

# *Performance Audit Report*

**University of  
Western Sydney**

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**Administrative Arrangements**

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# **Executive Summary**

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## Executive Summary

### **The Audit**

The Audit Office undertook a short performance audit to examine the administrative arrangements within the University of Western Sydney. Information available to The Audit Office indicated that the administrative costs were high relative to other universities in New South Wales. That information proved to be accurate.

### **Audit Opinion**

The Audit Office is of the opinion that cost of administration at the University is unnecessarily high and could be reduced. In addition, its approach to administration can place barriers in the way of potential students and other users of the University.

To its credit, the University has recognised that administrative costs are high and is developing plans to reduce those costs. The Audit Office considers that there is now an urgent need to accelerate those activities and to move from planning to implementation. Further delays will be costly and will affect the service the University provides to its customers, the students and other users.

The report identifies barriers to progress and makes recommendations to support the University in implementing improvements.

### **University of Western Sydney**

The University of Western Sydney was set up under legislation which described the University as a federation, comprising the previous Hawkesbury Agricultural College, the Nepean College of Advanced Education and subsequently the Macarthur Institute of Higher Education. These three institutions became what the legislation calls the “Members” of the University.

### **Audit Findings**

The cost of administrative staffing at the University of Western Sydney is the highest of all universities in New South Wales. A larger proportion of the budget is spent on this than at any other university in the State.

### **Why costs are high**

These costs arise in part because the University’s three founding institutions, the Members, are administered autonomously. Functions such as payroll, development of human resources policies and recruitment of students are run three times, when they could be run once for the whole University. Costs are also high because common standards are not applied and best practice in administration developed by one Member is not routinely adopted by all.

**Customer care**

In many respects the Members actively compete with each other and as a result the service to the University's customers, students especially, can suffer. For example, the Members each issue separate University of Western Sydney prospectuses, which do not tell students that more appropriate courses or campus locations might be available elsewhere within the University.

Each Member runs a separate telephone help line, dealing with up to 20,000 calls a year. But University newspaper adverts to recruit students feature the number of only one Member. Students have to discover for themselves that there are two other numbers to ring if they want to enquire about the full range of the University's courses and facilities. And student administration staff working at one Member of the University are not positively encouraged to point out what other parts of the University may offer.

**Recognition of the problems**

The University has commissioned external advice to help identify why the high costs arise and it is planning action to reduce costs. These are important steps in beginning to achieve economies. There has, however, been less recognition of the problems of customer care, which have yet to be fully addressed.

Progress in implementing the consultants' recommendations was initially slow. This was mainly due to a strong culture of autonomy among the Members of the University and the University's desire to achieve consensus among its Members. Following the appointment of the new Vice-Chancellor, the pace of planning to implement change has accelerated and the University is clearly serious in its intent to reduce costs. Working parties are being set up to plan to rationalise aspects of the administration. New computer systems are also planned to carry out some routine tasks more efficiently.

Current effort is focussed on analysis of the problems. While some practical steps have proceeded to implementation, most are still subject to further planning and consultation.

**Barriers to  
implementing  
improvements**

The focus should now move to implementation. However, there are a number of barriers to implementation of these plans which need to be addressed if progress is to be made on the ground.

The processes for making decisions to streamline administration across the whole University can be cumbersome. For example, there are three directors of finance, three directors of human resources and three registrars, as well as a variety of internal working groups.

There is also a lack of clarity about the size of savings which should be achieved and the timescales over which they are to be implemented. And there are few systems to exercise central control over expenditure on administration

## **Main Recommendations and Action Needed**

The University has made a positive start in planning to address many of the problems identified in and before this audit. It now needs to give confidence to taxpayers and to the public of Greater Western Sydney that it will press ahead with the implementation of improvements.

### **Decision-making needs to be streamlined**

Consideration should be given to having one director of each main administrative function. They should be given authority to act, with a scheme of delegation outlining what they should decide and what discretion should be given to each campus or Member.

### **Accountability for achievement of improvements should be sharpened**

Executive directors should be given targets for improvement, monitored by new performance indicators covering costs, efficiency and effectiveness. Local management of campuses is still required, but should be refocussed in the light of wider changes to ensure that administration meets the needs of students and staff locally. There is a significant tier of management below director level, and the above changes should release some capacity to achieve this.

### **Initial steps to identify and achieve savings should be completed**

Project plans to eliminate triplication of some administrative functions, such as some aspects of human resources, have been drawn up and should now be implemented. Similar steps need to be taken in respect of the remaining functions. The University should clarify the new organisational structure as soon as it can, although the process of consultation with staff and other stakeholders must be done properly and this will take time.

**The University should issue guidance on public service and customer care**

Promotional material should be revised to achieve a general principle that students should not need to know how the University is organised internally in order to get the information they need. Staff should be encouraged to help students and others understand what the University as a whole can offer, whilst maintaining pride and enthusiasm for the institution in which they work.

A range of practical steps can be taken to improve customer care. These should also enhance the University's competitiveness. For example, staff could be trained to provide information on courses at other campuses. Publications could point out all the campuses of the University. Applicants for over-subscribed courses at one Member could be informed about similar courses run by another nearby Member. The University could advertise all three help line numbers or set up one help line number.

## **Response from the University of Western Sydney**

*The Senior Executive of the University of Western Sydney has thoroughly considered The Audit Office draft report, **Performance Audit: Administration of the University of Western Sydney**.*

*The draft report's findings are largely accurate and fair.*

*The report finds that the cost of administration at the University of Western Sydney (UWS) is high. This is not disputed. UWS was established as a federation of three Members, and it was always acknowledged that this would entail higher costs than a traditional unitary structure.*

*Nonetheless, it has become increasingly apparent that the administrative inefficiencies, inherent in the originally prescribed autonomy of the Members of the University, were increasingly unsustainable in an environment of severe budgetary and competitive pressures on universities.*

*Action to address these inefficiencies was initiated by my predecessor Professor Schreuder. I took up the post of Vice-Chancellor in late April 1998 and received an external report which he had commissioned. This report documented significant opportunities for achieving cost savings, value-adding and improving services by removing the unnecessary triplication of administrative and academic support functions across the University.*

*I have acted on that report's findings as quickly as is consistent with ensuring the engagement of senior staff and the Board of Trustees in meaningful consultation. In November 1998, I launched UWS Agenda 2000 which provided a framework for a comprehensive set of projects designed to lay the foundations for the integration of the University. A key focus was the identification of opportunities to remove triplication of functions by greater collaboration across the University. The Agenda 2000 process revealed strong support for shared services as well as promoting consultation and discussion about improved and unified structures across the University.*

*The painstaking work of the last twelve months has achieved a significant cultural shift across the University and created a positive environment and impetus for change. This led to the Board of Trustees on 11<sup>th</sup> October 1999 unanimously endorsing my paper: "The Shape of the Future – A Structure for UWS in the 21<sup>st</sup> Century". This paper sets out a fundamental reshaping and restructure of the University to:*

- *improve the quality of services and educational experiences;*
- *provide these services in a coordinated and cost efficient way through integrated administrative, support and academic structures;*
- *remove all dysfunctional triplication; and*

- *establish an operating environment built upon administrative flexibility.*

*The proposed UWS restructure addresses the inefficiencies identified in The Audit Office report and indeed will bring about administrative reform of a significantly greater magnitude than proposed in your recommendations 1-7.*

*There will be a period of consultation on those elements of my paper requiring further detail and an expanded proposal will be presented to the Board of Trustees at its December 1999 meeting. Implementation planning has begun and one of the key issues being addressed is the identification of savings that can be achieved by the removal of inefficient practices and structures.*

*The report is also critical of UWS's customer care and claims our administrative structures make life unnecessarily difficult for students. This is not the whole story. A targeted student survey at the end of 1998 revealed a high level of student satisfaction with, and connection to, their local campus. However, we do not dispute the core finding that competition between, and inconsistent rules and procedures across the Members, acting, in effect, as three small, independent universities, create unnecessary and unproductive barriers for students.*

*These customer care matters are also comprehensively addressed in the proposed restructure. The Board of Trustees, in responding to my paper, asked me to move immediately to develop a united and integrated public image for the University. In response to the Audit report, I have also accelerated the work of several current projects dealing specifically with the removal of barriers to students' academic progression and the provision of student services. I have also, as an interim measure, pending the establishment of a single University prospectus, instructed officers dealing with external inquiries to act in accordance with existing policy and ensure prospective students are informed about courses and opportunities available at all UWS Members. These actions specifically address recommendations 8 and 9.*

*The Audit Office report covers ground mainly already known to the UWS Executive. Its findings and recommendations are of assistance in that they provide additional confirmation of the need for major institutional reform. I will be referring the report to the December Board of Trustees meeting with the expanded version of my paper on reshaping the University. I am confident that all The Audit Office recommendations will be more than successfully addressed within the proposed reforms.*

*(signed)  
Janice Reed  
Vice-Chancellor  
Dated 28 October 1999*

# **1. Introduction**

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## **1. Introduction**

### **Why this Audit was Undertaken**

The Audit Office of New South Wales, the external auditor of the University of Western Sydney, had information suggesting that the cost of administration at the University was higher than that of other universities in the State. The Audit Office decided therefore to conduct a performance audit to examine the University's administrative arrangements.

### **Audit Approach**

The performance audit focused on three aspects of central administration – finance, human resources and student administration - as these offer a clear opportunity to achieve economies. However, lessons learned from this audit can be applied to other areas of administrative and academic expenditure.

The audit also encompassed some aspects of the University's marketing, as administrative staff are often the first contact a potential student has with the University during generic recruitment campaigns. So it is appropriate to consider the customer impact of this aspect of administration.

