



Australian Government
Tertiary Education Quality
and Standards Agency



REGULATORY RISK FRAMEWORK

FEBRUARY 2012

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OVERVIEW

The Tertiary Education Quality and Standards Agency (TEQSA) is required by legislation to reflect the principle of risk in taking regulatory action. This Regulatory Risk Framework details TEQSA's regulatory risk management policy and processes to give effect to that principle.

Regulatory risk management as detailed in this Framework is a precursor to more formal regulatory intervention. Regulatory risk enables TEQSA to identify and understand risk to quality higher education, at both a provider and sector level, and informs decisions about where to focus and prioritise TEQSA's regulatory activity in response. The emphasis of TEQSA's risk management process under the Regulatory Risk Framework is on dialogue with providers about their own organisational risk management. Where serious risk is identified, TEQSA will investigate further, beyond the parameters of the Regulatory Risk Framework, to consider whether any formal regulatory intervention is needed.

The Regulatory Risk Framework identifies categories of risk in line with the Threshold Standards (please see Glossary) to frame a detailed set of risk indicators. The risk assessment of providers against these indicators is based on a balance of quantitative and qualitative information, allowing for expert judgement in finalising the assessment. This assessment includes consideration of existing controls based on discussions with providers. Three overarching 'priority risk consequence areas' guide an overall judgement about levels of risk: risk to students; risk of provider collapse; and risk to sector reputation. Through this risk assessment process TEQSA creates and maintains holistic 'Risk Profiles' of providers, which are renewed through an annual risk management cycle. This process is supported through an information strategy, drawing on existing sources where possible and a TEQSA data collection where required.

The Regulatory Risk Framework will mature over time, as TEQSA's knowledge of the sector and interaction with providers develops, and more data are available.

BACKGROUND, PURPOSE AND LEGISLATIVE CONTEXT

The Regulatory Risk Framework is a key part of TEQSA's approach to regulating and quality assuring Australia's large, diverse and complex higher education sector. It is a regulatory risk management tool that enables TEQSA to assess systematically regulatory risk to quality higher education provision and determine a response.

When exercising a power under the *Tertiary Education Quality and Standards Agency Act 2011* (the TESQA Act) in relation to a regulated entity, TEQSA must comply with:

- (a) the principle of regulatory necessity;
- (b) the principle of reflecting risk; and
- (c) the principle of proportionate regulation.

The Regulatory Risk Framework enables TEQSA to comply with the second principle by supporting a consistent approach to assessing the nature and extent of risk exposure of an individual provider, and guides proportionate regulation. Thus, by applying a risk-based approach, TEQSA may adjust the frequency and intensity of regulatory review and quality assurance activities based on its risk assessment of a higher education provider. The regulatory burden on providers is reduced where possible and TEQSA's resources are more effectively targeted.

The application of the Regulatory Risk Framework also encourages the development of collaborative relationships with the sector and allows for dialogue with providers, before any formal regulatory intervention. Such an approach supports TEQSA as a preventative and proactive regulator, as well as a responsive regulator when risks materialise or performance issues warrant intervention. Responses under the Regulatory Risk Framework range from monitoring, education and encouragement through to urgent regulatory investigation, depending on the level of risk identified through the assessment.

The Regulatory Risk Framework is not intended for use by providers as a risk management tool. In line with this, it is not the purpose of the Regulatory Risk Framework to identify all potential risks to providers or establish organisational performance benchmarks, but rather to focus on provider risks relative to the Threshold Standards to support TEQSA's regulatory decision-making and regulatory actions. The Threshold Standards collectively describe the Provider Standards and the Qualification Standards, which all higher education providers must meet in order to be registered.

In line with the TESQA Act, TEQSA must have regard to an entity's history (including its scholarship, teaching and research, student experiences, and financial status) and compliance with the Threshold Standards. In considering these areas, risk assessment by TEQSA focuses on risk at the institutional level, but can involve closer examination of risks and issues at a sub-institutional level where significant risk is identified.

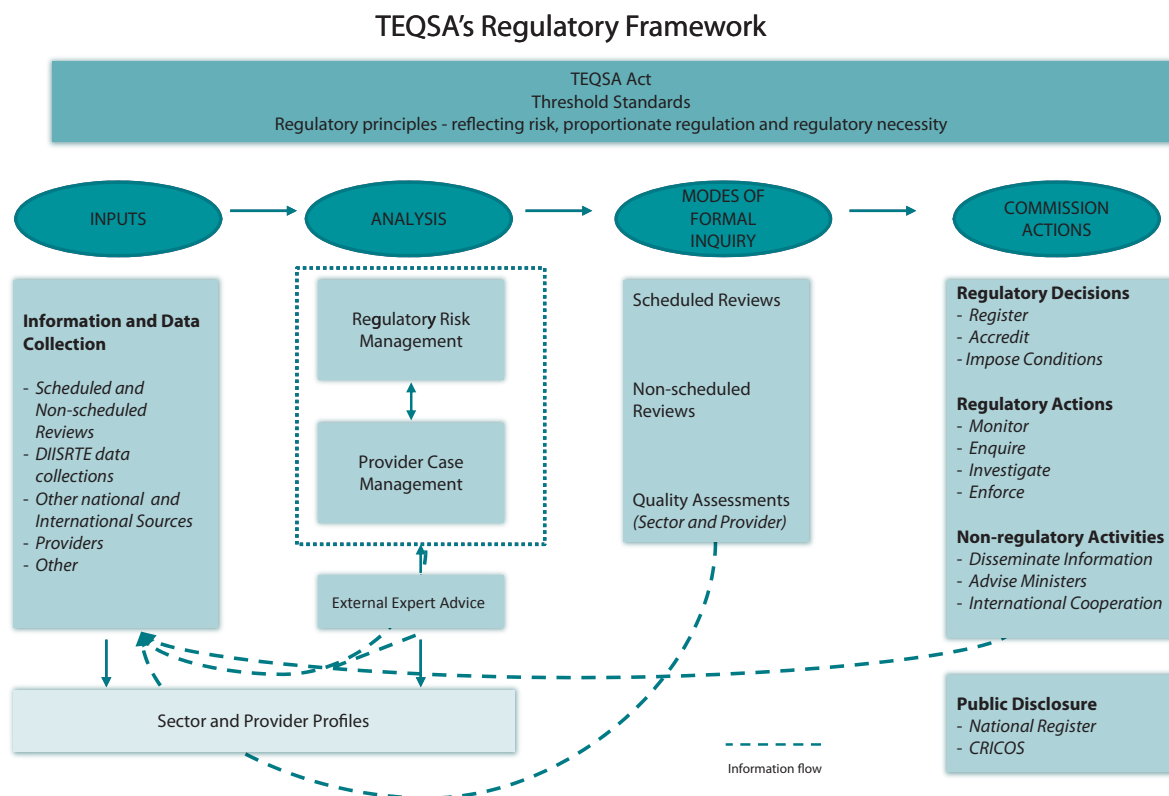
As a regulatory risk tool to support internal decision-making by TEQSA, risk assessments (or Risk Profiles) do not constitute performance profiles of individual providers. TEQSA considers risk assessments should not result in a new form of provider ranking. This could prove damaging for providers and impact negatively on students. Other avenues, such as the MyUniversity website will provide the public with fit-for-purpose performance information on higher education providers. In addition, maintaining appropriate confidentiality throughout the risk assessment process (including the results of the process for individual providers) is critical for TEQSA to effectively carry out a risk-based approach. The ability to fully access and understand information on risk will be enhanced through trusting and open relationships with providers. Further information on confidentiality, as well as TEQSA's obligations under the *Freedom of Information Act 1982* (Cwlth) (the FOI Act), is provided later in this document.

The TEQSA Regulatory Risk Framework builds on significant work commissioned by the then Department of Education, Employment and Workplace Relations (DEEWR) and undertaken by Ernst & Young during 2011, prior to the establishment of TEQSA and the appointment of its Commissioners. This work involved input from risk and higher education sector experts and extensive data modelling and testing, providing a substantial foundation from which TEQSA has drawn. Ernst & Young continued to contribute input once TEQSA advanced this project. In addition, the Regulatory Risk Framework was developed drawing on extensive consultations with peak bodies in the sector. TEQSA acknowledges the constructive contribution provided by peak bodies and representative members during that process.

The Regulatory Risk Framework will be refined through continuous improvement and will evolve over time, as the depth and breadth of data, provider interaction and calibration grow. Consideration will also be given to the intersection of the Regulatory Risk Framework with TEQSA's role as designated authority under the *Education Services for Overseas Students Act 2000* (the ESOS Act), and opportunities to streamline administrative processes relating to risk assessment.

By way of further context, this Regulatory Risk Framework is part of TEQSA's broader regulatory framework as summarised in **Figure 1** below.

Figure 1: TEQSA's Regulatory Framework



Excerpt from the *Tertiary Education Quality and Standards Agency Act 2011*:

- Part 2 s13 *TEQSA must comply with [the principle of reflecting risk] when exercising a power under this Act in relation to a regulated entity*
- s15 *TEQSA complies with the principle of reflecting risk if its exercise of power has regard to:*
- (a) *the entity's history, including the history of (i) its scholarship, teaching and research, (ii) its student experiences, (iii) its financial status and capacity, and (iv) its compliance with the Threshold Standards, this Act, its associated provisions, and other laws regulating higher education*
 - (b) *matters relating to risk of the entity not complying with the Threshold Standards, this Act, including (i) its internal quality assurance mechanisms, (ii) its financial status and capacity*

Referenced in the Objects of the *TEQSA Act 2011* this regulatory principle must be taken into account in all regulatory actions taken by TEQSA.

