



Australian Government

Tertiary Education Quality and Standards Agency

Key findings from the 2021 risk assessment cycle

November 2022

TEQSA

Executive summary

This report summarises the outcomes of TEQSA's 2021 risk assessment cycle.

TEQSA conducts risk assessments of higher education providers (providers) each year. These are a key tool in supporting proportionate, responsive regulation of providers in line with the [TEQSA Corporate Plan 2022-26](#). The outcomes of the risk assessment cycle enable us to:

- focus our regulatory activities on areas of greatest risk, through targeted quality assurance activities
- inform providers of TEQSA's understanding of their risk landscape, pointing to potential areas for quality enhancement.

The 2021 risk assessment cycle was completed in 2022. The cycle used operational and financial data for 2020, which was supplied by providers in 2021. The analysis provides an indication of the early impact of COVID-19 on Australian higher education providers.

Key findings

The strain placed on providers by COVID-19 was evident in the increased risk profile of the sector:

- TEQSA's two aggregated measures of risk Overall Risk to Students (Risk to Students) and Overall Risk to Financial Position (Risk to Financial Position), have heightened risk profiles compared with previous assessment cycles
- the number of providers assessed as low decreased from 63.4% in 2020 to 55.1% in 2021
- the Risk to Financial Position has seen a significant increase in moderate and high-risk providers over the past five years, further exacerbated by the pandemic.

These results are consistent with the findings of the [Forward impact of COVID-19 on Australian higher education – report](#) commissioned by TEQSA in 2021. The 2022 risk assessment cycle, which uses operational and financial data from 2021, will further reveal the impacts of the pandemic, and providers' actions to address, minimise and mitigate risk. While we are starting to emerge from COVID-19, we expect we will continue to see the impact of the pandemic for a few years.

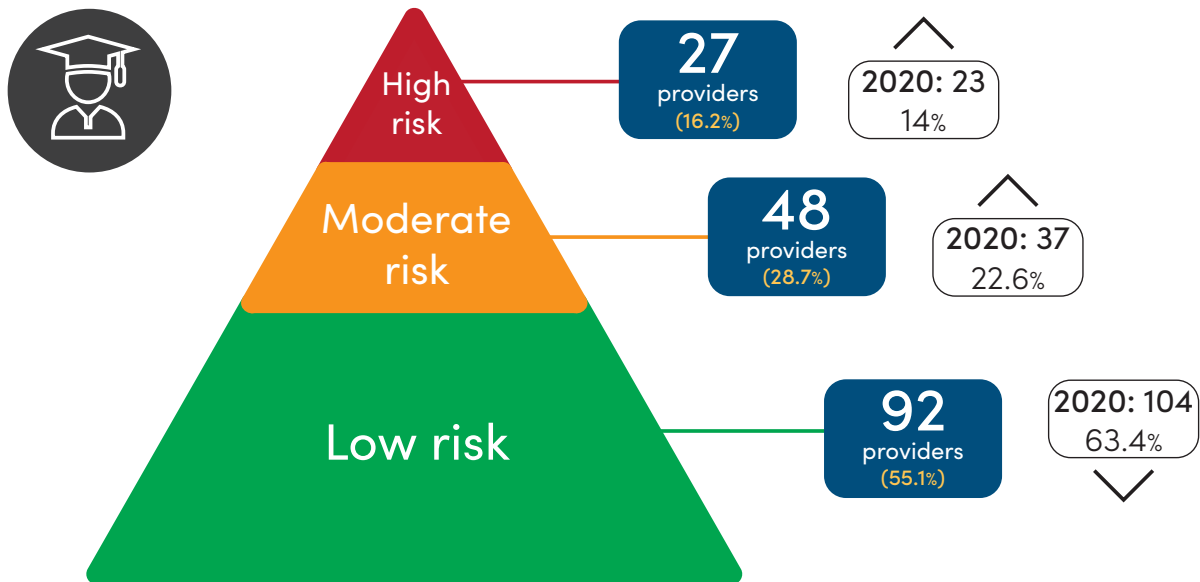
Note about data used in this report

Data in this report was primarily sourced from the Department of Education's Higher Education Information Management System (HEIMS) data collection, the Provider Information Request (PIR) data collection, the Quality Indicators for Learning and Teaching (QILT), and the HELP IT System (HITS).