This Report is based primarily on a four-week study of the University administration. This included:

- sixteen interviews and additional follow-up conversations with key staff
- a visit to another University with a similar structure and multiple campuses, Charles Sturt University
- analysis of internal financial and other data and of national data on universities
- a wide range of internal reports on administration and management
- analysis of research on students' perceptions of Australian universities
- discussions to test the rigour of the analysis and conclusions.

## The Report

This report should provide assistance to Members of Parliament and to:

- senior management, the Trustees and the Councils of the University of Western Sydney
- members of the public or their representatives with an interest in Greater Western Sydney and the University
- the academic community more generally who may have an interest in university administration.

## Structure of the Report

This Report begins by outlining the background against which the present approach to administration has developed. It analyses whether the organisational structure of the University, some of which is enshrined in legislation, inherently causes higher costs. It reviews estimates of the scale of potential savings before moving on to assess what steps have been taken to improve economy and efficiency and to address some of the problems of customer care. The report examines barriers to progress and concludes with recommendations to the University for overcoming these.

## Cost of this Audit

The cost of the audit is:

Direct salary and overhead costs	\$30,199
Costs of unpaid overtime	\$10,066
Overheads	\$6,945
Printing	\$4,000
Other costs	\$500
<b>Total cost</b>	<b>\$51,710</b>

## Acknowledgments

The Audit Office would like to thank the staff of the University who gave their time generously, particularly Dr Lesley Lynch who acted as coordinator for the audit. The level of commitment of those staff and the care they demonstrated for the services they provide are impressive. Thanks are also due to the Vice-Chancellor and directors of administration at Charles Sturt University for their willingness to share their experience.

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## **2. The Issues - Cost and Customer**

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## **2. The Issues – Cost and Customer**

### **Background**

The University of Western Sydney was set up under a 1988 Act, which described the University as a federation, comprising the previous Hawkesbury Agricultural College and the Nepean College of Advanced Education. The Act was amended in 1989 to include Macarthur Institute of Higher Education. These three institutions became what the Act calls the “Members” of the University.

Members are academic and administrative centres, each with two campuses where teaching and research are carried out. The University as a whole has six main teaching campuses, with a seventh dedicated mainly to training, research, and development and a Chancellery which houses the Vice Chancellor’s office and some other headquarters functions.

Under the original legislation, each Member had to have a chief executive officer responsible for the day-to-day management of the Member, with the Vice Chancellor being the chief executive officer of the University. This was changed by legislation in 1997. Each Member then had a principal executive officer who was the academic and administrative head of the University Member but there was a clear reference in the new Act to them being subject to the authority of the Vice Chancellor.

Each Member has a Council which is responsible, in the words of the Act, for “the internal governance of the University Member concerned.” Councils include representatives of the local community. The links between the University and its local communities are important and are a significant factor to be taken into account when changes are proposed. One of the driving forces for the establishment of the University was to contribute to the intellectual life and development of Western and South Western Sydney. And enshrined in primary legislation is an obligation on the University to take account of the needs and aspirations of residents of Greater Western Sydney. Social justice and providing a university education for members of families who have not previously had this opportunity are important parts of the University’s history and mission.

In practice, since becoming the University, each of the Members has continued to lead separate existences, with their own separate administrations, deciding on their own courses and recruiting their own students. For example, at home and international marketing events, all three have until recently exhibited separately at the same events. They still compete with each other for students.

There is a strong culture of autonomy within the Members. Each Member had developed separate academic rules and admissions systems, such that University staff themselves point out that it is at least as difficult for students to transfer between Members as it would be to transfer to the University of Western Sydney from another university, although there have been recent changes to allow greater mobility within the University

Until recently, they developed separate policies on issues such as occupational health and safety. Payroll is administered separately, there are three internal audit arrangements and so on. Purchasing is largely undertaken separately - even when the same firm supplies all three Members.

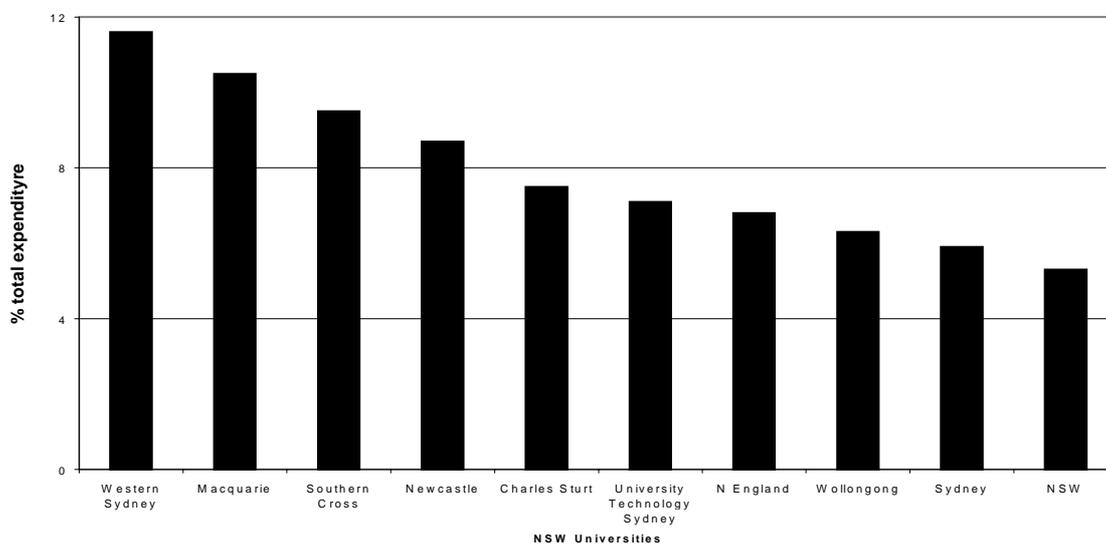
As with many universities, administration is divided into central functions (the focus of this audit) and administrative support directly to faculties and schools. Central administration employs 175 full-time equivalent staff and spends \$13 million a year.

The Vice Chancellor's Office is small and has no line management responsibility for administration, save for the overarching responsibility the Vice-Chancellor has for the whole University. In that office, there are no specialists in any of the main administrative functions, although the Members provide advice on human resources, finance and other administrative issues to the Vice-Chancellor. In 1997, however, the Vice-Chancellor's Office began to take a more active role in reviewing administration and this role increased substantially in 1999.

## Audit Observations – Costs

The cost of administration at the University of Western Sydney is high – some \$50 million in 1998. Expenditure on administrative staffing is highest of all New South Wales universities (Exhibit 1). The University’s mission is “to provide excellence in higher education, research and associated community service in Greater Western Sydney”<sup>1</sup>. Resources should be focused on this endeavour, with money spent on administration being the minimum needed to provide efficient and effective support to it.

**Exhibit 1 Proportion of Total Budget Spent on Administrative Staffing**



Source: Audit Office, based on figures from the Department of Education, Training and Youth Affairs. 1997 data, these being the latest comparative data available. This table includes only staffing costs.

To its credit, the University fully recognises that it is not currently achieving as economic administration as it should. It has commissioned external consultants to analyse the problem. Whilst not all senior staff accept the precise comparisons with other universities, as they believe there are problems with the comparability of the data, they do all accept that administrative costs are higher than they need to be to provide an effective service. The University has sent clear signals it wants to improve and is putting processes in place to try to achieve more economic administration.

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<sup>1</sup> University of Western Sydney Annual Report. 1998.

However, this problem has been known for some time. Long-serving staff say that there have been periodic discussions about the scope to reduce costs for some years. The consultant's report analysing the problem was published in April 1998. And for the last four years the external auditor has drawn attention to the high costs of financial administration.

Before assessing what progress has been made (the subject of the next chapter), it is important to analyse why costs are high. Again to its credit, the University itself has done this to a large degree. The external consultants<sup>2</sup> it commissioned concluded that a significant element of the high costs was due to the fact that:

- there was triplication of effort with each Member carrying out some of the same functions, when the function could be exercised more economically for the whole University - for example three separate payroll systems are run
- where one Member had developed good practice, for example achieving good value-for-money from a supplier, this was not necessarily passed on to other Members, or if it was, might not be implemented by them
- policies covering the same issues were developed independently by each Member, but often a single policy was ultimately needed, for example covering employment issues because the University is a single employer. This resulted in triplication of effort and additional effort to coordinate the policies where there was a University-wide dimension

In addition to the above, the external auditor has pointed out that extra costs arise from separate accounting systems which then need to be consolidated and time spent making adjustments between the Members.

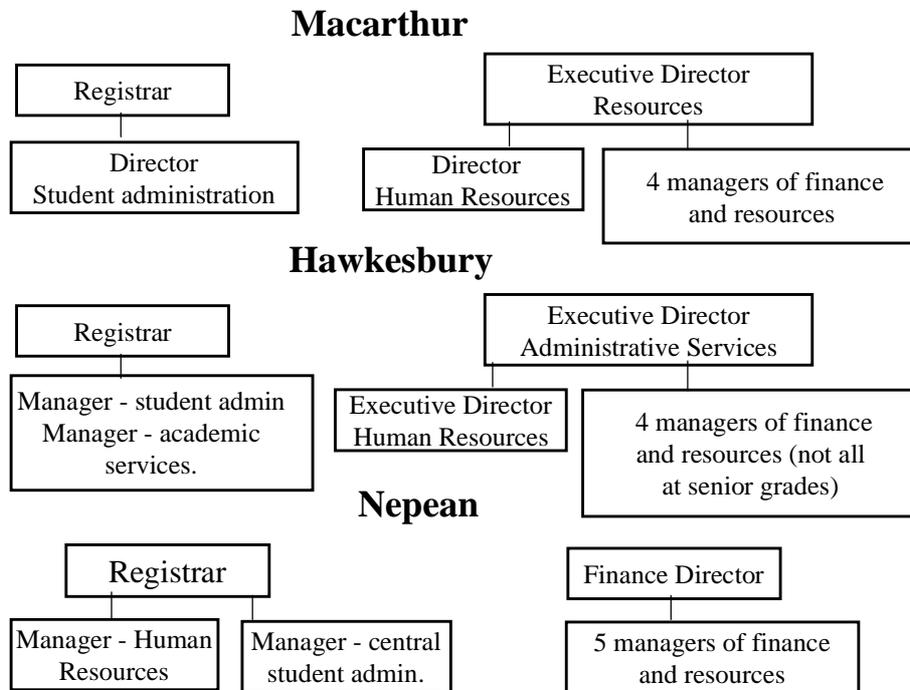
Additional costs also arise because the top echelon of administrative management is triplicated (Exhibit 2). Other universities such as Charles Sturt University were also initially federations of Members and have several campuses (four in the case of Charles Sturt) but have only one person at Director level in each of the three functions of Finance, Human Resources and Student Administration. The salary and on-costs of these 9 posts alone at the University of Western Sydney total \$1.5 million, whereas in Charles Sturt the equivalent cost is around one-third of this.