TEQSA'S REGULATORY RISK POLICY

TEQSA has drawn on risk and regulation literature and expert input to develop a risk policy to guide its approach to regulatory risk management. The following principles underpin this approach:

- Risk management is a foundation to effective and proportionate regulation, based on compliance with the Threshold Standards;
- Risk management should recognise that it is neither possible nor desirable for organisations to eliminate all risk, with some risk necessary for innovation and growth (opportunity risk);
- Risk management should recognise that all risk assessment activities are, to some extent, heuristic and have inherent limitations;
- Risk assessment should take a holistic not piecemeal approach, based on the best available data;
- Risk assessment requires expert interpretation that takes into account the limitations of the data and wider context of the operating environment;

- Risk management should be based on a commitment to two-way communication between TEQSA and higher education providers, where appropriate; and
- Risk management is an active process which will evolve over time, and will be a learning process for both TEQSA and higher education providers.

Underpinned by these policy principles, the TEQSA Regulatory Risk Framework aims to take a balanced approach to risk assessment, using both quantitative data and a strong qualitative element fundamental to the process. This approach reflects the inherently complex nature of quality within higher education. The process includes expert judgements by TEQSA professionals, based on an understanding of the provider's operating context and discussions with providers where appropriate.

Under this Framework, TEQSA creates and maintains 'Risk Profiles' of all registered higher education providers. These Profiles will not "add up to a single number" or risk rating, but rather enable a holistic view of risks across a range of complex and inter-related areas to guide TEQSA's internal decision-making processes. As noted earlier, TEQSA intends that individual provider Risk Profiles will generally not be made public, but will be shared confidentially with the provider.

The approach to regulatory risk management under the Regulatory Risk Framework has also been developed to align with TEQSA's tolerance for risk in the context of its legislation and evolution as an organisation. TEQSA's tolerance for risk is based on the view that:

- the Threshold Standards are challenging; and
- the Australian higher education system is dynamic and faces some significant risks, including in the context of an important international market.

This means that TEQSA takes a proactive and attentive approach in undertaking its risk assessment activities, but is not overly reactive in response. TEQSA will take a targeted approach focusing primarily – but not exclusively – on providers and/or areas identified as having greater levels of risk. This will ensure ongoing monitoring of potential risk across the sector.

INFORMATION

Quality information is critical for TEQSA, which needs to acquire and analyse a wide range of timely and trend information to implement the Regulatory Risk Framework successfully. Comprehensive and, to the extent possible, comparable information is important to assessing risk effectively across all providers in a single higher education sector regulated under a single set of standards.

TEQSA seeks to use, wherever possible, robust information already in the public domain or reported to other agencies or departments. This information may include, for example, collections by the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE), State and Territory Auditor-General reports, Australian Graduate Survey, provider annual reports (where available) and existing information held by TEQSA.

Even with access to such information, TEQSA will collect further information on a periodic basis from providers, avoiding any duplication by adjusting requests to reflect where information is already available. This takes into account that not all higher education providers currently report through existing national collections. TEQSA will periodically undertake a data collection and administer a questionnaire for this purpose. TEQSA will work with providers, to the greatest extent possible, to use any existing, internal information and reporting undertaken by that provider, giving consideration to the methodology and comparability of information across providers.

While this approach may lead to additional initial reporting to TEQSA by providers, it will enable a risk-based regulatory approach. It will also produce for the first time, a reasonably consistent information collection of core data across the higher education sector in Australia. At present, a patchwork of different data collections is required for different purposes by different parts of government, but these do not aggregate to

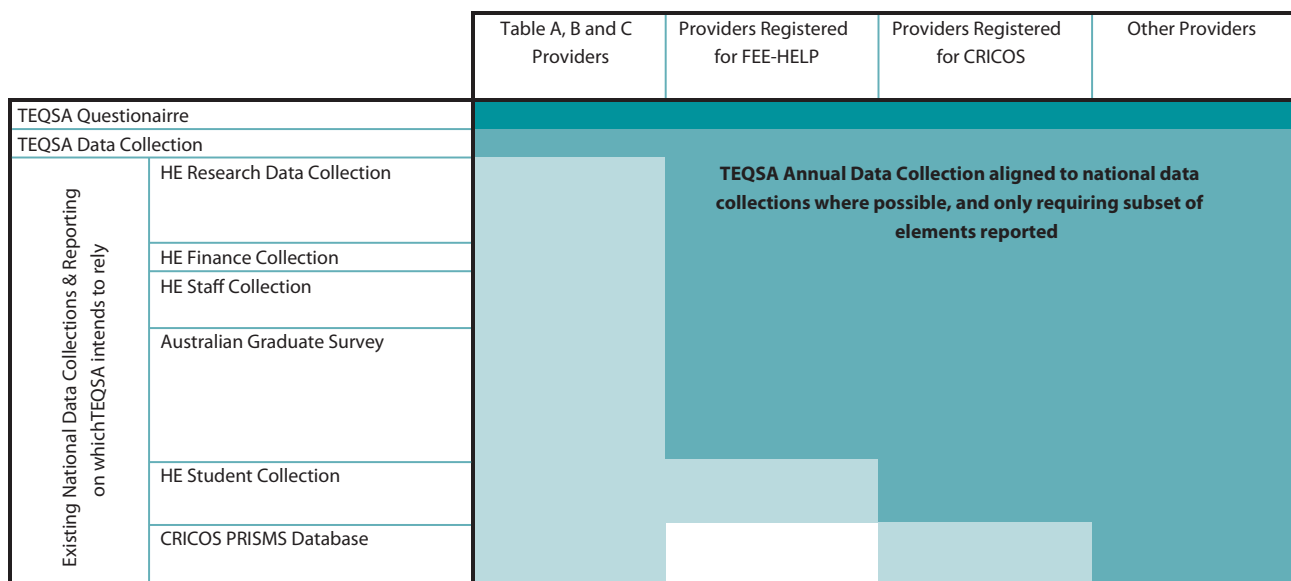
a comprehensive core of information about all providers. TEQSA cannot function properly under a risk-based framework in the absence of standard, regular information about all providers. TEQSA will work with other data collection agencies to streamline and integrate processes where possible, with the aim of encouraging moves toward a single national information strategy and collection in the future.

TEQSA is also working with the Australian Skills Quality Authority (ASQA) to align and share common information requirements where possible, to reduce the information reporting required of providers delivering in both the higher education and vocational education and training sectors.

The Regulatory Risk Framework provides a description of the range of areas that TEQSA intends to look at as part of its risk assessment processes over time. Information may not be available immediately for all areas and, therefore, a phased approach to implementation is necessary. This means that initial consideration of risk may be based on a limited set of core data. Implementation arrangements are explained later in this document. Information and intelligence to support the implementation of the Regulatory Risk Framework will accumulate over time.

The diagram, Information Coverage across Higher Education, below provides a general visual representation of the possible balance of existing information and new information that TEQSA will need to collect, depending on the higher education provider and their current reporting obligations. The light green shading indicates where existing collections may be used, while the dark green shading indicates where TEQSA will likely need to obtain information through the TEQSA questionnaire and data collection.

Figure 2: Information Coverage across Higher Education



TEQSA'S RISK MANAGEMENT PROCESS

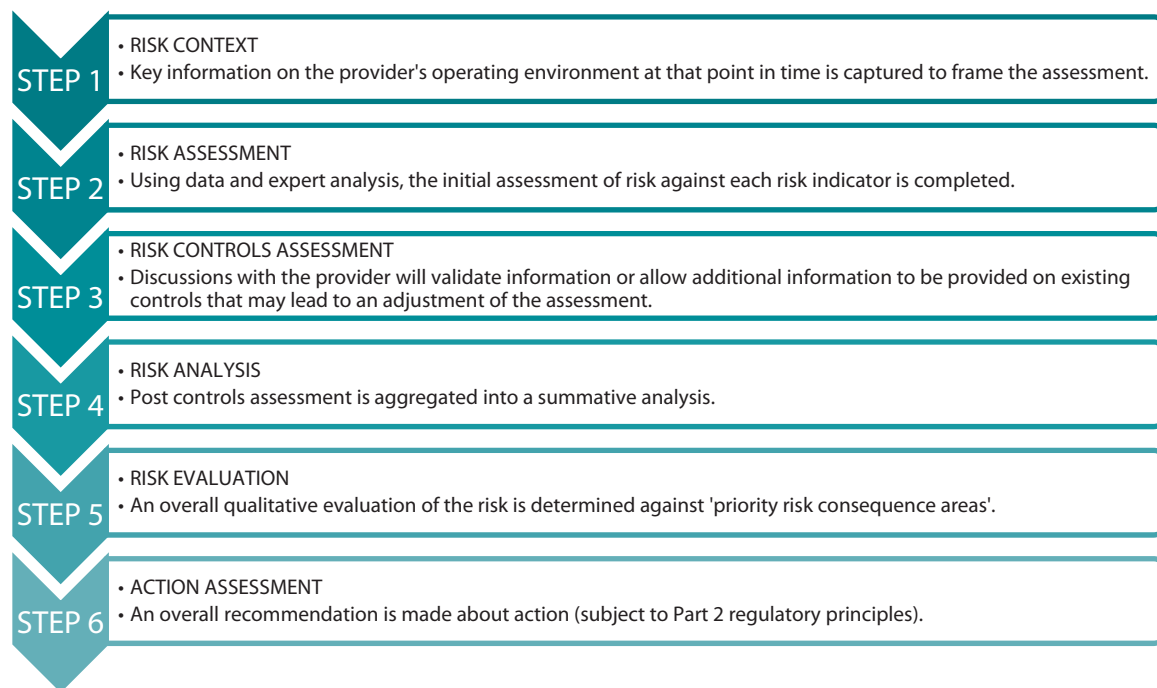
Individual provider

TEQSA's risk management process for individual providers will be undertaken:

- annually;
- in advance of re-registration (updated where new information may be available); and
- dynamically (updated in response to any significant changes/emerging information).

