



Guidance Note: *Financial Standing*

Beta version 2.1 (13 December 2016)

What is financial standing?

Financial standing is a broad term which can take on different meanings depending on the context within which it is being applied.

For the purposes of the *Higher Education Standards Framework (Threshold Standards) 2015* (HES Framework), financial standing relates to the core financial information a stakeholder would need access to in order to make an informed decision about whether to enter into an agreement with a higher education provider. This applies in particular to students seeking to undertake a course of study.

Relevant Standards in the HES Framework

The principal Standards concerned with financial standing are in Part A of the HES Framework: 7.3.1d and 7.3.1k. These Standards require a provider to publish information about its 'financial standing', and providers that are required to prepare public annual reports should make these available. These Standards in turn have links to other related Standards concerning corporate governance (6.2.1c and 6.2.1d) and the provision of information to students (7.2.1).

Intent of the Standards

The intent of Standard 7.3.1 is to establish a set of information about the provider and its courses which can be accessed by, and meet the needs of stakeholders most importantly current and prospective students.

From a financial perspective, students need to be satisfied that a provider is in a position to continue as a going concern and to deliver the advertised course of study, consistent with the requirements of the HES Framework, until they graduate. Higher education providers that do not publish their annual financial statements can best provide assurances about these matters to stakeholders through a Statement of Financial Standing.

How can registered providers meet the requirements?

The requirements can be met by publishing on the provider's website **either**:

- a provider's audited annual financial statements OR
- a statement of financial standing.



Some providers publish their annual audited financial statements, which provide sufficient information for stakeholders to form a view about their status as a going concern. Providers that rely on publication of their annual financial statements to fulfil the requirement to make their financial standing publicly available should ensure that stakeholders, in particular students, can easily access them, for example by including a prominent link to them from the most visible and accessible webpage with general information about the provider.

Not all providers however are required to publish financial statements. This reflects current Australian accounting standards and legal requirements. It is not the intention of the Standards to impose requirements on providers that are inconsistent with accounting standards and legal requirements.

A Statement of Financial Standing should summarise the key points in their respective financial statements, which are important in informing a decision about financial standing.

TEQSA's guidance to providers for meeting Standard 7.3.1d aims to address the core information needs of stakeholders, in particular students, without imposing excessive burdens on providers.

For newly registered higher education providers that are yet to have prepared a set of financial statements, TEQSA would expect the provider to publish items 1 and 3 of Appendix A. Newly registered providers with pre-existing operations (e.g. as a Registered Training Organisation) should prepare the Statement of Financial Standing in full as described in Appendix A, noting that the audited accounts refer to the entity as it was prior to higher education registration.

Contact your case manager for additional specific guidance on how to comply with the relevant Standard in the HES Framework (Part A of the HES Framework: 7.3.1d).

What TEQSA will look for in a Statement of Financial Standing?

This section provides guidance on the content of a Statement of Financial Standing that TEQSA would accept as meeting the requirements of Standard 7.3.1d. An example statement has been included at Appendix A.

The model Statement of Financial Standing draws on existing disclosures that most providers are already required to make in order to satisfy other legislative requirements. TEQSA expects that such a Statement and any other relevant information about the provider's financial standing would be made available on the provider's website. An appropriate Statement of Financial Standing would contain the following 3 sections:

1. Directors' declaration or equivalent (such as Statement by Appointed Officers or Statement by Members of the Board). Refer to Table 1 below for further guidance.
2. Auditor's opinion (where an auditor's opinion relies on a going concern note in the financial statements, the note should also be reproduced), and
3. Tuition Assurance details.

Where a provider is required to make its financial statements public, the fourth item below would also be included:

4. A hyperlink to the location of the provider's financial statements (Standard 7.3.1k).



Table 1. Examples of Directors' Declaration or equivalent for different entity types

Company Proprietary Limited	Company Limited by Guarantee	University	Incorporated Association
Directors' declaration	Directors' Declaration	Financial Statement Certification/Statement by the Vice-Chancellor and Chief Financial Officer	Statement by Members of the Board

Note: The examples listed above are not exhaustive and terminology differences may exist between providers.

Resources and references

Australian Government, *Corporations Act 2001*, section 295.

TEQSA (2016), *Explanations of terms in Part A of the HES Framework 2015*, <<http://www.teqsa.gov.au/explanations-hes-framework-terms>>.

Version #	Date	Key changes
1.0	19 August 2016	Made available as beta version for consultation.
2.0	4 November 2016	Further elaboration provided in the 'How can providers meet the requirements?' section.
2.1	13 December 2016	Requirements for newly registered providers clarified.



Appendix A

Example Statement of Financial Standing

Provider details

- Provider Name: XYZ Pty Ltd
- ABN: 999 999 999
- Date of Statement of Financial Standing: DD/MM/YYYY

1. Directors' declaration or equivalent (Refer to Table 1)

Note to providers:

The directors' declaration should include the:

- directors' opinion regarding the provider's ability to pay its debts as and when they become due and payable
- signature and name of the director/s making the declaration, and
- date that the directors' declaration was made

2. Auditor's opinion

Note to providers:

The auditor's opinion should include:

- the name of the auditor
- the date of the audit opinion
- the auditor's opinion, and
- a reproduction of the going concern note (where an auditor's opinion relies on a going concern note in the financial statements).

3. Tuition Assurance details

Note to providers:

- Details regarding the Tuition Assurance Scheme (TAS) such as the scheme name and currency of coverage should be included.

If the provider is required to make its financial statements public by Standard 7.3.1k:

4. A hyperlink to the location of the provider's financial statements