to advise on policy development and promotion;
- development of a Memorandum of Understanding on International Education and Training between the Commonwealth of Australia and State and Territory Governments;
- provision of technical assistance to DFAT for the development of Free Trade Agreements and removal of trade barriers in education services with other countries; and
- development of bilateral agreements on education and training with other countries, such as: India; Mexico; Turkey; and Vietnam. IEG advised the ANAO that new agreements are also planned for the European Union, Brazil, Qatar and Jordan.

2.82 IEG's 2004–05 Group Business Plan advises that its deliverables on what it terms as government-to-government cooperation are:

- whole of government engagement by IEG with other government stakeholders; and
- enhanced international engagement through bilateral relationships with other governments, and through international forums on education policy reform and collaborative activity to give effect to such reform.

2.83 The ANAO noted that IEG's 2004–05 Group Business Plan includes no indicators to measure the impact of these deliverables.

2.84 Similarly, each IEG 2004–05 branch business plan contained a group key deliverable for whole of government engagement, but lacked relevant indicators to measure the impact of that engagement.

2.85 IEG's 2003–04 mid-year reports to IEG management provided advice on achievements to date in relation to whole of government issues, and additional information and strategies to address these issues. These mid-year reports did not match the structure and contents of the IEG branch business plans. For example, the mid-year reports were set out in a different format, and did not list IEG's progress in achieving deliverables or performance indicators outlined in the branch business plans.

2.86 In this regard, IEG commented that:

These mid-year reports reflected the rapidly changing environment of the Group during 2003–04, with three Group Managers in that period, as well as the Group coming to terms with the implications of the 2003–04 Budget package, high staff turnover at the Branch Head and Director levels, and a change also of the Business Management Unit Director. The reports therefore did not entirely match the structure of the IEG business plans and did not focus reporting on the key performance indicators listed in the original plans.⁴⁹

2.87 This shortcoming in mid-year reporting made it difficult for the ANAO to determine what deliverables had been implemented against the original branch plans. The ANAO also observed that there was limited coordination within IEG of both the whole of government and international cooperation activities undertaken by the various components of the Group.

IEG engagement with industry

2.88 An important part of IEG's business is to make its operations and strategic goals more visible to its stakeholders, as well as developing more effective coordination between the industry and the Australian Government.

2.89 IEG advises that it consults with all sectors of the industry, both private and public, including with their peak bodies and the affiliation of International Education Peak Bodies. IEG's main industry stakeholders are: education and training institutions and authorities including universities; Ministries of education and training in other countries; and a range of international organisations including the Asia-Pacific Economic Cooperation forum, the United Nations Educational, Scientific and Cultural Organisation, and the South East Asian Ministers of Education Organisation.

⁴⁹ Advice provided by IEG on 17 December 2004.

2.90 IEG advised it maintains relationships with these parties through: regular dialogue; industry forums and seminars; regional and offshore workshops; sponsorship; and exhibitions in partnership with the Australian Trade Commission. In Australia, IEG works closely with industry through facilitating industry workshops, conferences and seminars, on compliance and enforcement issues under the ESOS legislation. IEG is currently working with industry in reviewing the ESOS Act.

2.91 In mid 2004, IEG implemented the International Education Advisory Body.⁵⁰ This body is made up of a broad range of prominent education and business leaders. Its role is to advance strategic leadership and direction setting for Australia's engagement in international education.

2.92 IEG advised the ANAO that industry and educational institutions are consulted widely on education and training matters, and that formal and informal meetings, committees and working groups, have been developed and are regularly attended by IEG.

2.93 IEG is undertaking a number of activities to develop and improve partnerships between industry and the Australian Government. For example, IEG has developed an International Group Consultative Mechanism Information Paper, which sets out its strategy for dealing with industry.

2.94 IEG's business plans contain a number of group, branch and unit deliverables that relate to developing improved partnerships with industry, but do not include appropriate, relevant performance measures. This lack of performance information made it difficult for the ANAO to determine the effectiveness of IEG's partnerships with industry.

2.95 Effective and transparent monitoring of IEG's performance in fostering effective links with industry is particularly important given the comments of some institutions, in the course of the 2002 AEI Review, that:

Despite a good relationship with a number of individual providers and initiatives to better consult and inform the sector, it appears that, in general, AEI's relationship with industry is still fragile.⁵¹

2.96 The views of the international education and training industry about the effectiveness of its relationship with IEG, and the value of IEG's support for it, is an important element in determining whether IEG's and its activities represent good value for Australian taxpayers.

⁵⁰ The International Education Advisory Body is an expert Ministerial advisory body to advance strategic leadership and direction-setting for Australia's engagement in international education. The advisory body is made up of representatives from the education and business sectors.

⁵¹ DEST 2002, op.cit., p. 5.

2.97 While it would be necessary to properly interpret the stated views of the international education and training industry⁵², the ANAO considers that an effective performance measurement framework for the Group must incorporate the expectations of industry concerning the IEG, and its perspective of IEG performance in satisfying these expectations.

Recommendation No.3

2.98 The ANAO recommends that, as an important element of measuring IEG's performance in supporting the Australian international education and training industry, IEG commences surveying industry members to determine their satisfaction with the services provided to them by the Group.

DEST response

2.99 **Agreed.** IEG has already taken significant steps to implement the broader intent of this Recommendation and will survey industry members, in a more regular and systematic manner than done previously, to determine their satisfaction with IEG/AEI services.

Administration of grant programs

2.100 IEG manages a variety of international education and training grant programs. The total amount provided in the 2003–04 Budget for these programs was \$15.5 million, and \$24.6 million in the 2004–05 Budget. The grant programs managed by IEG aim to highlight Australia's expertise in education and training, build complementary relationships between Australian and foreign education systems, and support Australia's foreign trade policy.

IEG grant programs

2.101 IEG's International Cooperation Branch has primary responsibility for the administration of its grant programs, with the Education Standards Branch overseeing the management of the Professional Services Development Program and Assessment Subsidy for the Disadvantaged Overseas Trained Program.