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<sup>2</sup> *Value Adding, Costs and Best Practice in the UWS Federated System*. Phillips Curran Pty. 1998.

**Exhibit 2 The Management Structure for Administration**

There are three University Registrars, three heads of finance and resources and three heads of human resources.



**Are these additional costs inherent in the structure of the University?**

There are two significant issues about the structure of the University which have a bearing on costs: the campus structure and the Member structure.

**Campus structure**

The University of Western Sydney covers a large area. In order to meet the needs of people in its area, it has, like many Australian universities, made the policy decision to maintain a local presence in different campuses. This presence is clearly valued by those local communities.

That policy position has not been questioned during the performance audit. It is not an unusual policy decision. Other universities in New South Wales also run several campuses - Southern Cross University and Charles Sturt University both have four campuses – although it is unusual to have several campuses as close to each other as some are at the University of Western Sydney.

Within the University, it is frequently argued that if administration is to be responsive, some functions will need to be carried out at each campus and could not be carried out effectively remotely. For example, there may be timetabling problems which require local knowledge of the size of rooms and their facilities to be able to respond quickly to changes in class sizes. And if students wish to discuss course issues with staff from the administration, the distances involved would make it impractical for them to travel between sites.

However, not all branches of administration are always represented on each campus. While the Penrith and Parramatta campuses have multi-disciplinary teams of administrators providing finance, human resources and student administration services, by contrast there are virtually no finance or human resources staff at the Blacktown campus. 'Local' presence can therefore mean presence on the campus, or presence at the nearest campus. The decision as to which approach to adopt is made by each Member of the University.

From the foregoing, it is clear that some administrative costs arise because of the University's campus structure.

### **Member structure**

Some staff at the University argue that running three separate administrations is an inevitable consequence of the University being a federation of Members. This is an important issue. If it were to be so, the scope for improvements in economy and efficiency would be constrained by that factor.

There is no legal obligation on the University to administer each Member separately. Functions can be shared, carried out by one Member on behalf of another, or carried out for the whole University. Indeed, there have been instances of such cooperation - for example, the three Human Resources Directors have worked together for some time to prepare for the implementation of a new common computer system. But in the past at least, this sort of common development has been the exception rather than the rule.

Other universities have a federated member structure enshrined in their founding legislation. Charles Sturt University is an example of this. However, Charles Sturt has one single administration for all three Members – and appears to spend 28% less on administrative staffing than the University of Western Sydney, after factoring for the different sizes of the two universities (Exhibit 3).

In 1995, the University made an explicit choice to continue with the approach of running three separate administrations, which had initially arisen for historical reasons<sup>3</sup>. There was no analysis of the financial consequences of that decision, even though, longstanding senior staff report, it was clear that additional administrative costs were involved in choosing this path rather than running a single administration. Those staff report that this decision was made in order to satisfy the wish of the Members to retain autonomy within the University structure.

During this audit, other reasons were advanced for maintaining a significant degree of autonomy in administration. These merit examination.

### **Exhibit 3      The Management Structure for Administration at Charles Sturt University**

Like the University of Western Sydney, Charles Sturt University was set up under legislation as a federation of three Members (Riverina, Mitchell and Murray). Other aspects of the legislation were similar – for example, the role of the Chief Executive Officers (now called Principals) of the Members were the same as in the legislation establishing the University of Western Sydney.

However, Charles Sturt University developed a single administrative structure for all Members, with a single budget for each main element of administration. There is one Executive Director of Human Resources, one Executive Director of Finance and one Executive Director of Student Services.

Like the University of Western Sydney, Charles Sturt University decided that it was an important part of its strategy to deliver courses from a number of campuses – four in all. And, it decided that it was important for the quality of service to have some administrative staff on campuses. Administrative staff, including Executive Directors, are located at different campuses of the University, but there is a single reporting line and a single budget for each main administrative function.

Charles Sturt has fewer students than the University of Western Sydney and a large proportion of its students are on distance learning programmes. Any comparison of costs needs to be based on the equivalent number of full-time students.

On this basis, the cost of administrative staffing in 1998 was \$873 per full time equivalent student at Charles Sturt, and \$1,207 at the University of Western Sydney.

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<sup>3</sup> Committee to Review the Structure of the University of Western Sydney. 1995.

Some of the drive for autonomy comes from a desire to be responsive to local communities. This is very important – the University was created in order to help develop the Greater Western Sydney area economically and intellectually. Whilst the community is unlikely to be interested in administration – its focus will be on the academic endeavour – being responsive locally can have implications for administration. For example, if a Member wishes to set up and staff new courses quickly, it will need a responsive Human Resources section which understands its local market and knows potential staff. And student administration will need to be responsive to local schools, for example.

This suggests that a local element of administration is important. But how local? Is it the *Member* which is important locally? Or the campus? Or the University? There are widely differing views within the University. Some doubt that the community is aware of the Member structure of the University. They argue that what the community cares about is the University's presence through its campuses. Others argue that the culture and history of the Member is what the community relates to. No objective evidence is put forward to support either case. Yet this is an important issue which needs to be informed by evidence, for example through a short consultation exercise with key stakeholders in the community.

A second motivation for running three separate administrations has been to seek to maintain the reputation of individual Members. The argument is advanced that this is a critical factor in attracting students and research, and that Members need an administrative capacity to support that reputation.

Reputation is significant – it is the third highest factor influencing students' choice of University (Exhibit 5, page 17). Although reputation is mainly an academic issue, it is relevant to the organisation of administration as some elements of administration, such as human resources or student administration, could directly impact on the academic endeavour. For example, human resources managers' approach to developing and motivating staff could easily have a bearing on reputation. This could be a reason for having autonomy in administration locally.

But it has not been established that the reputation of the Member, rather than that of the University or the campus, is a critical factor. The University has sought evidence on this<sup>4</sup>. This suggests that only 9% of potential students in western Sydney perceived there to be differences between the Members of the University.

Another reason put forward for the Members running their own administration is a fear that a centralised administration would become unresponsive, out of touch with local circumstances and unnecessarily rule bound because it has to be seen to treat everyone the same. This would stifle local innovation and valid discretion.

The fear has also been expressed that, by being more distant from the delivery of teaching and research, central administration is less accountable, because it cannot so easily see the consequences of its actions or inaction and is more remote from academic management.

The dangers of centralised administration getting out of touch must be recognised. There is experience of this happening elsewhere in the public sector. Central administration must be held accountable for the performance of its services throughout the University. And care should be taken to ensure that it is responsive locally and accountable for an effective service to its internal and external customers.

In the case of the University of Western Sydney there is scope and an operational need for the University to ensure that there are some senior administrative staff at a local level to secure effective administration locally. They can also act as a powerful local voice. Further, for both symbolic and practical reasons, central administrative staff do not need to be located at the University headquarters – which anyway could not currently accommodate them. They could be located on teaching campuses.

In conclusion, it is not essential that administration be run autonomously for each Member, although care needs to be taken to ensure that administration remains responsive locally and that local needs are powerfully articulated.

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<sup>4</sup> *UWS Competitive Positioning Study*. Bell Dignam. February 1997.

## **Audit Observations – Customer Care**

The University's administrative practices can make life unnecessarily difficult for University customers, such as students. The University Members actively compete with each other for students in ways which can create barriers. For example, a potential student enquiring about the range of courses at the University has to discover for themselves that there are three different prospectuses, none of which refer to courses run at other campuses. Two of the prospectuses do not even mention that there are other courses and campuses.

The Universities Admissions Centre Guide<sup>5</sup> - a critical document, which is distributed to Higher School Certificate students throughout New South Wales – has three separate and differently structured entries for the University of Western Sydney. None of the course listings cross-refer to each other.

Each Member runs a separate telephone help line. Help lines are important. For example, in the period January to September 1999, the Macarthur help line alone received 19,000 calls. The telephone numbers for these are advertised under the University logo – but each help line is advertised separately. For example, in August 1999, the University placed general recruitment adverts in the *Sydney Morning Herald*, which circulates across the whole area from which all six campuses draw students. But these gave the help line details and outline information on courses for only one of the three Members. Somehow, a prospective student has to find out that there are three separate numbers. Even if a student poses the direct question via a help line, they may not be told that a similar course is run by another Member at a more convenient location. (Exhibit 4).

### **Exhibit 4 University of Western Sydney Telephone Help Lines**

Callers may not be told about more convenient courses or campuses if those are run by another Member. To illustrate this, the Audit Office rang all the help lines asking which were the nearest locations to specific suburbs of nursing degree courses provided by the University of Western Sydney. (All three Members run this course). In two out of three cases they were not told that there was a nursing degree course run by another Member in the very suburb they enquired about. Instead they were told that nursing was provided at other, more distant campuses – the ones which were run by the Member contacted.