TEQSA's risk management process for an individual provider involves six key steps, drawing on both quantitative and qualitative information and expert analysis. These steps are set out in **Figure 3** below.

Figure 3: TEQSA's Regulatory Risk Framework risk management steps



The first step is to consider the context of the sector and provider at that time, establishing the context to frame the risk assessment. An initial sector policy and environmental scan will identify any potential external factors that may provide an important context for considering risk assessments across the sector. This could include, for example, the economic climate or changes to government policy in relevant areas. Provider specific context information will also be captured at this point. Provider context information could include that a large proportion of its student population is from equity or disadvantaged groups (e.g. Indigenous students, students from low socio-economic backgrounds, students with disability), that it has a very small or very large student load, or that there has been negative national media coverage on an issue. The context step therefore serves two purposes – it provides context for the assessor to fine tune their focus on risk indicators that may have particular relevance and feeds into an overall judgement about the totality of the Risk Profile.

The second step is to assess each provider using a detailed set of risk indicators under categories of risk. The vast majority of risk indicators are standard across the sector, but it is contemplated that additional, specific risk indicators may be added where deemed appropriate for a particular provider. It is envisaged that the use of additional indicators will be limited, and that an indicator would only be added where a particularly relevant issue specific to the provider emerges. The initial result at this stage is rule-based, mostly quantitative against set thresholds.

This a *priori* result may then be over-ridden by expert qualitative judgement, which will be used to finalise the initial result. For example, a result finding significantly falling employment outcomes may be moderated by increasing 'further study trends' in a provider's graduating cohorts evident from other data. Expert qualitative analysis will be undertaken by a specialist risk team in TEQSA, in consultation with Provider Case Managers. The rationale for over-riding a quantitative result will be documented on the Risk Profile.

Bi-lateral discussions with the provider (where necessary) will also be undertaken to verify initial assessment results and/or capture further information on existing risk controls. These discussions may result in further adjustments to the result against a risk indicator. In this sense, the Framework relies on a strong component of professional judgement for an assessment of the controls and the residual risk.

Risk results against each of the risk indicators are then aggregated to provide a summative analysis. Following this, a crucial step in the process is a qualitative risk evaluation against 'Priority Risk Consequence Areas', taking into consideration the likelihood of the risk materialising. Consideration of likelihood is

embedded in the overall qualitative evaluation rather than being a separate step in the process. As TEQSA's knowledge and dialogue with providers grows, it may be appropriate that the measurement of likelihood of risk materialising is an explicit and detailed step at the specific indicator level in the future.

Finally, a recommendation on TEQSA's action in response (which could include that no action is required) completes the Risk Profile of the provider. TEQSA's approach to determining action in response to Risk Profiles is explained in a later section of this document.

The risk management cycle is further elaborated at **Attachment A**.

RISK CONSEQUENCE AREAS, CATEGORIES AND INDICATORS

Priority risk consequence areas

The TEQSA Regulatory Risk Framework identifies three priority risk consequence areas drawing on the Threshold Standards and Objects of the TEQSA Act, which are key to considering a provider's overall Risk Profile. The TEQSA Commission has identified these areas as critical overarching risks. These areas support a highly tuned, qualitative and summative judgement based on assessment against each of the risk indicators within the risk categories. The priority risk consequence areas are a way of creating a more managerially useful summation than merely listing each of the Threshold Standards areas or creating a single overall score, rating or descriptor.

Risk to students	Overall risk relative to the provider's ability to deliver quality educational outcomes for all its students (including international students).
Risk of provider collapse	Overall risk relative to the provider's ability to maintain adequate resources to sustain its operations and the quality of its operations.
Risk to sector reputation for quality	Overall risk relative to the provider's ability to contribute to maintaining and building Australia's standing in delivering quality teaching and research.

Risk categories

Categories of risk have been aligned with the Threshold Standards, with the addition of a further category for any risk indicators that may emerge as specifically relevant to the provider. These provide a basis and structure for the identification of individual risk indicators.

Provider standing	'Provider standing' risk indicators include the provider's record and current status in relation to conditions, breaches and history of successful completion of student cohorts.
Financial viability and safeguards	'Financial viability and safeguards' risk indicators include consideration of: decline in students, financial income, growth and sustainability, and capital infrastructure programs.
Corporate and academic governance	'Corporate and academic governance' risk indicators include consideration of: the operation of corporate and academic governing bodies and processes (including the role of student organisations); and risk management practices.
Primacy of academic quality and integrity	'Primacy of academic quality and integrity' risk indicators include consideration of: the embedded nature of academic quality assurance; reliance on third parties; professional accreditation (i.e. quality assurance of standards in course provision); research publications and income (if applicable); HDR (Higher Degree by Research) completion rates (if applicable); and breaches of research ethics (if applicable).
Management and human resources	'Management and human resources' risk indicators include consideration of: levels of senior academic staff, staff qualifications and profile, staff turnover levels and staff-student ratios.
Responsibilities to students	'Responsibilities to students' risk indicators include consideration of: growth; student groups (e.g. international students); attrition; progression; satisfaction levels; employment outcomes; and serious complaints.
Physical and electronic resources and infrastructure	'Resources and infrastructure' risk indicators include consideration of: per capita information resources (e.g. library) spend, space provision and Occupational Health and Safety (OH&S).
Other	Other identified risk indicators relevant to the provider.

Characteristics of risk indicators and thresholds

Risks and indicators often involve complex inter-relationships, and multiple cause and consequence chains. In addition, risk indicators sometimes illustrate risk events, while other indicators illustrate causal, consequence or likelihood of factors of a particular risk event. Risk indicators under the Regulatory Risk Framework have been developed to strike a balance across a range of challenges and tensions with identifying and assessing risk. Risk indicators have been developed to:

- Balance quantitative with qualitative information and assessment approaches, recognising that both have an important role to play in achieving an effective regulatory risk management framework;
- Balance lead (risk) and lag (performance) risk indicators:
 - Lag provides a view of actual history and a record of the provider (Past events are not necessarily a strong predictor for the future but they do contribute to an overall picture of the history and standing of the provider, and support the ability to anticipate events from learning from the past.);
 - Lead risk indicators assist in identifying potential emerging risks through consideration of activity that may cause a risk event;
 - Trend data are important in assessing likelihood of risk with a strong qualitative judgement.
- Take a balanced approach across categories (e.g. academic, financial), but recognising where some areas may be more important than others; and
- Include discrete as well as composite / integrative risk indicators (e.g. overall corporate governance).

Risk thresholds set for each risk indicator determine initial results using a traffic light system. In many cases, these are defined in quantitative terms. A red flag indicates a clearer cut case of risk under the Framework. A red flag is not intended to trigger a debate *per se* about performance expectations, as the thresholds are concerned with risk not best practice benchmarks. Risk thresholds are set internally by TEQSA, giving consideration to expert judgement and sector norms, and may need to be adjusted over time. When risk indicators are qualitative (for example, in relation to corporate and academic governance), internal guidelines will be in place to assist TEQSA staff in undertaking the assessment. TEQSA will consult with the sector in developing the guidelines.

A further dimension of the model is the selection of risk indicators of 'Major' significance, giving consideration to consequence. Risk indicators have been weighted for their level of significance (the risk indicator itself rather than performance against it). Weightings are currently confined to 'Major' and 'Other', although more nuanced weightings may be developed as the Framework evolves. These weightings have been arrived at intuitively, bearing the priority risk consequence areas in mind. In other words, those risks thought to particularly point to risk to students, risk of provider collapse, or risk of damage to sector reputation have been tagged as 'major'. All other risk indicators remain untagged.

Risk indicators

There are 46 risk indicators. These have been developed with the 'characteristics' previously summarised in mind. The indicators seek to pinpoint significant specific risks, but also set some broad arrays across a provider's scope of operation. These risk indicators have been derived through expert input and advice from a range of people within and external to the sector. Where a risk indicator is not relevant to a provider this indicator will be omitted from the assessment.

The risk indicators are listed in summary form against each of the risk categories at **Attachment B**, reflecting where they are 'Major' and 'International-related'.

Attachment C sets out further detail of the risk indicators, their weightings and other explanatory comments. Note that some indicators require further development.

Risk profile

Summative risk analysis focuses on:

- the number of Major risks that are red and any change (trend) since the last assessment;
- the number of Other risks overall that are red and any change (trend) since the last assessment;
- the number of risks overall rated as orange and trend; and
- whether the risks appear to be systemic and compounding – a qualitative assessment initially, but one which may be supported where required by quantitative analysis (e.g. correlation analysis).

Summative analysis then turns to TEQSA's priority risk consequence areas to determine the overall Risk Profile, presented in a template. Although each risk factor can be assigned to a primary risk consequence area (e.g. low student satisfaction aligns with Risk to Students), the assessor will also use qualitative judgement to analyse the extent to which the risks taken as a whole bear on each of the priority risk consequence areas.

Attachment D provides an example of a summative analysis presentation.

ACTION (RISK TREATMENTS)

As noted earlier, TEQSA's risk management process is a preliminary step to any formal regulatory intervention. Action under the Regulatory Risk Framework includes, for example, monitoring of risk or further informal discussions on risk planning and controls with the provider. Where serious risk is identified, a recommendation on action may suggest that more formal regulatory investigation is needed. The

nature of any action and regulatory response, if required, will take into account a range of evidence, inputs and expertise across TEQSA. Any decision by TEQSA to take regulatory action, initially triggered by a risk assessment, would be made at Commission level and subject to all the requirements of the TEQSA Act. Formal regulatory intervention, and the breadth of regulatory options available to TEQSA, is outside the scope of the Regulatory Risk Framework.

