



Australian Government

Tertiary Education Quality and Standards Agency

# TEQSA's Risk Assessment Framework

Version 2.3

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**TEQSA**

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# Introduction

## Background

The Tertiary Education Quality and Standards Agency (TEQSA) risk assessments of registered higher education providers are a key component of TEQSA's risk-based approach to assuring higher education standards. The Risk Assessment Framework (RAF) outlines the key steps and components of the risk assessment process, and provides detailed supporting information on the risk indicators used. Information on how risk assessments form part of TEQSA's approach to quality assurance can be found in the paper [Our approach to quality assurance and regulation](#).

Under the ESOS Act, TEQSA regulates a number of ELICOS and Foundation Program providers that are not registered higher education providers. TEQSA's approach established under the RAF also applies to these providers, but with a tailored set of risk indicators and information requirements.

TEQSA is committed to continuing to refine the RAF over time, with experience of applying the RAF in its assessment processes, feedback from providers and through consultation with peak bodies. TEQSA will also continue to expand available information on the RAF and other processes through the TEQSA website.

## Information sources

TEQSA works closely with the Department of Education and Training (Department) to access data for providers that already report data to existing collections in order to minimise reporting burden, and is supporting work led by the Department towards a single higher education collection. TEQSA is committed to reducing burden on providers by utilising existing information sources to the extent possible for its assurance purposes, and remove any overlap in reporting through data sharing arrangements with other agencies.

TEQSA sources a limited set of data directly from some providers through an annual Provider Information Request (PIR). The PIR gathers data from some providers that are not required to report, or only partially report, data in the Department's Higher Education Statistics Collection (through the Higher Education Information Management System – HEIMS). TEQSA has reduced its annual reporting requirements since 2012 and is continuing to work with the Department and other stakeholders to further reduce reporting burden, while maintaining its capacity to assure standards under a risk-based approach.

[Further information about TEQSA's PIR.](#)

# Overview

## Purpose of risk assessments

TEQSA's risk assessments provide a snapshot of providers across the sector to help prioritise TEQSA's focus in undertaking its assurance activities. They assist TEQSA to give effect to its principles of reflecting risk, proportionality and necessity, as outlined under the *Tertiary Education Quality and Standards Agency Act 2011* (the TEQSA Act). They also inform risk-based regulation of providers under the *Education Services for Overseas Students Act 2000* (the ESOS Act).

Through the RAF and use of risk assessments, TEQSA aims to:

- reduce burden on the sector by using risk assessments to inform a differentiated approach to evidence and reporting requirements in assessment processes (e.g. for renewal of registration and course accreditation applications)
- strengthen the protection of students' interests and the sector's reputation by monitoring key aspects of providers' operations during registration periods
- support TEQSA case managers and providers to engage in early discussion about emergent issues prior to any scheduled assessment process
- support quality improvement activities through the sharing of information with providers about potential risks and good practices in the sector.

TEQSA's risk assessments do not draw conclusions about compliance with the *Higher Education Standards Framework (Threshold Standards) 2015* or the ESOS Act and National Code<sup>1</sup>, but rather identify potential risks of non-compliance. In other words, risk assessments may identify 'leads' that warrant closer consideration by TEQSA case managers, but do not confirm that there is necessarily a problem.

The purpose of the RAF is not to identify all institutional risk or to replace or replicate a provider's own risk management. The RAF focuses on key risks across the sector that can be readily measured on a regular basis. TEQSA's assessment processes, such as a renewal of registration, involve a deeper assessment of evidence to determine compliance with the Standards.

## Approach

The RAF enables a consistent, structured and systematic approach to assessing risk across all providers. This is achieved by using a standard format and set of risk indicators across areas of institutional practice and outcomes that are central to all providers.

TEQSA recognises, however, the breadth of diversity in the sector and the importance of

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<sup>1</sup> National Code of Practice for Registration Authorities and Providers of Education and Training to Overseas Students 2018

provider context in assessing potential risks. TEQSA also recognises that innovation often involves a degree of risk taking and does not consider risk as necessarily negative or that all risk must be controlled or eliminated. To support this in practice, TEQSA's approach allows for expert judgement and consideration of providers' history, context and own risk management within the risk assessment process. Dialogue between TEQSA's case managers and providers about potential risks also enables TEQSA to better understand where risks may reflect strategic decisions taken by the provider for innovation and growth, and where risk controls are in place. TEQSA will look for evidence that the provider's risk-taking is well managed, for example, through evidence of careful planning and using of pilots of the proposed innovation.

TEQSA's risk assessments are predominantly focused at the institutional level, but may also consider risks relating to specific aspects of a provider's operations, such as particular cohorts of students and/or areas of course offerings.

TEQSA's approach to risk assessments is informed by the ISO Risk Management Standards, while adapted for TEQSA's regulatory context and purpose.

# Risk assessment process

## Overview

TEQSA undertakes an annual cycle of risk assessments of all providers, following TEQSA's PIR and acquisition of data from existing annual national collections where available. TEQSA may choose to update a risk assessment outside of the annual cycle in response to emerging information. An overview of key steps in TEQSA's risk assessment process is reflected in Figure 1 below and further outlined in the following sections.

Figure 1 – Key steps in risk assessment process



## Steps in the assessment

Key steps in the risk assessment process, as reflected in the figure above, are:

### 1. Risk assessment

- TEQSA gathers existing information from various sources, mainly the PIR, HEIMS, national survey data, findings from TEQSA assessment processes, and information from the previous TEQSA risk assessment cycles
- TEQSA considers the history and context of the provider, its approach to delivery, and findings from previous assessment processes (positive and adverse)
- TEQSA undertakes an analysis of risk indicators, guided by risk indicator thresholds, trends, and other relevant context
- TEQSA undertakes a holistic evaluation of the history, context and indicator analysis to determine overall risk ratings, with explanatory notes where significant risk is identified.