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<sup>5</sup> UAC Guide 2000. Universities Admissions Centre (NSW & ACT) Pty Ltd. 1999.

Up to 40,000 copies of each Member's prospectus may be sent out. Batches will be sent by one Member to all high schools in the State, including those in the area of another Member which will itself undertake school visits, quite separately, to promote *its* courses. And yet there will be no cross-reference to each others' locations and courses even though they are part of the same University and even though this may be more attractive to students.

This treatment of potential students is not in keeping with the public service ethos. Students know that Australian universities compete and give information only about themselves. They cannot be expected to know that parts of the same University will act in this way or that they are being given only partial information.

This approach may also reduce the University's competitive advantage. The two strongest influences on students' choice of university are the choice of course and ease of access from home (Exhibit 5). The University of Western Sydney has a competitive edge on both counts:

- the historic academic specialities of each of its Members mean that the University as a whole can offer a huge range of undergraduate courses, with choices of emphasis within one field of study. The University Admissions Centre Guide lists over 140 first degree courses at the University of Western Sydney (excluding combined or double degrees). This range is bigger than that offered by many larger universities
- courses are taught at six different campuses. No other university in New South Wales can offer such a range of campuses.

Yet the student administration and the University's promotional material fail to draw attention to these benefits. They focus only on the courses and locations offered by the pair of campuses which each Member manages, thereby missing the competitive edge which the University as a whole has.

**Exhibit 5 Factors Influencing Potential Students' Choice of University**

A study of almost 1,000 Australian people applying for University identified five main factors which influenced their choice:

<b>Factor</b>	<b>% for whom this was a strong or very strong influence</b>
Wish to do a particular course the university offers	83
How easy it is to get to the university from home	53
The prestige of the university	46
Employment rates for graduates from the university	46
The opportunities for higher degree study	45

Source: *Which University?* James, Baldwin, McInnis. University of Melbourne. 1999

**Conclusion**

The current configuration of administration with its associated high costs has in part arisen from history and a choice to run the administration separately in each Member irrespective of the cost. There are no legal barriers to it managing administration differently, although care must be taken to consult local communities if changes are to be made. As regards customer care, there appears to be less awareness of the way in which the current approach to administration can put barriers in the way of potential students and other users of the University.

The high costs and deficiencies in customer care are urgent issues for the University to address. The next section assesses its progress in doing so.

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### **3. What has been done to begin to Address the Problems?**

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#### **Have the scale and source of potential savings been identified?**

If the University is to make its administration more cost effective, one of the first steps is to identify the scale and source of potential savings. This will help determine the amount of management effort to put in to making economies. It will also inform the likely payback on any 'spend to save' decisions. And identifying the source of savings is important so that senior management can check they are being achieved.

The University does not have an overall figure for the estimated savings achievable from restructuring the administration.

Staffing is usually the highest element of cost in administration. In 1998, the University spent \$27 million on administrative salaries and on-costs – but this includes academic administration in faculties and schools, as well as central administration.

The Phillips Curran<sup>6</sup> report gave some answers to this question, but its estimates covered more than administration. It also covered academic support such as libraries. The report suggested that savings of \$19 million could be achieved, but it was not part of the consultants' brief to break this down. Hence the report recommended that each element of administration be costed in more detail.

Estimates have been made of the savings achievable in relation to some specific functions or projects. These provide a starting point and highlight the gaps (Exhibit 6). So far, the potential for \$3.4 million annual savings has been identified – and that is before estimates for potential savings from student administration, the largest element, and other aspects of finance and human resources have been included. In some areas, there may be costs of transition and these need to be factored in.

The potential for savings will also depend on any new organisational structure and the balance between what is delivered locally and what centrally. But whatever the detail of that structure, there is already broad agreement in principle on what should be carried out locally and what centrally. It is widely accepted that policy and strategy on common

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<sup>6</sup> Phillips Curran Pty Op Cit. 1998

administrative matters should be developed centrally, that routine, high volume administrative functions should also be carried out centrally, and that administrative services which need face to face contact or which support particular locally strategic developments, should be delivered locally.

These are vague categories. There needs to be a detailed working through of which administrative services belong in each category, who currently carries these out and where there are opportunities for savings by eliminating triplication. This has been done for one aspect of Human Resources and in part for Finance - but there are still gaps in both of these cases. Student administration has not been analysed at all in this way.

**Exhibit 6 How much money can be saved by streamlining administration?**

A range of individual pieces of work can be brought together to give an estimate of the size of potential savings and to identify where there are gaps.

	<b>Annual savings</b>
Setting up a centralised approach for some aspects of finance coupled with local support at each Member (DeloitteToucheTohmatsu Report) Savings excluding initial set up	\$1.93m
A single system for administering routine aspects of Human resources (Director of HR analysis, March 1999) Savings shown are after set-up costs	\$0.65m
Restructuring management of administration not including any costs of transition	\$0.8m
<b>Gaps</b>	
Eliminating triplication in other aspects of Human Resources	
Eliminating triplication in student administration	
An estimate should also be made of savings which look sure to be achieved from re-engineering	

There are also possibilities for re-engineering processes and streamlining *within* each function. Macarthur has implemented a review of some of its finance functions – for example decentralising purchasing and reducing its level of stores. It estimates it has achieved savings of \$0.25 million per year in salaries. The possibility of achieving such savings at other Members needs to be considered.

There are other examples of potential savings from the introduction of technology. In Human Resources, the new CONCEPT system should allow staff to maintain leave records directly, without having to send in written requests which then have to be entered again onto the computer. These potential savings need to be flagged, together with the sources of savings, so that everyone can be clear that money will be saved and how.

The other significance of these calculations is that they form a basis for setting targets for the key managers to achieve. Without this, there must be a danger that administrative costs actually rise, as money is spent in the hope of future savings, but the source of those savings is not identified.

### **Reducing Triplication of Administration**

There have been individual initiatives to streamline administration and make it more consistent where that is necessary. For example, there is a single enterprise agreement for the University in which all Members participated. But until recently, these appear to have been the exception rather than the rule.

Lately, there appears to have been a faster pace in developing single policies. For example, in Human Resources common policies on staff development leave, occupational health and safety and other areas have been developed. In student administration the Academic Senate has approved some common academic rules for all students of the University. In Finance, work is also being undertaken to draw up a single scheme of financial delegation which, it is intended, will be applied consistently by each Member.

Developing common policies should save some time, and clearly does help achieve consistency where that is important, for example in employment issues. But if each Member implements them separately, then economies may not be achieved and there will not be consistency. Even in the recent past, some initiatives which aimed to deliver consistency and reduce triplication did not ultimately do so. For example, each

Member implemented Oracle's financial software. But each uses it in a different way, administers it differently, and so no economies were achieved. There were additional costs in software licences and in reconciling three sets of accounts compared to running a single system.

However, there are some recent developments which do appear to be more corporate and to have net savings clearly identified. In March 1999 the Human Resources Directors agreed a proposal to the University's management that there should be a single human resources computer system which, among other things, should result in there being a single payroll system from October 1999. However, this will not yet result in savings, as there will need to be some reorganisation of staff in order to achieve these. Proposals to do this have been put on hold while the University considers wider proposals to set up a University wide "shared services centre" which would undertake a range of administrative functions. No target date for this has yet been set.

Finance officers have established a common approach to budgeting and have been revisiting the issue of how they can move to a single chart of accounts and drawing up a schedule of functions which could be integrated. However, implementation of a single chart of accounts is not thought achievable before January 2001.

The external consultants' (Phillips Curran) review of the potential for achieving greater economy was commissioned in 1997. This made 17 recommendations, many of them about centralising administrative and other support functions. Many of these recommendations were to the effect that more detailed analysis was required of the scale of savings and the approach needed to achieve them.

The report was published in April 1998. However, during the period between the commissioning and publication of the report, there was a change of Vice-Chancellor, with the new Vice-Chancellor taking-up post in the same month that the report was published. The University was keen to achieve consensus on the best way to respond to the report and there was subsequently a period of detailed consultation with internal and external stakeholders, designed to lay the groundwork for changes. The first external signs of progress in implementing the report's recommendations began to be visible a year later with the commissioning of a more detailed analysis of the potential savings from setting-up a new structure for one of the administrative functions, finance, across the whole University.

A draft of this report was made available in March 1999. Although that progress was by way of further analysis rather than any actual change in operation, this was what the report had recommended and was an essential step.

Since that time, there has been an increase in planning to address the problem of the triplication of administration. The Vice Chancellor has set up a programme called *Agenda 2000*, which, it is envisaged, will see the creation of 37 projects around the University, addressing (amongst other issues) both academic and administrative triplication.

There are four projects relating to the elements of administration covered in this performance audit. They cover:

- finance
- human resources
- student administration
- a steering committee to oversee the development of a “shared services centre” to carry out some finance and human resources functions centrally.

By the time of this audit, there had been two meetings of the finance task group, three of the steering committee, and one of the student administration group.

The University’s intent is clearly serious. The Vice Chancellor has put her authority behind the programme. A senior member of staff is co-ordinating *Agenda 2000*. Senior academic staff are leading some of these groups, and the relevant managers view them as highly significant. However, *Agenda 2000* groups are not decision-making or implementation groups. Their task is to undertake analysis and make recommendations.

Alongside that, the University in August 1999 set up a temporary process to review all administrative appointments. It sought to avoid filling vacant positions if the work could be carried out by another Member or done elsewhere, and posts have been left vacant as a result, which will have saved money.

