



Australian Government

Tertiary Education Quality and Standards Agency

TEQSA

Annual Report

2016–2017



TEQSA ANNUAL REPORT 2016–2017

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More information about the Tertiary Education Quality and Standards Agency, including electronic versions of this annual report, is available at www.teqsa.gov.au/news-publications/annual-reports/2017.

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Acknowledgements

This report reflects the efforts of many people. Special thanks go to TEQSA staff involved in contributing and coordinating material.



Letter to the Minister

Senator the Hon Simon Birmingham
Minister for Education and Training
Parliament House
CANBERRA ACT 2600

30 August 2017

Dear Minister,

As the accountable authority of the Tertiary Education Quality and Standards Agency (TEQSA), we have pleasure in presenting to you the Agency's annual report for the year ended 30 June 2017.

TEQSA's annual report has been prepared in accordance with section 46 of the *Public Governance Performance and Accountability Act 2013* (the PGPA Act). Subsection 46(1) of the PGPA Act requires the accountable authority of the entity to give an annual report to the entity's responsible Minister for presentation to Parliament.

In addition, we, as the accountable authority of TEQSA, present the 2016–17 annual performance statements of TEQSA, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In our opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

Furthermore, we certify that TEQSA:

- a. has prepared fraud risk assessments and fraud control plans
- b. has in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meet the specific needs of the agency
- c. has taken all reasonable measures to appropriately deal with fraud relating to the agency.

This report describes the progress made over the course of 2016–17 to advance national action to assure the quality of higher education in Australia. This work continues through the staff of TEQSA and a range of stakeholders in the higher education sector.

Yours sincerely,

Professor Nicholas Saunders, AO
Chief Commissioner

Professor Cliff Walsh
Commissioner

Dr Linley Martin
Commissioner

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About this Report

This report informs Senator the Hon Simon Birmingham, Minister for Education and Training, the Parliament of Australia, the Australian higher education community and the general public about the performance of the Tertiary Education Quality and Standards Agency (TEQSA or the agency) during the financial year ending 30 June 2017.

Prepared according to parliamentary reporting requirements, the report describes TEQSA's achievements against the purposes and indicators set out in the *TEQSA Corporate Plan 2016–20* and in *TEQSA's 2016–17 Portfolio Budget Statements*.

It provides information on TEQSA's performance in relation to its stated outcome:

[To] contribute to a high quality higher education sector through streamlined and nationally consistent higher education regulatory arrangements; registration of higher education providers; accreditation of higher education courses; and investigation, quality assurance and dissemination of higher education standards and performance.

Section 1:

Review by the accountable authority — reflects on the past year, highlighting significant issues faced by TEQSA and initiatives undertaken, as well as current and future challenges.

Section 2:

Agency overview — provides information about TEQSA and its governance, roles and functions and organisational structure, as well as its approach to risk and standards-based regulation.

Section 3:

Performance review — reports on how TEQSA performed during the reporting period against the purposes set out in the *TEQSA Corporate Plan 2016–20*, and its stated outcome and program deliverables contained in the *2016–17 Portfolio Budget Statements*.

Section 4:

Management and accountability — provides information on corporate governance, external and internal accountability, human resource management, financial management, purchasing, consultants and contract management, legal services and other activities relevant to the administration of the agency.

Section 5:

Financial report – presents audited financial statements for the year ending 30 June 2017.

Section 6:

Appendices – includes information relating to TEQSA's staffing and its performance in relation to Australian Government environmental, disability, freedom of information and financial management outcomes.

Section 7:

Indices and references – assists readers to locate and understand information in the annual report.

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Review by the accountable authority

1

Section 1: Review by the accountable authority

REVIEW BY THE TEQSA ACCOUNTABLE AUTHORITY

This is TEQSA's sixth Annual Report and analyses the performance of the agency against the 2016–20 TEQSA Corporate Plan.

The 2016–17 operating year was productive yet challenging for the agency.

One of the key initiatives undertaken by the agency was an enhanced program of engagement with the sector, national and internationally. This activity included: finalisation of guidance and application materials for higher education providers (providers) to support the transition to the updated Higher Education Standards Framework, a sold out TEQSA Conference in November 2016 that was rated as good or excellent by 85 per cent of respondents to the 2016–17 stakeholder survey, a refreshed sector newsletter with updates released throughout the operating year, and a report on the characteristics of providers and their relation to first year student attrition rates which provoked widespread interest and debate. The agency also continued its support for Australia's international higher education, including by hosting the fifth annual conference of the Quality Beyond Boundaries Group.