## 2. Dialogue with provider

- TEQSA will usually share a risk assessment with all providers each year, except for newly registered providers that have insufficient data to conduct a risk assessment
- each provider will have the opportunity to respond to its risk assessment which may lead to adjustments in the risk assessment
- if significant risks are identified, the TEQSA case manager will invite the provider to discuss the risk assessment and provide any broader context and information on its strategies and any risk controls in place.

## 3. Next steps

- the finalised risk assessment is used to inform the scope of scheduled assessment processes (e.g. renewal of registration application processes) and, in some cases, may lead to further interaction with a provider ahead of an assessment process
- in cases where a provider has ongoing regulatory matters, the distribution of the risk assessment will be coordinated with TEQSA's regulatory decisions to ensure consistency across all findings.

# What the process involves for providers

It is optional for providers to respond to TEQSA's annual risk assessments, unless specifically requested by TEQSA.

TEQSA undertakes the necessary data calculations and analysis to prepare risk assessments. TEQSA will issue a risk assessment to all providers. A provider will receive a risk assessment with an invitation to comment. The provider may choose to provide additional information. If TEQSA considers it necessary to take further steps as a result of a final risk assessment, a meeting with the provider will be organised to discuss the providers risk assessment.

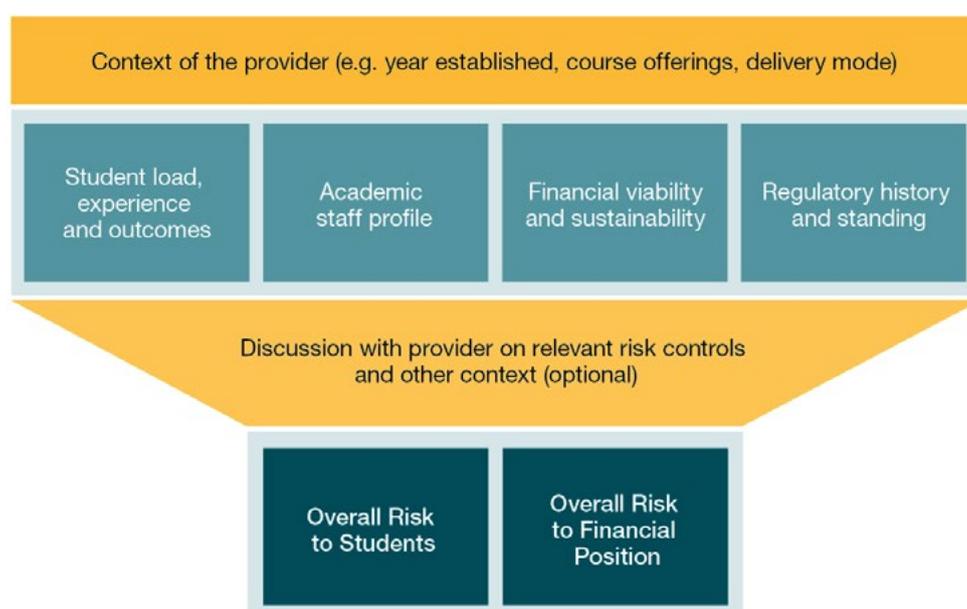
A provider will receive a copy of its latest risk assessment where there is a forthcoming renewal of registration process.

# Key components of risk assessments

## Overview

An overview of the key components of a risk assessment is reflected in Figure 2 below and further detailed in the following sections.

Figure 2 – Key areas considered in risk assessment



## Overall risk evaluation

TEQSA makes an overall evaluation against: ‘Risk to Students’ and ‘Risk to Financial Position’. The evaluation uses a high, moderate or low rating (represented with traffic light colours). This is a qualitative expert judgement taking into consideration the provider’s context, history and standing, and analysis of risk indicators.

Where an overall evaluation is not able to be established due to lack of information or track record, conflicting information, or unreliable data, the overall rating may be suspended, or a rating of ‘No Confidence in Data’ applied.

## Four key risk areas

TEQSA focuses on four key areas in risk assessments to support the overall evaluation:

1. regulatory history and standing
2. students (load, experience and outcomes)
3. academic staff profile
4. financial viability and sustainability.

Considered together, these areas provide coverage across key aspects of providers' operations and all contribute to a view of potential risks to academic standards. In particular, the role of regulatory history in the risk assessment highlights any risks to academic standards identified through previous TEQSA assessment processes. This may include, for example, findings relating to:

- quality assurance processes in a past renewal of registration process
- admission practices in a past renewal of course accreditation process
- professional accreditation status through a material change notification.

The other key risk areas are informed through the assessment of a set of risk indicators.

## Risk indicators

Risk indicators have been identified giving consideration to data availability (on an annual basis), applicability across the sector, and to different provider circumstances. The indicators, with descriptions and links to the Standards, are set out at Appendix 1. Supporting technical information on the indicators is provided at Appendix 2. The indicators are rated using a traffic light system.

A combination of input and output/outcome indicators are used, recognising that relying solely on output/ outcome indicators would mean a focus on the detection of confirmed failure, but not prevention. A combination of indicators also provides a more holistic view of a provider's operations noting the limitations of individual indicators.

The assessment of indicators using student data includes a specific focus on any onshore and offshore international student populations (where possible). This allows a view of organisation-wide risk, as well as risk to these cohorts of students. An integrated approach of this kind is consistent with the considerable overlap between the ESOS Act and National Code, and the TEQSA Act and Threshold Standards.

# Risk thresholds

In assessing risk indicators, TEQSA considers a set of risk thresholds, while taking into account provider context and risk controls (where information is available).

TEQSA has adopted a systematic approach to developing its risk thresholds, which includes consideration of the following dimensions:

## **1. Reference material**

Documentation such as past regulatory and quality assurance reports, and providers' risk management and strategic plans, can provide views on common issues such as attrition and student-staff-ratio.

## **2. Statistical analysis of the sector**

Status quo and trends in the sector can shed light on the discriminating power of a risk threshold.

## **3. Experience from previous risk cycles**

TEQSA's experience of applying the risk thresholds can help to ascertain their efficacy.