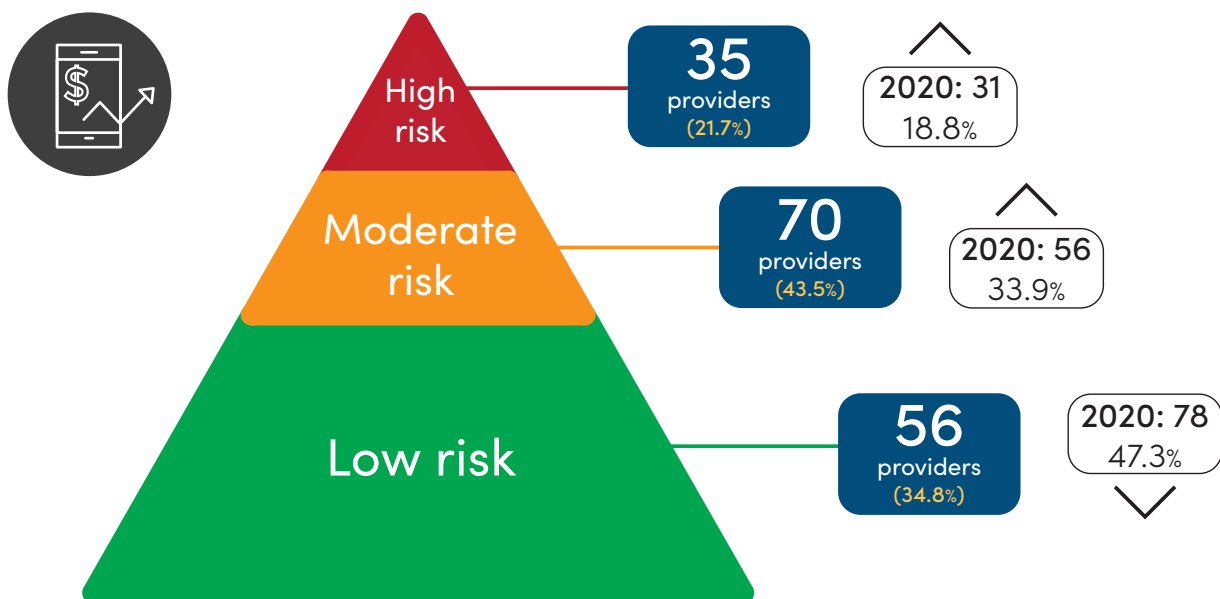
Further information about the 2021 risk assessment cycle, and [TEQSA's Risk Assessment Framework](#) can be found on our website, [Tertiary Education Quality and Standards Agency \(teqsa.gov.au\)](https://www.teqsa.gov.au).

Sector risk profile at a glance

Risk to students (2021)



Risk to financial position (2021)



Key risk findings

Risk to Students

TEQSA conducted 167 risk assessments of Risk to Students.¹ Of these 167 providers, 92 (55.1%) providers were rated low risk, 48 (28.7%) were rated moderate risk, and 27 (16.2%) were rated high risk.

Risk to Students increased compared to the 2020 Risk Assessment Cycle, but improved on the 2019 results.² Providers assessed as low risk decreased by 11.5% from 2020, while moderate and high risk saw increases of 29.7% and 13.0%, respectively. The 29.7% growth in moderate risk providers was the highest since TEQSA commenced assessing Risk to Students in 2014.

Providers with moderate and high risk to students represented 44.9% of all providers assessed. This is the second highest number of providers rated above low risk in the past five cycles. Low Risk to Student providers represented 55.1% of all providers, a decrease from 2020 but consistent with the 9-year historical average of 55.6%

Table 1. Risk to Students by risk rating, 2017-2021.