TEQSA completed its first report against the Regulator Performance Framework which included the results of the first stakeholder survey covering the agency's performance in 2015–16. Overall performance of the agency in 2015–16 was rated as good or excellent by 82.3 per cent of respondents. In response to the results of the survey, the Commissioners and CEO met with private providers to discuss key concerns they raised in the survey, including the timeliness of decisions on applications.

Despite the achievements of 2016–17 detailed in this Annual Report, managing the caseload of assessments remained a challenge. In the context of managing the difficulties of an increase in workload and continuing resourcing constraints, reshaping of the organisation was undertaken to meet the priorities of the TEQSA Corporate Plan 2016–20 and to sustain operations.

Applications received during the operational year included a sharp peak of applications from entities seeking to enter the sector being lodged just before 1 January 2017 when the *Higher Education Standards Framework (Threshold Standards) 2015* came into effect. This influx of applications for initial registration coincided with significant changes to the vocational

education and training loan scheme. TEQSA also undertook three compliance assessments, including very direct and rapid regulatory action regarding the Australian School of Management.

As a consequence of the further reduction in the APS Average Staffing Level as part of the 2016–17 Budget, considerable effort was made during the year to recruit contract staff to undertake regulatory work and improve internal support material for case managers. Despite this effort, TEQSA experienced a high turnover of case managers. The loss of corporate memory and experience had a detrimental impact, particularly in the regulatory areas, where the median time to undertake assessment of applications significantly increased compared with 2015–16. This was reflected in the decreased ratings by stakeholders in the 2016–17 stakeholder survey compared with 2015–16.

For 2016–17, the agency recorded a total comprehensive loss of \$1.12 million. This is the second consecutive year in which TEQSA has had an approved operating loss which was due to higher than expected utilisation of contractors and external experts.

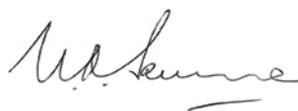
LOOKING FORWARD

Emerging issues are identified in the Corporate Plan for 2017–21 and TEQSA will address a number of these in 2017–18 including threats to academic integrity, in particular the availability of contract cheating services; and the need for coordination with professional bodies involved in accrediting higher education courses for eligibility to practice. We will also examine providers' responses to the Australian Human Rights Commission's

report on sexual assault and sexual harassment at Australian universities released in August 2017.

The 2017–18 Budget announcements included \$3.3 million in new funding over four years for TEQSA to monitor the sector's response to improving admissions transparency. This work is already underway.

Managing the regulatory workload will continue to be a challenge for the agency in 2017–18 with assessments carried over from 2016–17, including a large number of applications for initial registration, continuing to impact on service levels. TEQSA will continue to prioritise high risk cases and those assessments subject to legislative deadlines.



Professor Nicholas Saunders AO
Chief Commissioner on behalf of the accountable authority



Anthony McClaran
Chief Executive Officer



About TEQSA

Legislative framework

Outcome and program structure

Purposes

Organisational structure

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Section 2: Agency overview

TEQSA'S MISSION

TO SAFEGUARD STUDENT INTERESTS AND THE REPUTATION OF THE HIGHER EDUCATION SECTOR BY ASSURING THE QUALITY OF AUSTRALIAN HIGHER EDUCATION THROUGH A PROPORTIONATE RISK-BASED APPROACH WHICH ALLOWS HIGHER EDUCATION PROVIDERS TO PURSUE THEIR INDIVIDUAL MISSIONS AND ENCOURAGES DIVERSITY, INNOVATION AND EXCELLENCE.

ABOUT TEQSA

The Tertiary Education Quality and Standards Agency (TEQSA or the agency) is Australia's independent national quality assurance and regulatory agency for higher education. TEQSA commenced operations on 29 January 2012 under the *Tertiary Education Quality and Standards Agency Act 2011* (TEQSA Act).

The agency's role is to ensure that quality standards are being met by all higher education providers so that the interests of students and the reputation of Australia's higher education sector are promoted and protected. TEQSA takes a risk-based approach to planning and implementing its assessments of provider compliance with these standards.

All providers of higher education – universities and non-universities alike – that offer higher education qualifications in or from Australia, must be registered by TEQSA. Providers that do not have self-accrediting authority (SAA) must also have their courses of study accredited by TEQSA.