## **4. The nature of indicators**

Consideration of the different nature of indicators can inform whether the indicators lend themselves to a more absolute setting of risk thresholds or whether more emphasis is given to levels that vary from sector trends. For example, if the sector average attrition rate was significantly increasing, TEQSA may take a view that this does not alter the level considered to indicate a risk to standards.

These dimensions are evaluated holistically, based on available information, and there is no single consideration that would automatically overrule others. Professional judgement is used, with regard to the specificities of each indicator, in determining the levels which may represent potential risk.

Further information about TEQSA's approach to determining risk thresholds is made available on its website and will be updated as needed. The risk thresholds themselves are held confidentially within TEQSA. Risk thresholds are considered in the context of other information and are not the sole determinant of risk ratings.

In the risk assessment and in any communication with the provider, TEQSA will explain the basis for an overall moderate or high risk rating in the context of the provider's particular circumstances.

## Risk controls

As noted earlier, if a risk assessment identifies potential concerns that may warrant further consideration by TEQSA, a provider is invited to comment on the assessment, on a voluntary basis. The provider may comment on the factual accuracy underpinning the observations, provide relevant information about risk controls that it has in place in relation to the potential risks identified, or any other information that the provider considers relevant.

TEQSA's consideration of the provider's response may lead to an adjustment of the risk assessment. Examples of evidence and context that may lead to adjustments of risk ratings are available in a published information sheet on TEQSA's website, and may be updated from time to time.

Noting that innovation often involves a degree of risk, a provider may choose to demonstrate that the level of risk is acceptable in its circumstances.

# Outcomes of risk assessments

## Actions in response to risk assessments

A final risk assessment will typically identify action in line with the following:

<b>No action</b>	If no significant risks are identified overall, or risks are already known to TEQSA with a response already in place (such as additional reporting requirements), then TEQSA will not take any action in response to the risk assessment. The risk assessment will continue to be updated annually.
<b>Recommendation</b>	TEQSA may recommend that the provider closely monitor identified risks and/or put in place appropriate controls or improvement strategies. A recommendation arising from a risk assessment does not constitute a formal condition on registration.
<b>Request for information</b>	TEQSA may identify risks that require further consideration by TEQSA. In such cases, TEQSA may seek additional information from the provider so that TEQSA may determine if further action is necessary. Requests for information may also be used to monitor identified risks between risk assessment cycles.
<b>Regulatory action (e.g. compliance assessment or conditions)</b>	If TEQSA identifies significant risks, it may determine that regulatory action is necessary outside a scheduled assessment process. This may include, for example, undertaking a compliance assessment to satisfy TEQSA that the provider continues to comply with the Threshold Standards, or imposing formal conditions on registration.
<b>To be considered in scheduled assessment process</b>	If the provider has a scheduled assessment process (e.g. re-registration), TEQSA may indicate that risks identified in the risk assessment will be considered further in that process rather than identify additional action at that time.

## Links with scheduled assessment processes

A risk assessment is one input to inform the scope of evidence required in renewal of registration or course accreditation processes.

If a provider is evaluated as low risk overall in relation to Risk to Students and Risk to Financial Position (and satisfies other criteria), then the application and assessment

process focuses on reduced core evidence requirements. If a provider is evaluated as presenting a high or moderate risk overall in relation to Risk to Students and/or Risk to Financial Position, then the scope of the assessment process may be expanded. In exceptional circumstances, an expansion may be considered necessary where a provider is evaluated as low risk overall, but a significant trend or specific issue is identified. TEQSA case managers determine the scope and discuss requirements with the providers.

Further information about TEQSA's approach to tailored renewal of registration and course accreditation processes is available on the TEQSA website.

It should be noted that, as scheduled assessment processes are more in-depth and consider wider evidence, it is possible for a scheduled assessment to identify compliance issues that had not previously been identified as potential risks in a TEQSA risk assessment.

# Administration

## Privacy and confidentiality

Given the potential sensitivity of risk assessments and associated documents, provider risk assessments are treated confidentially by TEQSA. Risk assessments and associated documents relating to individual providers are not publically released by TEQSA or shared with other providers. Similarly, a TEQSA risk assessment is to be treated confidentially by the provider, noting that the provider may not publish a risk assessment or make it available to any person other than those employed by the provider. TEQSA may share risk assessments with other government agencies (refer to 'Information Sharing').

While TEQSA has certain statutory obligations of confidentiality, pursuant to Division 2 of Part 10 of the TEQSA Act, providers should note that TEQSA also operates within a public accountability framework. This includes obligations:

- to provide information to Ministers, the Parliament or Parliamentary Committees
- under the Freedom of Information Act 1982, the Auditor-General Act 1997, and the Ombudsman Act 1976
- to provide reasons for TEQSA's decisions, or details about TEQSA's activities, including in the context of court or tribunal proceedings.

If TEQSA receives a request to provide an applicant's confidential information, TEQSA will endeavour to consult the applicant, and to provide the applicant with an opportunity to make submissions on whether TEQSA should release the information. However, in certain cases this course of action may not be possible.

## Freedom of information

TEQSA is subject to the Freedom of Information Act 1982 (the FOI Act). TEQSA will respond to requests for access in accordance with the requirements of the FOI Act. For [further details on FOI](#), please consult the TEQSA website.

## Information sharing

A key function of TEQSA's establishment as the national higher education quality assurance agency includes disseminating information about higher education providers and their awards. This function is specified in paragraph 134 (1) (e) of the TEQSA Act, which notes that TEQSA may collect, analyse, interpret and disseminate information relating to higher education providers, regulated higher education awards and for quality

assurance practice and improvement in higher education.

To provide a broad overview on risks in the higher education sector and to share information on good practices, TEQSA may publish high-level sector analyses. Any analysis that is published will be at a high level only and will not contain any provider level risk information. Information on risks in the sector and good practices may also be shared through information sheets on TEQSA's website and presentations at TEQSA provider roundtables.

