



# Provider Response: Risk Mitigation and Controls

## Purpose and Background

TEQSA's Risk Assessment Framework 2020 (RAF 2020) outlines TEQSA's approach for undertaking risk assessments of higher education providers in 2020, including the set of risk indicators assessed and the process that will be followed.

Risk ratings for indicators are derived by TEQSA giving consideration to risk thresholds, the regulatory history and specific circumstances of providers. This includes contextual information about the provider and information on the provider's own risk controls, where known to TEQSA. If TEQSA identifies potential risks, the provider is invited to submit further evidence to support changes to the risk profile.

In response to the Risk Assessment Framework consultation in 2019, and in acknowledgement of the current disruption to the sector:

- Risk findings will be consolidated at the headline risk categories: Overall Risk to Students (ORS) and Overall Risk to Financial Position (ORFP); and
- Commentary against the individual risk indicators will be removed for this year, thereby reducing the scope of information we will require from providers.

Providers responding to their initial risk assessment are encouraged to demonstrate actions or initiatives undertaken to mitigate any identified risks to students and financial position at the systemic level with evidence of risk management and improvement.

The 2020 Risk Assessment is based on the following submitted data and as a result it is not expected that any additional interim data will be required from providers:

- Risk to Students to 31 December 2019
- Risk to Financial Position as at 30 June 2020

This document provides examples of provider controls that may be considered by TEQSA in determining a risk rating and to assist providers in participating in TEQSA's risk assessment process.



## Risk Mitigation

### Principles:

- Provider responses should clearly and succinctly demonstrate the provider's mitigation of risks at the Overall Risk to Students and Overall Risk to Financial Position level. Specific responses to individual risk indicators are not required;
- Formal risk management approaches provide higher level of confidence of risk identification and mitigation than ad hoc narrative responses.
- TEQSA will not be responding to issues related to Risk Assessment methodology as part of the risk assessment response process. Many issues were canvassed as part of the Consultation in 2019 and changes to the process will be introduced in subsequent assessment cycles.

In considering the examples below, please note the following:

- These examples are not exhaustive, restrictive or directive and are only provided as a guidance.
- Different levels of evidence may be required to change an overall risk rating, depending on the significance of the issue and context of the provider (i.e. in some cases a combination of factors may support an adjustment to a risk rating).
- While a provider's submission of information may lead to a positive change in rating, there may be times when TEQSA changes a risk rating (i.e. higher risk rating) based on additional information (such as an adverse TEQSA assessment finding).
- TEQSA takes into account a provider's regulatory history as part of the risk assessment process. This would include information about the provider's own risk management capability, and any findings from recent regulatory assessments at TEQSA, limited to regulatory decisions that have been made after 1 January 2019 to ensure that any consideration of regulatory assessment outcomes are current and most relevant.



Risk Indicator	Examples of relevant information that may lead to adjustments to risk ratings
Overall Risk to Students	<p>Information which demonstrates:</p> <ol style="list-style-type: none"><li>1. How the provider has managed their overall risk to students;</li><li>2. Proactive steps taken to address risk events, to minimise or mitigate the risk in future; and/or</li><li>3. Evidence showing that the mitigation of risk has been effective.</li></ol> <p>Examples include:</p> <ul style="list-style-type: none"><li>• Specific evidence of actions taken pursuant to a <b>Risk Management Plan (RMP)</b> with supporting information demonstrating:<ul style="list-style-type: none"><li>○ the RMP is appropriate to the current and projected operating environment;</li><li>○ Potential risks have been identified and assessed and treated, and controls are in place to mitigate future risk;</li><li>○ Risk indicators are relevant to assessing the risk to students, including:<ul style="list-style-type: none"><li>• student success, engagement, wellbeing and experience;</li><li>• modes of delivery including online and blended;</li><li>• cybersecurity and IT related risks, etc.;</li></ul></li><li>○ Risks, including third party provision where relevant, are monitored and assessed;</li><li>○ Risk controls include all or some of the following:<ul style="list-style-type: none"><li>• Risk Register</li><li>• Risk appetite statement</li><li>• Risk assessment processes</li><li>• Documented risk mitigation action</li><li>• Risk contingency planning</li><li>• Risk tracking and reporting</li><li>• Consideration of identified risks and mitigations authorised by relevant senior officer(s), Committees</li></ul></li><li>○ Evidence of change in outcomes.</li></ul></li><li>• A <b>plan approved by a relevant governing committee</b> demonstrating how the provider will manage its growth trajectory and operational risk management with appropriate planning for:</li></ul>