PROCEDURES

Procedurally, TEQSA:

- prepares and maintains Risk Profiles for every provider. These are:
 - prepared by a specialist risk unit, with input from Provider Case Managers (who manage regulation and review activities);
 - supported with internal guidelines to guide qualitative judgements;
 - reviewed through a moderation process and approved by the Commission;
 - validated through Provider Interviews (where necessary);
 - updated annually for all providers;
 - updated as part of re-registration processes (the annual Risk Profile in that year will be timed to feed into the re-registration process).
- monitors risks through:
 - periodic data collection;
 - input from Provider Case Management teams; and
 - scanning of sector intelligence.
- documents changes in Risk Profiles providing a clear evidentiary record of the basis of change, with clear change control processes in place.

Risk Profiles will be checked and approved through an internal process before they are formalised, with changes to Risk Profiles over time being formally controlled through this process. The example Risk Profile provided at Attachment D highlights how assessments will track adjustments made to the assessment based on qualitative judgements and the consideration of existing controls. This will allow TEQSA to clearly understand and review the assessment process for each Risk Profile.

Following each annual assessment cycle TEQSA will reflect on the risk management processes and make any improvements and adjustments deemed appropriate. TEQSA will invite and consider any feedback from the sector on the process.

IMPLEMENTATION

The Framework is being implemented through a phased approach, including an initial 'risk scan' early in 2012. The risk scan is based on elements of the Framework that can be more readily assessed. Formal comprehensive risk assessments will commence in the latter part of 2012, following the collection and analysis of further information about providers.

CONFIDENTIALITY AND FREEDOM OF INFORMATION (FOI)

TEQSA is aware of the potential sensitivity of Risk Profiles and associated documents. Risk Profiles and associated documents relating to individual providers will not be published routinely by TEQSA, nor will they be released to third parties on a routine basis. TEQSA considers, on balance, that the Risk Profiles and associated documents relating to individual providers should generally be kept confidential between TEQSA and the relevant provider (insofar as the law permits) in order for TEQSA to protect the interests of the sector and students. Where necessary providers will be given an opportunity to provide comments on initial assessment results relating to them and will be provided with a copy of TEQSA's risk assessment once finalised.

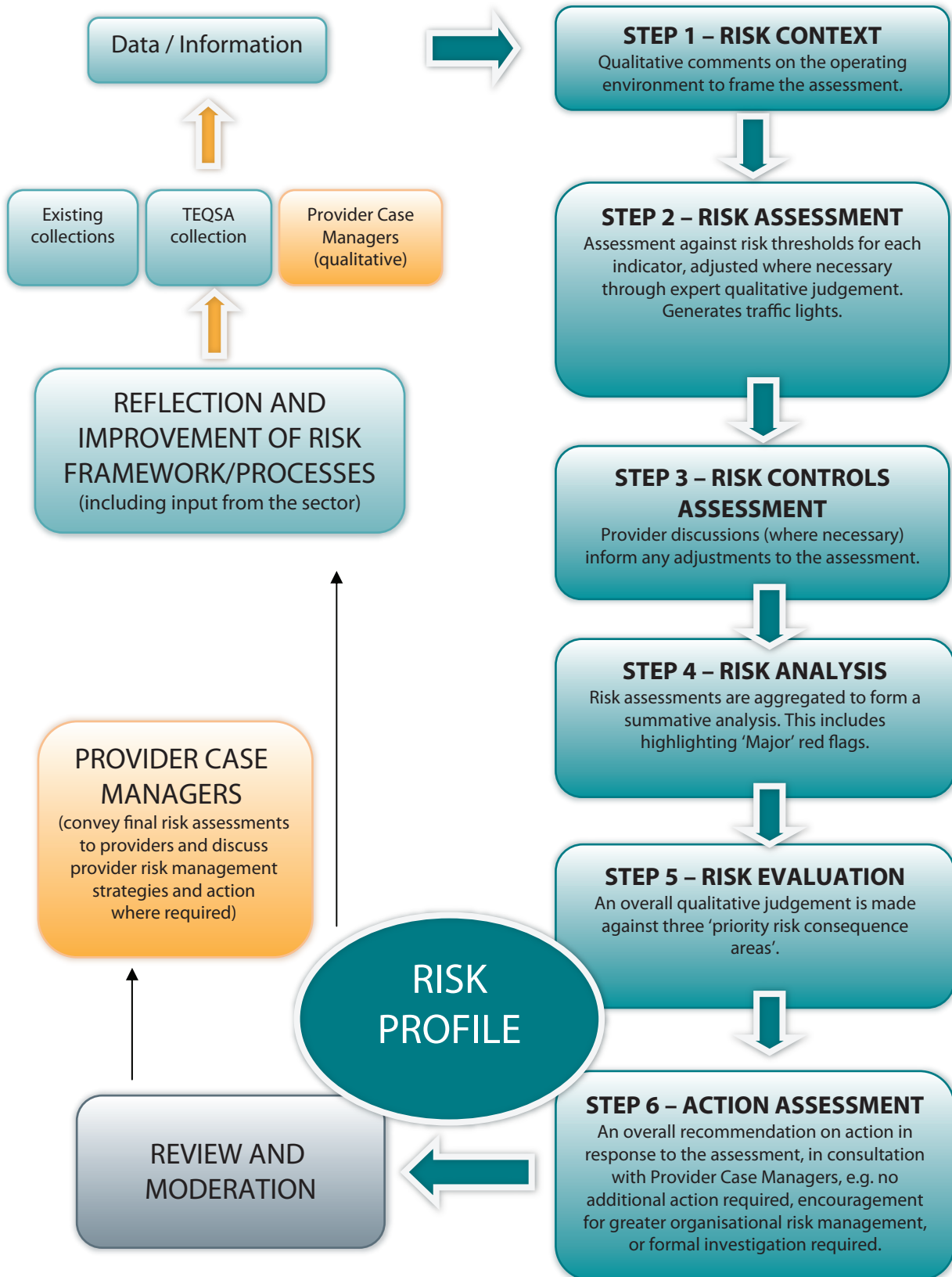
As an agency to which the FOI Act applies, TEQSA will process any requests for access to risk assessment documents about individual providers in accordance with the requirements of the FOI Act. Consultation will be undertaken with affected providers in accordance with FOI Act requirements. The FOI Act has limited exemptions under which TEQSA may decide not to release information such as that contained in Risk Profiles and associated documents. Decisions under the FOI Act will be made by authorised decision-makers on a case-by-case basis, having regard to the contents of individual documents and third party consultation obligations, as noted above. Having said this, TEQSA recognises that, broadly speaking, multiple interests arise in relation to the issue of disclosing risk assessments. For example, the interests of the provider, students, and the general public are each likely to be relevant in this regard, as is TEQSA's continuing capacity to perform its legislative functions.

Consideration will also need to be given to the extent that a Risk Profile and associated documents may draw upon, or reflect information that is intrinsically confidential, commercially sensitive or otherwise publicly available. For example, much, although not all, of the information on which TEQSA's assessment relies is based on performance or corporate information elsewhere available to the public (e.g. MyUni website, provider website, ASIC). However, other information on which the risk assessment may be based may be confidential to the provider and/or its release poses a serious risk of commercial damage to the provider.

TEQSA will consider carefully requests that information submitted by providers as part of the risk assessment process be treated by TEQSA as confidential, having regard to the extent to which confidential information is specifically identified and the extent to which the information has the necessary attribute of confidentiality. This will include an assessment of the extent to which the information has been disclosed, or is available to others and the extent to which disclosure of the information by TEQSA will result in detriment to the provider.

Providers who wish to submit information to TEQSA on a confidential basis should contact TEQSA to identify any information that they consider should be protected as confidential information, including the reasons for the request. TEQSA may request further information from a provider about its claim for confidentiality. In appropriate cases, TEQSA may enter into a written arrangement setting out the basis on which the information is provided confidentially to TEQSA. Where TEQSA has received a request to provide an applicant's confidential information, TEQSA will usually endeavour to consult the applicant and provide the applicant with an opportunity to make submissions on whether TEQSA should release the information.