2.102 IEG has developed administrative guidelines for each program. These guidelines describe: the grant program; its objectives; IEG's roles and responsibilities; risk; contract and financial management; accountability; and procedures for appeal and complaints.

⁵² The nature of IEG's links with industry must be balanced also by its role as an Australian Government agency serving the national interest, and as having a regulatory function, which may from time to time clash with the vested interests of individual providers.

2.103 The ANAO examined IEG's 2004–05 Group Business Plan, and 2004–05 branch business plans. This examination covered the key deliverables and performance measures on the administration of grant programs. These plans contained very few references to IEG grant programs. Performance measures only related to reviewing specific programs, and the recognition of contracts for the Centres of Excellence and Endeavour program.

2.104 The ANAO suggests that IEG further develop key deliverables and performance indicators for the administration of its grant programs, and include them in its business planning.

2.105 The ANAO Better Practice Guide, *Administration of Grants*, May 2002, provides practical assistance to those involved in the planning, selection, management, and review of grant programs within the Australian Government. Also, the ANAO Audit Report No. 16 2002–03, *Administration of Grants (Post-Approval) in Small to Medium Organisations* provides guidance on sound and better practice observed in the administration of grants. The ANAO reviewed IEG's administration of its grant programs, at a high level, against these two reports (see Figure 2.6).

Figure 2.6

Examination of IEG's management of grants

Better practice administration of grants	ANAO comment
A risk register is developed which summarised risks identified through the risk assessment process, as well as recommended and required action to mitigate individual risks at organisational and process level.	Individual risk assessments were developed by IEG for grant programs. However, IEG does not maintain a comprehensive risk register.
Policies, procedures and templates were distributed to staff via the intranet/network/e-mail, which provided a single reference source so that consistent and up-to-date information could be accessed.	IEG advised that guidelines are systematically prepared for IEG administered programs, as required by DEST.
A 'Master Document Status List' is maintained to record all current documents utilised.	IEG does not have a master document listing all grants or current documents being utilised.
Grant Management Systems are interfaced with the Financial Management Information System.	IEG advised that it does not have a Grant Management System.
Relevant executives are provided with access to real-time financial data.	The IEG Finance Unit prepares and provides monthly reports on grants to the executive.

Better practice administration of grants	ANAO comment
Reviews undertaken, and provide assurance to management about the administration of grants.	Quality assurance reviews have not been undertaken for most IEG grant programs (IEG advised Professional Services Development Program was recently reviewed).

Source: ANAO analysis of IEG's management of grants against the better practices outlined in ANAO Audit Report No. 16 2002–03, *The Administration of Grants (Post Approval) in Small to Medium Organisations*.

2.106 IEG does not have a centralised grant management system. This makes it difficult for IEG to comprehensively determine what activities have been undertaken, and how such activities contribute to meeting IEG's key deliverables and outputs. The ANAO considers that the implementation of such a grant management system has the capacity to:

- accommodate systems-generated monitoring of key milestones;
- monitor actual grant payments against budgets;
- interface with other organisational systems, for example the Department's Financial Management Information System; and
- facilitate exchange of information/documentation between, and within, IEG and grant recipients.⁵³

2.107 In this circumstance, the ANAO suggests that IEG consider developing a grant management system that interfaces with its Financial Management Information System.

2.108 The ANAO suggests that IEG's administration of its grant programs could be more effectively managed, through adopting those better practices outlined in the ANAO's May 2002 Better Practice Guide that are not currently included in its grant management frameworks or practices. In addition to the development of a centralised grants management system, these include:

- an improved reporting framework, setting out the status of each grant program, and the linkage to IEG's outputs and outcome; and
- regular reviews to provide assurance to IEG management that the grant programs are being appropriately administered.

Conclusion

2.109 IEG is undertaking a wide range of activities aimed at providing support for the Australian international education and training export

⁵³ ANAO Audit Report No. 16 2002–03, *The Administration of Grants (Post-Approval) in Small to Medium Organisations*, p. 42.

industry. These activities cover export facilitation, industry regulation, policy development, and stakeholder engagement.

2.110 The ANAO identified a number of opportunities for IEG to improve the administration of its various activities, particularly:

- planning, both at the Group level and across all of IEG's branches, with most current IEG plans lacking measurable performance indicators and targets, and some plans being incomplete, or inconsistent in format and content;
- the speed of assessments of overseas qualifications by NOOSR within IEG;
- IEG's risk management approach to compliance/enforcement activities undertaken by the Group as part of its regulation of the Australian education and training export industry;
- controls to ensure the correctness of Annual Registration Charges remitted under the ESOS Act by providers of education services to overseas students; and
- scope for improvement to IEG's grants administration systems and processes.

3. IEG Performance Reporting Framework

This chapter examines the performance information used by DEST to inform the Parliament on how well IEG has contributed to the achievement of outcomes. It also examines internal performance monitoring undertaken by IEG.

Introduction

3.1 Chapter 2 identified that IEG's business plans lack performance indicators and targets, and that IEG's reporting framework is not consistent with its planning framework and documents. This makes it difficult to establish the impact of IEG's activities. This chapter examines IEG's performance measurement and reporting framework in greater detail.

3.2 DEST is responsible, under the *Financial Management and Accountability Act 1997*, for reporting on the effectiveness and efficiency of the delivery of programs under its control, including the operations of IEG. DEST reports its performance to the Parliament through its annual report, against the plans that are detailed in its Portfolio Budget Statements (PBS) and in its Portfolio Additional Estimates Statements (PAES).

3.3 The ANAO has conducted two previous audits on performance information that included DEST, and its predecessor, the Department of Education, Training and Youth Affairs.⁵⁴ These audits examined the quality of DEST's and the Department of Education, Training and Youth Affairs' performance information for their PBS and the quality of performance reporting in their annual reports. In assessing the relevant DEST performance information for this audit, the ANAO took into account the findings of these previous audits.