TEQSA may share risk assessments, or components of risk assessments, with other Commonwealth agencies (e.g. Australian Skills Quality Authority and the Department of Education and Training) where there is an established need and where it reduces the reporting or compliance burden on providers. Any sharing of risk assessments with other Commonwealth agencies will be established under appropriate arrangements (eg Memoranda of Understanding or Information Sharing Protocols) with the relevant agency.

In considering any requests to share risk assessments or their components, TEQSA will give due regard to all confidentiality provisions through which the agency obtained this information from a provider. This means that risk assessments would not contain identifying personal information on individual members of organisations, their staff or students.

# Appendix 1: Risk indicators, description of risk and links to Standards

## Risk indicators

	Risk Indicator	Description of Risk	Mapping with Threshold Standards and ESOS Act/National Code*
<b>Students</b>			
<b>1</b>	<b>Student load</b>	<p>A significant increase in student load has the potential to impact on the quality of student experience unless planned for and managed, for example, through adequate investment in infrastructure, academic teaching staff, student support and teaching and learning resources.</p> <p>Factors that may be considered in assessing this indicator include, for example, the provider's strategic planning objectives, student support arrangements and capacity to accommodate and manage changes in student population. Consideration is also given to trends in student load prior to the application of a rating.</p>	<p>Section 1.1 – Admission            Section 1.3 – Orientation and Progression            Section 5.3 – Monitoring, Review and Improvement            NC Standard 2 – Recruitment of an overseas student</p>
<b>2</b>	<b>Attrition rate</b>	<p>High attrition rate / low progression rate / or low or significantly decreasing completions, each indicate potential quality issues in admission processes, teaching and learning processes, and overall student experience.</p> <p>Factors that may be considered in assessing attrition, progress and completion indicators include for example, trend, graduate satisfaction measures, or relevant programs in place to increase retention / assist student progress / assist students complete their course.</p> <p>Consideration may also be given to the reasons for attrition, such as the proportion of students who transfer to another higher education provider.</p>	<p>Section 1.1 – Admission            Section 1.2 – Credit and Recognition of Prior Learning            Section 1.3 – Orientation and Progression            Section 3.1 – Course Design            Section 5.3 – Monitoring, Review and Improvement            Section 6.3 – Academic Governance            Section 7.2 – Information for Prospective and Current Students            NC Standard 6 – Overseas student support services</p>

	Risk Indicator	Description of Risk	Mapping with Threshold Standards and ESOS Act/National Code*
<b>3</b>	<b>Progress rate</b>	See description for attrition rate	<p>Section 1.2 - Credit and Recognition of Prior Learning</p> <p>Section 1.3 - Orientation and Progression</p> <p>Section 3.1 - Course Design</p> <p>Section 5.3 - Monitoring, Review and Improvement</p> <p>Section 6.3 - Academic Governance</p> <p>NC Standard 6 - Overseas student support services</p>
<b>Graduates</b>			
<b>4</b>	<b>Completions</b> (by Undergraduate / Postgraduate Coursework and Higher Degree by Research, as applicable)	See description for attrition rate	<p>Section 1.3 - Orientation and Progression</p> <p>Section 4.2 - Research Training</p> <p>Section 5.3 - Monitoring, Review and Improvement</p> <p>Section 6.3 - Academic Governance</p>
<b>5</b>	<b>Graduate Satisfaction</b> (by Undergraduate / Postgraduate Coursework and Higher Degree by Research, as applicable)	<p>Low graduate satisfaction across the institution reflects overall student experience and signals potential issues in relation to the quality of the course. For example, the level of staff and support available to students, the quality of teaching, and adequacy of learning resources. Poor graduate satisfaction may also impact future market demand.</p> <p>Academic staff indicators may provide important context in considering this indicator. Consideration may also be given to survey sample size and overall response rates.</p>	<p>Section 1.4 - Learning Outcomes and Assessment</p> <p>Section 2.3 - Wellbeing and Safety</p> <p>Section 2.4 - Student Grievances and Complaints</p> <p>Section 5.3 - Monitoring, Review and Improvement</p> <p>Section 7.2 - Information for Prospective and Current Students</p> <p>NC Standard 6 - Overseas student support services</p>

	Risk Indicator	Description of Risk	Mapping with Threshold Standards and ESOS Act/National Code*
6	<b>Graduate destinations</b>	Very low employment or further study rates signal that students may not be well-equipped with the necessary graduate attributes to successfully transition into the next stage of their chosen profession or study. Factors such as fields of education, provider mission, location, survey sample size and response rates may also be considered when rating this indicator.	Section 1.2 - Credit and Recognition of Prior Learning Section 3.1 - Course Design Section 5.3 - Monitoring, Review and Improvement Section 6.3 - Academic Governance  NC Standard 6 – Overseas student support services
<b>Staff</b>			
7	<b>Senior academic leaders</b>	<p>A relatively low number of senior academic leaders embedded within the organisation may compromise the strength of the organisation's academic capability. Senior academic leaders typically make a strong contribution to key academic policies for the organisation, internal quality review, supervise staff and show professional leadership in their field of expertise.</p> <p>For providers that are subject to the <i>Education Services (Post-Secondary Education) Award 2010</i>, academic staff formally employed at Level C but undertake academic leadership roles beyond that of a typical Level C should be coded as 160–Academic Staff (Senior Level).</p> <p>Staff coded as 160–Academic Staff (Senior Level) should have a formal requirement to contribute leadership in one or more of the following areas: curriculum and assessment; pedagogy; staff management; and professional development, research, and/or scholarship.</p> <p>In assessing risk in relation to senior academic leaders, consideration may be given to context such as the size and scope of a provider's operations, and a close institutional relationship with another higher education provider.</p>	Section 3.2 - Staffing Section 5.2 - Academic and Research Integrity Section 5.3 - Monitoring, Review and Improvement  NC Standard 11 – Additional registration requirements

