Australian Government

Tertiary Education Quality and Standards Agency

A risk and standards based approach to quality assurance
in Australia's diverse higher education sector

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Purpose

This paper explains how TEQSA's risk-based approach to assuring higher education standards is applied in broad terms to a diverse sector. This explanation is consistent with the revised processes developed by TEQSA in close consultation with the sector over 2013-14. The paper has been developed based on a dialogue between TEQSA and registered higher education providers through their peak bodies. It depicts how TEQSA's risk-based approach to assurance of quality standards is applied in practice to the sector and aims to facilitate a shared understanding of how TEQSA takes into account relevant organisational characteristics. TEQSA applies a consistent and fair approach that treats like providers in the same manner, regardless of provider category under the TEQSA Act (the Act).

Overview

This paper is in three parts, together with an appendix:

PART 1: TEQSA'S OVERALL APPROACH

PART 2: AN OVERVIEW OF REGISTERED PROVIDERS IN THE SECTOR

PART 3: ASSURING QUALITY STANDARDS IN PRACTICE

APPENDIX: HYPOTHETICAL CASE STUDIES.

Part 1 outlines TEQSA's overall approach to assuring quality standards, by being satisfied that providers meet and are likely to continue to meet the Threshold Standards. In implementing an approach to arrive at this satisfaction about each registered provider, TEQSA considers three principles which the Act requires it to apply (reflecting risk, proportionality, and necessity). Part 1 explains how these safeguards require TEQSA to differentiate between providers. Where TEQSA has serious doubts about standards being met, it adopts a highly graduated approach to any action it may take in response. It also provides significant information and guidance to the sector to assist understanding of the standards and what is required to meet them.

Before proceeding to an elaboration of how TEQSA differentiates between providers, Part 2 provides descriptive observations about the diverse range and types of registered providers in the sector today. This profile and the business models employed are evolving as providers respond to market dynamics and new entrants emerge. It is useful to review this profile to better understand TEQSA's approach in practice.

Part 3 provides further detail about TEQSA's risk-based approach to assuring that providers are meeting the national standards. This covers TEQSA's assessment approaches, including its risk assessment framework and consideration of providers' demonstrated capacity to monitor and manage identified risks. Certain organisational characteristics are identified as assisting TEQSA in having confidence in a provider, even in the face of identified risk to quality. This part also describes how TEQSA's level of confidence in a provider translates into graduated interventions where warranted.

To aid understanding, the appendix illustrates TEQSA's application of the framework through a series of hypothetical case studies, making reference to different types of providers, risk profiles, regulatory processes and decisions.

PART 1:
TEQSA'S OVERALL APPROACH

TEQSA's role is to assure that quality standards are being met by all registered higher education providers. It does this primarily through registration/re-registration processes and through course accreditation/re-accreditation processes for providers without self-accrediting authority. In these processes, which recur up to every seven years, TEQSA considers the provider's track record and applies a range of assessment methods to reach *satisfaction* that providers meet and continue to meet the national standards. This satisfaction is required under the Act and, in effect, involves a judgement of confidence in the provider.

In carrying out its role, TEQSA's approach is underpinned by three principles. These safeguards in effect require that TEQSA's exercise of power must differentiate between providers that have extensive positive track records and low risk of future non-compliance, and those that have poor or limited track records and a substantial risk of future non-compliance under the standards. TEQSA must not only take a provider's record and risks of future non-compliance into account, it must also ensure that any exercise of its powers is proportionate to any actual non-compliance and/or risk of future non-compliance. TEQSA places a significant emphasis on promoting and facilitating a culture of effective self-assurance by providers.

How does TEQSA make the differentiation referred to? TEQSA has not adopted an approach which predetermines that particular *types* of provider are subject to a different treatment. TEQSA has designed its approach and processes to allow it to make nuanced judgements on the scope and depth of monitoring and assessment activities and, based on assessment, the nature of regulatory action that may be taken if any. That is, a consistent framework is applied for the whole sector and it is the application of that framework which results in differential treatment of providers. This has been underpinned by the view that providers in all Provider Categories (defined in the Act) may present substantive risk and conversely that providers in any provider category may be well placed to meet or exceed the standards. It enables a highly tailored approach, regardless of provider category. TEQSA's case managers play an important role in this tailoring.

In practice, what this means is that **any** provider that has:

▶ a strong record of delivery of higher education;

▶ sound financial standing;

▶ no history of non-compliance with the standards; and

▶ a low risk of future non-compliance with the standards,

can expect an engagement with TEQSA that is tailored to reflect that context and therefore involves a lower burden of providing evidence of compliance with the standards.

Conversely, a provider that has:

▶ a limited or no record of delivery of quality higher education; and/or

▶ weak financial standing; and/or

▶ a history of non-compliance; and/or

▶ a high risk of future non-compliance with the standards,

can expect an engagement with TEQSA that is appropriately amplified to provide a greater level of assurance that the provider continues to meet the standards. For providers that are applying for initial registration, TEQSA will always undertake an assessment against the full range of Threshold Standards.

There is an important time-based dimension to TEQSA's assurance of standards being met across the sector. Some providers are relatively new to the sector and their trajectory may evolve at a rapid pace, requiring TEQSA to take their staged development into account. Some providers have been in the sector for a very long time but due to dynamics within the industry their position can change rapidly. These developments require TEQSA to develop strong contextual understanding of providers across time and to employ that understanding in its judgements about standards being met. There is also a high degree of innovation in business models occurring, which adds to the time-based dimension.

TEQSA has an increasingly important guidance and information role to play, in helping all parts of the sector, and particularly potential and new entrants to it, to understand the standards and evolving quality practices. Communication, cooperation and providing guidance and support are hallmarks of TEQSA's approach to all of its functions.