So far, whilst there is a great deal of concerted action, this is largely analysis and planning. Significant amounts of money have yet to be saved. In the short term at least there are proposals to spend \$0.6 million more on administration, in setting up the shared services centre, with a view to saving money in the longer term, but the source of the hoped-for savings has not been fully identified.

## **Sharing Best Practice in Purchasing**

A further recommendation of the Phillips Curran report was that there was scope to save money by joint purchasing where one Member had developed expertise and secured a better deal from a supplier than others or where there might be economies of scale.

There are examples of this recommendation being implemented. For example, Hawkesbury, which had secured good-value-for-money for its own power contract, now purchases Nepean's power. This not only gave the University the benefit of two more campuses being covered by the arrangement, it also meant that there was no duplication of administrative effort in researching the deal.

There are other examples of progress, such as in relation to the purchase of travel and grounds maintenance, but the approach is not systematic. The previous analysis by Phillips Curran suggested that there was the potential to make savings through University-wide purchasing of:

- telecommunications
- travel
- security
- cleaning
- programmed maintenance
- fleet management
- fuels
- courier services
- legal services.

Some of these will prove, on investigation, to be more effectively purchased locally, but the possibilities need to be investigated systematically.

## **Improving the Customer Interface**

Where there seems to have been no movement, and still insufficient recognition of the need for it, is in the first communications between potential students and the University – much of which is handled by student administration.

The customer care experience described in Exhibit 5 (page 20) took place in August 1999, and so illustrates current experience. Each Member is again sending out separate prospectuses for recruiting students for the year 2000, including to schools which will be visited by another Member. Again these make no reference to courses run by other Members and barely acknowledge each others' existence – although the Nepean prospectus at least has a map showing all the student campuses for the whole University.

There has been no policy change or training to encourage staff to draw attention to a course run by another Member where this is more appropriate for the student.

General student recruitment adverts were still placed in mass circulation newspapers in August 1999 giving the telephone number of only one of the three Members. Any student who is unsure what course they want to study but would like to go to the University of Western Sydney will still have to find out somehow that they have to ring all three numbers to get the full picture of what is on offer.

There is no evidence of action to address these problems. The *Agenda 2000* group on improving the economy, efficiency and effectiveness of student administration had held one meeting by the time of the end of this audit. None of the senior academic staff indicated any plans for developing a more customer-oriented approach. If changes are to be made in time for the recruitment of students for 2001, then planning must begin in 1999, to allow time to prepare prospectuses by March 2000 and to re-train staff.

### **Investment in New Initiatives in Administration to Benefit the Whole University**

Until 1999, it was left to each Member to decide how to invest University money in developments in administration. On occasions, all three Members would begin with the same development (such as Oracle Financials software) but would then enhance it and operate it independently, so no economies of scale were achieved.

This is beginning to change. It has been agreed in principle to develop a “shared services centre” to carry out routine functions such as payroll for the whole University, although a timetable for this has not yet been set.

However, there are still potentially duplicative investments. For example, the University developed at one Member site a telephone call handling system called HERMES, which among other things captures information about potential students which can be analysed for marketing purposes. At the same time, the University was also part of a consortium of universities investing in the development of a student administration system called CALLISTA, which is also being developed to have a call management facility. All the student administration managers interviewed thought that this was causing some confusion among staff.

Great care must be taken not to stifle innovation by over-controlling, centralised management. Equally, investment funds are scarce and staff need to be clear about the future strategy if they are to focus on delivering it.

### **Summary**

In conclusion, there has been positive progress in **planning** to address the high cost of administration and there have been some gains from joint purchasing. However, major **implementation** has yet to take place, and in several cases the source of savings has not yet been identified. The customer care problems identified, although not necessarily complex to resolve, do not appear to be being fundamentally addressed.

Nobody can doubt the seriousness of intent of the University to achieve more economic administration. But the task is a big one, which comes at the same time as problems such as the Year 2000 computer bug and the introduction of the Goods and Services Tax. It is important to analyse whether there are barriers to implementation which need to be addressed.

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## **4. Barriers to Progress**

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## 4. Barriers to Progress

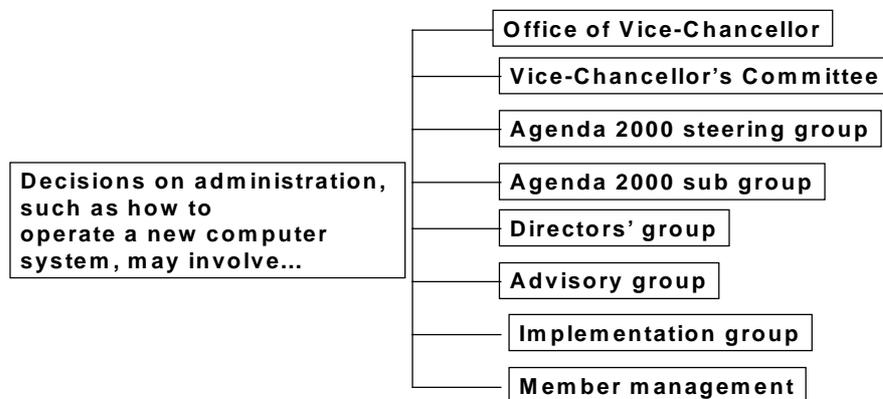
### Decision-making

The University is trying to bring together a number of administrative functions into a single operation. It has set-up the programme *Agenda 2000* to analyse how progress should be made and make recommendations. The structure for this process is clear, but there are several stages to it. There is a sub group for each function and these report to a steering group. Issues are cross-referred between the two levels of group. From here, final decisions need to be referred to the Vice Chancellor's Committee.

Alongside this, there are parallel groups which cover similar territory (Exhibit 7). For example, the implementation of new computer systems in human resources and student administration has encouraged the three Members to try to seek a common approach on a number of policy matters. This requires the establishment of sometimes several inter-Member working groups. But these decisions, too, need to be fed into the Vice Chancellor's Committee or to the Academic Senate. The issues will also need to be considered within the *Agenda 2000* programme. And the management of each Member needs to participate in the decisions.

#### Exhibit 7 Decision-Making at the University

A large number of people and groups can become involved in decisions about the administration of the University



This can mean that there are many stages in the decision-making process. This is not unusual in public sector organisations at times when major decisions are being made, as a wide range of stakeholders need to be engaged in consultation on major strategic issues. However, at the University of Western Sydney many of the decisions which have to go through several forums are detailed operational issues, such as the staffing arrangements for a new computer system.

Decision-making processes are also affected by the culture of autonomy between the Members. There is common agreement that it is costly to get agreement at working parties on the best way of developing University-wide systems, because Members still have a culture of acting autonomously – even on issues which are agreed to be minor.

As the University seeks to establish a single approach to the administration of an increasing range of functions, there is general frustration at a middle management level with the speed and cumbersome nature of decision-making. Numerous examples were given of issues which had taken over a year to resolve, such as the policy for staff development leave, and the policy for academic promotion.

In part, this arises because corporate decision-making is new, and there is still a strong culture of autonomy between the Members. However, it also arises because there is a lack of systems for executive decision-making across the whole University.

The Vice Chancellor's Committee has a corporate decision-making capacity, but this should be focussed on key strategic issues and ought not to be getting involved in low level operational issues. *Agenda 2000* is not designed as a decision-making system and proposals from the working groups are referred to decision-makers within the Members or the Vice Chancellor's committee.

The Office of the Vice Chancellor is currently designed to provide strategic advice and to support the Board of Trustees. It does not have the management systems to handle operational issues.

The central decision-making structures at the University were designed for different purposes than those now emerging. Its deficiencies are coming into sharper relief as the drive to achieve economies of scale accelerates. Further, there is no executive with the authority to drive consistency of implementation across all three Members.

And that is before most of the major projects have been implemented – most are still at the planning stage. As changes begin to be implemented, many more operational issues will need speedy resolution. The problems will therefore get worse if they are not addressed.

### **Financial control**

There does not appear to be a system for deciding on priorities between Members for investment in new initiatives in administration.

This highlights another barrier to progress in leveraging greater economy across the administration. The financial systems do not support this. At the moment, the process of budget allocation is for an element of the total budget to be allocated to the Vice Chancellor's Office, and then the budget is allocated in large blocks to the three Members, based on a formula.

This has meant that major investment decisions, such as new building work, have not received corporate discussion before the budget was agreed. It removes an important lever for the top management team to determine priorities across the University for major developments.

And the accounting systems have not permitted scrutiny during the year at a corporate level to identify where there may be scope for adjustment of the following year's budgets because each Member classifies expenditure differently. This is in the process of being addressed. A University-wide classification has been agreed for accounts and budgets. One test of this will be how far it is consistently implemented when the 1999 accounts are drawn up. It is equally important that the University is able take a view on how much money should be spent on administration before the start of the year as well as during it, agreeing target levels of expenditure for the future.

This is a difficult area. Central control over the small detail of budgets is not usually desirable and often results in poor value-for-money as people distant from day-to-day operations make spending decisions. But there is also an important issue of accountability. The University's top management lacks the support and decision-making systems to enable them to use budgets to achieve savings in targeted areas.

## **Overall objectives and performance measures for the University administration**

Another barrier to progress is a general uncertainty within the University about the scale of change, the size of savings targets and the timescales over which they are to be delivered.

These do not appear to have been drawn up, but few people at middle management level believe that. The assumption is that the Vice Chancellor's office has hidden targets – whereas the Vice Chancellor's office was looking to the *Agenda 2000* programme to give some idea of scale and time-lines.

It is obviously important to have key milestones and key targets identified, to focus attention, determine the scale of effort required and to project plan. But targets and performance indicators must cover more than savings. Savings should not inadvertently reduce the quality of service either to external customers, such as students, or internal customers, such as staff. Performance indicators also are needed to warn of possible false economies. For example, if Human Resources effort in following-up sickness absence is reduced, there should be a performance indicator of sickness absence, to check that absence does not increase, as this would cost more than the saving in administration costs.