LEGISLATIVE FRAMEWORK

The TEQSA Act is the primary basis of TEQSA's powers. The objects of the Act are to:

- > provide for national consistency in the regulation of higher education
- > regulate higher education using a standards-based quality framework and principles relating to regulatory necessity, risk and proportionality
- > protect and enhance Australia's reputation for quality higher education, the international competitiveness of Australia's higher education sector, and excellence, diversity and innovation in higher education
- > encourage and promote a higher education system that is appropriate to meet Australia's social and economic needs for a highly educated and skilled population
- > protect students undertaking, or proposing to undertake higher education in Australia, by requiring the provision of quality higher education
- > ensure that students have access to information relating to higher education in Australia.

TEQSA assures the quality of registered higher education providers through nationally consistent regulation and meets the objects of the TEQSA Act through performing the following functions:

- > registering providers and accrediting courses of study in accordance with the TEQSA Act
- > investigating whether the TEQSA Act has been or is being complied with, including by conducting compliance assessments

- > collecting, analysing, interpreting and disseminating information relating to higher education providers, regulated higher education awards, quality assurance practice and improvement in higher education and the Higher Education Standards Framework (HES Framework)
- > cooperating with counterparts in other countries.

The agency also has responsibility under the *Education Services for Overseas Students Act 2000* (ESOS Act) to register providers and courses on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) and make changes to registration, including the addition of courses and changes in student capacity, for the following providers:

- > higher education providers registered under the TEQSA Act
- > English Language Intensive Courses for Overseas Students (ELICOS) providers if they have an entry arrangement with a registered higher education provider
- > Foundation program providers.

TEQSA is also subject to several other Acts and legislative instruments including (but not limited to) the *Public Governance, Performance and Accountability Act 2013* (PGPA Act); *Public Service Act 1999*; *Work Health and Safety Act 2011*; *Safety, Rehabilitation and Compensation Act 1988*; and *Freedom of Information Act 1982*.

STANDARDS-BASED REGULATION

Australia's regulatory system for higher education uses a standards-based quality framework and TEQSA's approach reflects the risks to the sector and those particular to each provider. The *Higher Education Standards Framework (Threshold Standards) 2011* (HES Framework 2011) was made by the responsible Minister on the advice of

the Department of Industry, Innovation, Science, Research and Tertiary Education and commenced on 5 January 2012. The *Higher Education Standards Framework (Threshold Standards) 2015* (HES Framework 2015) was determined by the Minister for Education and Training on advice from the independent Higher Education Standards Panel and commenced on 1 January 2017.

The TEQSA and ESOS Acts provide the legislative framework for TEQSA's work. Taken together, the legislative frameworks for these Acts incorporate the use of the following quality standards:

- > the HES Framework 2011 and HES Framework 2015 (effective from 1 January 2017)
- > *National Code of Practice for Providers of Education and Training to Overseas Students 2017* (National Code)
- > the *Foundation Program Standards*
- > the *ELICOS Standards*.

THE REGULATORY PRINCIPLES AND HOW THEY ARE APPLIED

When exercising its powers, TEQSA must comply with three regulatory principles – regulatory necessity, reflecting risk and proportionate regulation.

These three regulatory principles guide TEQSA's:

- > development of quality assurance, and regulatory guidance and application processes
- > interpretation of compliance with standards
- > focus in conducting assessments
- > decisions about levels of regulatory action
- > decisions on applications for registration and accreditation.

TEQSA'S RISK ASSESSMENT FRAMEWORK

TEQSA's *Risk Assessment Framework* represents a robust approach to assessing risk. The framework and use of risk assessments provide TEQSA with both an overview of risks in the sector as a whole and information about individual providers.