When faced with the need to intervene in order to assure standards, TEQSA uses a graduated scale of actions, starting with the least burdensome option that is likely to facilitate the meeting of standards. At a high level, this scale ranges (escalates) from no action (ie straightforward approval), to communication of concerns in writing, to requesting information and reporting, to imposing conditions under s32 of the TEQSA Act, to approving the registration or accreditation for a period less than the full seven years. Only in exceptional cases, where TEQSA remains unsatisfied about a provider's capacity to meet the necessary standards, does it resort to rejection of an application. The above scale does not detail every possible action available to TEQSA but notes the main actions that it applies in practice. In applying this scale, TEQSA weighs its assessment of risk and considers the degree of confidence it has in a provider (further explained in Part 3 below) and the demonstrated willingness of a provider to take action in response to issues identified by TEQSA. TEQSA affords providers natural justice by providing them with the opportunity to consider the basis of any proposed regulatory action (eg rejection, conditions, or granting less than seven years) prior to a decision being made.

To go further than these general points of principle in articulating TEQSA's risk-based approach to assuring quality standards requires greater articulation of the profile of providers that make up the regulated sector.

PART 2:
AN OVERVIEW OF REGISTERED PROVIDERS IN THE SECTOR

TEQSA assures a diverse higher education sector that enrolled just under 1.3 million students in 2013. As of mid-2013, there were 173 registered higher education providers, including 37 public Australian universities, three Australian private universities[1], one University of Specialisation, two overseas universities and 130 other higher education providers. Many of these providers, including some universities, are also registered to provide vocational education and training (VET), and are often referred to as dual sector or multi-sector providers. The statistics quoted in this document are based on a *TEQSA Statistics Report* released in 2014, based on a combination of 2012 and 2013 higher education data[2]. TEQSA recognizes and supports diversity in approaches providers take in setting their priorities and missions, organizing their higher education operations and delivering higher education courses of study. It also recognizes that well-designed and well-managed experimentation and innovation by providers can promote healthy competition and enhance access to, and the quality of, higher education.

Overview

The 37 public Australian universities, while 21% of the sector by number, account for 92% of the higher education sector by student enrolments (n=1,171,715 enrolments in 2012), with an average enrolment of more than 30,000 students (ranging from the smallest at just below 10,000 students to the largest at more than 60,000 students).

The 136 other registered providers account for 8% of higher education students nationally (n=107,644 enrolments in 2012) with an average enrolment of just under 800 students (ranging from the smallest at less than 20 students to the largest at just under 10,000 students). There is a high degree of diversity in this group, which is a benefit for the sector, students and employers. This requires TEQSA to understand and adapt to a diversity of approaches and contexts in ensuring compliance with a wide variety of standards. These providers include:

▶ 6 universities (2 private not-for-profit Australian universities established more than 20 years ago, one private for-profit Australian university in start-up mode, one not-for-profit University of Specialisation and two long-established overseas universities);

▶ 10 state-owned not-for-profit Technical and Further Education Colleges (TAFEs);

▶ 25 not-for-profit faith-based colleges;

▶ 18 for-profit private colleges owned by three global private education corporations, namely Navitas Limited (ASX listed), Kaplan (ultimate owner listed on the New York Stock Exchange) and US-based Laureate Education Inc. (privately held, venture-capital funded);

▶ 6 not-for-profit professional associations;

▶ 6 university-affiliated/owned/joint-ventured colleges (pathways); and

▶ A large number of smaller for-profit colleges, mostly with niche specialisations in business, technology, creative arts or health.

The diversity of the 130 Non-University Higher Education Providers (NUHEPS) can also be seen in terms of

▶ Their size, with almost half having less than 100 equivalent full-time student load (EFTSL) and none with more than 5,000 EFTSL;

[1] *Public universities in Australia are public bodies corporate established under legislation or expressly recognised by legislation and which have objects of serving their specified Australian community, which are subject to State or Territory government reporting obligations, whose governing bodies are in part appointed by government, and whose accounts are audited by State or Territory auditors-general.*

[2] *http://www.teqsa.gov.au/news-publications/news/statistics-report-teqsa-registered-higher-education-providers*

- The scope of their course offerings, with some offering a small number of courses in a single field of study and others offering an extensive range of courses in several fields;

- Their history of higher education and/or VET provision, with some having 30+ year histories and some only commencing in the last year or so;

- Their delivery mode, with some being mainly face-to-face, some being entirely online/distance and some being mixed-mode;

- Their sector focus, with some exclusively focussed on higher education, others being predominantly VET providers and others with a focus on a wider range of educational (eg English language) or other industry services (eg professional membership organisations);

- Their market focus, with some being almost entirely focussed on international students either onshore or with significant offshore operations, and others with a predominantly domestic student focus; and

- Their ownership structures, with some being Australian arms of truly global education corporations with overseas ownership, while others have wholly Australian ownership.

Australian Public Universities

The 37 Australian public universities, as noted above, have 92% of students enrolled in Australian higher education courses. They cover most fields of education, levels of qualification, modes of delivery and geographic reach. They are autonomous public bodies established or recognised under legislation (mostly State or Territory legislation). They have been in existence as self-accrediting universities for a significant period of time, ranging between 15 and 164 years. Many of the more recently established universities have predecessor institutions that were founded earlier in the twentieth century or even nineteenth century. All of the public universities are large institutions that are effectively government-backed, with large portions of revenue from recurrent government sources and have strong balance sheets and relatively low debt. They range in student size from about 10,000 to 60,000 enrolments, in annual turnover from $159m to $1.8b and in net assets from about $200m to $3.9b (2012, Department of Education).They have extensive public reporting, audit and accountability requirements to two levels of government. They require government approval of borrowing limits and have extensive financial, commercial and accounting requirements imposed on them over and above standard ASIC or Accounting Standards requirements. They have been relatively stable organisations with a highly consistent record of legal and regulatory compliance, showing long-term growth, using their significant resources to invest in robust management and education systems, and while there have been some mergers / restructuring, there have been no instances of collapse.