3.4 The ANAO examined:

- performance information used to inform the Parliament of how well the IEG has contributed to the achievement of DEST's Outcome 3, and Output Group 3.3 as specified in the DEST 2004–05 PBS;
- performance information used in business and branch plans that allows for internal reporting of IEG's progress, as well as forming the basis of the information DEST reports to the Parliament; and
- other performance information, related to IEG's main roles, particularly export facilitation.

⁵⁴ Audit Report No. 18 2001–02 *Performance Information in Portfolio Budget Statements*, and Audit Report No. 11 2003–04, *Annual Performance Reporting*.

3.5 The ANAO assessed DEST's performance information against criteria developed from the ANAO's 2002 *Better Practice Guide for Performance Information in Portfolio Budget Statements*⁵⁵, as well as, where appropriate, performance information guidelines set down by the Department of Finance and Administration (Finance).⁵⁶

DEST's performance information structure for IEG

3.6 As noted in Chapter 1, the fieldwork for this audit was primarily undertaken in IEG's National Office in Canberra between May and September 2004. Accordingly, ANAO's analysis was undertaken against DEST's 2004–05 Portfolio Budget Statements (PBS). However, Outcome 3 and Output Group 3.3 remain the same in the department's 2005–06 PBS.

3.7 The performance information structure for DEST Outcome 3, which includes IEG, is outlined in Figure 3.1. IEG has responsibility for administering the programs contained in Output Group 3.3. IEG contributes to Strategic Priority 13⁵⁷ and has primary carriage for Strategic Priority 15.⁵⁸

Reporting to the Parliament

3.8 DEST applies the Outcomes/Outputs framework specified in its PBS, when reporting its performance to the Parliament through its annual report.

3.9 As mentioned in paragraph 3.3, the ANAO has conducted two previous audits examining the quality of DEST's performance information and reporting at a parliamentary level.⁵⁹ These audits identified a number of issues relating to the performance information DEST reports to the Parliament. As part of this audit, the ANAO has sought to ascertain DEST's progress in addressing these issues.

Outcomes

3.10 An agency's outcome statement is critical to specifying related outputs and measures of effectiveness. Finance has developed guidelines for defining outcome statements, stating they serve several purposes, including to:

- define the impacts government expects from both the work of the agency (outputs) and the administered items the agency manages;

⁵⁵ ANAO Better Practice Guide, 2002, *Performance Information in Portfolio Budget Statements*.

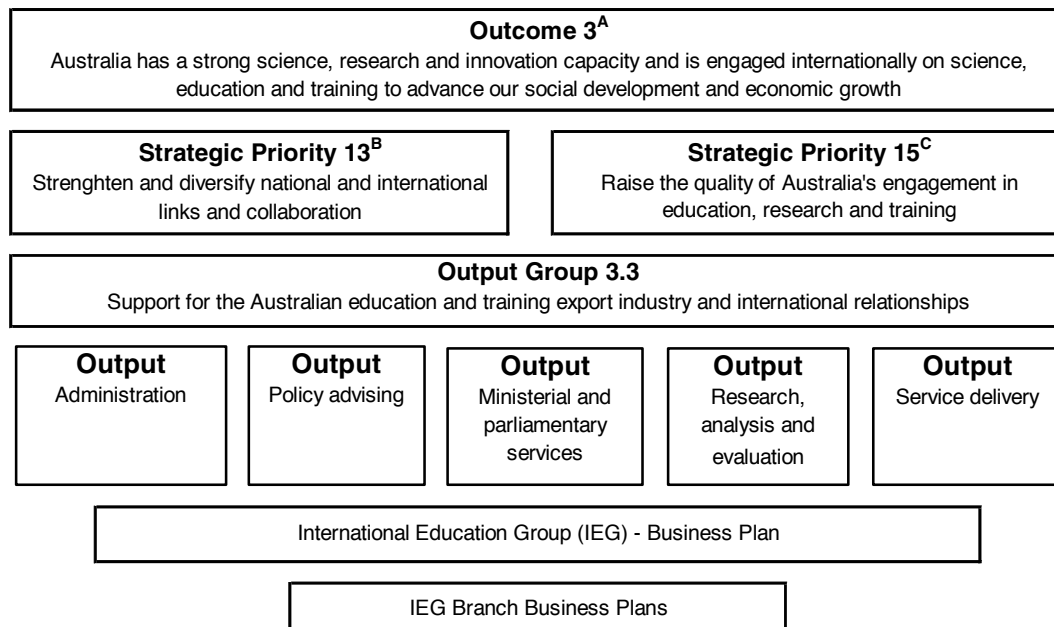
⁵⁶ The Outcomes and Outputs framework guidance document, 18 February 2003, is found on the Finance website <http://www.finance.gov.au/budgetgroup/Commonwealth_Budget_-_Overview/specifying_outcomes.shtml>.

⁵⁷ Strategic Priority 13 has been slightly reworded and renumbered to 14 in the DEST 2005–06 PBS.

⁵⁸ DEST, *Annual Report 2003–04*, p. 100.

⁵⁹ Audit Report No. 18, op.cit.

- articulate the purpose of the relevant appropriation under the Appropriations Acts of the Commonwealth Budgets;
- delineate the parameters for agency outputs:
 - all agency outputs must contribute — directly or indirectly — to the realisation of a specified outcome, including under purchaser/provider arrangements whereby the provider is delivering services to contribute to the purchaser's outcome(s); and
- provide the Parliament, external accountability bodies, agency clients, interest groups and the general public with a clear statement of the broad goals of government and its agencies.

Figure 3.1**DEST's performance information framework for IEG during 2004–05**

- Notes: (A) Outcome 3 remains the same in the DEST 2005–06 PBS.
 (B) Strategic Priority 13 has been slightly reworded and renumbered to 14 in the DEST 2005–06 PBS.
 (C) Strategic Priority 15 has been slightly reworded in the DEST 2005–06 PBS.

Source: ANAO analysis of DEST's performance information framework.⁶⁰

⁶⁰ DEST has 15 Strategic Priorities and four Output Groups. Strategic Priorities 13 and 15 and Output Group 3.3 relate to IEG. IEG has a draft Strategic Plan 2004–2008 that sits outside the formal performance information structure. The draft IEG Strategic Plan 2004–2008 will be used to outline IEG's role and vision to external stakeholders.