	Risk Indicator	Description of Risk	Mapping with Threshold Standards and ESOS Act/National Code*
8	<b>Student to staff ratio (SSR)</b>	<p>A high ratio of students to teaching and learning staff provides a broad indication of potential constraints on the level of support available to students, the quality of the learning experience for students, and the average teaching workload. It is not proposed here as a proxy for class size.</p> <p>In assessing risk in relation to SSR, consideration may be given to context such as trend, delivery model and mode, and relevant insights offered by other indicators relating to student outcomes and experience.</p>	<p>Section 3.2 - Staffing Section 5.3 - Monitoring, Review and Improvement</p> <p>NC Standard 11 – Additional registration requirements</p>
9	<b>Academic staff on casual work contracts</b>	<p>It is important for the provider to ensure that casual staff have adequate access to resourcing and support and are given the opportunity to integrate into the academic culture of the organisation. A significantly high proportion of casual staff increases the risk of these staff not being appropriately supported and resourced to provide a continuity of support for students, anchor academic activities, engage in scholarly activities, and be active contributing members in a community of scholarship.</p> <p>In assessing risk in relation to casual staff, consideration may be given to context such as trend, field of education (including the need for staff currently practicing in the area of expertise), delivery model or use of current industry professionals in specialist areas, in conjunction with strategies in place to support the engagement of casual staff and their ongoing professional development. Consideration may also be given to insights offered through other indicators, such as those relating to student outcomes and experience. This indicator does not propose that staff on casual contracts are less qualified or less able to deliver quality teaching than permanent staff, but rather reflects inherent risks around mechanisms for effective integration and engagement.</p>	<p>Section 3.2 - Staffing Section 5.3 - Monitoring, Review and Improvement</p> <p>NC Standard 11 – Additional registration requirements</p>

	Risk Indicator	Description of Risk	Mapping with Threshold Standards and ESOS Act/National Code*
<b>Financial viability and sustainability</b>			
<b>10</b>	<b>Financial viability</b>	<p>This composite indicator considers risk to a provider's current and immediate- to short-term strength and capacity. Measures included within this indicator include profitability, liquidity, gearing, debt servicing and cash flow.</p> <p><i>i. Operating Margin %: Provides an indication of the provider's ability to manage revenues and control expenses in order to generate a surplus/profit which can be used in the future to support the capacity of the provider to sustain its higher education operations.</i></p> <p><i>ii. Liquidity: Provides an indication of the provider's capacity to meet financial obligations within its ordinary operating cycle.</i></p> <p><i>iii. Total Liabilities-to-Tangible Assets: Provides an indication of assets available to satisfy the provider's financial obligations.</i></p> <p><i>iv. Debt Service Coverage: For providers with borrowings, provides an indication of the provider's capacity to amortise and service the debt whilst reinvesting in the fixed assets of the business.</i></p> <p><i>v. Operating Cash Flow Ratio: Provides an indication of the provider's capacity to meet current financial obligations based on the cash flow generated from its operations.</i></p> <p>The corporate structure and ownership model as well as the financial resources available through affiliated or related parties may be considered in applying a rating.</p>	<p>Section 5.1 – Course Approval and Accreditation</p> <p>Section 6.2 – Corporate Monitoring and Accountability</p> <p>ES Part 2, Division 3, Subdivision E, Paragraph 11(e)</p>

	Risk Indicator	Description of Risk	Mapping with Threshold Standards and ESOS Act/National Code*
11	<b>Financial sustainability</b>	<p>This indicator provides a longer-term view of a provider’s strength and capacity and its ability to exhibit structural characteristics which support operating endurance. Measures are generally analysed over a three-year period and cover revenue changes, assets, employee benefits, enrolments and revenue diversification.</p> <p><i>i. Change in revenue %: Provides an indication of any change in the level of activity in the provider. Revenue is the key source of operating income for providers and allows the provider to effectively meet higher education objectives. This is measured over a three-year period.</i></p> <p><i>ii. Asset (Capital) replacement: The provider’s fixed asset base contributes to the effective delivery of higher education objectives. As assets deteriorate this measure gives an indication of the provider’s track record of reinvesting in the fixed asset base over a three-year period.</i></p> <p><i>iii. Change in Employee Benefits Ratio: Staff typically comprises the major cost item for many providers. Staff are critical to the effective achievement of higher education objectives. This measure provides an indication of the change in total staff costs (academic &amp; non-academic staff) relative to the level of activity over a three-year period.</i></p> <p><i>iv. Year on Year change in Commencements (EFTSL): Provides an indication of changes in demand for the provider’s offering and its ability to maintain student load and enrolment momentum.</i></p> <p><i>v. Revenue concentration: Diversification of revenue sources allows the provider to reduce financial and business risks by spreading risks across different activities and respond more effectively to changes in its trading environment.</i></p> <p>The corporate structure and ownership model as well as the financial resources available through affiliated entities may be considered in applying a rating.</p>	<p>Section 2.1 – Facilities and Infrastructure  Section 3.2 – Staffing  Section 3.3 – Learning Resources and Educational Support  Section 5.1 – Course Approval and Accreditation  Section 6.2 – Corporate Monitoring and Accountability</p> <p>NC Standard 11 – Additional registration requirements</p>

	Risk Indicator	Description of Risk	Mapping with Threshold Standards and ESOS Act/National Code*
-	<b>Other identified risk</b>	Allows for a provider-specific risk, for example as identified by a provider through a Material Change Notification or identified by TEQSA through a recent regulatory review process. While TEQSA believes its approach to using the revised indicators above, adjusted for contextual factors, allows for a significant degree of flexibility in the revised framework, it also regards it as important to have the capacity to define and utilise an indicator specifically tailored for a particular provider or situation if this is warranted.	-

\*Potential links to the Threshold Standards and ESOS Act/National Code may vary depending on the nature and context of the risk identified. This mapping is therefore not exhaustive of all possible scenarios and is a guide only.