Australian public universities are highly engaged in academic networks, nationally and internationally, and they use these networks to peer-review and benchmark their courses and academic activity to ensure quality. They conduct significant and extensive research training, with more than 60,000 higher degree by research students enrolled (2012). These programs, their graduates, their academic staff and their infrastructure contribute significantly to the sum of new knowledge and to creating a community of scholarship that is engaged in advanced knowledge and inquiry. The depth and breadth of research varies significantly across these institutions, with some being far more research-intensive and research-comprehensive than others. The research environment of these institutions creates an underpinning for research training and more generally a student experience that can be argued to be at the more advanced end of knowledge and inquiry, which can be of benefit to the higher education students universities cater for, especially in creating a culture of scholarship.

Other universities

There are six other universities currently registered in Australia that are not 'Australian public universities'.

Australian private not-for-profit universities

There are two private not-for-profit universities in the Australian University provider registration category, namely Bond University and The University of Notre Dame, each of which has its own State Act of Parliament. Each has more than 20 years' successful track record of higher education provision. Although private, they have some of the characteristics of Australian public universities, including legislative recognition, self-

accrediting authority, similar governance structures and quality assurance mechanisms, and wide scope of operations and scale. The extent of public funding varies significantly, with Bond University receiving only a small proportion of its operating revenues from government sources and The University of Notre Dame Australia receiving a significant proportion of its revenue from government sources.

University of Specialisation

Currently, there is only one University of Specialisation, Melbourne College of Divinity, also known as the University of Divinity, which was approved in this provider registration category in 2011. This not-for-profit institution has a successful record of higher education delivery stretching back over more than a century, is self-accrediting in the field of theology at all AQF levels, and conducts significant publicly-funded and recognised research. This institution is established under State legislation and has many of the same governance and quality assurance characteristics of the Australian public universities, although it is focused in a single broad field of education rather than multiple fields and is not a public institution subject to public appointment processes.

Australian private for-profit university

There is one private for-profit university that is registered in the Australian University provider registration category, namely Torrens University Australia (Torrens University) owned by Laureate Group Inc, an international "federation" of universities. Its university status was recognised in 2011 in South Australia. Torrens University transitioned to TEQSA in early 2012, commenced delivering higher education courses in Adelaide in 2014 and had no prior history of delivery in Australia, although its corporate parent owns education businesses around the world. The Torrens University has a board of directors appointed by its parent corporation. Under the TEQSA Act, this university is self-accrediting in all fields up to and including doctoral level.

Overseas universities

There are currently two overseas universities operating in Australia, Carnegie Mellon University, and University College London. Both are reputable and well known internationally. They are subject to robust quality assurance and accountability requirements in their home jurisdictions. These institutions have most of the same characteristics as the Australian public universities, including having self-accrediting authority. Both have operations in Adelaide.

Other higher education providers

There are many other kinds of higher education institutions beyond the Australian public universities and various ways they may be categorised[3]. Many of these providers have some, and in some cases most, of the characteristics associated with the public universities. Many of these, however, also have distinctive characteristics and in this sense bring diversity and choice to the market for students. Niche providers bring an intensity of focus to particular areas of study and serve particular communities. Others have pioneered flexible delivery methods. Many have had a particular focus on producing job-ready graduates in particular sectors with close ties to industry. And many have specialised in providing university pathways to students that might not otherwise gain direct entry to university. Many have long track records of successful higher education delivery. And some are relatively new without track record in higher education, although some may have experience in other areas of education. The maturity of provision across this part of the sector varies and operations and outcomes have not been comprehensively publicly documented due to limited public information covering this part of the sector. In the relatively small number of institutions that have participated in national higher education student surveys, there appears to be positive rating by students exceeding that of university students on at least some dimensions[4]. There has been no robust national data set available publicly on student attainment rates (completion, progression, attrition) nor employment outcomes for graduates from this part of the sector, although some providers have established strong links to particular industries.

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[3] Ryan, P., "Growth and Consolidation of the Australian Private Higher Education Sector", The ACPET Journal of Private Higher Education, Volume 1, Issue 1, June 2012

[4] Edwards, D., Coates, H. and Radloff, A., "Delivering Quality Higher Education: Understanding the standards processes and practices used by private providers", A report for the Australian Council for Private Education & Training, Australian Council for Educational Research, March 2010 at iii

A number of groupings can usefully be identified and these are described below.

Technical and Further Education Institutes (TAFEs)

A significant part of the TAFE sector has developed higher education offerings over the past ten years. There are now ten TAFE Higher Education Providers (TAFE HEPs) currently registered with TEQSA offering collectively over 130 higher education qualifications ranging up to Level 9 Masters degrees. TAFE Institutes are public bodies owned by State or Territory governments, established under legislation and accountable to the Parliament, and operating under public sector accountability and reporting frameworks. They have a long history of high quality delivery of vocational programs for learners, workers and enterprises, with consistent records of legal and regulatory compliance, governance, and accountability. Most have strong records over many years of successfully educating tens of thousands of VET students with high quality educational experiences as demonstrated in student surveys, employment surveys and strong ongoing industry partnerships.

Although no TAFEs currently have self-accrediting authority in higher education, many TAFE Institutes have delegated power to accredit their VET courses under the NVETR Act, developing and accrediting a full range of VET qualifications and consistently demonstrating the capacity to acquit this responsibly and effectively. TAFE HEPs typically offer highly specialised niche and applied higher education qualifications that are developed in close consultation with industry and have a strong focus on the needs of industry and employability outcomes. They develop and deliver degrees in response to identified gaps in the employment market tailored to meet the needs of community stakeholders.