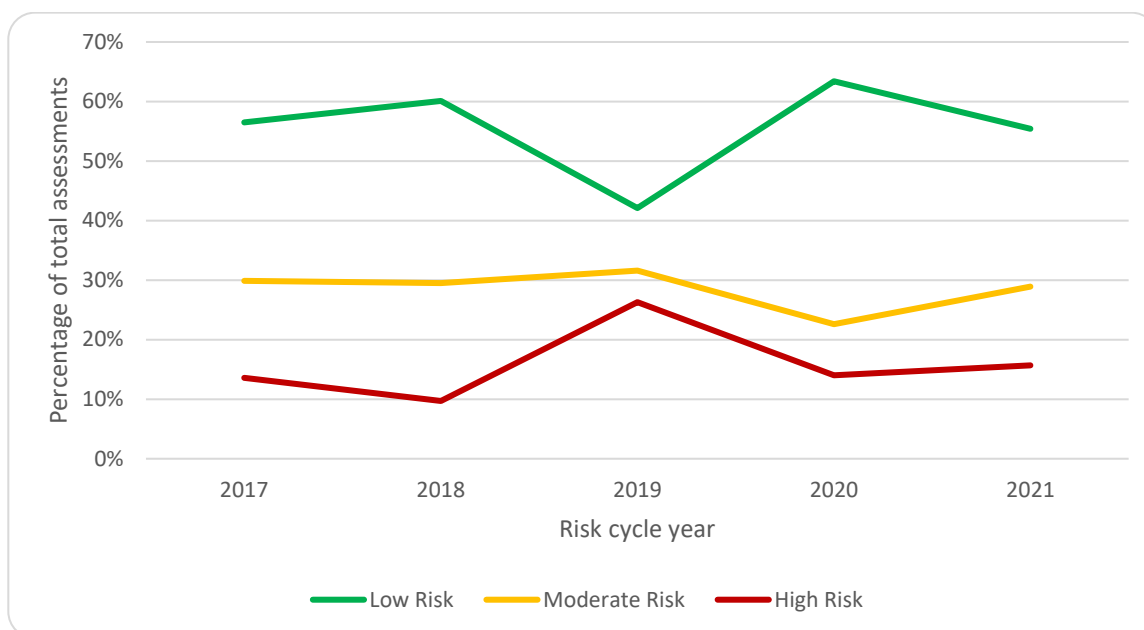
Risk Cycle Year	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2017	87	56.5%	46	29.9%	21	13.6%	154
2018	95	60.1%	46	29.5%	15	9.7%	156
2019	72	42.1%	54	31.6%	45	26.3%	171
2020	104	63.4%	37	22.6%	23	14.0%	164
2021	92	55.1%	48	28.7%	27	16.2%	167

While TEQSA observed an increased Risk to Students, there was no indication of a long-term trend of declining risk performance. As shown in Figure 1 we observed yearly fluctuations, but no substantial upwards or downwards trajectory in Risk to Student assessment outcomes.

¹ Of the 187 providers in scope for the 2021 risk assessment cycle, twenty providers received a Risk to Students rating of 'suspended' as the data was not yet available to conduct a risk analysis.

² The 2019 and 2020 risk assessments were completed during the 2020 risk assessment cycle to improve on the [existing data lag](#). As a result, the 2019 risk cycle in this report is unadjusted and may not be directly comparable to other risk assessments cycles. The 2018 Risk Cycle as discussed in the *Key risk findings on Australia's higher education sector* [report](#) is also shown in this report as the 2017 Risk Cycle in this report due to this change.

Figure 1. Risk to Students by risk rating (%), 2017-2021.



Risk to Financial Position

We conducted 161 assessments of Risk to Financial Position.³ Of these, 56 providers (34.8%) were assessed as low risk, 70 (43.5%) moderate and 35 (21.6%) high.

The Risk to Financial Position saw increased risk compared with previous cycles. Providers assessed as low risk decreased by 28.2% from 2020, while moderate and high risk increased by 25.0% and 12.9%, respectively. This was the largest increase in the total number of providers rated above low risk since TEQSA commenced assessing Risk to Financial Position in 2014. The corresponding increase in moderate risk ratings was the second largest recorded apart from 2019.

Table 2. Risk to Financial Position by risk rating, 2017-2021.