3.11 The ANAO examined DEST's Outcome 3 as specified in its 2004–05 PBS, which governs the operations of IEG. The criteria for this examination was based on the better practices for defining outcomes as identified in the ANAO's 2002 *Better Practice Guide for Performance Information in Portfolio Budget Statements*. This examination is detailed in Figure 3.2.

Figure 3.2

Examination of the appropriateness of DEST's Outcome 3

Outcome 3	
Australia has a strong science, research and innovation capacity and is engaged internationally on science, education and training to advance our social development and economic growth.	
Attribute	ANAO comment
Outcomes should:	
Focus on the end result the government is seeking, not the means of achieving it.	The outcome states the result the government is seeking. However, some terms are not clear, such as 'strong ... capacity' and 'engaged internationally'.
Be succinct.	The outcome statement is succinct and not ambiguous.
Be stated in a way that allows the target group(s) to be identified.	The target group is broadly identifiable but not completely clear. For example, what is Australia's science, research and innovation capacity?
Enable the formulation of effectiveness indicators to measure the impact of departmental outputs on the desired outcome.	Effectiveness indicators able to be developed. However, the lack of clarity in the target group and end result compromises the development of these indicators.
Be free of value laden, generalised or aspirational language.	The Outcome contains both generalised and value laden language. For example, the use of 'strong' and 'advance our social development'.
Be amenable to extension across agency and/or portfolio boundaries, where appropriate.	Could be extended to other agencies and portfolios.
Be able to be related to the PBS and PAES.	The Outcome statement can be related to both the PBS and PAES.

Source: ANAO analysis of DEST's Outcome 3 against the Finance Outcomes and Outputs framework guidance document.

3.12 DEST's Outcome 3 satisfies many of the attributes of Outcome Statements required by Finance. However, the target group and the end result that the government is seeking are both not clear. Further, Outcome 3 does contain some generalised language, such as 'strong' and 'advance our social development'. The ANAO recognises that for agencies such as DEST, which deliver high-level outcomes for the Australian Government, in a complex

environment, it is often difficult to avoid the use of generalised or aspirational language.

3.13 In its 2002 *Better Practice Guide for Performance Information in Portfolio Budget Statements*, the ANAO advised that remedies available to agencies with broad policy outcomes, operating in complex environments, are to use intermediate outcomes and/or explanatory text, to complement their existing high-level outcomes.

Strategic priorities

3.14 DEST uses what it calls ‘strategic priorities’ to explain the Australian Government’s medium-term goals towards achieving the outcomes and outputs identified in its PBS. These strategic priorities link DEST’s outcomes to its outputs.

3.15 DEST’s *Annual Report 2003–04* linked IEG’s operations to Strategic Priorities 13 and 15, listed in Figure 3.3. These strategic priorities were developed in consultation with IEG, and approved by the DEST Executive, as part of business planning and development of the PBS.

Figure 3.3

Strategic priorities relating to the operations of IEG during 2004–05^A

- Strategic Priority 13: Strengthen and diversify national and international links and collaboration.
- Strategic Priority 15: Raise the quality of Australia’s engagement in education, research and training.

Notes: (A) Strategic Priorities 13 and 15 have been slightly reworded, and Strategic Priority 13 renumbered to 14 in the DEST 2005–06 PBS.

Source: DEST *Annual Report 2003–04*.

3.16 DEST’s 2004–05 PBS includes additional explanatory text on the IEG linked strategic priorities. For example, Strategic Priority 14⁶¹ aims to:

strengthen linkages and collaboration through a whole of government policy framework and programmes promoting Australia’s education and training services.⁶²

3.17 Strategic Priority 15 has similar explanatory text detailing how the increase in compliance activity, against the ESOS Act, will raise the perception of the quality of Australia’s education sector in overseas market.

⁶¹ DEST’s Strategic Priority 14 in the 2004–05 DEST PBS is Strategic Priority 13 in the DEST *Annual Report 2003–04*.

⁶² Education, Science and Training Portfolio, 2004–05, *Portfolio Budget Statements*, p. 96.

3.18 However, even with this further explanatory text, it is difficult to determine what DEST was specifically planning to do to achieve these priorities, and how the Department would know when it had achieved its desired performance.

Outputs

3.19 The ANAO's 2002 *Better Practice Guide for Performance Information in Portfolio Budget Statements* adopted the Finance Outcome/Outputs guidelines. These guidelines indicate that it should be possible to: define outputs in terms of what is produced; measure outputs in terms of price, quality and quantity; link outputs to the agency's organisational structure and activities; and relate outputs to an outcome.

3.20 DEST has developed three administered performance measures, and five departmental output measures, which define the goods/services to be produced in a broad sense, for Output 3.3.

3.21 ANAO assessed one quantity indicator and two quality indicators identified against administered items, and for departmental outputs, the five specific indicators listed that directly relate to IEG. DEST did not specify, in its 2004–05 Portfolio Budget Statements, whether these departmental indicators were quality, quantity or price. This examination is detailed in Figure 3.4.

3.22 The ANAO, in its 2002 *Better Practice Guide on Performance Information in Portfolio Budget Statements*, explains that quality indicators relate to tangible objective criteria, and where less tangible criteria are used, a sound methodology for collecting performance information should be employed. In the case of DEST's quality indicators for IEG, it is difficult to identify the tangible impact of what is being measured, and the justification for the measurement methodology employed.

3.23 Previous analysis, which underpinned the 2003 ANAO audit of selected agencies' annual reports⁶³, identified that DEST could improve its performance reporting framework. Although the ANAO recognised that departments should develop performance reporting structures that suit their particular circumstances, the ANAO considered that DEST should:

...review the logic of the structure of the [annual] report and the outcomes/outputs framework so that the links between the elements of the performance framework and, consequently, assessment of performance, is clearer.⁶⁴

⁶³ ANAO Audit Report No. 11 2003–04, *Annual Performance Reporting*.