However, at present the University would find it very difficult track the intended and unintended consequences of changes as there are few performance indicators in use in the University administration. Individual managers have objectives and timescales within which to achieve them, but all the administration managers reported that within their Member and therefore within the University as a whole, performance indicators of this nature had not been developed.

Whilst a range of key financial data are reported regularly, these are (quite appropriately) top management indicators. They are not meant to and do not pick out the key measures of controllable spending on administration which would enable management quickly to assess the impact of changes – indicators such as expenditure on specific functions or the headcount of staff in central administration.

The reporting systems are not set up to provide this sort of information. For example, to discover the headcount of administrative staff requires the Vice Chancellor's Office to set up a one-off data collection exercise with each Member, which then requires dedicated effort from all three Members to

produce and then to resolve anomalies in the way the numbers are calculated. The senior management of the University lacks warning signals of areas where change may be having perverse consequences – or even if actual economies in administration are being achieved at all.

### **Uncertainty about the Future Organisation of the University**

At all levels of University administration there is uncertainty about the future organisation of the University. It is widely understood that there will be change, but its scale and direction are unclear. The most frequent uncertainty brought up by managers in administration was the role of the Members. Will they continue to exercise a decision-making role? If so, to what degree? What would the Vice Chancellor's Office decide and manage directly, and what would Members decide?

Uncertainty of this kind is natural during a process of change and there will always be a tension between the desire to give staff certainty about their future and the need to consult and secure the buy-in of a range of external and internal stakeholders. Nonetheless, some of these decisions do have implications for the strategy for administration. For example, if there is to be some delegation, Members will need to retain some capacity within administration to develop their own local strategies. If there were to be less autonomy, then Members would carry out only a more limited range of operational tasks.

Uncertainty about the organisational structure can be a barrier to progress, as senior staff may be unclear whether to undertake new developments, or engage in internal re-organisation if there is subsequently to be a University-wide reorganisation. From this point of view, the sooner that the future organisational structure of the University can be clarified, the easier it becomes for managers to work towards it.

However, there are a number of areas of administration where economies can be achieved, irrespective of decisions about the internal management of the University. Action should not be delayed by uncertainty about the wider decisions on the structure of the University. For example, the 'in principle' decision that a range of administrative functions should be provided from a "shared services centre" should be progressed without waiting. It could operate under any likely University structure. The same is true of improvements in customer care, which are needed whatever the ultimate structure of the University.

## **Conclusion**

The University has put the need to make economies in administration firmly on its agenda. It has analysed the problem and has set up internal processes to try to achieve change. Senior managers throughout the University agree that change is needed – not just in achieving economies between Members, but also in ensuring that best practice is replicated across the University.

And planning to achieve economies in administration has begun, for example, the agreement to centralise some routine administrative functions. Whilst progress was initially slow while internal consultation to try to secure consensus took place, the pace of change seems to be escalating during 1999.

It is important to recognise this and to give full credit to the University for this. Recognition and analysis of the problem are the first two major steps in addressing it. But there are real barriers to implementation.

The next section recommends actions, alongside the steps already in train, the University should consider to ensure that economies are actually achieved - without reducing the effectiveness of administration - and that improvements in customer care are delivered.

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## **5. Recommendations**

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## 5. Recommendations

Recommendations for action are made under a range of headings, with the main actions proposed highlighted in boxes at the end of each sub-section.

### **The organisation of the University**

While some improvements can be made in the University's administration before the overall organisation of the University being finalised, other key decisions on the overall management arrangements for administration can only sensibly be made once the role of Members and campuses is clarified. If Members are to have a different role, then their administrative support needs to reflect this. If the conclusion is that campuses are the key link with the community and a key reputational factor, then consideration will need to be given to the way in which administration supports the campuses. Or if a critical issue is the whole University reputation, then consideration will need to be given as to how administration can support this.

Not least in terms of staff morale, the sooner a decision can be made the less uncertainty there will be for individuals about their future role. This is a significant issue and all the senior managers in administration referred to it as a source of tension.

However, decisions of this nature have big external implications. Not only does there need to be a process of consultation with key stakeholders including local communities and their representatives, who will need to know whether there are implications for them.

Some of this consultation is under way and it may be that the overall strategy can shortly be declared.

#### **Recommendation 1**

**Proposed changes to the internal structure of the University should be outlined as soon as key stakeholders have been consulted.**

## **Executive Decision-making**

Most senior administrative staff accept the previous analysis of the inadequacy of the University-wide decision-making systems. If it is to move at the speed and clarity of decision-making necessary to cope with internal change and external pressures such as the introduction of Goods and Services Tax, the University needs to have a stronger executive decision-making capacity. And it needs greater capacity to drive home the implementation of decisions. This is needed irrespective of decisions on the role of Members as in principle decisions to centralise a range of functions have already been made.

One way of achieving this would be to have one head of each of Finance and Human Resources and one Registrar. This would give an ability to provide a focus on each of the three critical areas of administration. It is noteworthy that recently the University nominated one of the directors of human resources to work full-time on University-wide issues. Even though this post does not have executive decision-making power, progress in working out the detail of implementing changes to achieve savings and consistency of policy has accelerated.

But this apparently obvious solution is not likely to be effective if these posts are simply added to the current structure. These executive directors will need clearly delegated authority. If decisions have to pass through the existing processes, many of the benefits of speed and certainty will be lost and costs will increase. That is not to dispense with consultation – this would be a key part of their role – but ultimately if consensus cannot reasonably be achieved, then decisions have to be taken executively. And there would need to be a clear scheme of delegation as to which decisions belonged to them and which to the Vice Chancellor or her Committee.

The majority of the heads of administration agree that this would take over their key functions and that it would be inappropriate to have directors of each of these functions in each Member.

If this were the case, there would be some savings in taking this step – although the prime motivation is to secure the bigger savings, which will come from implementing a more streamlined administration. The posts of directors of human resources, directors of finance and registrars at each of the three Members (counting the two executive directors as heads of finance) cost \$1.5 million. Around \$0.8 million of this would be a saving.

These top posts would need to be supported by a small staff, which could be drawn from the staff who currently support the development of policy and strategy at each of the Members. Again there would presumably be some saving from eliminating triplication of policy development, but this would depend on a more detailed study, which is proposed below.

There should also be an assessment of whether some of the work of the office of the Vice Chancellor would then duplicate the functions carried out by these new posts and whether savings or reapplication of staff time could be achieved. For example, the establishment of the service centre could be undertaken by one of the proposed executive directors.

### **Recommendations 2 and 3**

**The University should consider streamlining the management of administration with one director of each of Finance and Human Resources and one Registrar.**

**These directors should be given clear authority within a scheme of delegation.**

### **Accountability for Good Performance**

Any such new approach needs to be demonstrably more effective and better value-for-money. If these senior posts are created, the directors should be charged not only with the development and implementation of policy – they must also be charged with securing efficient and effective operation on the ground, just as the operational managers locally are charged with this.

Part of the accountability for the top level of administration should therefore be the achievement of specific targets, measured by performance indicators where these are appropriate. These performance measures should balance the three Es of economy, efficiency and effectiveness and they will vary from function to function. Examples could include targets to:

- achieve specific percentage reductions in costs, with a reducing budget for each function. Administrative costs could be measured as \$ per full-time student equivalent or the percentage of the University's total operating expenditure spent on each function
- ensure good organisational health, for example to ensure that turnover of staff did not exceed agreed levels

- reduce sickness absence
- reduce debtor days to a specific level
- respond to student enquires within agreed times
- achieve agreed satisfaction levels with the service, based on occasional surveys of a sample of internal and external customers.

Setting up a central bureaucracy without accountability for performance against measurable targets would be too risky. It might result in increased costs, setting up a fourth administrative centre within the University. Or it might implement economies which adversely affected the quality of service offered locally.

Whilst performance indicators of this kind have not been extensively reported before, the task is not formidable. Much of the data to produce such performance indicators exists or will be able to be extracted from new computer systems, which have been purchased. Where new data collection would be required (for example satisfaction surveys), the costs can be kept down by using properly constructed samples.

#### **Recommendation 4**

**Directors should be given targets for the achievement of savings and improvements, measured by performance indicators which cover economy, efficiency and effectiveness.**

### **Ensuring Responsive Local Management of Administration**

The University of Western Sydney is different from other universities in a number of respects. Two of the differences relevant to the management of administration are that it has:

- more campuses
- three Members with strong, current traditions and staff who take pride in their local institution.

That pride and enthusiasm can bring benefits. For example, the HERMES call monitoring system was developed locally by enthusiastic staff. It provides timely, relevant marketing information which would be envied by many organisations. In seeking to reduce the unnecessarily high costs of the triplication of administration, care must be taken to recognise local differences and to ensure that administration is given discretion to be effective locally.

There is an additional layer of management below director level at all three Members and the organisation of their work will need to be reviewed as some tasks which used to be managed locally are centralised.

If the University is to achieve the objectives of saving money and maintaining an effective administration locally, it will need to take account of three general principles when undertaking this review, namely that:

- the total cost of administration should not exceed the University's target figure, which itself will be a reduction on previous years
- the size of any capacity to develop strategy locally should depend on the future role of the Member and campus which the Vice-Chancellor and Trustees agree
- management locally should be senior enough to have the authority and experience to secure responsive local service and to ensure that local needs are clearly and powerfully articulated.