TAFE HEPs are engaged in academic networks, nationally and increasingly internationally. They use these networks to benchmark their courses and academic activity to support quality in delivery and ensure opportunities for students. TAFE Institutes play a strong public role in local communities contributing to social and economic well-being, particularly in remote and regional areas, and in this relationship are accountable to their local communities.

NUHEPS with self-accrediting authority

Four other registered providers in the higher education provider category have full or partial self-accrediting authority, namely Australian College of Theology, Moore Theological College, Australian Film, Television and Radio School, and Batchelor Institute of Indigenous Tertiary Education. This means they have authority to accredit some of their own courses without seeking the approval of TEQSA. This authority was granted by TEQSA's predecessors and transitioned to TEQSA. Providers may apply to be granted self-accrediting authority by TEQSA, under criteria requiring successful track record of higher education delivery, mature and highly developed academic governance and quality assurance capabilities. This authority may be granted in one or more fields and at one or more higher education levels in the AQF.

Faith-based colleges

There are more than 25 registered higher education providers that can be described as faith-based colleges. Although private organisations, these providers are typically not-for-profit and operated by Australian religious organisations. These providers specialise in theology and religious studies, but also often branch out to related fields, such as cultural studies, education and social work. Many of these have long, successful records in the provision of education and more recently higher education. Many, although not all, of them also operate with a low student-to-staff ratio, offering small class sizes with high levels of pastoral care. A number of these colleges are characterised by scholarly communities with formal research activity, mainly in the theology field. A significant subset are accredited to deliver AQF level 10 doctoral qualifications, which is rare outside of universities.

Global private education corporations

There are currently three global education corporations, with 18 subsidiaries registered with TEQSA, operating in the Australian higher education market:

- US-based Kaplan Inc, with approximately 1,000,000 students worldwide, in 400 locations in 30 countries, listed on the New York Stock Exchange (Graham Holdings);
- US-based Laureate Education Inc, with approximately 675,000 students worldwide in 60+ institutions in 29 countries (venture capital funded); and
- Australian-based Navitas Limited, with approximately 80,000 students worldwide, in 110 locations in more than 27 countries (ASX listed)

In Australia, the business models of the subsidiaries of these global corporations vary, ranging across highly-embedded university pathway colleges to stand-alone colleges in specialist areas. Each of these corporations has significant scale in Australia, developed through a combination of acquisition and organic growth. Each have large balance sheets, with parent capital structures of $2b or more. That said, these organisations spread their capital and debt funding across global operations. Each is focussed on major growth opportunities, both here and overseas. Like many in the NUHEP part of the sector, these organisations have particular strengths in developing and delivering programs with a strong industry and/or pathway focus and with embedded learning and language support for students.

Professional associations

There are at least six professional associations which have registered as higher education providers. They currently include professional associations operating in the law, accounting, nursing and corporate governance sectors. These organisations typically have long successful histories, although not necessarily in higher education, they are not for profit, they serve public interests, and they have a strong interest in the development of professional competence and knowledge in their domains. They are well connected to / embedded in the academic fraternity in their fields and draw heavily on these networks for academic development, delivery and review of their programs.

Other providers without self-accrediting authority

In the remaining group of 60 registered providers there is great diversity, paralleling that which has already been described above. Most of this group focus on a single field such as creative arts, business, design, computing or health, and in these fields serve a specific community sector. This group ranges across private for-profit colleges, private not-for-profit colleges and some public institutions. The colleges in this group range in size from less than 50 students up to a number that have more than 1,000 students. Many of them have records of successfully delivering higher education over ten or more years, while some are still in start-up mode. Many provide successful pathways into universities, serving another important function in a market where not all prospective students are readily equipped to enter and succeed at university. There are also a number of registered providers owned by ASX-listed corporations, such as Vocation Limited, which now owns three registered higher education providers.

PART 3:
ASSURING QUALITY IN PRACTICE

Having stated the general approach and outlined the diverse profiles of registered providers within the sector today, how then does TEQSA assure standards are met in practice?

Summarising the application of the overall framework

Figure 1 below illustrates TEQSA's approach in an integrated way. It shows the use of risk assessments in combination with registration/accreditation assessments to arrive at its regulatory decisions. In doing so, it explicitly builds in a provider's higher education history, its regulatory compliance history and a risk assessment against specific risk indicators from TEQSA's Risk Assessment Framework (RAF). This part of the paper goes on to explain ways in which TEQSA tailors its assessments to reduce regulatory burden while maintaining a robust judgement about compliance with the standards. It also discusses the role of 'confidence' in TEQSA's decision-making processes and in this regard identifies a number of organisational characteristics which build TEQSA's confidence about a provider's capacity to maintain standards and manage risks to quality.

