The aim of the Higher Education Accord is to make recommendations for Government, the sector and other relevant stakeholders to deliver a higher education system that meets the current and future needs of the nation, and targets to achieve this. The terms of reference has set out seven priority areas for the review.

**This submission relates to priority area** **#4. Governance, accountability and community and its central importance in achieving the multiple objectives set out in the other six priority areas. As well as priority area #2 Access and Opportunity and #3 Investment and affordability**

We suggest that we need to strengthen the oversight accountability functions related to universities to better ensure our universities are accountable for their governance of public money and assets, and their effectiveness in delivering student outcomes. We suggest two specific areas of review for the Accord. The integrity and accountability oversight functions that review university governance and a review of the funding and contribution payment system. These are discussed in below:

**#4. Governance, accountability and community**

1. **Review the federal/state regulatory frameworks that govern universities use of public funds**

**We believe the regulatory frameworks that oversee universities should be reviewed to ensure improved accountability oversight of universities for the use of public money and assets in line with government and community expectations around educational outcomes.**

Total Australian Government outlays in relation to higher education spending (including research) was $20.4 billion in 2020–21 (Universities Australia 2022). The current federal/state oversight and integrity systems that should hold universities accountable for their use of public resources is in urgent need of review. For example, universities currently fall between the cracks of state and federal audit offices. This means they are not subject to sufficient external scrutiny by auditor general’s and ensures public money is being spent efficiently, effectively, economically and in accordance with the law.

Currently State Auditor General’s undertake yearly *financial audits* of each state universities financial accounts. That is, they provide an independent opinion on universities financial statements and whether they comply with accounting standards. Auditor General offices do not conduct ‘performance reports’ in relation to universities. Performance reports provide additional accountability for public spending by examining broader topics such as financial waste, mismanagement, and value for money in relation to the public sector.

Current audit offices routinely conduct performance audits on public sector education entities such as schools, but universities are ignored. The problem is, universities are majority federally funded but exist via State Acts of Parliament. This means they also fall outside the performance audit interest of the Australian National Audit Office and state audit offices.

As university councils and vice chancellors oversee significant public money and assets they should be subject to oversight over their effectiveness and efficiency for those assets. State or federal performance audit of universities would provide meaningful insights into topics of relevance. We note that there are numerous issues that deserve increased external scrutiny. The recent case of universities underpaying their casual staff is one case in point.

Some examples of previous NSW audit office performance audits in relation to schools that have relevance for the questions on the effective and efficient use of university resources include:

* management of casual teachers
* well-being of secondary school students
* supporting students with a disability
* effective managing their infrastructure assets to maximise their service to staff, students and the community.

External accountability mechanisms that provide increased oversight of university governance ensure continued community support for the ongoing success of our higher education institutions.

1. **The Accord review should also include a review of the current voluntary reporting requirements of universities to strengthen transparency of environment, social and governance activities.**

Annual reports of universities are important accountability and transparency tools but currently lack sufficient and meaningful detailed metrics for stakeholders (parents, students, industry partners, unions etc) to assess their effectiveness and comparability against others.

A review of reporting requirements should ask ‘How will universities and their impacts be operationalised, reported on and assessed for the advancement of nation, region and global society?’ (Carnegie & Parker 2022)

Universities are responsible for significant public budgets and resources similar to large publicly listed companies and government departments. Increased reporting requirements would be in keeping with current requirements for similar entities.

Meaningful reporting by universities should include:

* retention and succession progress of students by degree (including disadvantaged students) such as failure rates/drop out rates by degree. This will enable parents and potential students to see which universities are more successful at supporting disadvantaged students to succeed.
* % casual staff
* Senior staff salaries (similar to publicly listed companies)
* Gender pay gap statistics
* Gender equity statistics (senior leadership/faculty) etc
* CO2 emissions/water use

**#2 Access and opportunity and #3 Investment and affordability**

1. **Review of the current performance-based funding (PBF) scheme**

**We believe the current performance-based funding model should be reviewed to better align universities incentives to support students from disadvantaged and under-represented backgrounds.**

The existing performance-based funding scheme was reviewed in 2019 (Wellings et al 2019) with the aim of ensuring universities focus sufficient attention on the quality of their teaching and student support to ensure the best possible graduate outcomes. The current model outcome includes four core measures (graduate employment outcomes, student experience, student success and equity group participation by Indigenous, low socio‑economic status and regional/remote students). These measures are weighted 40/20/20/20 respectively and also take into account contextualised thresholds for each core measure (to account for university contexts and student characteristics).

The government is proposing new targets and reforms to support greater access and participation for students from underrepresented backgrounds (including First Nations Australians, low socio-economic backgrounds, people with disability, and regional and rural Australians). This will receive strong support by universities keen to enrol students from a wider cohort as we have already observed. However, the current performance based funding and contribution payment system incentivises universities to increase enrolment of disadvantage students, instead of focusing attention and resources on graduating these students. The current PBF system resembles the misalignment of incentives most recently observed in the banking Royal Commission, in which incentives were weighted in favour of institutions rather than consumers.

Our concern is if the current model is weighted towards financially rewarding universities for enrolment or participation for increasing equity groups rather than student’s yearly progress (number of subjects passed) which will result in catastrophic outcomes for this group of students.

As wider equity participation is encouraged, the risk is that universities chase these students but fail to provide increased academic support targeted specifically to address increased student needs. Disadvantaged students are at higher risk of failing, repeated failing and dropping out as they navigate higher education often as first in family, many living away from home, working numerous part time jobs and can then struggle to keep up with the workload (Ajjawi et al 2019). Failing subjects impacts student mental health and wellbeing, makes them feel like a failure and puts them at a significant risk of mounting HELP debts, and academic integrity problems.

Government and universities need to ensure widening participation of disadvantaged students results in genuine improved life outcomes, rather than unintended consequences of actual mental and financial harm. The current performance-based funding model of universities is not effective in achieving these social goals.

**#2 Access & Opportunity**

1. **A final point for the review should be whether it is time for universities to remove the requirement to report failed units on university transcripts. This would remove unconscious bias against students who fail and take longer to complete their university degrees, and provide a more equitable playing field for students.**

Dr Annette Quayle. Colin Brain Governance Fellow, QUT Business School, QUT.

Professor Lee Parker. Research Professor of Accounting, Adam Smith School of Business, University of Glasgow.

Professor Garry Carnegie. Emeritus Professor of RMIT University, College of Business and Law.