The last point merits more detailed consideration. Given the importance of locally responsive administration, local managers will need the authority to organise administration most efficiently to meet the differing needs of local communities, staff, and students at each campus. And to help guard against the risk that centralised administration gets out of touch, rule-bound and unaccountable for the impact of its decisions on the ground, it may be advisable to have local managers who are senior enough to communicate local needs assertively.

Across all three Members, there are 12 staff at the most senior administrative grade (HEW 10). The streamlining of the administration should release some of this management capacity locally. One way of providing a sharp focus on effective local administration and the articulation of local needs could be to have a general administration manager locally, who is responsible for the overall efficient running of the administration. Nepean already has the embryo of such an arrangement, with both campuses having combined campus service teams of human resources, finance and student administration staff who all report to a single team manager, although the Nepean posts are currently relatively junior. Nepean staff believe that this arrangement works well.

Whether this is organised around the Member or around a different grouping of campuses would depend on the higher level decision about the future role of the Member and on what was affordable. And the level of seniority would depend on the scope of functions remaining locally. Before this can be decided, the University needs to map out in more detail what belongs where and where savings can be achieved. A process for this is proposed in the next section.

#### **Recommendation 5**

**The University should review the role of senior managers below the post of director. They should be targeted with the effective implementation of administration locally. Local management should be of sufficient seniority to ensure that local needs are powerfully articulated. This should be achievable from within the existing resources spent on this tier of management.**

### **Identifying the Source of Savings**

The source of savings has been only partially mapped out. A full exercise in relation to the Finance function has been carried out, although this was necessarily done without future decisions on the role of the Members having been decided. The savings from rationalising some aspects of human resources administration have also been mapped out. There has been no mapping of potential savings from the remaining human resources areas or from student administration, the biggest of the three areas.

There is agreement in broad terms within the University about which functions should be carried out locally and which centrally (Exhibit 8). To make this a basis for implementation, there now needs to be an exercise to map out for remaining areas:

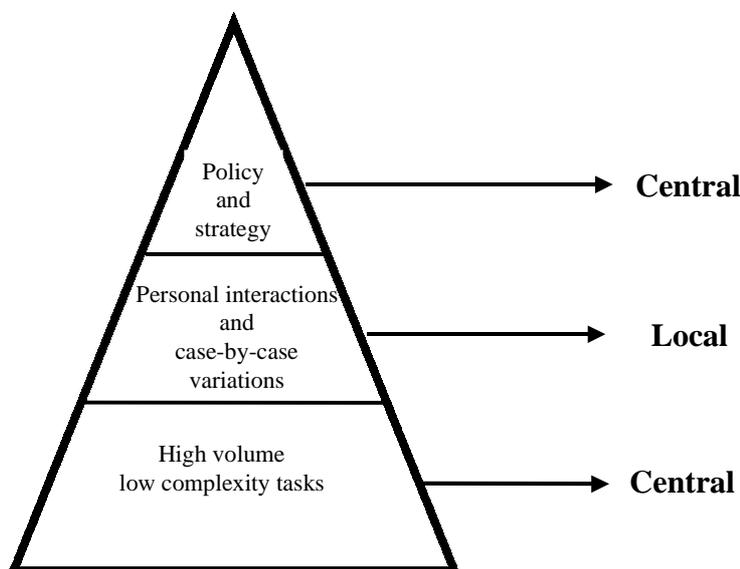
- which current administrative activities belong in each category
- the staff and other resources which are currently applied to deliver these
- imminent changes in administration, such as the use of the Internet in ways which will save administrative time, or the introduction of the Goods and Services Tax which will place demands on administrative staff
- a broad outline of the quality standards the University wishes to achieve – for example, that students will always be able to make a personal enquires at every campus

- options for the organisation of those functions locally and centrally
- the savings which will result.

There is clearly scope for interpretation of what “case by case variation” means (Exhibit 8) and of which areas of strategy belong locally and which centrally. This will in part be determined by the decisions on the wider role of Members. For example, if Members retained significant autonomy in the way they spend money and organise their resources, they would need some capacity locally for financial planning and to develop and organise staff.

### **Exhibit 8      The Broad Policy for Organising Administration**

*There is general agreement within the University about the broad organisation of administrative work, but to make progress on the ground, specific functions now need to be allocated into each category*



*Source: Audit Office adaptation of analysis by Prof B Carey, University of Western Sydney*

**Recommendation 6**

**The partial mapping out of the sources of hoped-for savings should be completed urgently so that the cost-effectiveness of impending decisions to ‘spend to save’ can be evaluated. Targets to achieve these should then be given to the relevant directors.**

**Prioritisation of Expenditure**

The current approach to budgeting removes a powerful tool for securing debate about relative priorities for investment across the University. It is based on each Member being autonomous with no mechanism for prioritising investment decisions between each Member. On occasions this has proven wasteful, with the duplication of, for example, computer systems or the implementation of the same system in different ways such that additional effort has to be spent reconciling the systems.

One way of addressing this is to change the way in which money is allocated to enable senior management to target specific areas of expenditure. Currently, there is a block allocation to each Member. It is open to the University to take out certain types of expenditure, such as the development of computer systems, from the formula funding and subject these to a process of debate about which are overriding priorities.

The same is true of capital expenditure. Currently money for capital expenditure is allocated according to student numbers, rather than any scheme of prioritisation. This approach is currently being questioned within the University and details of capital developments are being drawn together, although there has been no implementation yet of a corporate approach to capital expenditure.

If the University adopts the recommendation to have a central director of each of the three administrative functions identified, there will anyway need to be a change in the budgeting process. The University will need to determine a specific budget for each function. It can use this as a means of containing or reducing administrative costs further.

**Recommendation 7**

**The University should consider changing its budgetary systems to enable it to set specific budgets for administration. It should also consider subjecting proposals for major new developments to corporate review to ensure that these are not duplicated and that they benefit the whole University.**

## Schemes of delegation

If changes to the decision-making roles and to the finances are implemented, there will need to be new schemes of delegation. Currently, each Member has its own scheme, although financial delegation is being standardised. Schemes will also need to be drawn up to reflect the division of responsibilities in human resources and student administration.

These schemes of delegation will initially have much greater importance than they usually have, as they will force clarification of roles and make clearer what are each individual's spans of managerial control over critical operational issues, such as who:

- can establish or disestablish posts in administration
- approves advertising
- agrees starting salaries
- decides on the level of administrative fees and charges
- determines the span of managerial control of each post.

The process of preparing detailed schemes of delegation will help flush out differences in the interpretations of the overall policy before any new structure goes live.

### **Recommendation 8**

**The University should establish a scheme of delegation of decision-making covering each stream of administration, making clear the decisions for which directors are directly accountable and which are reserved for corporate management.**

## Customer interface

The starting point for administration, as for the academic endeavour, must be to stand in the customer's shoes and view what is offered from that perspective. But this applies not just to administrative staff at the University of Western Sydney. They are responsible for only part of the customer interface. Much of what they do is determined by marketing and academic strategies, so these parts of the University also must consider the customer interface.

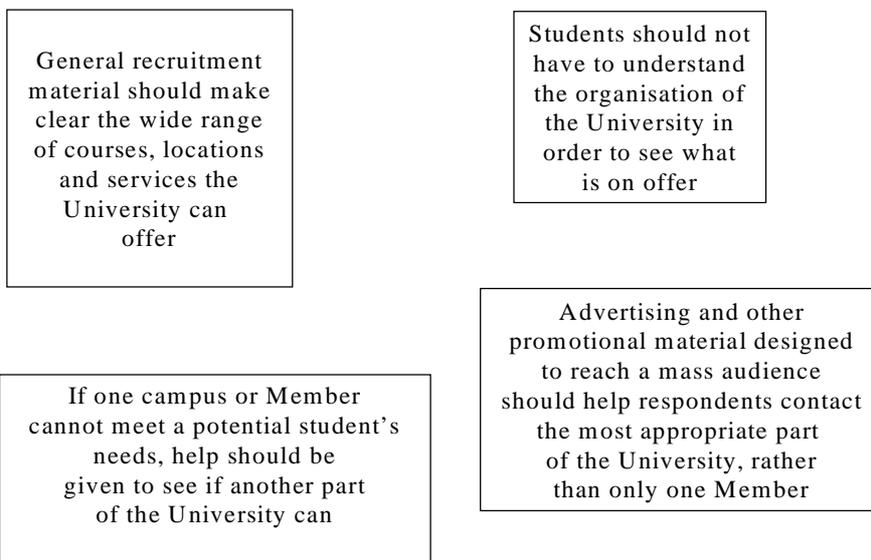
For the reasons outlined in the first section of this report, the performance audit comments are confined to the customer interface during generic recruitment activity. Comments are based on the assumption that it is better for student and university if they are made aware of the choice of courses, locations and facilities the University has to offer.

This can be done without diminishing the pride and enthusiasm which staff should be encouraged to have for the part of the University in which they work. Just as academic staff will naturally want to "sell" their courses to students, so also local administrative staff should be encouraged to point out the benefits of what is on offer locally. But this should never override the public service ethos, which requires that the interests of the public come first. It is anyway in the University's interest if one campus or Member cannot meet a student's needs, to encourage them to consider other possibilities the University may have.

The University should make clear its expectations of staff. Some suggestions for guidelines are included at Exhibit 9. The University should then examine its customer interface against the broad guidelines it agrees on. Academic and administrative staff should then apply these to their external communications with potential students. Some changes should be achievable immediately and others may have to be undertaken in stages, if these are dependent on, for example, improvements in telecommunications or on wider academic planning.

