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15 December 1997

Mr R West Chairman

The Review of Higher Education Financing and Policy

Location Code 728

GPO Box 9880

CANBERRA ACT 2601

Dear Mr West,

Please find attached the response of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia to the policy discussion paper issued by the Committee of Review of Higher Education Financing and Policy.

Yours sincerely

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Director Education & Membership
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Australian Society of Certified Practising Accountants

The Institute of Chartered Accountants in Australia

Joint Response:

**Review of Higher Education Financing and Policy
"Learning for Life"
A Policy Discussion Paper**

15 December 1997

Preamble

The Australian professional accounting bodies are pleased to have the opportunity for further input to the Review of Higher Education Financing and Policy by commenting on the Policy Discussion Paper issued by the Committee. As noted in our initial joint submission, the future direction of higher education is seen by the Australian Society of Certified Practising Accountants (ASCPA) and The Institute of Chartered Accountants in Australia (ICM) as of critical importance for the accounting profession in Australia and the promotion and maintenance of the profession in the Asia Pacific region.

There are over 8,000 graduates of Australian university accounting courses entering the workforce each year. They find employment in all sectors of the economy and in rural, suburban and city locations and internationally. The total active membership of the ASCPA and ICM is over 100,000. These members work in commerce and industry, public practice, government, education and community service areas. They, together with other business graduates, play major part in the wealth-generating sectors of our economy, both directly and as advisers to business and industry.

Foreword to the Discussion Paper

We strongly endorse the comments which the Committee makes in the opening sentences of this paper: "A highly trained and educated citizenry is a country's most precious possession. The collective store of talent, knowledge and skills within us, if developed, has the capacity to shape a prosperous and fulfilled society". Accordingly we also strongly support the thrust of the paper's underlying theme that government support, and funding, is essential to ensure that all people in our society have the opportunity to

opportunity, and are strongly encouraged, to acquire, maintain and improve both their generic skills of discussion, analysis and communication and the specific technical skills relevant to a chosen initial career. Sadly, it seems that recent government decisions to tighten funding for education generally and for the vocational education and training sector in particular run directly counter to this vital need. We can all applaud efforts to improve effectiveness, efficiency and economy in the provision of educational opportunities but nonetheless it is extremely shortsighted to carry this to a point where our long-term investment in education is inadequate to ensure that we will have a "highly trained and educated citizenry".

Chapter 1

In similar vein we also commend and endorse the points made in the section headed "A vision for the future: learning for life" (pp3-4). This section emphasises the commitment which needs to be made to provide adequate educational opportunities in our society and then to encourage people to take full advantage of those opportunities.

The professional accounting bodies have conducted extensive research into the generic skills required by the accounting profession. These would also be applicable to students in a wide range of business (and no doubt other) studies. An abbreviated list of those skills is attached and a more detailed taxonomy is available. We believe the attributes described can be developed and enhanced by effective and well-established teaching approaches which engage and actively involve the student in the learning process. However, such approaches are usually time-consuming and demanding of the teacher and student alike.

The paper in a number of places (eg the last point on p2, the second full paragraph on p24 and on p35) states that there are weaknesses and anomalies in our taxation system which inhibit greater private contributions to university funding. However, nowhere are these anomalies or weaknesses spelled out in any detail. We suggest they should be explicitly listed and if possible with proposed ways of correcting them. The ASCPA and ICM would be very happy to provide direct assistance to the Committee in this regard by utilising the considerable expertise in taxation matters of our specialist staff and our members generally. The principle headed "Maximising the study options of students" (p4) and the section "Student learning must come first" (p6) emphasise a student-centred approach to many decisions. Certainly students should have input into many matters affecting their education but we submit that students are not necessarily the best judges, at least not in all cases, of what they should study and how they should be taught. After all, students are students because they have more to learn. We therefore simply caution against advocating an approach which is so student driven that it would undervalue the knowledge and expertise of academics, who after all have been students themselves at

one time. Employers also obviously have considerable knowledge of what will be required of graduates and their advice on desirable course content should carry significant weight.

Chapter 3

There is a general emphasis on "freeing up of the higher education sector" (p26 final paragraph). However the section on "Getting better value from public investment in university research" (p25, especially the second dotted point in this section) seems to advocate greater intervention in setting research priorities and allocating research funds. Is there a conflict between these attitudes? If so, how are the differing approaches to these two areas justified?

Chapter 4

We support the thrust of the Committee's arguments for "universal, publicly funded access to postsecondary education" (p29) and its support for "access to income contingent loan arrangements" (p28), such as the present HECS system. We agree that no potential student should be debarred from that access by a requirement to pay up-front tuition fees without such loan arrangements.