	<ul style="list-style-type: none"><li>○ Education provision, whether campus based, online, offsite, etc.</li><li>○ Changes in capital investment to support student success</li><li>○ Recruitment that supports maintenance of academic staff levels</li><li>○ Academic and professional support staffing levels</li><li>○ Evaluation of the student experience.</li></ul> <ul style="list-style-type: none"><li>● Specific evidence of actions taken pursuant to a <b>Teaching, Learning and/or Education plan</b> or similar, which addresses risks to students as enumerated in the Higher Education Standards across student success, engagement, wellbeing and experience, with<ul style="list-style-type: none"><li>○ Evidence of implementation</li><li>○ Evaluation of results which demonstrate an improved performance</li><li>○ Remedial action, if required</li></ul></li></ul> <p><b>NOTE:</b> If the implemented strategies in the plan have not been <i>evaluated</i> to assess impact or the results cannot be determined, then this can be considered in the 2021 risk assessment cycle. Acceptable evidence would be the minutes or resolution of a board or appropriate committee.</p>
	<ul style="list-style-type: none"><li>● <b>For small providers</b> (EFTSL less than 100), specific evidence of actions taken pursuant to documented risk management may include risk management elements referred to herein, or other documentation which demonstrates:<ul style="list-style-type: none"><li>○ Systemic oversight of risk;</li><li>○ Redress of identified issues; and</li><li>○ Evidence of a positive impact.</li></ul></li></ul>
Overall Risk to Financial Position	Information which demonstrates: <ol style="list-style-type: none"><li>1. How the provider has managed their overall risk to financial position;</li><li>2. Proactive steps taken to address risk events, to minimise or mitigate the risk in future; and/or</li><li>3. Evidence showing that the mitigation of risk has been effective.</li></ol> Examples include:



	<ul style="list-style-type: none"><li>• Specific evidence of actions taken pursuant to <b>Risk Management Plan (RMP)</b> with supporting information demonstrating:<ul style="list-style-type: none"><li>○ the RMP is appropriate to the current and projected operating environment;</li><li>○ Potential risks have been identified and assessed and treated, with controls are in place to mitigate future risk;</li><li>○ Risk indicators are relevant to assessing the risk to financial position, including but not limited to:<ul style="list-style-type: none"><li>• Governance oversight</li><li>• Management of risks (Identification, measurement, mitigation and review process)</li><li>• Internal / external audit or other forms of independent evaluation</li></ul></li><li>○ Risks, including third party provision where relevant, are monitored and assessed;</li><li>○ Risk controls include all or some of the following:<ul style="list-style-type: none"><li>• Risk Register</li><li>• Risk assessment processes</li><li>• Documented risk mitigation action</li><li>• Risk contingency planning</li><li>• Risk tracking and reporting</li><li>• Consideration of identified risks and mitigations authorised by relevant senior officer(s), Committees</li></ul></li><li>○ Evidence of change in outcomes.</li></ul></li><li>• Mitigations to address the identified risks, with specific attention to <i>liquidity</i>, <i>cash flow</i> and <i>financing</i>, including but not limited to:<ul style="list-style-type: none"><li>○ Capital injection commitments;</li><li>○ Student enrolment projections supported by robust analysis and key assumptions;</li><li>○ Financial projections supported by robust analysis and key assumptions;</li><li>○ For providers with an economic dependence or in receipt of financial support from a related party, evidence of the instrument confirming the nature and extent of the commitment such as a guarantee or similar undertaking from the related party sufficient to influence the risk profile; and / or</li></ul></li></ul>
--	--



	<ul style="list-style-type: none"><li>○ Overall management of the relationship between revenue and expenses and timing; etc.</li><li>● Specific evidence of actions taken pursuant to a <b>Governance Framework</b> demonstrating how financial risks are:<ul style="list-style-type: none"><li>○ monitored, assessed and remediated, where required;</li><li>○ clear oversight mechanisms at the governing body level, which may include Minutes of Meetings specifically dealing with current identified risks; and</li><li>○ evidence of changed in risk outcomes, e.g. improvement of liquidity</li></ul></li><li>● <b>Confirmation of Financial Restructuring</b> authorised by the Governing body to enhance the overall financial position of the provider, including, but not limited to:<ul style="list-style-type: none"><li>○ Obtaining additional capital;</li><li>○ Obtaining guarantee(s) from financially credible guarantors;</li><li>○ Obtaining access to debt, noting that Debt Service Coverage is considered;</li><li>○ Liquidation of non-current assets;</li><li>○ Paying down debt;</li><li>○ Improved cash management and debt recovery; etc.</li></ul></li></ul>
--	--