⁶⁴ ANAO Issues Paper, DEST, provided to the Department during the development of Audit Report No. 11 2003–04, *Annual Performance Reporting*, p.15.

3.24 The ANAO 2003–04 audit of annual reports was a relatively high level audit, which examined a broad view of DEST's performance reporting structure. It recommended that DEST take steps to improve the clarity of its performance reporting framework. In this audit of IEG, the ANAO attempted to ascertain the performance measurement of Output 3.3 through DEST's PBS, and encountered, specifically, the difficulty of ascertaining the performance of DEST's programs under its existing performance reporting structure. More importantly, the ANAO has identified that DEST has made little progress towards improving its performance reporting structure in reference to Outcome 3 and Output Group 3.3.

Figure 3.4

Performance indicators for Administered Items and Departmental Outputs relevant to IEG

Administered item performance indicators	Estimate	ANAO comment
Quantity: Number of international scholarships, fellowships and exchange opportunities.	470	The indicator links to Strategic Priority 14 and Outcome 3.
Quality: Impact of portfolio's involvement in building international recognition of Australian professional qualifications.	Seven key stakeholders engaged in recognition activities overseas	The indicator links to Strategic Priority 15 and Outcome 3. However, it is difficult to ascertain how the involvement of these seven key stakeholders will measure the impact of the portfolio.
Quality: Funded projects successfully contribute to furthering Australia's bilateral and multilateral relationships.	Projects delivered to satisfactory standard in accordance with the terms and conditions of the project.	The indicator links to Strategic Priorities 13 and 15. The delivery of funded projects to a satisfactory standard may not necessarily successfully contribute to furthering Australia's bilateral and multilateral relationships. In this case it is difficult to link the estimate to the achievement of the indicator.
Departmental performance indicators	Estimate	ANAO comment
Positive impact on industry compliance with ESOS Act through IEG enforcement actions and stakeholder liaison meetings.	145 Compliance actions resulting in increased overall compliance	Indicator links to Strategic Priority 15 in terms of improving the quality of international education.

Departmental performance indicators	Estimate	ANAO comment
Number of clients contracting IEG services and the revenue raised from those services.	Clients > 700 Revenue > \$700 000	DEST needs to explain any fluctuations downwards from this estimate.
Number of participants in IEG seminars and conferences conducted in Australia.	850	This is not a reflection of IEG's seminar performance. There is no measurement of the outcome of these seminars.
Number of visits to IEG website.	298 600	This is not a reflection of IEG's website overall performance. There is no measurement of the outcome of these visits.
Number of visits to the Study in Australia Website.	1 127 400	Indicator links to Strategic Priority 15 in terms of improving the quality of international education. However it does not measure the outcomes of these website visits.

Source: ANAO analysis and Education Science and Training Portfolio, 2004–05, *Portfolio Budget Statements*, p.109 and p. 111.

Reporting within the agency

3.25 Underpinning the integrity of performance information reported to the Parliament, is the quality of performance measurement, monitoring and reporting within the agency. Performance information within the agency also drives the direction, and subsequent performance, of programs through setting targets and benchmarks, which the program should aim to achieve.

3.26 The ANAO recognises, that such measurable targets and benchmarks are not so readily identified when playing a facilitative or influencing role on a global scale, where the major determinants are exogenous factors impinging on international markets.

3.27 The ANAO assessed DEST's performance information used within the agency to measure the achievements of IEG. Specifically, the ANAO examined the effectiveness of performance information contained in IEG's 2004–05 Group Business Plan, and 2004–05 branch business plans.

IEG's 2004–05 Group Business Plan

3.28 IEG's 2004–05 Group Business Plan aims to link the Group's functions directly to DEST's higher-level performance information structure, contained in its PBS. This plan lists Outcome 3, as well as Strategic Priorities 14 and 15

that aim to link the IEG's operations to the achievement of the outcome. The plan then lists IEG's key deliverables for the year.

3.29 IEG's 2004–05 Group Business Plan only lists key strategic deliverables, which are addressed in more specific output terms in the business plans of IEG's branches. In this context, IEG's Group Business Plan does not identify specific benchmarks or targets.

3.30 The lack of adequate performance information in the key IEG operational planning document makes it difficult for IEG, and others, to effectively monitor and assess the performance of IEG.

IEG's branch business plans

3.31 IEG's branches are responsible for developing their own branch plans. The ANAO assessed the quality of the performance information contained in IEG's 2004–05 branch business plans. This assessment included how these plans linked into the overall performance information structure.

3.32 Each branch business plan analysed by the ANAO linked into DEST's overall performance structure by identifying Strategic Priorities 14 and 15 from the PBS document. Against these strategic priorities, the branch business plans identified related group deliverables, and subsequently, individual branch deliverables. However, it was difficult from the plans to ascertain which branch deliverables related to which group deliverable.

3.33 Unlike the IEG 2004–05 Group Business Plan, the individual branch plans within the Group contained sections labelled as key performance measures. The ANAO drew a sample of these measures from the two branch plans provided. In assessing the quality of these measures, the ANAO looked to see whether these measures were actually measurable, contained appropriate targets or benchmarks, and could be used to compile meaningful performance updates for performance monitoring purposes (see Figure 3.5).

Figure 3.5

Analysis of a sample of performance indicators from IEG's International Cooperation Branch and Market Development Branch business plans

Indicator	ANAO comment
International Cooperation Branch	
Education and training issues appropriately covered in the China Free Trade Agreement feasibility study.	This is a very general indicator lacking any target or benchmark.
Forums occur and stakeholders satisfied.	'Forums occur', is an activity. There is no target, or measurement device identified for measuring the satisfaction of stakeholders.

Indicator	ANAO comment
Country strategies reviewed and revised where relevant (June 05).	This is an operational task.
Regular meetings held with relevant desk personnel in AusAID and Austrade.	This is an operational task.
Branch staff have regular contact with other stakeholders such as educational institutions.	Regular contact with other stakeholders is an operational activity.
Market Development Branch	
Satisfaction and uptake by industry of AEI-Online and further enhancements.	There is no target or benchmark associated with this measure. DEST has not outlined how 'satisfaction' will be measured.
Further development of a whole of government approach to support the international education sector.	This is not a performance measure, rather, it is a task.
Increased recognition of IEG enrolment data across the industry.	There is no target or benchmark associated with this measure. DEST has not outlined how 'recognition' will be measured.