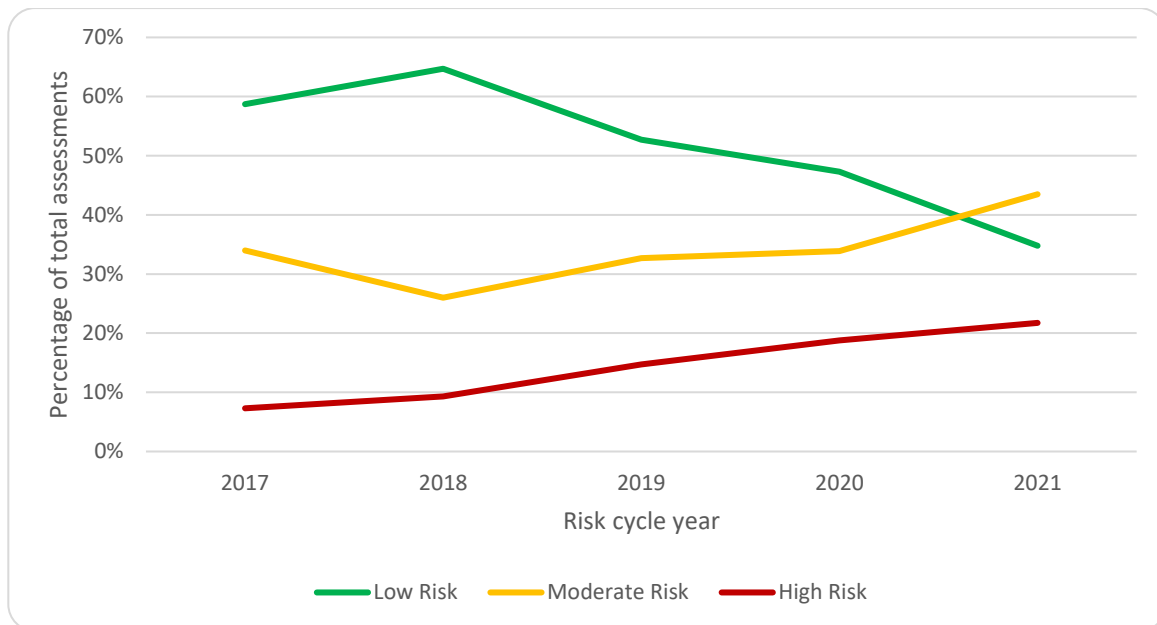
Risk Cycle Year	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2017	88	58.7%	51	34.0%	11	7.3%	150
2018	97	64.7%	39	26.0%	14	9.3%	150
2019	79	52.7%	49	32.7%	22	14.7%	150
2020	78	47.3%	56	33.9%	31	18.8%	165
2021	56	34.8%	70	43.5%	35	21.7%	161

The 34.8% of providers rated low and 21.7% rated high Risk to Financial Position indicated a significant shift in the financial risk profile of providers and the sector. In the past five years, the proportion of low risk providers decreased by 23.9%. In contrast, high risk providers now represent almost a quarter of all providers.

³ 24 providers received a suspended rating and one provider received a no confidence in data rating.

Effects of COVID-19 on providers' financial position may have increased the rate of shifts to moderate and high risk. However, results from the past five risk cycles broadly suggest an increased financial risk profile for the higher education sector.

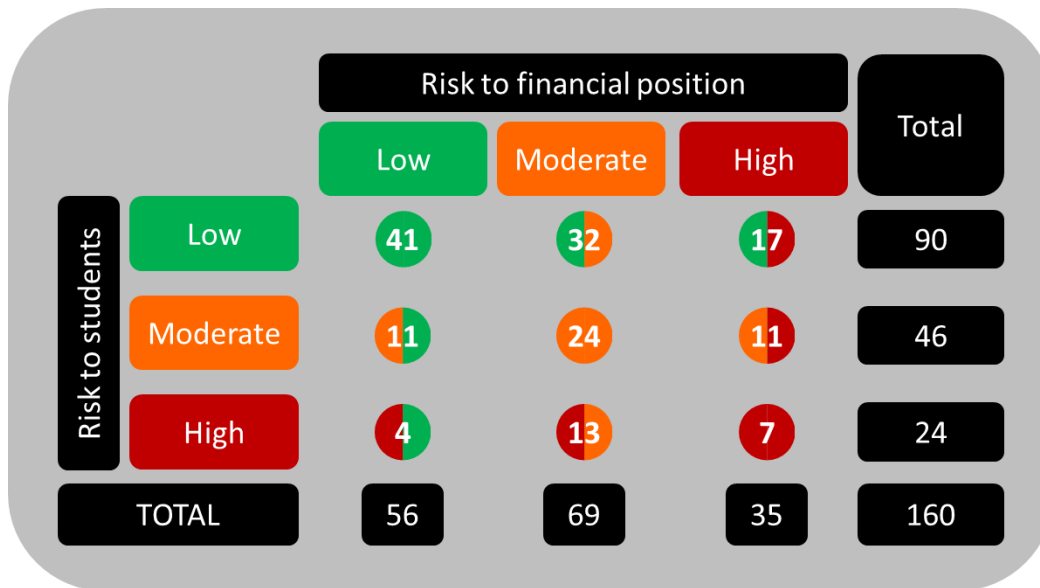
Figure 2. Risk to Financial Position by risk rating (%), 2017-2021.