ATTACHMENT A: TEQSA'S PROVIDER RISK MANAGEMENT CYCLE



ATTACHMENT B: TEQSA'S REGULATORY RISK INDICATORS

Provider standing

- A1 Has conditions on or shortened registration
- A2 Has history of significant breach of standards
- A3 Has history of breach of conditions
- A4 Fewer than five complete cohorts graduated
- A5 Directors / officers with convictions / proceedings pending
- A6 Overseas body corporate

Financial viability and safeguards

- B1 Significant decline in student load overall
- B2 Major year-on-year drop in commencing students or applications in first six months*
- B3 Low / negative revenue growth
- B4 Low operating profit margin
- B5 Low / declining revenue per student
- B6 Capital program is risky because very low or very high
- B7 Low Net Tangible Asset value in Australia
- B8 Reduced credit rating / breach bank covenants
- B9 High proportion of ageing or deteriorating building stock

Corporate and academic governance

- C1 Weak academic governance structure
- C2 Weak corporate governance structure / processes
- C3 Weak risk management plan / processes

Primacy of academic quality and integrity

- D1 Rejection / compliance issues with professional accreditation in last two years
- D2 Significant reliance on third parties to deliver courses domestically
- D3 Delivery of courses off-shore*
- D4 Declining publications (if applicable to provider category)
- D5 Declining research income (if applicable to provider category)
- D6 Low completion rate Higher Degree Research (HDR) (full-time 5-year) (if applicable)
- D7 Serious breaches of research ethics
- D8 Lack of transparency in reporting systems for teaching occurring on a significant scale in non-mainstream campuses *
- D9 Weak academic quality assurance program / culture*
- D10 History of activation of tuition assurance*

Management and human resources

- E1 Significant reliance on academic staff employed under casual work contracts
- E2 Low number of senior academic leaders per broad field of education
- E3 High / increasing student to teaching staff ratio
- E4 Low ratio of qualified staff, especially in Post Graduate (PG) environments

Responsibilities to students

- F1 High / volatile international student population
- F2 Academic/market risk: Declining academic admission standard/lack of academic requirements in admissions policy*
- F3 Significantly high student growth overall
- F4 Academic risk: Very high or rapidly increasing student attrition rates
- F5 Academic risk: Very low / very high or rapidly changing student progress rates
- F6 Academic risk: Very low or rapidly declining unit satisfaction levels
- F7 Academic risk: Very low or rapidly declining graduate course satisfaction
- F8 Outcome risk: Very low or rapidly declining graduate employment or further study
- F9 Significant number of serious, substantiated student complaints

Physical and electronic resources and infrastructure

- G1 Inadequate floor space per student, appropriate to discipline(s)
- G2 Low/declining total information resources (e.g. library) and expenditure per student
- G3 Low / declining lab places per student in Science, Technology, Engineering and Mathematics (STEM) disciplines
- G4 Poor Occupation Health and Safety (OH&S) record
- G5 High backlog maintenance

Other

- H1 Other identified risk (allows situation specific)
- H2 Other identified risk (allows situation specific)

Key:

International-related indicator



'Major' risk indicator



*Indicates that the risk indicator may also be relevant to other risk categories (Threshold Standards)

ATTACHMENT C: RISK INDICATORS, WEIGHTINGS AND EXPLANATIONS

Provider standing						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
A1	Has conditions on or shortened registration	TEQSA formal conditions, including where inherited.	Where a provider has been subject to conditions or shortened registration this provides a clear indication of identified risks with that provider.	TEQSA		Risk to Sector Reputation
A2	Has history of significant breach of standards	TEQSA determined formal breaches.	A track record of ongoing and significant compliance and enforcement activities clearly indicates risks with the ability of that provider to deliver quality education outcomes. This includes consideration of compliance with the <i>Education Services for Overseas Students Act 2000</i> (ESOS Act).	TEQSA	Major	Risk to Sector Reputation
A3	Has history of breach of conditions	TEQSA determined breaches.	Where a provider has breached conditions this provides a clear indication of identified risks with that provider.	TEQSA		Risk to Sector Reputation
A4	Fewer than five complete cohorts graduated	Full-time cohorts in mainstream course (e.g. not part-time in enabling course).	TEQSA's Regulatory Risk Framework especially directs it to consider a provider's history of provision. This indicator seeks to establish a firm baseline for this consideration and is also in line with the category standards.	TEQSA	Major	Risk to Students

A5	Directors / officers with convictions / proceedings pending	TEQSA guidelines.	The Threshold Standards require higher education providers to demonstrate that members of their corporate governing body and key personnel are 'fit and proper' persons.	TEQSA and self-reported by provider in data collection	Major	Risk to Sector Reputation
A6	Overseas body corporate	TEQSA guidelines.	The Threshold Standards require that higher education providers have governance and management of its Australian higher education operations located in Australia. An overseas body corporate flags a need for strong governance and management arrangements to be in place.	TEQSA and self-reported by provider in data collection		Risk to Students
Financial viability and safeguards						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
B1	Significant decline in student load overall	Equivalent Full Time Student Load (EFTSL) per DIISRTE ¹ definition. Latest 12-month period.	Rapid decline (even if only modest decline) can pose a significant risk to the overall provider in terms of cash flow and resources. This risk indicator is particularly relevant in the context of a shift to demand-driven funding of student places. In addition to potential risk with financial sustainability, this indicator may impact on the quality of student experience,	Higher Education Information Management System (HEIMS) (or TEQSA data collection for providers not currently reporting through HEIMS).	Major	Risk to Students

¹ Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) brings together the work of the Higher Education, Skills and International Education divisions of the Department of Education Employment and Workplace Relations (DEEWR) and the responsibilities of the former Department of Innovation, Industry, Science and Research (DIISR).

			affecting the provider's ability to meet the needs of all its students.			
B2	Major year-on-year drop in commencing students or applications in first six months	EFTSL per DIISRTE definition. 30 June this year to last year. Tertiary Admissions Centre (TAC) applications data.	An indicator of decline in market demand, and potentially of cohort or program viability. This risk indicator may also suggest that poor provider performance has impacted demand. Consideration of applications could take into account rates of higher preferences.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).		Risk of Provider Collapse
B3	Low / negative revenue growth	Real (i.e. inflation adjusted) growth (professional wages index). All operating revenue, adjusted for any significant abnormals.	Provides a basic indication of failure to maintain momentum in revenue growth (a core feature of the sector).	DIISRTE based on public financial statements (or TEQSA data collection for providers not currently included in relevant DIISRTE collections).	Major	Risk of Provider Collapse
B4	Low operating profit margin	Latest full year. After including interest, depreciation and tax, but excluding federal infrastructure grants.	An important indication of the underlying profitability of the core business and its sustainability. Indication of the business discipline of senior management in matching and controlling expenditures to income patterns.	DIISRTE based on public financial statements (or TEQSA data collection for providers not currently included in relevant DIISRTE collections).	Major	Risk of Provider Collapse
B5	Low / declining revenue per student	All operating sources, divided by EFTSL	It is essential that a provider has adequate income to sustain its operations, relative to the scale of student load.	DIISRTE based on public financial statements (or TEQSA data collection for providers not currently included in		Risk of Provider Collapse

				relevant DIISRTE collections).		
B6	Capital program is risky because very low or very high	Latest capital program divided by same year revenue. Next year's projected capital spend divided by this year's forecast revenue.	Higher education is reasonably capital intensive (although this varies by discipline). In general, ongoing capital spend is required to maintain assets, configure assets, refit and, where necessary, build new or replacement stock. There are inherent risks in expansion that is too rapid, including financial and project-related risks and the disruptive side-effects.	TEQSA data collection.	Major	Risk of Provider Collapse
B7	Low Net Tangible Asset value in Australia	Total assets less intangible assets less total liabilities.	This indicator helps identify whether the Australian business operation is adequately capitalised, whether locally owned or otherwise.	TEQSA data collection.		Risk of Provider Collapse
B8	Reduced credit rating / breach bank covenants	Ratings agencies, formal debt instruments.	This indicator is designed to rely on bank lenders and credit ratings agencies providing a detection mechanism for financial risk.	Self-reported by provider in TEQSA data collection – but verifiable.		Risk of Provider Collapse
B9	High proportion of ageing or deteriorating building stock	(a) Building is in as new condition. (b) Building is sound, operationally safe and exhibiting only minor deterioration. (c) Building is operational but will require major repair or replacement	High quality space, tailored for higher education provision, is a major cost for providers and takes significant resources, planning and time to provision and maintain. Ageing building stock is a flag about planning processes, financial sustainability and, ultimately, risk to current and future student experience.	DIISRTE Institutional Performance Portfolio (IPP) Collection (or TEQSA data collection for providers not currently participating in relevant DIISRTE collections)		Risk to Students

		within 3–10 years. (d) Building is inoperable, or at serious risk of failure or major breakdown.				
Corporate and Academic Governance						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
C1	Weak academic governance structure	TEQSA guidelines.	A clear academic governance structure plays a key role in protecting the integrity of the provider's core activities of teaching and research (where applicable to provider category). Considerations would include whether academic governance arrangements provide a clear separation between corporate and academic governance (including a properly constituted academic board and course advisory committees), support the maintenance of academic standards, and whether independent student organisations are incorporated into processes.	TEQSA, but may collect some aspects in data collection.	Major	Risk to Students
C2	Weak corporate governance structure / processes	TEQSA guidelines.	Sufficient capacity for good leadership, with respect to both corporate and academic governance, is important to effective functioning as a higher education provider and	TEQSA, but may collect some aspects in data collection.	Major	Risk of Provider Collapse

			managing the delivery of education outcomes. Consideration of appropriateness of qualifications and experience of senior executives, including mix of academic and corporate leadership. Governance processes include clarity of roles, responsibilities, policies and corporate processes (e.g. planning, conflict of interest, internal audit etc).			
C3	Weak risk management plan / processes	TEQSA guidelines. Consideration of extent to which a risk management plan and controls are in place and are active.	Lack of an effective risk management plan / capability can result in ineffective allocation of resources and compromise the achievement of objectives.	TEQSA, but may collect some aspects in data collection.	Major	Risk of Provider Collapse
Primacy of academic quality and integrity						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
D1	Rejection / compliance issues with professional accreditation in last two years	As defined by recognised professional bodies.	Professional accreditation provides quality assurance to ensure appropriate standards in course provisions are being met. Non-compliance or rejections may indicate concerns about the ability of the provider to deliver quality education outcomes, putting the quality of student learning and reputation of the sector at risk.	Professional bodies and/or provider disclosure in TEQSA data collection.		Risk to Students