The accounting profession has for a considerable time supported and encouraged "flexibility both *within* the higher education sector and *between* the higher education and VET sectors" (p27). This has occurred firstly by taking the initiative in having "accounting conversion courses" established within the university sector and then encouraging a large number of institutions to introduce such courses. These courses enable graduates from any discipline whatever to take additional subjects in accounting and related areas to add to their existing qualifications and thereby meet our academic requirements for entry to the profession with a minimum of further study. Secondly, we have recognised the advanced standing granted by the universities for studies completed in the VET sector so that students can in general save at least one full year in their later university studies and still meet our requirements. These arrangements have worked well and have enabled many students to upgrade their qualifications to full professional level or to make a significant career change with a minimum of difficulty.

Moving towards a student centred policy framework

As noted above, we support the concept of universal access to higher education linked with the principle of "user pays". The availability of a deferred fee payment scheme and/or an income contingent loan scheme addresses these requirements. However, we wish to raise a number of related concerns:

- i. The "user pays" funding mechanism presently in force is, in effect, a form of disguised but specifically targeted income tax paid into general revenue. This should be openly acknowledged. Furthermore, we believe that the threshold for payment of the tax must be set at a level which does not act as a significant disincentive to the pursuit of higher education.

ii. The operation of a market-based strategy, that is, with the student as consumer exercising choice between competing products, treats higher education as a retailing venture. This raises many issues which we do not believe the inquiry attempts to address but which are central to financing and other policies affecting higher education in Australia:

- Will the market be "efficient"? Will students have access to sufficient information and possess the capacity to understand that information in order to make an appropriate choice? Logical developments are:
 - the emergence of higher education brokers acting as intermediaries between students and institutions;
 - promotional claims for different institutions which may not reflect reality;
 - inducements to students to enrol in particular institutions which may not encourage a genuine choice based on educational objectives;
 - advisers from the secondary education sector directing or heavily influencing student choice in the post secondary sector.

How will these developments be controlled? Will they be subject to the same types of controls as exist in the market place for other commodities and services? Through our involvement in the professional accreditation of business courses offered by Australian universities offshore, we have already encountered problems with the type of information provided to potential students by some overseas agents of universities. Although this has only affected us on a relatively small scale, it has been necessary to take action to address consequent disadvantages to the students that have arisen.

- What are students buying? We agree that increased emphasis, and rewards, should be placed on the teaching function of universities, but not at the expense of research. The emphasis in the Discussion Paper would suggest that teaching is the primary role of universities. We recognise that for many students and employers, this may be the case. However, Australia cannot allow its knowledge base to be eroded. We strongly support the research role of universities, but suggest limited resources be targeted.
- What is the 'product'? Retailers provide an end service. Universities are much more than "retailers" and this needs to be recognised in funding arrangements. Knowledge, in the broadest sense, is also created by universities. We are opposed to the possibility that student demand for university places may determine the amount of research possible in an institution, and support the making of separate grants to collaboration with industry in research, we strongly hold that research activities and time for academic reflection and consideration of issues must be supported and funded primarily by government.

Duration of a student's entitlement to public support

We agree with the proposed five-year entitlement to post secondary education covered under the financing framework. We also maintain that no differential should exist between disciplines, except where there are demonstrable differences in the necessary costs of providing those disciplines -this is addressed in greater detail later in this submission. In our original submission to the West Committee we maintained that government should provide greater support for postgraduate study and we reiterate this position. The Review, understandably, appears to emphasise the needs of pre-career or career start students. The need for lifelong learning will require a greater commitment to post secondary study than the five years proposed. How will equity and access to higher education be maintained if much of the lifelong learning experience must be fully funded by the individual?

Should levels of public funding be differentiated by course?

We do not agree that "the study of science is implicitly valued [emphasis added] higher than the study of arts, as a greater *absolute* amount of public funding is directed towards a student studying the former" (p32). We suggest that differential funding can, and to some extent does, simply represent the additional cost necessarily involved in subjects which require complex equipment, well trained technical staff and a large amount of materials. However we would add that we strongly believe that science-based subjects are very commonly funded at a much higher level than business subjects (including accounting subjects) after taking full account of these different cost levels.

We accept the argument noted in Appendix 9 "that there are grounds for differentiating public funding according to course cost to ensure that all students bear roughly similar proportions of the cost of their chosen course. For instance, three levels of public funding might be set, according to whether a course was basic, laboratory or clinically based". We stress however that we support differentiation of funding only when it is based on real and necessary cost differences and not on merely claimed, and therefore often fictional, cost differences. It is the acceptance by many universities that certain courses "ought" to cost more than others, rather than that some courses necessarily do cost more than others, that has led to various courses being implicitly valued more highly than others. It is widely known, if not widely admitted, that business courses have notoriously been the major sufferers in this process. This inequity has been compounded because business has been seen as a non-traditional area of university study, a "johnny-come-lately", and hence notdeserving the same consideration as many other longer established disciplines. Funding reductions mean that some courses may not be satisfying the legitimate needs of employers and hence of students. There seems in many quarters to be a failure to recognise the contribution of accounting in particular and of business generally in the wealth-creating process in our society and hence a failure to recognise the need for adequate resources to be allocated to the education and training of accounting and business students.