### **Exhibit 9      Examples of Customer-Focussed Guidelines to Underpin Student Administration**

*The University should draw up a set of guidelines to reinforce customer care and draw attention to the wide range of benefits the University can offer*



A number of practical steps will then need to be taken to implement these guidelines. These could include:

- training staff to provide information on courses offered at other campuses of the University where that is more suitable or convenient for the student
- establishing systems to ensure that where a course is oversubscribed, students' attention is drawn to similar courses offered at other campuses in the University
- coordinating recruitment activity targeted at schools, which are the most important source of information for potential students<sup>7</sup>
- where general recruitment adverts are placed in media which cover the whole of the University's local area, or are designed to reach students outside the area, giving the full range of contacts for enquiries rather than those of only one Member

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<sup>7</sup> James, Baldwin, McInnis. Op Cit.

- establishing a single telephone number for initial enquiries, for example for prospectuses and other course information. If the University's telecommunications do not currently permit a more seamless approach, students might need then to be given other numbers for more detailed information
- cross-referring in promotional material such as prospectuses and brochures to similar courses held elsewhere in the University and including maps of all campus locations (as the Nepean undergraduate prospectus does). Single publications covering all campuses might be appropriate in some cases
- reviewing the University's entry in the Universities Admissions Centre Guide – a critical document. Currently potential students have to look through three differently structured entries. Feedback from users should be sought to assess if this is most helpful and best markets the University to students.

These are only some of the steps to be considered, and proper feedback should be sought from existing and potential students as part of deciding which changes to make. None of this argues against specific promotion of a centre of excellence or a research facility, which all universities carry out.

The public service ethos should always be the guiding principle. The University itself can only benefit from this. The most important factors influencing students are the choice of courses on offer and ease of access from home. With such a large range of courses and the largest number of campus locations in New South Wales, the University will be playing to its strengths if it makes sure that students know about these. The reputation of the institutions which make up the University will not be diminished by students or research customers knowing the full extent of the University's offering.

#### **Recommendations 9 and 10**

**The University should issue guidelines to staff who deal with current and prospective users of the University, setting out the standards of public service it expects.**

**It should then draw up a list of practical steps to improve customer care, based on the general principle that the public should not have to understand the internal management arrangements of the University in order to be properly informed about what it can offer them. Some suggestions are provided in this report.**

## Conclusion

The seriousness of the University's intent to address the problems of unnecessarily high costs of administration is not in doubt. Although the understandable desire to achieve consensus meant that detailed planning to implement change was slowed while a process of consultation was undertaken, the pace of planning for change has accelerated during 1999. However, there are barriers to implementation of change. These need to be addressed before the public and taxpayer can have confidence that improvements on the ground will take place and money will be redirected from administration into the academic endeavour of the University.

The critical steps are to:

- Streamline decision-making and introduce individual accountability for implementation of improvements in administration
- Identify in detail the source of savings
- Carry through the reorganisation of the administration on the basis of principles already agreed to remove triplication of functions which can be carried out more economically centrally
- Give clear delegated authority to the remaining local administration
- Put in place performance indicators to track the performance of services and achievement of savings.

Alongside this, there are practical steps the University can take to improve its customer care when it first makes contact with potential students, through its adverts, help lines, prospectuses and contact with schools. The key to success here will be the University's willingness to hold up a mirror to itself to see how its prospective customers view it.

The University itself has indicated that not only can it get extra value from the resources it spends on administration, it believes it can achieve more for Greater Western Sydney and beyond from the resources it allocates to its academic endeavour. This is a big agenda which will require determined prioritisation of effort. The start it has made bodes well for the future.

# **Performance Audits by The Audit Office of New South Wales**

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## Performance Auditing

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Performance audits seek to serve the interests of the Parliament, the people of New South Wales and public sector managers.

The legislative basis for performance audits is contained within the *Public Finance and Audit Act 1983, Division 2A*, which differentiates such work from the Office's financial statements audit function. Performance audits examine whether an authority is carrying out its activities effectively and doing so economically and efficiently and in compliance with all relevant laws. These audits also evaluate whether members of Parliament and the public are provided with appropriate accountability information in respect of those activities.

Performance audits are not entitled to question the merits of policy objectives of the Government.

When undertaking performance audits, auditors can look either at results, to determine whether value for money is actually achieved, or at management processes, to determine whether those

processes should ensure that value is received and that required standards of probity and accountability have been met. A mixture of such approaches is common.

Where appropriate, performance audits provide recommendations for improvements in public administration.

Performance audits are conducted by specialist performance auditors who are drawn from a wide range of professional disciplines.

The procedures followed in the conduct of performance audits comply with The Audit Office's Performance Audit Manual which incorporates the requirements of Australian Audit Standards *AUS 806 and 808*.

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## Performance Audit Reports

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
1	Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
2	Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
3	Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
4	Police Service	<i>Air Travel Arrangements</i>	8 December 1992
5	Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
6	HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
7	State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
8	Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
9	Fraud Control	<i>Fraud Control: Developing an Effective Strategy</i> (Better Practice Guide jointly published with the Office of Public Management, Premier's Department)	30 March 1994
10	Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
11	Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
12	Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
13	Roads and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure</i> (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)	17 October 1994
14	Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
15	State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
16	Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
17	Department of Courts Administration	<i>Management of the Courts: A Preliminary Report</i>	5 April 1995

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
18	Joint Operations in the Education Sector	<i>A Review of Establishment, Management and Effectiveness Issues (including a Guide to Better Practice)</i>	13 September 1995
19	Department of School Education	<i>Effective Utilisation of School Facilities</i>	29 September 1995
20	Luna Park	<i>Luna Park</i>	12 October 1995
21	Government Advertising	<i>Government Advertising</i>	23 November 1995
22	Performance Auditing In NSW	<i>Implementation of Recommendations; and Improving Follow-Up Mechanisms</i>	6 December 1995
23	Ethnic Affairs Commission	<i>Administration of Grants (including a Guide To Better Practice)</i>	7 December 1995
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30	Department of Public Works and Services	<i>Sale of the State Office Block</i>	17 October 1996
31	State Rail Authority	<i>Tangara Contract Finalisation</i>	19 November 1996
32	NSW Fire Brigades	<i>Fire Prevention</i>	5 December 1996
33	State Rail	<i>Accountability and Internal Review Arrangements at State Rail</i>	19 December 1996
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35	NSW Health Department	<i>Medical Specialists: Rights of Private Practice Arrangements</i>	12 March 1997
36	NSW Agriculture	<i>Review of NSW Agriculture</i>	27 March 1997
37	Redundancy Arrangements	<i>Redundancy Arrangements</i>	17 April 1997
38	NSW Health Department	<i>Immunisation in New South Wales</i>	12 June 1997
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40	Department of Community Services and Ageing and Disability Department	<i>Large Residential Centres for People with a Disability in New South Wales</i>	26 June 1997
41	The Law Society Council of NSW, the Bar Council, the Legal Services Commissioner	<i>A Review of Activities Funded by the Statutory Interest Account</i>	30 June 1997
42	Roads and Traffic Authority	<i>Review of Eastern Distributor</i>	31 July 1997
43	Department of Public Works and Services	<i>1999-2000 Millennium Date Rollover: Preparedness of the NSW Public Sector</i>	8 December 1997
44	Sydney Showground, Moore Park Trust	<i>Lease to Fox Studios Australia</i>	8 December 1997
45	Department of Public Works and Services	<i>Government Office Accommodation</i>	11 December 1997
46	Department of Housing	<i>Redevelopment Proposal for East Fairfield (Villawood) Estate</i>	29 January 1998
47	NSW Police Service	<i>Police Response to Calls for Assistance</i>	10 March 1998
48	Fraud Control	<i>Status Report on the Implementation of Fraud Control Strategies</i>	25 March 1998
49	Corporate Governance	<i>On Board: guide to better practice for public sector governing and advisory boards (jointly published with Premier's Department)</i>	7 April 1998
50	Casino Surveillance	<i>Casino Surveillance as undertaken by the Director of Casino Surveillance and the Casino Control Authority</i>	10 June 1998
51	Office of State Revenue	<i>The Levying and Collection of Land Tax</i>	5 August 1998
52	NSW Public Sector	<i>Management of Sickness Absence NSW Public Sector Volume 1: Executive Briefing Volume 2: The Survey - Detailed Findings</i>	27 August 1998
53	NSW Police Service	<i>Police Response to Fraud</i>	14 October 1998
54	Hospital Emergency Departments	<i>Planning Statewide Services</i>	21 October 1998
55	NSW Public Sector	<i>Follow-up of Performance Audits: 1995 - 1997</i>	17 November 1998
56	NSW Health	<i>Management of Research: Infrastructure Grants Program - A Case Study</i>	25 November 1998
57	Rural Fire Service	<i>The Coordination of Bushfire Fighting Activities</i>	2 December 1998

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58	Walsh Bay	<i>Review of Walsh Bay</i>	17 December 1998
59	NSW Senior Executive Service	<i>Professionalism and Integrity</i> <i>Volume One: Summary and Research Report</i> <i>Volume Two: Literature Review and Survey Findings</i>	17 December 1998
60	Department of State and Regional Development	<i>Provision of Industry Assistance</i>	21 December 1998
61	The Treasury	<i>Sale of the TAB</i>	23 December 1998
62	The Sydney 2000 Olympic and Paralympic Games	<i>Review of Estimates</i>	14 January 1999
63	Department of Education and Training	<i>The School Accountability and Improvement Model</i>	12 May 1999
64	Key Performance Indicators	<ul style="list-style-type: none"> <li>• <i>Government-wide Framework</i></li> <li>• <i>Defining and Measuring Performance (Better practice Principles)</i></li> <li>• <i>Legal Aid Commission Case Study</i></li> </ul>	31 August 1999
65	Attorney General's Department	<i>Management of Court Waiting Times</i>	3 September 1999
66	Office of the Protective Commissioner Office of the Public Guardian	<i>Complaints and Review Processes</i>	28 September 1999
67	University of Western Sydney	<i>Administrative Arrangements</i>	November 1999



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