# Appendix 2: Technical information on risk indicators

## Risk indicators

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
<b>Students</b>						
<b>1</b>	<b>Student load</b>	Based on Department of Education and Training Definition:  Percentage change of <b>total</b> student load (i.e. all reported students in a higher education course), measured in EFTSL (Equivalent Full-Time Student Load), in the Reference Year over a specified period.	R1 = Total EFTSL for Reference Year  R2 = Total EFTSL for Reference Year - 1	% change in student load =  $\frac{R1 - R2}{R2} \times 100$	R1 = 1500 R2 = 1400  Change in Student Load =  $\frac{(1500 - 1400)}{1400} \times 100$  = 7.1%	HEIMS/PIR
<b>2</b>	<b>Attrition rate</b>	The percentage of first year commencing students (higher education only) in a year who neither complete nor return to study in the following year. Adjusted attrition rate may be used if available. Trend may also be considered.	R1 = Commencing students (headcount) in Year X  R2 = Completing students (headcount) in Year X  R3 = Completing students (headcount) in Year X + 1  R4 = Continuing students (headcount) in Year X + 1	As per HEIMS Calculation  1st year Attrition Rate =  $\frac{(R1 - R2 - R3 - R4)}{R1} \times 100$	R1 = 100 R2 = 80 R3 = 2 R4 = 0  Attrition Rate =  $\frac{(100 - 80 - 2 - 0)}{100} \times 100$  Attrition rate = 18%	HEIMS/PIR

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
3	<b>Progress rate</b>	Based on Department of Education and Training Definition: The percentage of actual student load (EFTSL) for units of study that are passed to all units of study completed (passed + failed + withdrawn), in the last academic year or 12 month period. Trend may also be considered.	R1 = Actual student load (EFTSL) for units of study that are passed in the last academic year or 12 month period  R2 = Actual student load (EFTSL) for units of study that are failed in the last academic year or 12 month period  R3 = Actual student load (EFTSL) for units of study that are withdrawn in the last academic year or 12 month period	As per HEIMS Calculation  Progress Rate =  $\frac{R1}{(R1 + R2 + R3)} \times 100$	R1 = 154 R2 = 27 R3 = 15  Progress rate =  $\frac{154}{(154 + 27 + 15)} \times 100$  = 78.6%	HEIMS/PIR
<b>Graduates</b>						
4	<b>Completions</b> (by Undergraduate / Postgraduate Coursework and Higher Degree by Research, as applicable)	Based on Department of Education and Training Definition: Percentage change of total Undergraduate (UG) and Post Graduate (PG) Coursework / Higher Degree by Research (HDR) student completions in the Reference Year. Absolute level and trend may also be considered.	R1 = Completions for Reference Year  R2 = Completions for Reference Year - 1	% change in completions  =  $\frac{R1 - R2}{R2} \times 100$	R1 = 15000 R2 = 14580  Change in Completions =  $\frac{(15000 - 14580)}{14580} \times 100$  = 2.8%	HEIMS/PIR

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
5	<p><b>Graduate Satisfaction</b> (by Undergraduate / Postgraduate Coursework and Higher Degree by Research, as applicable)</p>	<p>Mean percentage agreement (agree and strongly agree responses) of Overall Satisfaction Item (OSI) of the (Undergraduate &amp; Postgraduate Coursework) Course Experience Questionnaire (CEQ) administered by Quality Indicators for Learning and Teaching (QILT).</p> <p>Mean percentage agreement (agree and strongly agree responses) of Overall Satisfaction Item (OSI) of the (Higher Degree Research only) Postgraduate Research Experience Questionnaire (PREQ) administered by Social Research Centre (SRC).</p> <p>Where providers do not participate in national surveys, other survey results and trend may be considered. Generally, to be considered they would achieve a minimum response rate of 35% for the relevant cohort and broadly conform to the definitions in this table (i.e. are a measure of overall course satisfaction).</p>	<p>R1 = Total number of responses to questionnaire in Reference Year</p> <p>R2 = number of positive responses to questionnaire (i.e. the number of responses above a neutral response. Could be “moderately agree, agree, somewhat agree, strongly agree”.</p>	<p>Mean percentage agreement =</p> $\frac{R2}{R1} \times 100$	<p><b>Example 1:</b> based on 5 point QILT questionnaire</p> <p>No. of response:</p> <p>Strongly Disagree = 5 Disagree = 10 Neutral = 10 Agree = 50 Strongly Agree = 40</p> <p>Total number of responses = 115</p> <p>R1 = 115 R2 = Agree + Strongly Agree = 50 + 40 = 90</p> $\frac{90}{115} \times 100$ <p>=78.3%</p> <p><b>Example 2:</b> based on 7 point Provider questionnaire</p> <p>No. of response:</p> <p>Strongly Disagree = 1 Disagree = 5 Moderately Disagree = 10 Neutral = 10 Moderately Agree = 50 Agree = 60 Strongly Agree = 20</p> <p>Total number of responses = 156</p> <p>R1 = 156 R2 = Moderately Agree + Agree + Strongly Agree = 50 + 60 + 20 = 130</p> $\frac{130}{156} \times 100$ <p>=83.3%</p>	QILT/PIR

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
6	<b>Graduate destinations</b>	<p>Graduate Outcomes Survey (GOS) FURSTUD and LFCLASS fields are used to determine the percentage of graduates in full-time employment or full-time study.</p> <p>Where providers do not participate in national surveys, other survey results and trend may be considered. Generally, to be considered they would achieve a minimum response rate of 35% for the relevant cohort and broadly conform to the definitions in this table (i.e. are a measure of graduate destinations).</p>	<p>R1 = Total number of responses to questionnaire</p> <p>R2 = Total number employed full time</p> <p>R3 = Total number in full time study</p> <p>R4 = the number of graduates who are not in full-time work or further study and did not want to pursue full-time employment</p>	<p>Percentage of graduates in full employment or full-time study =</p> $\frac{(R2 + R3)}{(R1 - R4)} \times 100$	<p>R1 = 100</p> <p>R2 = 40</p> <p>R3 = 30</p> <p>R4 = 5</p> <p>Percentage of graduates in full employment or full-time study =</p> $\frac{(40 + 30)}{(100 - 5)} \times 100$ <p>= 73.7%</p>	QILT/PIR