D2	Significant reliance on third parties to deliver courses domestically	EFTSL level, as declared by providers.	While the diversity of higher education offerings may be enhanced through relationships with third party providers, significant reliance may raise risks regarding the consistency, continuity and quality assurance in provision. Providers are required under TEQSA's legislation to require any third parties to meet all Threshold Standards.	Self-reported by provider in TEQSA data collection.	Major	Risk to Students
D3	Delivery of courses offshore	Any delivery for award under the Australian Qualifications Framework (AQF) equivalent qualifications, and flagging whether involving third party.	While offshore provision has become a significant feature of Australia's higher education sector in recent years, this development poses a range of heightened risks, including country risk, operating risk, and, quite often, partner risk. Providers are required under TEQSA's legislation to require any third parties to meet all Threshold Standards.	Self-reported by provider in TEQSA data collection.	Major	Risk to Students
D4	Declining two-year average publications (only applicable to provider categories requiring research)	Higher Education Research Data Collection (HERDC) weighted publication points.	Research output is significant to maintaining and building the reputation of Australia's higher education sector. Declining publications may suggest a number of factors that could risk the status of the provider, including staff overload in teaching and administration and lack of senior academic staff to form a critical research mass.	HERDC		Risk to Sector Reputation

D5	Declining two-year average research income (only applicable to provider categories requiring research)	HERDC income.	Declining research income may be caused by a number of factors, but could reflect a deterioration of the status of the provider in the research and academic community as well as the private sector. Declining research income may also jeopardise the overall fiscal health of the provider.	HERDC		Risk to Sector Reputation
D6	Low completion rate Higher Degree Research (HDR) (full-time 5-year) (only applicable to providers offering HDR)	Full-time cohort, measured at 31 Dec of 5th full year, excluding masters conversions in both directions.	Low HDR completion rates may reflect issues with teaching and learning processes, especially supervision and research environment. This may also affect the supply of future academic staff and highly skilled workforce. It is also very costly for providers, especially relative to Research Training Scheme (RTS) funding which has a completions- rather than load-based component driver.	Self-reported by provider in TEQSA data collection.		Risk to Students
D7	Serious breaches of research ethics (only applicable to provider categories requiring research)	Breaches established through an independent external misconduct inquiry, as required under the Australian Code for the Responsible Conduct of Research.	Ethical research practices and compliance with national codes is critical for ensuring the integrity and reputation of the sector. While responses to complaints may be handled in a number of ways, the Code requires institutions to establish independent external research misconduct inquiries to evaluate allegations of serious research misconduct that are contested.	Self-reported by provider in TEQSA data collection.	Major	Risk to Sector Reputation

D8	Lack of transparency in reporting systems for teaching occurring on a significant scale in non-mainstream campuses	Declared by provider based on EFTSL, based on DIISRTE definition of campus.	Where significant teaching occurs on non-mainstream campuses, there is often a lack of transparency in reporting systems, often with small scale operations, and non-mainstream activities. The Threshold Standards require student experience in all locations taught to be of the same standard.	Self-reported by provider in TEQSA data collection.		Risk to students
D9	Weak academic quality assurance program / culture	TEQSA guidelines. Consideration of internal policies and processes to support academic quality, including the role of independent student organisations.	Lack of internal processes for ensuring quality course design and delivery, academic integrity, and quality of research output puts at risk the learning of students and standing of the provider. Higher education providers should promote an embedded culture of continuous improvement, including opportunities for evaluation of academic activities.	Self-reported by provider in TEQSA data collection, including supply of extant academic quality assurance policy / materials evidencing this.	Major	Risk to Students
D10	History of activation of tuition assistance	Tuition assurance applies if the provider ceases to provide the course of study. Past three years. As reported under the relevant tuition assurance scheme.	Tuition assurance provides protection to students where a provider ceases to provide the course of study in which they are enrolled for any reason. Instances of activation of tuition assurance schemes provide an indication of the number of course withdrawals and impact on students. Activations may suggest that there are issues with course design/demand/delivery.	DIISRTE		Risk to Students

Management and human resources						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
E1	Significant reliance on academic staff employed under casual work contracts	Low/decreasing permanent-to-casual academic staff ratio. Current year. DIISRTE definitions, including conversion rate for casual staff hours to full-time equivalent.	A higher education provider would ordinarily employ on a formal, ongoing basis a substantial core of its own academic staff to lead the development of curriculum, oversee academic processes 'on the ground', ensure appropriate staff development and promotion, and to take significant part in teaching and learning activities. Noting that while a workforce utilising a significant proportion of staff on casual work contracts may be highly effective and of high calibre, casual or sessional staff may often be in a much less able position to provide this academic leadership and joined-up quality. This indicator will require qualitative consideration of each provider and the quality of their staff profile before a final assessment on this indicator is confirmed.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).		Risk to Students
E2	Low number of senior academic leaders per broad field of education	DIISRTE definitions for broad Field of Education (FOE), and Levels D and E for university staff.	Senior academic leadership is required in each field in which a provider offers courses. Its absence within the institution (as opposed to reliance on casual /	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).	Major	Risk to Students

		Pay scale basis proposed for non-universities. Senior academic leaders with more than a 12-month fixed arrangement.	adjunct / advisors) may put at risk student learning and reputation of the sector. This indicator will require qualitative consideration of whether academic leadership is supported through partnership arrangements.			
E3	High / increasing student to teaching staff ratio	DIISRTE definitions, based only on Teaching and Research (T&R) / Teaching Only (TO) excluding casual, Research Only (RO), "other". Ratios adjusted for provider categories not required to research.	The ratio of students to Teaching and Learning staff provides a broad indicator of the quality of learning and teaching for students, including the level of support available to students and the teaching workload. The risk flags will deliberately be in the 'risk zone' rather than near the 'better practice' end of the spectrum.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).		Risk to Students
E4	Low ratio of qualified staff, especially in Post Graduate (PG) environments	AQF and DIISRTE definitions, PG to include coursework and HDR, Doctorate staff includes HDR and Course Work (CW) Doctorates.	Course delivery by staff with inappropriate qualifications jeopardises the quality of teaching and learning. The proportion of staff with qualifications above the AQF level being taught provides an indication of the skills and experience of academic staff. It is also directly referenced in the Threshold Standards. Lack of HDR qualified staff are a particular risk indicator at postgraduate level, whether coursework or research-based.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).		Risk to Students

			Existing norms can be deduced from doctoral training institutions.			
Responsibilities to students						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
F1	High / volatile international student profile	Proportion of overseas fee EFTSL per DIISRTE definition. Latest 12-month period.	A high absolute level of international students, poses a significant risk financially, and may also pose at risk of diminished student experience, if not carefully managed.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).	Major	Risk to Students
F2	Academic/market risk: Declining academic admission standard / inadequate academic requirements in admissions policy	Combination of (a) decline in median Australian Tertiary Admissions Rank (ATAR) (where applicable); and (b) reliance by an institution on inappropriately formulated or insufficiently validated alternative admission processes.	Academic admission standards are at the core of higher education standards. Median ATARs provide one reasonably clear and relatively transparent source of information. Alternative entry systems based on appropriate objectives, clearly formulated and properly validated provide another. A basic absence of or weakness in academic criteria for admission of students will also be regarded as a flag.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS) as well as TEQSA questionnaire for admissions policy information.	Major	Risk to Sector Reputation
F3	Significantly high student growth overall	EFTSL per DIISRTE definition. Latest 12-month period.	Rapid growth may impact significantly on the quality of student experience unless appropriately backed by investment and support systems. It also may affect academic	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).	Major	Risk to Students

			standards if less qualified students are admitted, in the absence of systems to meet special needs, which may in turn impart such matters as attrition, progress and satisfaction rates. Institutional capacity to deal with decline and growth, but especially growth, naturally will vary widely between institutions according to their individual profiles.			
F4	Academic risk: Very high or rapidly increasing student attrition rates	DIISRTE definition, based on enrolments.	Year 1 attrition can be caused by a range of factors, including students changing their mind, but it may also indicate that the provider has let students down and provision has not met expectations. At very high levels or if rapidly increasing, attrition remains a major signal of quality problems in admission processes, teaching and learning processes, and overall student experience.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).	Major	Risk to Sector Reputation
F5	Academic risk: Very low / very high or rapidly changing student progress rates	DIISRTE definition, based on enrolments.	Progression is a core indicator of mid-stream student success and quality of academic environment. At very low or high levels or if rapidly increasing/decreasing, progression rates can provide a major signal of quality problems in admission processes, learning and assessment processes, and overall student experience.	HEIMS (or TEQSA data collection for providers not currently reporting through HEIMS).		Risk to Sector Reputation

F6	Academic risk: Very low or rapidly declining student unit satisfaction levels	Mean overall score on 'satisfaction' and 'well taught' on scale adjusted to 5. Subject to normal methodology checks. Latest year available and trend.	Student satisfaction at subject level is a core quality indicator in higher education. Continuous surveys on this issue can arguably be expected in all quality higher education environments. They provide a guide as to whether subjects have met students' expectations and inherent quality levels.	Based on providers' existing internal surveys, but meeting high level specification by TEQSA as to 'satisfaction' and 'well taught' items, and broad robustness checks.		Risk to Sector Reputation
F7	Academic risk: Very low or rapidly declining graduate course satisfaction	Course Experience Questionnaire (CEQ) Overall Satisfaction indicator.	Graduates' satisfaction with their course is a core quality indicator in higher education. It is a much broader, albeit lagged, indicator than subject evaluations. It gives an overall guide as to whether the course met expectations.	DIISRTE Australian Graduate Survey (AGS). Where this survey is not meaningful due to the nature of a provider's subject matter, other validated data sources may be considered by TEQSA.	Major	Risk to Sector Reputation
F8	Outcome risk: Very low or rapidly declining graduate employment or further study rates	Graduate Destination Survey (GDS) mean full-time employment of those seeking full-time employment, and further study of those seeking further study.	Employment or further study is a basic expectation for higher education students and stakeholders. GDS remains the best broad indicator available of outcomes. Volatility and variability in labour markets will factored in.	DIISRTE AGS. Where this survey is not meaningful due to the nature of a provider's subject matter, other validated data sources may be considered by TEQSA.	Major	Risk to Sector Reputation
F9	Significant number of serious, substantiated	Confirmed complaints to official bodies in last 12 months.	Complaint rates are a highly relevant, often leading indicator of quality issues. Separately, repeated, serious student	Ombudsman (multiple) or statutory reporting / consideration of the	Major	Risk to Students