Risk matrix

Figure 3 shows the aggregated findings for Risk to Students and Risk to Financial Position. This provides TEQSA with an indication of the overall risk of specific providers and the higher education sector. For the 2021 risk assessment cycle, there was a decrease in the number of providers rated as low Risk to Students and Financial Position (41 down from 60 in 2017 and 53 in 2020 risk assessment cycle). Contrastingly, there was generally an increase in the proportion of providers with a low/high and moderate/high risk matrix across the two indicators. Providers who received a high-risk rating for both Risk to Students and Risk to Financial position increased to 7 (3 in 2017, 4 in 2020 risk assessment cycle).

Figure 3. Risk matrix of Risk to Students and Risk to Financial Position 2021



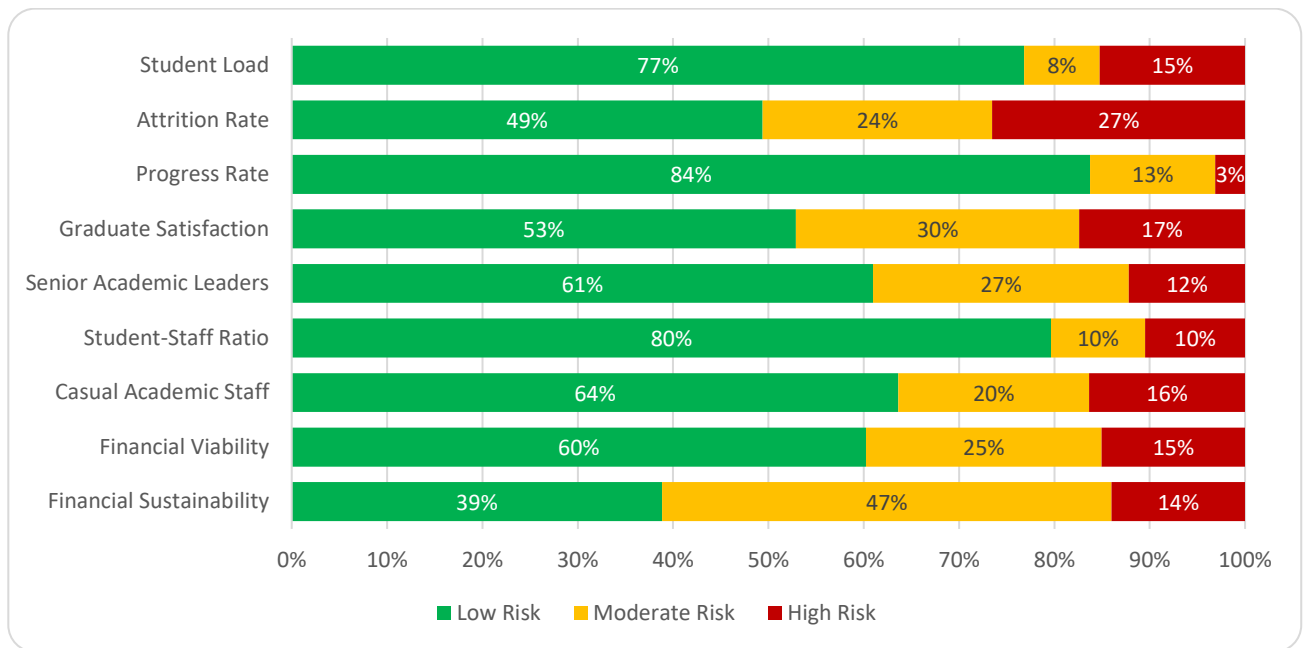
Risk indicator ratings at a glance

Figure 4 shows risk ratings associated with individual risk indicators in 2021. This indicates areas of risk to providers, where the proportion of low risk is less than the aggregated proportions for Risk to Students (55.1%) and Risk to Financial Position (34.8%).