Source: ANAO analysis of the 2004–05 business plans of the International Cooperation Branch and Market Development Branch.

3.34 This analysis shows that performance information could be significantly improved. In most instances the performance indicators were not actually indicators, rather, they were operational activities that needed to be completed.

3.35 This lack of effective performance measurement, at the branch level in IEG, has two effects on DEST's performance measurement and reporting structure. First, the achievement of the IEG functions cannot be adequately measured, and, therefore, the performance of IEG cannot be adequately assessed. Second, as discussed in Figure 3.5, the low quality performance information has a flow-on effect as the information moves upward through the performance information framework. As a result, the reliability and quality of the higher-level indicators of performance, which rely on these lower level measurements as their basis, are compromised.

Other performance information

3.36 DEST also collects a range of additional performance information, related to specific IEG roles. This section provides an analysis of such information for IEG's export facilitation activities, which represents a relatively large portion of IEG's additional performance information.

IEG monitoring of export facilitation performance

3.37 IEG collects performance information on its promotional activities through:

- statistical information obtained from its websites;
- feedback from participants of industry forums, seminars and workshops (collected via evaluation forms); and
- market surveys of its promotional activities.

3.38 The ANAO examined this performance information, to gauge its usefulness in measuring performance, and, if possible, to report on current performance levels.

Satisfaction of participants in industry forums, seminars and workshops

3.39 IEG asks attendees at its industry forums, seminars and workshops to rate their satisfaction with them. Such measures of customers' satisfaction can be a useful indicator of the effectiveness of an agency's service delivery activities.

3.40 In 2003, the average satisfaction rating of registrants who attended IEG industry seminars was 4.3 (when using a five-point rating scale, with 5 being the highest satisfaction level).⁶⁵ This was above the average target rate of 4.2, set by IEG. It was also above the actual 2002 average rating of 3.7. IEG advised the ANAO that the improvement in 2003 stemmed from greater satisfaction of seminar participants with the sessions delivered through the seminars.

3.41 IEG also advised that it uses registrants' satisfaction levels to identify unsatisfactory speakers and areas for improvement.

Information obtained by IEG from its AEI-Online website

3.42 IEG advised the ANAO that:

AEI-Online helps to streamline currently inefficient manual processes, support the expansion of the business, provide a more professional look and feel for clients, as well as build and sustain strong working relationships with the industry.⁶⁶

3.43 IEG collects a variety of performance statistics on its AEI-Online website, including: increase in products registered for sale; new client

⁶⁵ Reported in DEST *Annual Report 2003–04*, p. 129.

⁶⁶ IEG e-mail dated 23 August 2004.

registrations; new orders; payment details; and number of website visits. These indicators, particularly the indicators on new client registrations and website visits statistics, provide some useful trend information on the uptake of AEI-Online. Increases in these indicators over time suggest some improvement in the effectiveness of AEI-Online. However, it would be useful to have supporting performance measures to confirm the impact of AEI-Online on export facilitation, and on meeting the Australian international education and training industry's broader information needs.

3.44 IEG advised it uses the data collected on AEI-Online's new product range, new client registrations, orders and payment details and website visit statistics as:

informal indicators only of client responses to the delivery of services through AEI-Online since it became operational in June 2004. Examples of these are the tripling of subscribers to AEI's eNewsletter from 1,100 in June 2004 to 3,261 recipients in February 2005. AEI client registrations have more than doubled during the same period, with 2,389 new clients self-registering through AEI Online.

3.45 The ANAO suggest that IEG: review its performance measures for AEI-Online; undertake further analysis of existing performance information collected; and develop new indicators to measure the performance of the website in promoting international education and training, and building stronger relationships with industry.

Adequacy of IEG monitoring of export facilitation performance

3.46 DEST's 2004–05 PBS reports on trends in the number and value of international students. However, it is difficult to establish causation between IEG export facilitation effort, and growth in the Australian education and training export industry.

3.47 The ANAO understands this difficulty, and recognises that IEG measures what it more closely influences. This leads to the development of indicators such as those collected by IEG, based on client satisfaction with promotional activities, and growth in numbers of clients or services provided by the IEG.

3.48 However, the current information collected on IEG's export facilitation efforts does not effectively monitor performance. The ANAO suggests that IEG review these performance indicators, particularly with a view to developing a small number of key indicators that capture the vital aspects of IEG's export facilitation efforts, rather than the current disparate set of indicators that often measure less important elements. In particular, these indicators should effectively measure stakeholder satisfaction, as discussed in paragraph 2.101.

Conclusion

3.49 While it is likely that the IEG's wide range of activities are beneficial in achieving the aims of Output Group 3.3, and so contributing to DEST's Outcome 3, the ANAO considers that a lack of adequate performance information and indicators is significantly hampering IEG's capacity to both gauge and demonstrate the level of effectiveness of its activities and the extent of its contribution. The lack of effective performance monitoring and reporting across all of IEG's main functions also made it very difficult for the ANAO to identify even the broad magnitude of such benefits.

3.50 An effective performance reporting and monitoring system is a key aspect of a well-governed agency. Good governance requires that the agency have a structured and regular system of performance monitoring and review. This system should be aligned with the agency's outcomes and outputs framework and generate information that is appropriate for both internal and external performance management needs and external reporting requirements such as the annual report.⁶⁷

3.51 IEG lacks effective performance measurement at the Branch and Group level. This has two effects on DEST's performance measurement and reporting structure:

- the achievement of the IEG functions cannot be adequately measured, and, therefore, the performance of IEG cannot be adequately assessed; and
- a flow-on effect, whereby the reliability and quality of the higher-level departmental indicators of performance, which rely on these lower level measurements as their basis, are compromised.