Figure 1: An integrated view of TEQSA's risk-based approach to assuring quality
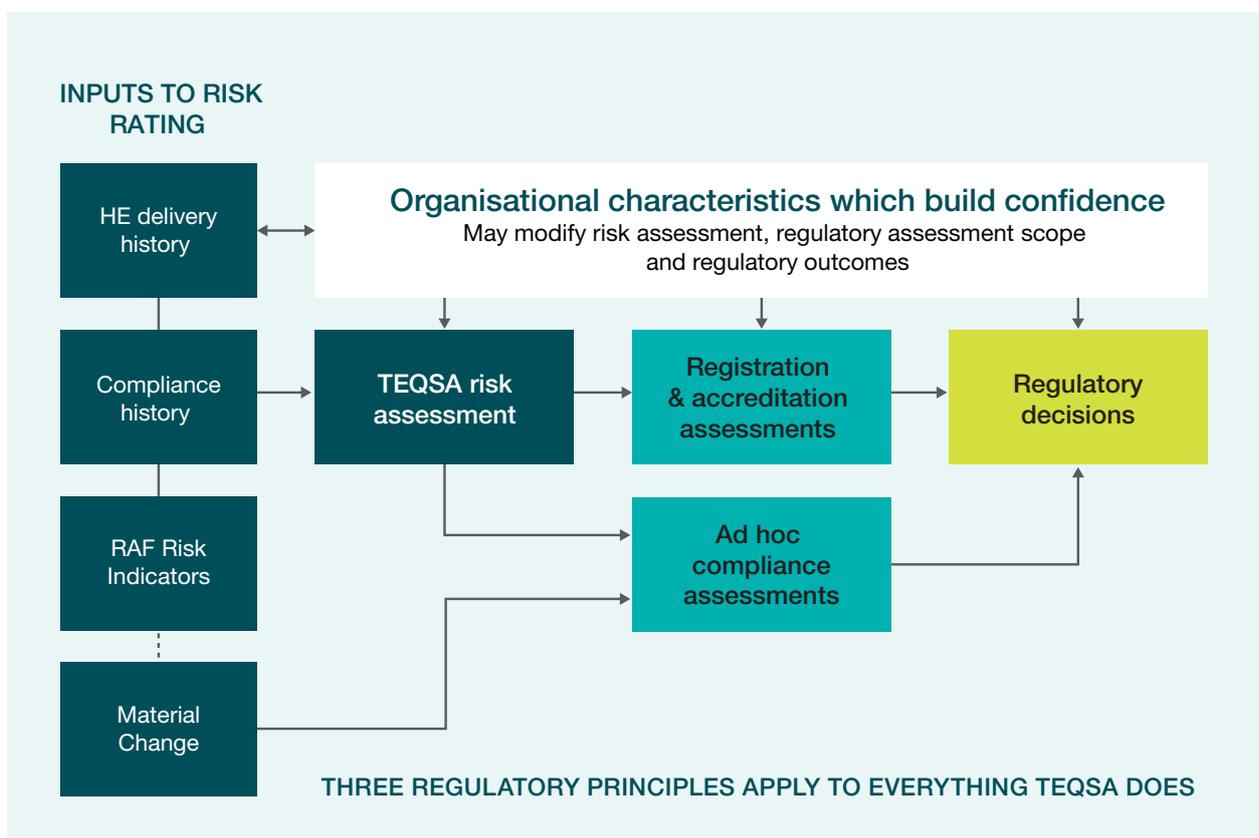
Registration and accreditation assessments: In its main functions of registration and course accreditation, TEQSA has developed a highly robust set of processes for assessing provider compliance against the relevant standards. These involve a combination of professional case managers, evidence-based application processes and the use of external experts where appropriate. Case teams prepare assessment reports and recommendations for consideration by a decision-maker, either the full TEQSA Commission or an individual acting under delegation. This approach is applied for all applications received by TEQSA.

Doing this across the breadth of the standards and in all instances, however, is a very resource-intensive and time-consuming exercise, for both TEQSA and the provider. The three principles in the TEQSA Act explicitly contemplate that TEQSA, in arriving at a judgement about compliance with the standards, will adopt approaches which minimise the burden on the provider while maintaining efficacy.

Reducing the burden: For initial applications for registration, TEQSA makes its assessment against all of the Threshold Standards. For all other applications, however, TEQSA has developed a number of approaches which allow it to significantly streamline its processes wherever appropriate. Specifically, TEQSA:

▶ undertakes risk assessments and considers provider history as a means to scope and scale its engagement with individual providers;

▶ relies on material change notifications from providers and has clarified to the sector the specific areas in which it expects such notification;

▶ has developed approaches to the assessment of re-registration and course accreditation and re-accreditation which allow it to substantially tailor the scope and depth of the assessment process, based on its view of risk and the provider's context and history. This approach, which has been described as "core" and "extended" assessment, has been applied to re-registration since April 2014. TEQSA plans to introduce a similar approach for course accreditations and re-accreditations in 2015, following consultation;

▶ has facilitated concurrent applications, across registration and accreditation, across multiple course accreditations and across TEQSA, ASQA and CRICOS registration;

▶ has developed approaches to sector-wide monitoring which assist in scaling and directing its broader effort; and

▶ considers applications for self-accrediting authority, which if approved, leave the processes associated with course accreditation to the provider, within the scope of authority granted.

These approaches have been articulated in some detail quite recently by TEQSA following consultation with the sector and will not therefore be re-rehearsed here. These include:

▶ Risk assessment see (*http://www.teqsa.gov.au/regulatory-approach/risk-assessment-framework*);

▶ Material change see (*http://teqsa.gov.au/for-providers/provider-obligations/material-changes*)

▶ Streamlined assessment (*http://www.teqsa.gov.au/sites/default/files/ RenewalOfRegistrationProcessGuidev1.pdf*) and

▶ Self-accrediting authority (*http://www.teqsa.gov.au/for-providers/self-accrediting-authority*)

Characteristics which build TEQSA's confidence

Arriving at a point or degree of confidence in a provider is an important consideration for TEQSA. Confidence about a provider's capacity and demonstrated willingness to meet the standards and to deal with quality issues as and when they arise is one of the ultimate goals of the Higher Education Standards Framework. TEQSA's confidence in these matters supports its decisions to grant registration, accredit courses and renew these decisions on an ongoing basis. In turn, such decisions underpin student, sector and international confidence in Australian higher education.

TEQSA's confidence also supports its assessment of risk, in that the greater its confidence in a provider the more likely it is that the provider can mitigate and manage identified risks as they arise. And in the event that TEQSA is contemplating regulatory action, it is particularly interested in the reliance it can place on a provider to deal with quality issues, for example the provider taking corrective action under an imposed condition. In this sense, TEQSA's confidence is an overarching consideration and is depicted in this manner in Figure 1 above.