	student complaints		complaints suggest a pattern of not dealing effectively with serious issues and letting students down.	data from providers, or data from other organizations.		
Physical and electronic resources and infrastructure						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
G1	Inadequate floor space per student, appropriate to discipline(s)	Low or declining Teaching and Learning (T&L) floor space per student, especially relative to FOE-adjusted benchmarks. DIISRTE definition: net usable space, relying on Tertiary Education Facilities Management Association (TEFMA) benchmark weighted by broad FOE for each provider.	The availability of appropriate space is essential to support the teaching and research training objectives of providers. Allowance will need to be made for delivery mode.	DIISRTE IPP Collection (or TEQSA data collection for providers not currently participating in relevant DIISRTE collections).		Risk to Students
G2	Low / declining total information resources (e.g. library) and expenditure per student	Total spend on student learning resources, including direct library staff, collections and electronic packages. Excluding Information Technology and e-learning staff.	Low or declining library expenditure per student provides an indicator of potentially inadequate core resources to support student learning outcomes. Consideration could also be given to total resources (asset) rather than a change in expenditure. This indicator requires further development.	Council of Australian University Librarians (CAUL) collection or self-reported by provider in TEQSA data collection.	Major	Risk to Students

G3	Low / declining lab places per student in Science, Technology, Engineering and Mathematics (STEM) disciplines	EFTSL dedicated scientific labs (computing, engineering, dry lab science, wet lab science), in defined FOE.	Low or declining lab places per student in STEM disciplines provides an indicator of potentially inadequate resources to support student learning outcomes in fields where technical lab facilities are the norm. Qualitative stage of assessment of this indicator will need to take account of simulation technologies.	Self-reported by provider in TEQSA data collection.		Risk to Students
G4	Poor Occupational Health and Safety (OH&S) record	Injuries incurred on campus and reported to Workcover.	Student, staff and community safety should be paramount in all higher education providers. Multiple and continuing OH&S incidents suggest that there may be a serious issue and ineffective policies and practices.	Worksafe and/or self reported by provider in data collection (subject to methodology checks).	Major	Risk to Students
G5	High backlog maintenance	Measured in dollars. The ratio of backlog maintenance and capital maintenance to asset replacement value.	Backlog maintenance is a measure of how well a provider is funding its maintenance operation in order to maintain its capital assets.	DIISRTE IPP Collection (or TEQSA data collection for providers not currently participating in relevant DIISRTE collections).		Risk to Students
Other provider-specific risks						
	Risk Indicator	Technical Definition	Explanation	Data source	Consequence Indicator	Main Consequence Area
H1	Other identified risk		Allows for a provider-specific or situation-specific risk.			
H2	Other identified risk		Allows for a provider-specific or situation-specific risk.			

Attachment D: TEQSA Provider Risk Assessment: Illustrative Example

Date of assessment: 3 February 2012

Provider: Oakleigh College Pty Ltd (Victoria)

Provider Category: HEP

Conditions: None

Self-Accrediting Authority: No

Assessor(s): Clare Jones + M King (external)

Validated with provider? Yes

Recommend:

TAKE ACTION

Approved Risk Evaluation Committee

Yes/No

Approved Exec Director R&R

Yes/No

Approved Exec Director RR&I

Yes/No

ACTION RECOMMENDED

On the basis of actionable risks identified in this risk assessment, it is recommended that:

1. An investigation be conducted in relation to complaints and admission standards. This takes into account the long standing history of the provider and relatively high admission standards, but acknowledges a decline in student experience including significant complaints and inadequate existing controls through risk management.

Overall Risk Evaluation

Trend

Risk to Students	High	↑
Risk of Provider Collapse	Low	no change
Risk to Sector Reputation	Mod	no change

SUMMARY OF RISK ASSESSMENT

Context: Provider has been operational for 30 years, with long standing track record in vocational education and training delivery. Has a large student load, predominantly international, but with a significant local equity group representation also. Recent national media interest in student complaints.

Assessment: This provider has a significant number of Red Flags (including Major), with a substantial number of Orange Flags, and has been assessed to pose a high risk to students and risk of breach of Threshold Standards. The provider's risk profile is getting worse, not better, over time since the last assessment. The profile suggests there are systemic and compounding issues. Consideration of existing controls has not significantly reduced the risk ratings on some factors. The provider's risk management practices on the key issues are lacking. Key risks include high exposure to international recruitment, weak and declining academic admission standards, weak student outcomes, inadequate staffing profile and growing student complaints.

Risk Analysis

Trend

Risks are systemic, compounding		↑
Major Red Flags	3	↑
Other Red Flags	2	↓
Orange Flags	12	↑

RISK INDICATORS

Risk Indicators	Red Flag Thresholds	Orange Flag Thresholds	Consequence Indicator	Initial Assessment	Trend	Risk Controls Assessment	Formal Assessment	Comments
Provider Standing								
A1	Has conditions on or shortened registration	Yes/No	NA	Major	No			
A2	Has history of significant breach of standards	Major (refer guidelines)	Minor (refer guidelines)	Major	OK			
A3	Has history of breach of conditions	Yes/No	NA	Major	OK			
A4	Less than 5 full cohorts graduated	Yes/No	Yes/No	Major	No			30 years operation
A5	Directors/ officers with convictions / proceedings pending	Yes/No	NA	Major	No			
A6	Overseas body corporate	Yes/No	NA	Major	No			
Financial viability and safeguards								
B1	Significant decline in student load overall	<= [X]% decrease	<= [X]% decrease	Major	[X]%			
B2	Major year on year drop in commencing students or	>= [X]% decrease	>= [X]% decrease	Major	[X]%			
B3	Low / negative revenue growth	<= [X]% decrease in real growth	<= [X]% real growth	Major	[X]%	↑		
B4	Low operating profit margin	<= [X]%	<= [X]%	Major	[X]%			
B5	Low / declining revenue per student	<= \$[X] OR >= [X]% decrease	<= \$[X] OR >= [X]% decrease	Major	[X]%	↓	Yes: Endowment scholarships will add to resources.	
B6	Capital program is risky because very low or very high	<= [X]% revenue OR >[X]%	<= [X]% revenue OR >[X]%	Major	[X]%			
B7	Low Net Tangible Asset Value in Australia	<= [X] x turnover OR <= \$[X]	<= [X] x turnover OR <= \$[X]	Major	[X]%			
B8	Reduced credit rating / breach bank covenants	Yes/No	NA	Major	[X]%			
B9	High proportion of ageing or deteriorating building stock	<= [X] (A+B) >= [X] (C) >= [X] (D)	<= [X] (A+B) >= [X] (C) >= [X] (D)	Major	[X]%			
Corporate and academic governance issues								
C1	Weak academic governance structure	Major weakness (refer guidelines)	Moderately weak (refer guidelines)	Major	OK			
C2	Weak corporate governance structure / processes	Major weakness (refer guidelines)	Moderately weak (refer guidelines)	Major	OK			
C3	Weak risk management plan / processes	Major weakness (refer guidelines)	Moderately weak (refer guidelines)	Major	[X]%		Risk management process has limited focus on risk treatments.	
Primacy of academic quality and integrity								
D1	Rejection / compliance issues with professional accreditation in last 2 years	Yes /No	NA	Major	No			
D2	Significant reliance on third parties to deliver courses domestically	>= [X]% students OR >= [X] EFTSL	>= [X]% students OR >= [X] EFTSL	Major	[X]%	↓	Revised governance arrangements in place.	
D3	Delivery of courses offshore	Yes /No	NA	Major	Yes		Delivered by provider not third party. Governance arrangements in place.	
D4	Declining publications (only applicable to provider categories requiring research)	>= [X]% decrease	>= [X]% decrease	Major	Not applicable		NA	
D5	Declining research income (only applicable to provider categories requiring research)	>= [X]% decrease	>= [X]% decrease	Major	Not applicable		NA	
D6	Low completion rate HDR (full time 5 year) (only applicable to providers offering HDR)	<= [X]%	<= [X]%	Major	[X]%	↑	Not evident.	
D7	Serious breaches of research ethics (only applicable to provider categories requiring research)	>= [X] pa	NA	Major	[X]%			
D8	Significant teaching load in non-reported delivery location	TBC	TBC	Major	No			
D9	Weak academic quality assurance program / culture	Major weakness (refer guidelines)	Moderately weak (refer guidelines)	Major	No			
D10	History of activation of tuition assurance	Yes/No	NA	Major	No			
Management and Human Resources								
E1	Significant reliance on academic staff employed under casual work contracts	[X] OR >= [X] increase	[X] OR >= [X] increase	Major	[X]%		HR recruitment strategy in train.	
E2	Low number of senior academic leaders per broad field of education	<= [X] academic leaders	<= [X] academic leaders	Major	[X]		HR recruitment strategy in train.	
E3	High / increasing student to teaching staff ratio	>= [X:X] OR >= [X]%	>= [X:X] OR >= [X]%	Major	[X]		Recruitment strategy will take time.	
E4	Low ratio of qualified staff, especially in PG environments	<= [X] staff at AQF+1 level OR PG to Doctoral qualified staff SSR >= [X:X]	<= [X] staff at AQF+1 level OR PG to Doctoral qualified staff SSR >= [X:X]	Major	[X]			
Responsibilities to Students								
F1	High / volatile international student profile	>= [X] AND/OR >= [X] decrease OR >= [X] increase	>= [X] AND/OR [X] decrease	Major	[X] / [X]%	↑	Country mix exposure.	
F2	Academic/market risk: Declining academic admission standard / lack of academic requirements in admission policy	(a) [X] decrease OR (b) No or weak academic admission requirements (refer guidelines)	(a) [X] decrease (b) NA	Major	[X]	↓	Partly: Off high cutoffs	
F3	Significantly high student growth overall	>= [X] increase	<= [X]%	Major	[X]%			
F4	Academic risk: Very high, or rapidly increasing student attrition rates	>= [X] AND/OR >= [X] increase	>= [X] AND/OR >= [X] increase	Major	[X] / [X]%	↑	Not evident.	
F5	Academic risk: Very low / very high, or rapidly changing student progress rates	<= [X] load AND/OR >= [X] decrease	< [X] load AND/OR > [X] decrease	Major	[X] / [X]%	↓	Not evident.	
F6	Academic risk: Very low or rapidly declining unit satisfaction levels	< mean score of [X]/5 OR > [X]/5 decrease	< mean score of [X]/5 OR > [X]/5 decrease	Major	[X]/5		Not evident.	
F7	Academic risk: Very low or rapidly declining graduate course satisfaction	< mean score of [X]/5 OR > [X]/5 decrease	< mean score of [X]/5 OR > [X]/5 decrease	Major	[X]/5		Not evident.	
F8	Outcome risk: Very low or rapidly declining graduate employment or further study rates	<= [X] OR [X] decrease	<= [X] OR [X] decrease	Major	[X]%	↓	Not evident.	
F9	Significant number of serious, substantiated student complaints	(a) Greater of [X] or [X] of students OR (b) [X] serious complaints	(a) Greater of [X] or [X] of students OR (b) [X] serious complaints	Major	[X] / [X]	↑	Not evident.	
Physical and electronic resources and infrastructure								
G1	Inadequate floor space per student, appropriate to discipline(s)	>= [X] below OR [X] decrease	>= [X] below OR [X] decrease	Major	[X]			Tri-mesters/ significant online
G2	Low / declining total information resources (i.e. Library) expenditure per student	<= \$[X] per EFTSL AND/OR [X] decrease	<= \$[X] per EFTSL AND/OR [X] decrease	Major	\$/[X]			
G3	Low / declining lab places per student in STEM disciplines	TBC	TBC	Major				
G4	Poor OH&S record	TBC	TBC	Major				
G5	High backlog maintenance	\$/[X]	\$/[X]	Major	\$/[X]			
Other								
H1	Other identified risk (allows situation specific)	Yes/No	NA	Major	No			
H2	Other identified risk (allows situation specific)	Yes/No	NA	Major	No			