It is generally considered by accounting academics and by many employers that the present three-year degree programs do not provide adequate time for the proper education and training of accounting and business students to be effectively achieved and that a four-year program is highly desirable. This is certainly the norm in a number of other countries - in the USA for example, professional education in accounting now requires five years of full-time university study, followed by professional qualifying examinations. In order to compensate, to some degree at least, for the short period of university study available to Australian students, the ASCPA and ICM have had to conduct their own post-graduate education programs, in the form of the CPA Program and the Professional Year Programme respectively.

Due to the difficulty in establishing exactly what the "necessary" costs are for particular subjects, and the scope this gives for manipulating funding arrangements, we strongly recommend that only quite broad bases for providing differentiated funding, such as the "basic, laboratory or clinically based" triad set out in Appendix 9, should be used. Even here, we would caution against use of the term "basic", since this could too easily be corrupted to imply that "basic" disciplines are always extremely low cost, have no need for any equipment or any technical support staff at all when this is clearly not the case. A better term might be "primary".

Accreditation

We accept the need for an accreditation process that can assure that courses eligible to receive funds under the financing framework provide a quality education. The professional accounting bodies have a long and extensive involvement with the accreditation of accounting courses in all Australian universities, including the privately funded universities which now exist. The accreditation process has worked well and has always been seen as essentially a cooperative process between the universities and the profession. There may well be a useful basis in these and similar systems, for at least some professions, for the accreditation process which the Committee sees as necessary. We would be happy to provide further assistance in this area.

Other financing issues

It may be difficult for the Commonwealth Government to impose a capital charge on universities as they are State entities, with the State providing the land upon which they are constructed.

Encouraging good teaching

Encouraging good research training

Research policy and funding models

The paper expresses in clear terms an important matter at the top of page 38 when it states "academic appointments should not necessarily include the automatic right [we would add 'or obligation'] to do research beyond that necessary to maintain subject knowledge and pedagogical practice" [emphasis added].... "Staff should be allowed the freedom to specialise as teachers if they wish." The words we have emphasised are most important and we believe are often overlooked in any debate about the desirability or necessity for academics generally to undertake, and largely gain advancement on the basis of, substantial research projects.

Chapter 5

Making the transition

We believe it is essential that government adequately fund whatever arrangements are necessary for transition to a new system. In addition we endorse the need to:

- constrain prices (fees and charges) in the short term until a competitive environment is fully established;
- ensure accreditation processes are in place before full competition is introduced;
- guarantee universities an adequate base level of funding during the transition period.

APPENDIX B

Core Curriculum in Generic Skills Areas

The professional bodies expect that the acquisition of generic skills by accounting students will be planned for in curriculum design. Listed below are five (5) cognitive and behavioural generic skills areas valued by the accounting profession and which the accounting bodies expect to see developed in accounting graduates. For further details on these skills, refer to *Competency Standards and Assessment Structures for Professional Accountants in Australia and New Zealand (1997J)* prepared by Professor W P Birkett and published by ASCPA, ICM and NZSA.

Cognitive Skills

1 Routine Skills

Particularly:

- report writing;
- computer literacy

2 Analytic/Design Skills

Particularly the ability to:

- identify, find, evaluate, organise and manage information and evidence;
- initiate and conduct research;
- analyse, reason logically, conceptualise issues;
- solve problems and construct arguments;
- interpret data and reports;
- engage in ethical reasoning.

3 Appreciative Skills

Particularly the ability to:

- receive, evaluate and react to new ideas;
- adapt and respond positively to challenges;
- make judgements derived from one's own value framework;
- think and act critically;
- know what questions to ask;
- engage in lifelong learning;
- recognise own strengths and limitations;
- appreciate ethical dimensions of situations;
- apply disciplinary and multi-disciplinary perspectives;
- appreciate processes of professional adaptation and behaviour.

Behavioural Skills

4 Personal Skills

Particularly

- a commitment to think and behave ethically
- flexibility in new/different situations
- to act strategically
- to think and act independently
- to be focused on outcomes
- to tolerate ambiguity
- to think creatively

5 Interpersonal Skills

Particularly

- listen effectively
- present, discuss and defend views
- transfer and receive knowledge
- negotiate with people from different backgrounds and with different value systems
- understand group dynamics;
- collaborate with colleagues.