In TEQSA's experience, there are a number of organisational *characteristics* which tend to increase TEQSA's confidence in a provider's capacity to meet the standards and to effectively deal with risks to quality. Importantly, high quality providers do not have to have all of these characteristics. The characteristics described in this section below have been identified by TEQSA from its experience in assuring quality across the sector. They are characteristics which often run deep in an organisation and therefore have a certain stability and resilience to market pressures and changes of personnel. The characteristics described are not

intended to be exhaustive but are the most obvious ones in TEQSA's experience.

▶ **Public bodies corporate:** Organisations established or recognised under legislation which significantly regulates the purposes, powers, structure, governance, audit and public reporting requirements of the entity. These kinds of organisations have governing body members appointed by government and extensive public reporting, audit and accountability requirements, often to two levels of government. They typically require government approval of borrowings limits and have extensive financial, commercial and accounting requirements imposed on them over and above Australian accounting standards. They are also subject to government probity processes (such as Crime & Misconduct Commissions), to administrative review processes and to the purview of ombudsmen for review of complaints.

▶ **Public companies listed on the Australian Stock Exchange:** Such companies are subject to significant compliance obligations under the ASX Listing Rules and monitoring by regulators, investors, analysts and the media. The Listing Rules are contractually binding on listed entities as well as enforceable under the Corporations Law on the company and its associates. The rules impose minimum standards of quality, size and operations. They also have significant continuous disclosure requirements of information which may have a material effect on the price or value of an entity's securities. Such companies are required to disclose significant information about their governance processes, their directors are expected to maintain high standards of integrity and accountability, and they have elevated requirements for shareholder approval of certain transactions. Companies that are within the ASX 300 must comply with a number of additional governance requirements recommended by the ASX Corporate Governance Council. These characteristics are particularly relevant to TEQSA's view of the corporate governance and financial sustainability of such companies.

▶ **Extensive, successful track records in tertiary education, especially higher education:** Organisations that have been successfully delivering education, especially higher education, over extended time periods, including having successfully graduated large numbers of students and having established strong reputations nationally and internationally for the quality of their academic programs. Such organisations typically have strong compliance, regulatory and financial records, and have shown resilience throughout economic, policy and technology cycles.

▶ **Outstanding track record of high quality student outcomes:** Organisations that can demonstrate an established, outstanding record typically make significant investments in monitoring, measuring and analysing their student performance (eg progression, retention, completion), learning outcomes, student feedback and graduate destinations and on at least these dimensions can show without difficulty the exemplary nature of outcomes for their students across time and for different cohort sub-groups.

▶ **Extensive, effective acquittal of self-accrediting authority:** Institutions which have been self-accrediting and which have consistently demonstrated over time mature processes to acquit this responsibility effectively.

▶ **Extensive and secure financial resources:** Organisations which have a large financial scale and capacity, backed by strong balance sheets, ready access to long-term capital, demonstrated earnings capacity and stable or diverse sources of revenue. Organisations that build public confidence in this position by disclosing their audited accounts regularly to the public, as well as disclosing their related-party interests.

▶ **Significant academic breadth and/or depth:** Organisations that are comprehensive academic institutions that cover multiple broad fields of higher education and most qualification levels of higher education typically have a depth and breadth of expertise across the higher education enterprise. These multi-disciplinary organisations have a strength and capacity to develop a wide range of courses in evolving disciplinary and multi-disciplinary contexts. On a more focussed basis, organisations that have successfully established a specialisation in a narrow higher education field have successfully operated in that field over an extended period of time, and have a strong capability within their respective field and in their engagement with the community/industry they serve.

▶ **Organisations that are significantly engaged in academic networks, nationally and internationally:** Such organisations typically use these networks to peer-review and benchmark their courses, assessment methods, moderate individual assessments, review student outcomes and more generally share improvements. Such organisations tend to have a strong quality assurance focus.

- **Extensive corporate and academic governance:** Organisations that are well governed, with independent directors (or equivalent) and strong oversight of risk, and which are governed in a way that reflects their higher education purpose and academic character, ensures significant checks and balances exist, ensures a strong commitment to academic quality and academic freedom, and promotes collegial oversight.

- **Significant research and research training culture and program:** The quality of such research and scholarship is extensively tested in external peer review and competitive processes, as well as external assessment of research training. This culture and program usually translates into a deep community of scholarship and, in turn, advanced higher education courses for students, particularly at postgraduate level. TEQSA notes that scholarship can be successfully developed by means other than a research and research training culture and program.

- **Significant professional or industry engagement:** Higher education providers with extensive and deeply embedded engagement with their industry or professional counterparts typically have an especially strong focus on the quality and skill of graduates, with specific standards often developed to achieve strong alignment between graduate outcomes and industry expectations, and with the industry co-investing in the development and monitoring of higher education courses. Industry also often provides unique infrastructure and training in the form of placements, practicums, internships or more generally, work-integrated learning.

- **Significant engagement with and accountability to local communities:** Organisations which play a strong public role in local communities contributing to social and economic well-being, particularly in remote and regional areas, and in this relationship are accountable to their local communities. This usually translates into a deeper understanding of the needs of students and other stakeholders in those communities and a greater capacity to meet those needs.

These characteristics are not absolute. Verifying their presence may involve judgement. TEQSA looks broadly at these things and is flexible in considering ways in which a provider may have such characteristics by equivalence.

Some registered providers have many of these characteristics. Some have a subset of them, and some providers have very few if any. A provider that has many of these characteristics will generally be regarded by TEQSA as having broad capacity and significant general controls in place to manage risks to quality. A provider that has some of these characteristics may also increase confidence in relation to capacity and controls, depending on the risks in question. Such a provider may also have a strong case about its specific risk management and quality assurance controls. A provider that has none of these characteristics would typically need to more fully demonstrate to TEQSA its capacity to manage risk where significant risks are identified.