Within Risk to Students, Attrition Rate and Graduate Satisfaction are the lowest proportion of low risk providers with 49% and 53% respectively. This suggests in 2021 that Attrition Rates and Graduate Satisfaction were areas of heightened risk for higher education providers. Similarly, Student Load, and Casual Academic Staff both had proportions of high-risk providers above 15%, along with Attrition Rate and Graduate Satisfaction at 27% and 17%. This is further indicative that these four indicators were associated with heightened risk.

Risk to Financial Position is comprised of Financial Viability and Financial Sustainability, which are assessed through financial sub-indicators. The 2021 results showed a greater number of providers had risks associated with Financial Sustainability, with only 39% of providers receiving a low risk rating. The proportion of providers rated high for Financial Viability and Financial Sustainability was 15% and 14% respectively, indicating both indicators contributed to heightened risk.

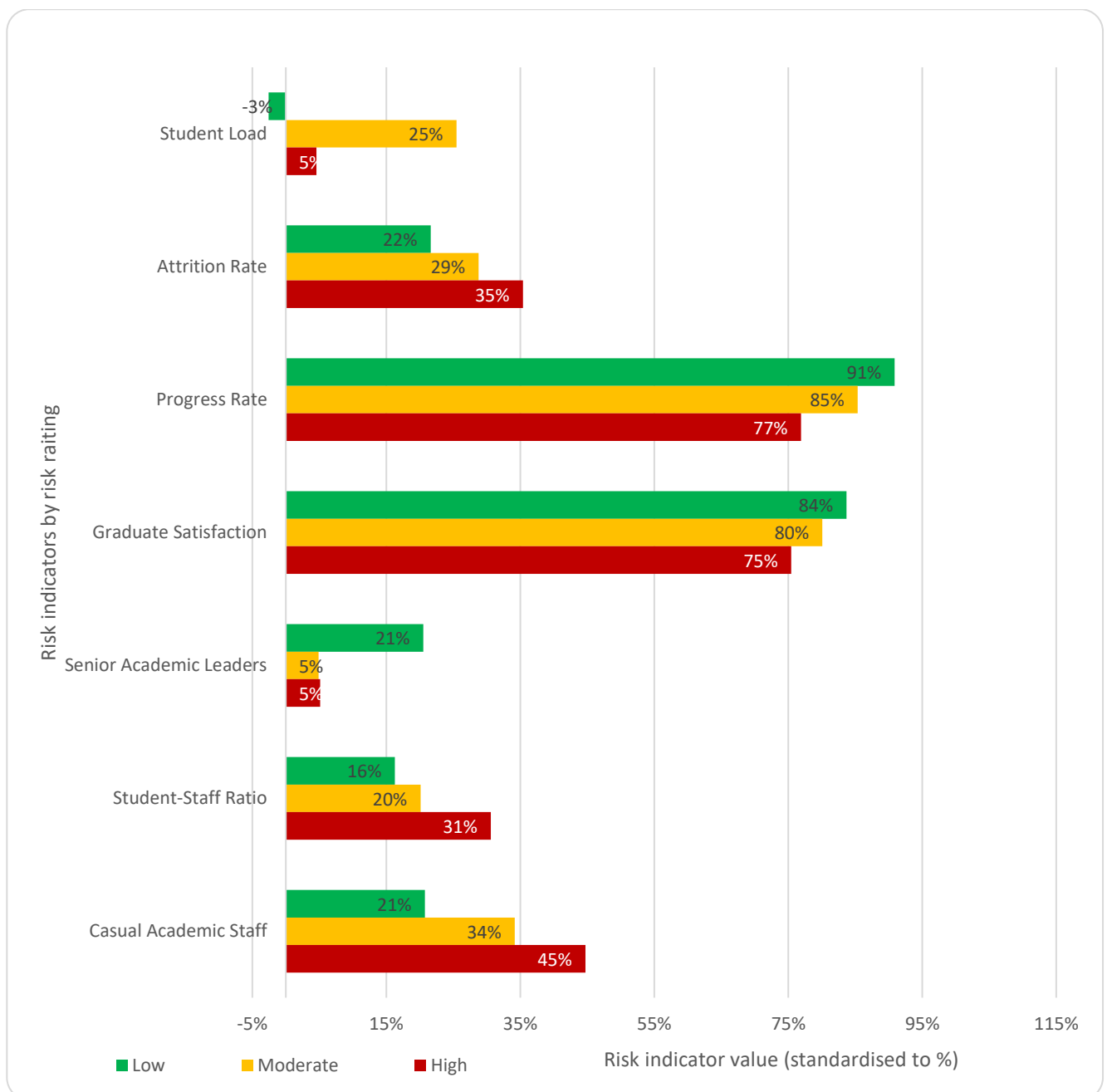
Figure 4. Risk rating proportions by risk indicator, 2021.