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
<b>Staff Resources and Profile</b>						
<b>7</b>	<b>Senior academic leaders</b>	<p>The ratio of the total academic staff (headcount), at Levels D and E (or equivalent as coded in the PIR), or above, to the number of ASCED BFOEs offered.</p> <p>For providers that are subject to the <i>Education Services (Post-Secondary Education) Award 2010</i>, the ratio of the total senior academic staff (headcount), classified as 160, to the number of ASCED BFOEs offered.</p> <p>Equivalency in terms of qualifications, experience and duties may also be considered, as may salary levels.</p>	<p>R1 = Above Senior Lecturer (headcount)</p> <p>R2 = Number of BFOEs</p>	<p>Ratio of Senior Academic Leaders (headcount) to the number of BFOEs offered =</p> $\frac{R1}{R2} : 1$	<p>R1 = 12</p> <p>R2 = 2</p> <p>Ratio of total academic staff (headcount) at Levels D and E (or equivalent as coded in the PIR), or above, to the number of BFOEs offered =</p> $\frac{12}{2} : 1$ <p>= 6 : 1</p>	HEIMS/PIR

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
8	<b>Student to staff ratio</b>	The ratio of total onshore coursework student load (EFTSL) to total onshore teaching only (TO) and teaching and research (T&R) staff full-time equivalent (FTE) employed by the provider, including casuals.  Consideration may be given to trend and offshore SSR data where available.	R1 = Total onshore coursework EFTSL in the Reference Year  R2 = Total onshore Academic FTE with either a TO or T&R function employed in the Reference Year	Student to Staff Ratio =  $\frac{R1}{R2} : 1$	R1 = 124.2 R2 = 5.7  $\frac{124.2}{5.7} : 1$  Student to Staff Ratio = 21.8 : 1	HEIMS/PIR
9	<b>Academic staff on casual work contracts</b>	The percentage of academic FTE employed on a basis other than full time or fractional full time to total academic FTE employed by a provider.  Trend may also be considered.	R1 = Total Academic FTE  R2 = Total Academic FTE less full time and fractional full time staff	% casual academic FTE to total academic FTE =  $\frac{R2}{R1} \times 100$	R1 = 170 R2 = 40  % casual academic FTE to total academic FTE =  $\frac{40}{170} \times 100$  % casual academic FTE to total academic FTE = 23.5%	HEIMS/PIR

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
<b>Financial Viability and Sustainability</b>						
<b>10</b>	<b>Financial viability</b>	i. Net result; Adjusted Revenue ii. Current assets; Current liabilities iii. Tangible assets; Total liabilities iv. EBITDA; Cash outflows for property, plant and equipment; Interest expense; Tax expense v. Operating cash flow; Current liabilities	FV = Financial Viability indicator FV1 = Operating margin % FV2 = Liquidity FV3 = Total Liabilities-to-Tangible Assets FV4 = Debt Service Coverage FV5 = Operating cash flow ratio  a = weighting for FV1 b = weighting for FV2 c = weighting for FV3 d = weighting for FV4 e = weighting for FV5	$FV = (FV1 \times a) + (FV2 \times b) + (FV3 \times c) + (FV4 \times d) + (FV5 \times e)$	N/A	DET*/PIR

\*Department of Education and Training

Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
<i>Operating margin %</i>	<p>Net Result (Profit/Loss or Surplus/Deficit) excluding:</p> <ul style="list-style-type: none"> <li>Abnormal or non-recurring items. This may include items such as asset revaluations or significant restructuring costs.</li> </ul> <p>Adjusted Revenue is total revenue excluding:</p> <ul style="list-style-type: none"> <li>Capital grants</li> <li>Abnormal or non-recurring items</li> </ul>	<p>NR = Net Result</p> <p>AR = Adjusted Revenue</p>	$FV1 = \left( \frac{NR}{AR} \right) \times 100$	<p>NR = \$122,959</p> <p>AR = \$1,424,363</p> <p>FV1 = 8.6%</p>	DET/PIR
<i>Liquidity</i>	<p>Current Assets (Excluding related party loans/receivables)</p> <p>Current Liabilities (Excluding related party loans/payables)</p>	<p>CA = Current Assets (Excluding related party loans/receivables)</p> <p>CL = Current Liabilities (Excluding related party loans/payables)</p>	$FV2 = \frac{CA}{CL}$	<p>CA = \$304,374</p> <p>CL = \$343,316</p> <p>FV2 = 0.9</p>	DET/PIR
<i>Total Liabilities-to-Tangible Assets</i>	<p>Tangible assets (Excluding related party loans/receivables)</p> <p>Total liabilities (Excluding related party loans/payables)</p>	<p>TA = Tangible assets (Excluding related party loans/receivables)</p> <p>TL = Total liabilities (Excluding related party loans/payables)</p>	$FV3 = \left( \frac{TL}{TA} \right) \times 100$	<p>TL = \$150,000</p> <p>TA = \$750,000</p> <p>FV3 = 20%</p>	DET/PIR

Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
<i>Debt Service Coverage</i>	Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Cash outflows for property, plant & equipment Finance cost Cash Outflow for Repayment of Borrowings	EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation  COPPE = Cash Outflows for property, plant & equipment  FIN = Finance cost  CORB = Cash Outflow for Repayment of Borrowings	$FV4 = \frac{EBITDA - COPPE}{FIN + CORB}$	EBITDA = \$500,711 COOPE = \$223,997 FIN = \$4,340 CORB = \$223,997 FV4 = 1.2	DET/PIR
<i>Operating cash flow ratio</i>	Operating cash flow (excluding dividends received and interest received)  Current liabilities (Excluding related party loans/payables)	OCF= Operating cash flow  CL = Total current liabilities (Excluding related party loans/payables)	$FV5 = \frac{OCF}{CL}$	OCF = \$276,728 CL = \$343,316 FV5 = 0.8	DET/PIR

	Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
11	<b>Financial sustainability</b>	i. Adjusted Revenue ii. Cash outflows for property, plant and equipment; Depreciation iii. Total Employee benefits expense; Adjusted Revenue iv. Current year commencing EFTSL; Prior year commencing EFTSL v. Maximum revenue source; Adjusted Revenue	FS = Financial Sustainability indicator  FS1 = Change in revenue %  FS2 = Asset (Capital) replacement  FS3 = Change in Employee Benefits  FS4 = Change in Commencements  FS5 = Revenue Concentration  f = weighting for FS1 g = weighting for FS2 h = weighting for FS3 i = weighting for FS4 j = weighting for FS5	$FS = (FS1 \times f) + (FS2 \times g) + (FS3 \times h) + (FS4 \times i) + (FS5 \times j)$	N/A	DET/PIR
	<i>Change in revenue %</i>	Adjusted Revenue is total revenue excluding: <ul style="list-style-type: none"> <li>• Capital grants</li> <li>• Abnormal or non-recurring items</li> </ul>	AR = Adjusted Revenue AR <sub>n-2</sub> = Adjusted Revenue 2 years prior to current year AR <sub>n-1</sub> = Adjusted Revenue 1 year prior to current year AR <sub>n</sub> = Current Year Adjusted Revenue	$\Delta_1 = \frac{AR_{n-1} - AR_{n-2}}{AR_{n-2}}$ $\Delta_2 = \frac{AR_n - AR_{n-1}}{AR_{n-1}}$ $FS1 = \left( \frac{\Delta_2 + \Delta_1}{2} \right) \times 100$	AR <sub>n-2</sub> = \$500,000 AR <sub>n-1</sub> = \$520,000 AR <sub>n</sub> = \$560,000 FS1 = 5.8%	DET/PIR

Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
<i>Asset (Capital) replacement</i>	Cash outflows for property, plant and equipment Depreciation	COPPE = Cash Outflows for property, plant and equipment  Depn = Depreciation  n = current year figure	FS2  $= \frac{\left(\frac{COPPE_n}{Depn_n}\right) + \left(\frac{COPPE_{n-1}}{Depn_{n-1}}\right) + \left(\frac{COPPE_{n-2}}{Depn_{n-2}}\right)}{3}$	COPPE <sub>n</sub> = \$100,000 COPPE <sub>n-1</sub> = \$120,000 COPPE <sub>n-2</sub> = \$90,000 Depn <sub>n</sub> = \$90,000 Depn <sub>n-1</sub> = \$100,000 Depn <sub>n-2</sub> = \$110,000 FS2 = 1.04	DET/PIR
<i>Change in Employee Benefits Ratio</i>	Total Employee Benefits Expense  Adjusted Revenue is total revenue excluding: <ul style="list-style-type: none"> <li>Capital grants</li> <li>Abnormal or non-recurring items</li> </ul>	TEBE = Total Employee benefits expense AR = Adjusted Revenue n = current year figure	$x = \frac{TEBE_{n-2}}{AR_{n-2}}$  $y = \frac{TEBE_{n-1}}{AR_{n-1}}$  $z = \frac{TEBE_n}{AR_n}$  $FS3 = \left(\frac{(z - y) + (y - x)}{2}\right) \times 100$	TEBE <sub>n</sub> = \$15,000 TEBE <sub>n-1</sub> = \$18,500 TEBE <sub>n-2</sub> = \$19,000 AR <sub>n</sub> = \$30,000 AR <sub>n-1</sub> = \$35,000 AR <sub>n-2</sub> = \$36,000 FS3 = 1.4%	DET/PIR
<i>YoY change in commencements (EFTSL)</i>	Current year Commencing EFTSL  Prior year Commencing EFTSL	CN = Commencing EFTSL  n = current year figure	$\Delta_1 = \frac{(CN_n) - (CN_{n-1})}{CN_{n-1}}$  $\Delta_2 = \frac{(CN_{n-1}) - (CN_{n-2})}{CN_{n-2}}$  $FS4 = \left(\frac{\Delta_2 + \Delta_1}{2}\right) \times 100$	CN <sub>n</sub> = 1200 CN <sub>n-1</sub> = 1250 CN <sub>n-2</sub> = 1400 FS4 = -7.4%	DET/PIR

Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
<p><i>Revenue Concentration</i></p>	<p>Largest revenue source. Revenue is sub-totalled into the following categories:</p> <p>Higher education – Domestic: Revenue earned by the provider from the delivery of its own higher education courses to domestic students.</p> <p>Higher education – International: Revenue earned by the provider from the delivery of its own higher education courses to international students (onshore and offshore).</p> <p>Higher education – Third Party Delivery: Revenue earned by the provider from the delivery of another provider’s higher education courses.</p> <p>Non-higher education – Domestic: Revenue earned by the provider from the delivery of its own non-higher education courses (such as VET) to domestic students...<i>continued</i></p>	<p>LRS = Largest Revenue Source</p> <p>AR = Adjusted Revenue</p>	$FS5 = \left( \frac{LRS}{AR} \right) \times 100$	<p>LRS = 798,998</p> <p>AR = 1,424,363</p> <p>FS5 = 56.1%</p>	<p>DET/PIR</p>

Indicator	Description of Measure	Risk Elements	Calculation	Example	Data Source
	<p>Non-Higher Education – International: Revenue earned by the provider from the delivery of its own non-higher education courses (such as VET or ELICOS) to international students.</p> <p>Government Grants: Revenue from Commonwealth, State or Local government sources (excludes Capital and infrastructure grants). This includes HECS-HELP, FEE-HELP, VET Student Loans/VET FEE-HELP.</p> <p>Donations: Revenue earned from donations and bequests made to the provider.</p> <p>Other: Other revenue earned by the provider such as non-education related commercial activities or investment income.</p> <p>Adjusted Revenue is total revenue excluding:</p> <ul style="list-style-type: none"> <li>• Capital grants</li> <li>• Abnormal or non-recurring items</li> </ul>				
-	<b>Other identified risk</b>	-			

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