Importantly, TEQSA's confidence and therefore handling of any emergent issues will also be founded on a provider's specific regulatory history. An extensive and positive history will count for a lot in this regard. On the other hand, a negative regulatory record (ie one involving rejections, conditions or granting less than seven years) will feed directly into the identification of risk in the Risk Assessment and be taken into account in making decisions about the nature of intervention required. TEQSA will generally not be in a position to make such positive inferences or arrive at confidence where a provider is relatively new to higher education and has a limited regulatory record with TEQSA. In such cases, TEQSA normally expects to undertake comprehensive assessments for the purposes of course accreditation and potentially re-registration.

It is also the case that for providers with some or even most of these characteristics, should the nature of identified risks be so serious (in terms of likelihood or consequences) and/or should the regulatory history of such a provider be cause for concern, TEQSA would be likely to conclude that an elevated mode of engagement with that provider is necessary. In this sense, the identified characteristics are not a guarantee to exemption from external monitoring by TEQSA, rather they have been identified by TEQSA as one of the means by which it may usefully calibrate its assessments and inform the nature of decision-making.

Examples of applying the framework to hypothetical cases

Set out in the **Appendix** are some examples which are designed to illustrate the application of the above framework. The examples are hypothetical providers with hypothetical risks designed to illustrate how TEQSA would handle the situation. These examples should not be interpreted in any way to imply that providers of the types described typically carry certain types of risks and therefore have a typical mode of engagement with TEQSA. Nor are the examples based on particular registered providers. The examples are intended to illustrate the interplay between risk assessment, organisational characteristics that build TEQSA's confidence, TEQSA registration and accreditation processes, and TEQSA decision-making.

CONCLUSION

In each engagement with a provider, regardless of type, TEQSA is principally concerned to ensure that every student studying at an Australian registered provider gets a quality higher education and thus, the standing of the sector is upheld. Its examination of this question and any potential response is conditioned by the principles of reflecting risk, proportionality and necessity.

In order to go further than a highly generic statement of TEQSA's approach, this paper traces the profile of the Australian higher education sector today and articulates TEQSA's application of a risk-based framework to the sector.

The paper demonstrates and acknowledges the challenge of describing in a balanced, non-comparative way for quality assurance purposes the different parts of the sector. TEQSA is committed to consistency and fairness in its approaches to assuring quality standards in the sector. By this is meant that any provider can expect a similar engagement with TEQSA for similar facts and contexts. In gathering and judging the facts, TEQSA is faced with an imbalance of information, where large, old, publicly-funded institutions have by their nature established on the public record a history of provision. By contrast, new, small, private institutions have not done so, and this is entirely understandable. This paper seeks to explain that TEQSA, for reasons of administrative efficiency and reduced compliance burden, applies a risk assessment approach and gives consideration to organisational characteristics which build its confidence in a provider's quality and quality assurance. TEQSA draws on the provider's record in this regard. To be fair, TEQSA makes no presumption about an entity where that record is not readily available. Under the TEQSA Act, however, such a provider will need to establish to TEQSA directly in its applications the evidence which demonstrates its compliance on all relevant matters.

As the sector and Government contemplates revised standards drafted by the Higher Education Standards Panel, TEQSA welcomes feedback about this paper and its approach to assuring quality standards in Australian higher education.

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APPENDIX:
EXAMPLES OF APPLYING THE FRAMEWORK OUTLINED ABOVE TO HYPOTHETICAL CASES

Set out below are some examples which are designed to illustrate the application of the above framework. The examples are hypothetical providers with hypothetical risks designed to illustrate how TEQSA would handle the situation. These examples should not be interpreted in any way to imply that providers of the types described typically carry certain types of risks and therefore have a typical mode of engagement with TEQSA. Nor are the examples based on particular registered providers. The examples are intended to illustrate the interplay between risk assessment, organisational characteristics that build TEQSA's confidence, TEQSA registration and accreditation processes, and TEQSA decision-making.

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Case 1: A TAFE institute

▶ **Provider background:** A large TAFE focussed on higher education and vocational education and training. A 35 year record of delivery in VET and 15 years in higher education in 3 locations in three broad fields and up to Masters coursework level.

▶ **TEQSA Risk Assessment:** No significant risks identified, although academic staffing indicator raised.

▶ **Compliance history with TEQSA:** Extensive, almost all positive, academic staffing raised in two course accreditations.

▶ **Organisational characteristics:** A significant number of organisational characteristics which build confidence, including: public body corporate; successful track record in HE; extensive and secure financial resources; significant academic breadth; significantly engaged in national academic networks; significant accountability to local communities.

▶ **Engagement with TEQSA:**

  » Renewal of registration: Assessed for core scope[5] only. Re-registered for full 7 years without conditions.

  » New course accreditation in field completely new to this provider: extensively examined, accredited for seven years without condition but with one reporting request.

  » Re-accreditation of existing courses: granted for full 7 years after narrowly scoped assessment with staffing profile examined carefully in scope.

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Case 2: An ASX 300 company

▶ **Provider background:** A large provider focussed on higher education and vocational education and training. A 15 year record of delivery in higher education in multiple locations in three broad fields and up to Masters coursework level.

▶ **TEQSA Risk Assessment:** Identified moderate risk to students based on attrition, graduate outcomes and rapid growth.

▶ **Compliance history with TEQSA:** Extensive, mostly positive but conditions imposed on some courses.

▶ **Organisational characteristics:** A significant number of organisational characteristics which build confidence, including: ASX-related accountability and corporate governance requirements; history of HE provision; and financial strength.

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[5] *Core scope refers to TEQSA's revised assessment process for re-registration introduced in 2014 after sector consultation. In this process, TEQSA only examines a core subset of seven Threshold Standards for low risk providers, and extends beyond this only where there are identified concerns. Refer to TEQSA's streamlined process guide listed on p10 above.*

- ▶ **Engagement with TEQSA:**
  - » Assessment of renewal of registration: Assessed core scope only. Re-registered for full 7 years without condition.
  - » New course in field new to this provider: extensively examined, accredited for seven years without condition.
  - » Re-accreditation of existing courses: granted for full 7 years after scoped assessment which re-examined issues the subject of previous conditions.