3.52 Therefore, in assessing DEST's performance information at an organisational level, the ANAO found it difficult to ascertain how well IEG had achieved its outputs relating to Australia's international education and training industry or the extent of its contribution to the relevant part of DEST's Outcome 3, that is 'Australia is engaged internationally on science, education and training to advance our social development and economic growth.'

3.53 DEST's PBS includes two strategic priorities to explain the Australian Government's medium-term goals relating to IEG's outcome and outputs. However, on the basis of the performance information currently available, it would be difficult for the Department to know when it had achieved its desired performance relating to these priorities.

⁶⁷ *Better Practice in Annual Performance Reporting*, Department of Finance and Administration and Australian National Audit Office, April 2004, p. 1.

3.54 ANAO also noted that IEG's performance measurement framework did not incorporate the expectations of key stakeholders concerning IEG, and their perspectives of IEG's performance in satisfying these expectations. The ANAO considers that there would be benefit in IEG including customer satisfaction surveys and/or other feedback tools as key components of its performance monitoring framework.

Recommendation No.4

3.55 The ANAO recommends that:

- (a) DEST review the structure and content of its Portfolio Budget Statements performance reporting framework for IEG activities, and use intermediate outcomes to complement the existing high-level Outcome 3; and
- (b) IEG revise its internal performance monitoring and reporting framework, to more effectively measure its outputs and their impacts, against meaningful indicators and targets.


DEST response

3.56 **Agreed.** The Department has revised IEG's key performance indicators for reporting to Parliament in the Portfolio Budget Statements. These are now included in the 2005–06 Portfolio Budget Statement.

3.57 IEG has developed a revised internal performance monitoring and reporting framework for 2005–06. The framework includes medium term key deliverables and key performance indicators to inform IEG's business planning.

3.58 More generally, the Department will review the key deliverables and key performance indicators of all business areas to ensure that targets and indicators are meaningful and outputs can be adequately measured and reported. These include external indicators (reported in the Portfolio Budget Statements and Annual Report) and internal indicators included in business plans and reported to management.

Canberra ACT
2 June 2005



Ian McPhee
Auditor-General

Appendices

Appendix 1: 2002 AEI Review Recommendations

Recommendation 1

AEI should develop a formal performance management framework which can be endorsed by Government and provide a basis for a stronger partnership with industry. This framework should involve developing suitable high level stretching outcomes as well as intermediate objectives and strategies. These should be a realistic reflection of both available inputs and achievable outputs for the agency.

Recommendation 2

AEI should develop a multi-year strategic plan for its activities to underpin the review of objectives suggested in Recommendation 1 and to provide a context for shorter-term business planning. This should include consideration of the various aspects of Australia's comparative advantage in international education services, the strategies by which Australia should position itself in the medium term, the appropriate types of assistance for providers and sectors and reflect available resources.

Recommendation 3a

AEI should continue to undertake a research program focused on understanding the changing international and domestic environment in which it works, concentrating on projects most closely related to its primary role of generic promotion of Australia as a country choice for study. To the extent possible, this research program should also reflect issues of concern to the broader industry and community.

Recommendation 3b

AEI should endeavour to publish overseas student statistics as soon as possible after the end of the reference period to which they relate.

Recommendation 3c

AECs should continue to provide a physical platform for the promotion of Australian education and training overseas but with less emphasis on one to one counselling of potential students and more emphasis on generic promotion and outreach. AEI should regularly review the deployment of its onshore and offshore resources with a view to ensuring that they are allocated in the most effective way. This review should occur at least every three to five years.

Recommendation 3d

AEI should continue its program of training and development for agents and, where possible and appropriate, extend training opportunities to other countries in which it operates.

Recommendation 3e

AEI should continue its role as a facilitator rather than an organiser of exhibitions, and seek to develop a cooperative approach with Austrade and IDP in the planning and early notification of events.

Recommendation 3f

AEI should continue to sponsor and coordinate visits to Australia by key opinion formers in the context of the multi-year strategic plan proposed in Recommendation 2.

Recommendation 3g

AEI should examine how it can gain most value from further fostering alumni relations in the context of the multi-year strategic plan proposed in Recommendation 2.

Recommendation 3h

AEI should continue in its role as an information provider on scholarships, but should work to explain its role in this area to stakeholders.

Recommendation 3i

In developing its long term strategic plan, AEI should consider the scope for and potential effectiveness of playing a greater role in assisting Australian educational organisations seeking to obtain project work overseas. This consideration should take into account the need to avoid duplication with other organisations able to provide this assistance and opportunity costs of a greater AEI involvement given available resources.

Recommendation 4

AEI should continue to provide more commercial services of direct benefit to individual providers where these service types are consistent with its objectives and mission, subject to the resolution of funding issues.

Recommendation 5

AEI should seek formal responsibility for whole of government coordination of the export promotion aspects of international education and training to be reflected in a mandate from the Government.

Recommendation 6

AEI should explore through the IDC on International Education the feasibility of establishing a roundtable that would bring together relevant Commonwealth Ministers with key stakeholder representatives on a regular basis. AEI should also explore through the IDC the scope for a high level Government statement on Australia's approach to international education that

would reaffirm our interest in all aspects of the field and raise Australia's profile internationally.

Recommendation 7

AEI should actively identify opportunities to improve its level of consultation and engagement with industry on strategic and operational issues and to strengthen consultation through, for example, establishing a cross-sectoral industry advisory body.

Recommendation 8

As part of a greater focus on assisting small and new providers, Provider Registration and International Students Management System should be modified to identify new CRICOS registrants so that contact can be initiated to establish their interest in and need for assistance in further expanding their intake of overseas students. Sector liaison officers (SLOs) should be used to establish a more person-to-person level to AEI's communications with industry that supplements existing written communications. SLOs should be in regular contact in phone and in person with as many providers and staff at different levels as possible.

Recommendation 9

AEI and IPB should strengthen their collaboration on issues of mutual interest through developing a better understanding of each other's strategic priorities and the appropriate balance between education export promotion and the place of education in achieving the Government's broader foreign policy goals. This needs to be complemented through better communication across all levels on issues of day to day concern.