ATTACHMENT E: GLOSSARY*

Academic governance

Academic governance is a subset of the overall governance of an educational organisation, and deals with the framework that regulates academic decisions and academic quality assurance within the organisation. Academic governance includes the policies, processes, definitions of roles, relationships, systems, strategies and resources that ensure academic standards and continuous improvement in academic activities, and is concerned with the integrity and quality of the core higher education activities of teaching, research and scholarship.

Australian Skills Quality Authority

The Australian Skills Quality Authority (ASQA) is the national regulator for Australia's vocational education and training sector. ASQA regulates courses and training providers to ensure nationally approved quality standards are met.

Cohort

A student cohort is defined as the group of students that commences a particular course of study with a higher education provider (HEP) in a particular year. For example, all Bachelor of Arts students who commence that course of study in 2006 may be a student cohort.

Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE)

This department brings together the work of the Higher Education, Skills and International Education divisions of the Department of Education Employment and Workplace Relations (DEEWR) and the responsibilities of the former Department of Innovation, Industry, Science and Research (DIISR).

Freedom of Information Act 1982 (Cwlth) (the FOI Act)

An Act to give to members of the public rights of access to official documents of the Government of the Commonwealth and of its agencies. For more information please see: <http://www.comlaw.gov.au/Details/C2011C00803>

Higher education provider (Provider) also (HEP)

Higher education provider is defined in the TEQSA Act and means:

- (a) a constitutional corporation that offers or confers a regulated higher education award, or
- (b) a corporation that:
 - (i) offers or confers a regulated higher education award; and
 - (ii) is established by or under a law of the Commonwealth or a Territory; or
- (c) a person who offers or confers a regulated higher education award for the completion of a course of study provided wholly or partly in a Territory.

Information

Information can be defined as quantitative and/or qualitative data.

Quantitative data are data measured or identified on a numerical scale. Numerical data can be analysed using statistical methods, and results can be displayed using tables, charts, histograms and graphs. Quantitative data involve amounts, measurements, or anything of quantity.

Qualitative data include virtually any information that can be captured that is not numerical in nature. Qualitative knowledge is gained through observation combined with interpretative understanding of the underlying phenomenon.

ISO Standards

The 'AS/NZS ISO 31000:2009 Risk management - Principles and guidelines' provide a generic guide for managing risk. It may be applied to a wide range of activities or operations of any public, private or community enterprise, or group.

Priority risk consequence area

Priority risk consequence areas are overarching risk areas which focus the risk evaluation and the impact. The three priority risk consequence areas are:

- Risk to Students;
- Risk of Provider Collapse; and
- Risk to Sector Reputation for Quality.

Please refer to page 11 of the Regulatory Risk Framework for more information.

Provider Case Manager

Provider Case Managers are managers employed in the regulation and review area of TEQSA who manage activities relating to a higher education provider.

Provider Category

Provider category relates to a provider category listed in the Provider Category Standards, available at <http://www.comlaw.gov.au/Details/F2012L00003/Download>.

Register

Refers to the National Register of Higher Education Providers established and maintained under section 198 of the *Tertiary Education Quality and Standards Agency Act 2011*.

Registered higher education provider

Refers to a higher education provider registered under Part 3 of the *Tertiary Education Quality and Standards Agency Act 2011* and listed on the Register under paragraph 198(1)(a) of the Act.

Regulatory risk

In the context of TEQSA's regulatory operations, regulatory risk refers to actual or potential risk events (regarding a provider's operations and performance) which indicate that the provider may not meet the Threshold Standards (either currently or in the future).

Regulatory Risk Framework

The Regulatory Risk Framework is the framework which outlines TEQSA's regulatory risk management policy and processes. It enables TEQSA to give effect to the principle of reflecting risk in its regulatory activities, as required under the *Tertiary Education Quality and Standards Agency Act 2011*.

Risk assessment

The risk assessment captures the overall process of risk identification, risk analysis and risk evaluation.

Risk analysis

A summative risk analysis provides an aggregated picture of the levels of risk as well as the basis for risk evaluation.

Risk categories

Categories of risk have been aligned with the Threshold Standards, with the addition of a further category for any risk indicators that may emerge as specifically relevant to the provider. These provide a basis and structure for the identification of risk indicators.

Risk context

Risk context is the step in TEQSA's risk management process which considers relevant internal and external contexts of the provider. These may include, for example, its student profile or the media environment.

Risk controls

Risk controls refer to measures in place that reduce or manage risk. In this Framework, consideration may be given to a provider's existing risk controls as part of the regulatory risk management process.

Risk evaluation

An overall qualitative judgement about the magnitude of risk is undertaken by comparing the results of the risk analysis against three 'priority risk consequence areas'.

Risk indicator

Under this Framework, a set risk indicators are to be used to measure provider risk across a range of areas. Risk indicators are generally standard for all providers, but may include the identification of additional indicators specific to the provider. Risk indicators may also be omitted from an assessment where they are not relevant to the business of that provider.

Risk management

Under this Framework, TEQSA's risk management refers to TEQSA's coordinated activities to assess and respond to provider risk, in a regulatory context. It is not the purpose of TEQSA's regulatory risk management to replace a provider's own organisational risk management or manage a provider's own treatments of risk.

Risk Profile

Under this Framework, a 'Risk Profile' provides a holistic view of the risk exposure of a provider, across a range of complex and inter-related elements, to guide TEQSA's regulatory decisions. The Risk Profile documents the Risk Context, Assessment, Analysis and Evaluation of risk for a provider.

Risk scan

The Regulatory Risk Framework is being implemented through a phased approach. The first phase of implementation will involve undertaking an initial scan of risk early in 2012. The risk scan is based on elements of the Framework that can be more readily assessed. Formal comprehensive risk assessments will be conducted in the latter part of 2012 following the collection and analysis of further information.

Risk Thresholds

Risk thresholds are the levels which, if a risk indicator were exceeded, would activate an initial 'traffic light'. In many cases, these thresholds are defined in quantitative terms.

Risk treatment

Risk treatments describe action to modify risk. Under this Framework, risk treatment refers to how TEQSA will respond to levels of risk that are identified through the risk management process. Action may include, for example, further discussions with providers about their risk treatments under their own risk management process.

Tertiary Education Quality and Standards Agency (TEQSA)

The Tertiary Education Quality and Standards Agency (TEQSA) is the body established by section 132 of the Tertiary Education Quality and Standards Agency Act 2011. The Act can be found here: <http://www.comlaw.gov.au/Details/C2011C00582>

Threshold Standards

Threshold Standards are defined as:

- (a) the Provider Standards, which are:
 - (i) The Provider Registration Standards; and
 - (ii) The Provider Category Standards; and
 - (iii) The Provider Course Accreditation Standards;
- (b) The Qualification Standards.

Further information can be found here: <http://www.comlaw.gov.au/Details/F2012L00003>

**Note: This Glossary does not address all the definitional and data measures related to the risk indicators. These will be developed for the purposes of operationally focussed documents, including guidelines to support the risk assessment of qualitative indicators.*