Case 3: A niche college

- ▶ **Provider background:** A small provider focussed on a single higher education field. A 20 year record of delivery in higher education in one location up to Masters coursework level.
- ▶ **TEQSA Risk Assessment:** No significant risks identified.
- ▶ **Compliance history with TEQSA:** Limited but positive.
- ▶ **Organisational characteristics:** A significant number of organisational characteristics which build confidence within niche area, including: extended, successful track record in higher education; outstanding track record of student outcomes; significant academic depth in niche discipline; extensive collegial governance; and significant accountability to local community.
- ▶ **Engagement with TEQSA:**
  - » Assessment of renewal of registration: Assessed core scope only. Re-registered for full 7 years without condition.
  - » New course at new course level, PhD, in its niche field: scoped assessment to specifically assess research and research training environment, accredited for seven years with one reporting request.
  - » Re-accreditation of existing courses: granted for full 7 years after narrowly scoped assessment, no conditions.

Case 4: An Australian university

- ▶ **Provider background:** A large public Australian university. A 50 year record of delivery in higher education in one primary location across all broad fields and all HE course levels.
- ▶ **TEQSA Risk Assessment:** No significant risks identified.
- ▶ **Compliance history with TEQSA:** Limited, positive, extensive positive history with former quality assurance bodies.
- ▶ **Organisational characteristics:** A significant number of organisational characteristics which build confidence, including: public body corporate; extensive, successful track record of HE provision; extensive, effective acquittal of self-accrediting authority; extensive and secure financial resources; significant academic breadth; significantly engaged in academic networks, nationally and internationally; extensive collegial academic governance; conducts significant research and research training leading to advanced community of scholarship; and significantly engaged with and accountable to local community.
- ▶ **Engagement with TEQSA:**
  - » Assessment of renewal of registration: Assessed core scope only. Re-registered for full 7 years without condition.

Case 5: Another Australian university

▶ **Provider background:** A large public Australian university. A 30 year record of delivery in higher education in one primary location across all broad fields and all HE course levels.

▶ **TEQSA Risk Assessment:** No significant risk identified but attrition indicator raised.

▶ **Compliance history with TEQSA:** Limited, one significant compliance issue in last 12 months with university notifying TEQSA in a timely manner of the issue under material change process.

▶ **Organisational characteristics:** A significant number of organisational characteristics which build confidence, including: public body corporate; extensive, successful track record of HE provision; extensive, effective acquittal of self-accrediting authority; extensive and secure financial resources; significant academic breadth; significantly engaged in academic networks, nationally and internationally; extensive collegial academic governance; and conducts significant research and research training leading to advanced community of scholarship.

▶ **Engagement with TEQSA:**

  » Assessment of renewal of registration: Assessed core scope plus extension to examine the risk issue and the recent compliance issue. Re-registered for full 7 years without condition but with one reporting request.

Case 6: A five-year old niche provider

▶ **Provider background:** A small provider delivering across higher education, vocational education and training and English language programs. A 5 year record of delivery in higher education in two broad fields up to bachelor level, with one cohort complete.

▶ **TEQSA Risk Assessment:** Moderate risk to student quality and moderate risk to financial position.

▶ **Compliance history with TEQSA:** Extensive, significant compliance issues identified, conditions imposed and less than full seven years for course accreditations.

▶ **Organisational characteristics:** No organisational characteristics that help build TEQSA's confidence.

▶ **Engagement with TEQSA:**

  » Assessment of renewal of registration: Assessed against full scope of standards. Re-registered for 4 years with four conditions imposed.

  » New course in field new to this provider; extensively examined, accredited for four years with conditions.

Case 7: An established VET provider transitioning into HE

▶ **Provider background:** A medium-sized VET provider extending into higher education. A 20 year VET record and a 2 year higher education record in one broad field at advanced diploma level.

▶ **TEQSA Risk Assessment:** Moderate risk to student quality and low risk to financial position.

▶ **Compliance history with TEQSA:** Significant, positive assessment at time of initial registration, with a number of dimensions for ongoing reporting commensurate with stage of maturity of higher education operations.

▶ **Organisational characteristics:** A number of organisational characteristics which build confidence, including: strong and publicly disclosed financial position; outstanding track-record of high quality student outcomes; significant professional and industry engagement; and strong corporate governance.

▶ **Engagement with TEQSA:**

  » Assessment of initial registration: Assessed against full scope of standards, registered for full seven years, with annual reporting requirements until two successful cohorts graduated.

» Assessment of initial course accreditation: assessed against full scope of standards, accredited for full seven years, with a number of staffing and course design issues required to be addressed prior to marketing of course.

» New course recently accredited in same field at same level as first course: assessment scoped primarily around internal course design and approval, and emerging evidence of student outcomes and delivery in the first course.

Case 8: An overseas university

▶ **Provider background:** A large northern-hemisphere private university. A 90 year record of delivery in higher education across all broad fields and all HE course levels. Operating in Australia offering courses in two broad fields.

▶ **TEQSA Risk Assessment:** No significant risks identified.

▶ **Compliance history with TEQSA:** Limited, positive history.

▶ **Organisational characteristics:** Extensive, successful track record of HE provision; extensive, effective acquittal of self-accrediting authority; extensive and secure financial resources; significant academic breadth; significantly engaged in academic networks, nationally and internationally; extensive collegial academic governance; conducts significant research and research training.

▶ **Engagement with TEQSA:**

» Assessment of renewal of registration: Assessed core scope only, including how its local operations are managed and governed, and how its local courses are performing. Registered for full 7 years without condition.