Mean risk indicator values for Risk to Students

Figure 5 shows the average standardised value of individual indicators sorted by Risk to Students rating. Positive associations with risk ratings were seen for indicators such as Attrition Rate, Student-Staff Ratio and Casual Academic Staff, where a higher risk rating aligned with a higher value. Taking Casual Academic Staff as an example, a high-risk provider on average had an average of 45% of academic staff in casual positions compared to 21% for low risk providers. Negative associations occurred for Progress Rate, Graduate Satisfaction and Senior Academic Leaders (when looking at low compared with moderate/high). As an example, Graduates of high-risk providers had an average satisfaction rate of 75% compared to 84% for low risk providers.

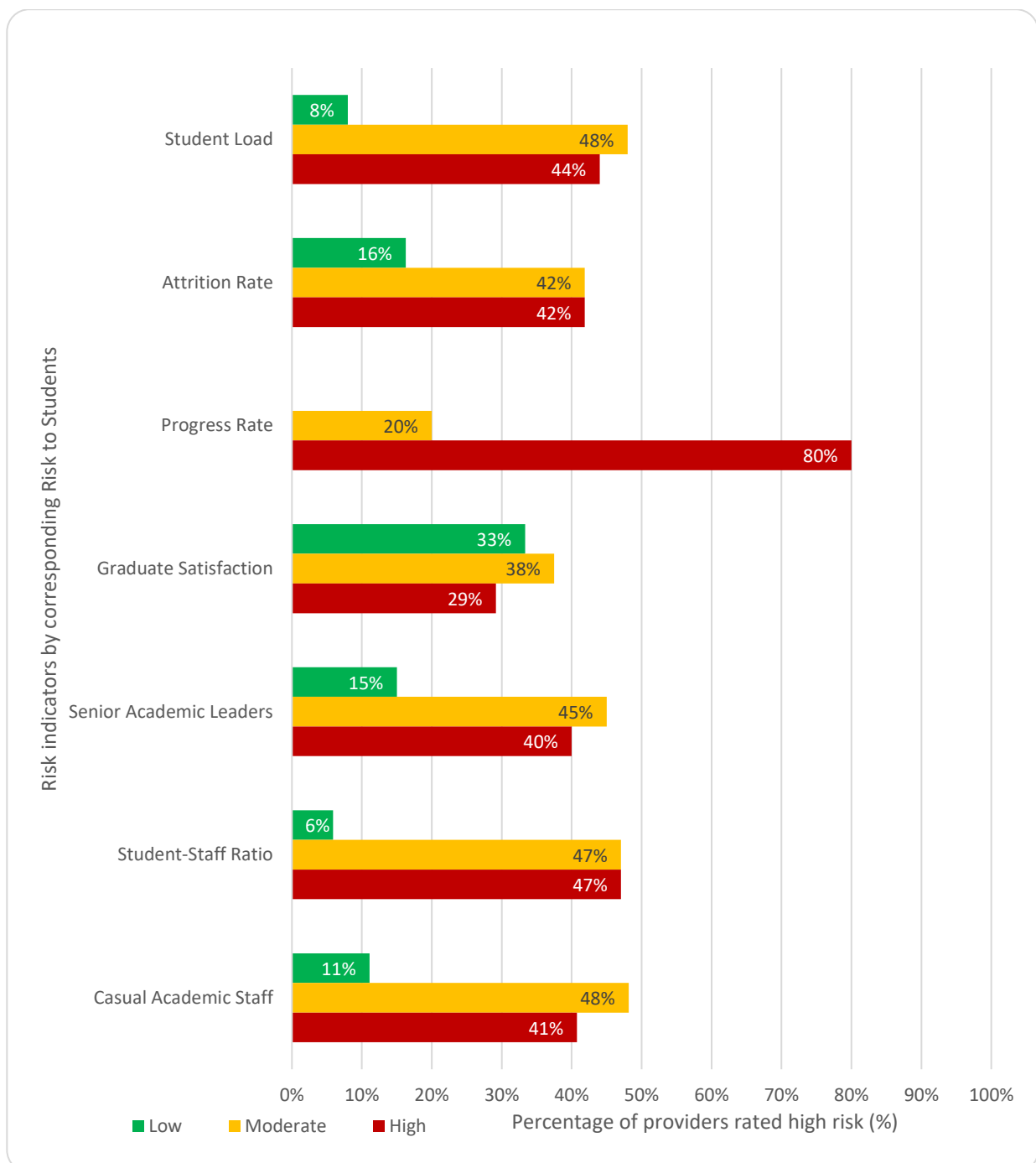
Figure 5. Mean risk indicator values by Risk to Students rating, 2021.