Recommendation 10

In developing its multi-year strategic plan, AEI should explore the scope for it to play a more active role in the promotion of offshore and online education and training. This role should include developing a better understanding of contemporary developments and their implications for the industry as well as their value in establishing the generic capability of the Australian industry to meet diverse needs.

Recommendation 11

AEI should remain within DEST co-located with IPB with an emphasis on strengthening the collaboration between the two rather than a formal merger and ensuring more senior management attention to international issues.

Recommendation 12

AEI should ensure that, whatever model of user charging it applies to the commercial side of its work, there is at least a summary annual report to industry on the application of funds from the trust fund as a way of improving industry's understanding of AEI's roles and funding and the perceptions of the value of its activities.

Recommendation 13

AEI should move away from the current subscription model for its commercial non-core services to one where:

- AECs make available to potential students information about all CRICOS registered providers to the extent possible within resources of staffing and office space;
- market intelligence and analysis services delivered through the industry website are packaged and charged for separately from other non-core services; and
- all remaining non-core services, including product or market specific intelligence beyond that delivered through the website, are charged on a fee for service basis with such fees to be as simple as possible and applied consistently.

Recommendation 14

If AEI decides to retain subscriptions, it should review the principles on which the current arrangements are designed to increase their equity and transparency.

Recommendation 15

AEI should explore the feasibility of a school sector contribution towards its funding.

Appendix 2: DEST's response to the audit



Australian Government
Department of Education, Science and Training

SECRETARY

Mr John Meert
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601



Dear Mr Meert

Thank you for your memorandum of 15 April providing this Department with ANAO's draft audit report on DEST's responsibilities in regard to the internationalisation of Australian education and training. You sought our comment pursuant to Section 19 of the *Auditor-General Act 1997*.

The Department generally concurs with the findings of the ANAO report, and fully agrees with all the recommendations.

Comment on Recommendations

Recommendation No. 1

Agreed.

The Department agrees that the issue of anomalies in the amounts being paid by providers for their Annual Registration Charge needs to be addressed and that any discrepancies between the expected revenue from this Charge and amounts actually paid by providers needs to be reconciled, with a view to ensuring compliance with the *Education Services for Overseas Students (Registration Charges) Act 1997* (the Registration Charges Act) as amended in 2003. The Department will convey clearly to providers the legislative requirements of the Registration Charges Act for calculating the amount for the charge payable. The Department will continue to undertake an annual reconciliation between the payments received from providers with the details held on the PRISMS system.

Recommendation No. 2

Agreed.

Significant policy projects developed by IEG will follow the *ANAO Better Practice Guidelines on Policy Development*, including the development of risk assessments and operational plans as required.

Recommendation No. 3

Agreed.

IEG has already taken significant steps to implement the broader intent of this Recommendation and will survey industry members, in a more regular and systematic manner than done previously, to determine their satisfaction with IEG/AEI services.

Recommendation No. 4 (a)

Agreed.

The Department has revised IEG's key performance indicators for reporting to Parliament in the Portfolio Budget Statements. These are now included in the 2005-06 Portfolio Budget Statement.

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ABN 51 452 193 160

Recommendation No. 4 (b)

Agreed.

IEG has developed a revised internal performance monitoring and reporting framework for 2005-06. The framework includes medium term key deliverables and key performance indicators to inform IEG's business planning.

More generally, Department will review the key deliverables and key performance indicators of all business areas to ensure that targets and indicators are meaningful and outputs can be adequately measured and reported. These include external indicators (reported in the Portfolio Budget Statements and Annual Report) and internal indicators included in business plans and reported to management.

Other ANAO Suggestions

Many specific areas covered in the report have been the focus of improved processes and systems in IEG. AEI-NOOSR (as the National Office of Skills Recognition is now known), for example, will give high priority to the process of developing, maintaining and providing Country Education Profiles (CEPs) through AEI Online. The Department will take into account the relative user demand for individual CEPs, guided also by the relative importance of each profile (based on information from users and other sources), in deciding priorities for placement on the website, as suggested in the Report. The relative value of this information to users will be assessed and consideration given to capture some of this value in order to recover some of the cost of provision. IEG will also work to establish systems that will enable the more timely assessment of overseas qualifications.

IEG is also continuing to develop new tools to assist in administering its ESOS compliance responsibilities. In this regard the ANAO suggestion that the risk matrix model be adjusted, to incorporate standard risk management approaches and to feed into a more clearly defined framework for controlling risks, determining residual risks and monitoring and evaluating risk treatments, will be considered. IEG will also consider how students who have approached either the Tuition Assurance Scheme (TAS) or the Assurance Fund could be surveyed, cognisant that contact with students would be through the providers of these schemes.

The Department will examine further ANAO's *Administration of Grants Better Practice Guide* (May 2002) and adopt relevant practices that are currently not fully implemented, including an improved reporting framework and more regular reviews. Branch Business Plans will incorporate key deliverables and KPIs for the administration of "grant programs". Grant payments are monitored against budgets in IEG by its Business Management Unit using SAP (the Department's Financial Management Information System) data. In addition, the Department maintains a systematic review plan for administered programmes using a systematic risk based approach, which is updated annually by all areas responsible for such programmes.

In conclusion, I would like to thank the ANAO for assisting IEG in enhancing the quality and effectiveness of its administration of government policy in international education and training. A short summary of these comments is attached for use in the report brochure, as requested.

Yours sincerely



Wendy Jarvie
A/g Secretary

12 May 2005

Summary of comments for report brochure

The Department of Education, Science and Training generally concurs with the findings of the ANAO report, and fully agrees with its recommendations. It is noted that there are several areas identified in the Report where International Education Group (IEG) could improve its administrative processes and performance management framework. These areas became evident in the course of the audit and, in the main, immediate action was taken by the Department to address these aspects of administration, management and reporting. IEG has thus already made significant progress in implementing the Report's recommendations and the various suggestions to identify appropriate performance indicators and targets, and to enhance IEG's performance reporting framework.

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