Risk indicators for Risk to Students

Figure 6 focuses on indicators at the high-risk level compared with corresponding Risk to Student ratings. This is a useful way to determine the risk associated with specific risk indicators. For example, no providers who received a high-risk rating for Progress Rate received a low Risk to Students rating. Additionally, 80% of providers with high risk to Progress Rate, had a high risk overall. This suggests that Progress Rate had an association with heightened risk to students more generally. Student Load and Student-Staff Ratio at the high-risk rating similarly had an association with heightened overall risk. Graduate Satisfaction was the least associated with 29% of high-risk ratings corresponding to a low Risk to Students.

Figure 6. High risk indicators for Risk to Students rating, 2021



Median risk indicator by provider category

At the time of data collection, registered providers in scope for the 2021 risk assessment were spread across three of six possible categories: Australian University (41), Overseas University (1) and Higher Education Provider (127).⁴

For the purposes of this report, providers have been grouped into two broad categories: Higher Education Provider and Australian University. The data for the one Overseas University has been excluded to protect the confidentiality of that providers' risk assessment findings.

Table 3 shows the median values for individual risk indicators by two broad categories.

Higher Education Providers tended to have greater levels of risk on indicators such as Attrition Rate, Senior Academic Leaders, Casual Academic Staff and Financial Viability. Australian Universities were generally assessed as low for Risk to Students and Risk to Financial Position, but Graduate Satisfaction was the lowest for this category compared to Higher Education Providers.

Table 3. Median risk indicator values by provider category

Provider Category	Higher Education Provider	Australian University
Student Load	-1.60%	-0.62%
Attrition Rate	27.42%	20.17%
Progress Rate	87.13%	88.74%
Graduate Satisfaction	83.72%	78.75%
Senior Academic Leaders	3.00	31.00
Student-Staff Ratio	16.16	20.69
Casual Academic Staff	27.76%	20.55%
Financial Viability	6.94%	2.30%
Financial Sustainability	2.84%	2.91%

⁴ On 1 July 2021, the *Higher Education Legislation Amendment (Provider Category Standards and Other Measures) Act 2021* and the updated *Higher Education Standards Framework (Threshold Standards) 2021* incorporating revised provider category changes came into effect. Amongst the changes, the category Higher Education Provider changed to Institute of Higher Education.