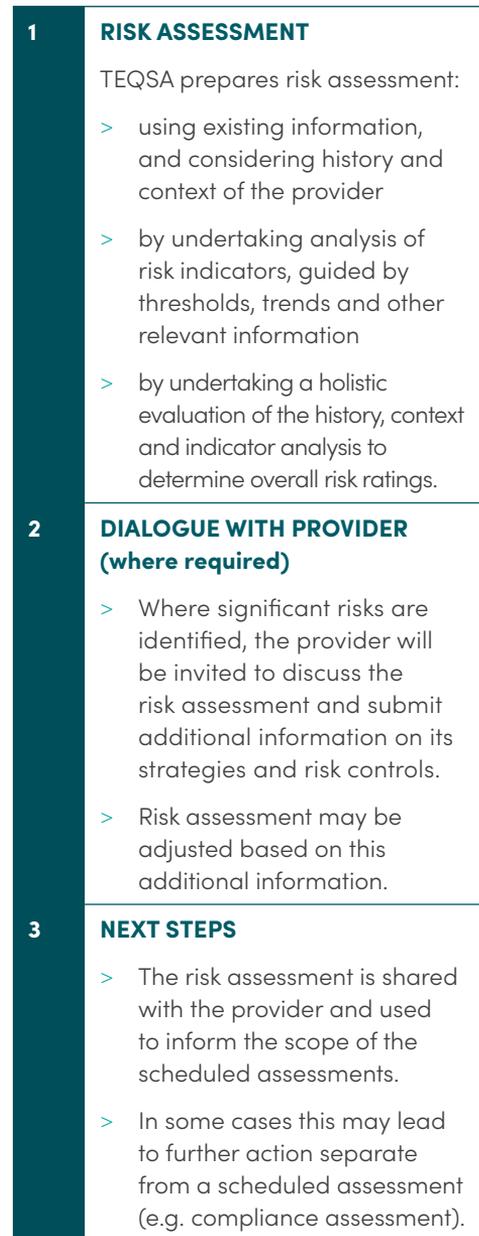
The framework is a key tool for the agency in monitoring risks to quality, together with intelligence from a range of sources, including case managers. TEQSA's risk assessments provide a snapshot of providers to prioritise TEQSA's focus in undertaking its assurance activities. Together they support TEQSA in complying with the three regulatory principles of reflecting risk, proportionality and necessity.

Where data permits, TEQSA makes an overall evaluation against 'Risk to Students' and 'Risk to Financial Position'. The risk assessments do not draw conclusions about compliance with the TEQSA Act or the ESOS Act and National Code, but rather identify potential risks of non-compliance. In other words, risk assessments may identify 'leads' that warrant closer consideration by TEQSA.

Analysis of regulatory decisions by TEQSA indicates a strong alignment between the risk profile of a provider and the outcome of regulatory decisions. That is, applications from providers rated high risk in risk assessments are more likely to result in adverse assessment findings or assurance action.

The TEQSA website has information sheets for providers on the risk assessment process. A summary of the process is at Figure 1, which illustrates the key steps in TEQSA's risk assessment process.

Figure 1: Key steps in the risk assessment process



ASSESSMENT OF APPLICATIONS FOR REGISTRATION FROM PROSPECTIVE PROVIDERS

Since mid-2015, TEQSA has experienced an unprecedented number of notifications and applications for initial registration as a higher education provider. In 2014–15, only 10 applications were lodged by prospective providers; this rapidly increased to 29 applications in 2015–16, and a further 28 applications were lodged in 2016–17. As of 30 June 2017, TEQSA had 30 applications under assessment and had received notifications of intention to submit an application from a further 68 entities.

Applications from prospective providers are considered under Part 3, Division 1 of the TEQSA Act. Applications for course accreditation are considered under Part 4, Division 2 of the TEQSA Act.

Applications for registration as a higher education provider are subject to a two-stage process: preliminary assessment that must be completed within 30 days of receiving a valid application, and substantive assessment that must be completed within nine months. Registration applications must be accompanied by an application for accreditation of one or more courses(s) of study, and the application is therefore assessed against the complete set of Standards for Higher Education in the HES Framework. All prospective providers must also meet all of the criteria for the Higher Education Provider Category of the HES Framework. Online application forms are made available via the provider portal and application guides are on the TEQSA website.

Unlike applications for renewal of registration from registered providers, the timing of applications from prospective providers is not usually known. To monitor the timing of applications and manage enquiries from prospective providers prior to submission of an application, a dedicated inbox has been established. Through this inbox, the agency also collects information prior to receiving applications including: Australia Business Numbers and Australian Company Numbers; the type of entity seeking registration (that is, existing registered training organisation, for-profit or not-for-profit); related entities, including registered training organisations; names of key personnel; proposed courses; and previous applications by the applicant or related parties for delivery of vocational education or higher education courses in Australia or overseas. In 2016–17, the key information collected about prospective providers was reported publicly on a quarterly basis.

As of 30 June 2017, 68 entities had submitted notifications to TEQSA of intentions to apply for registration; 35 of these notifications were received in 2016–17. Approximately half of the entities that notified the agency in 2016–17 were operating as registered training organisations. The agency also responded to many more enquiries about seeking registration that did not result in the lodgment of formal notifications. The majority of entities have indicated an intention to operate in NSW, Victoria or Queensland and to offer courses in the fields of management and commerce, information technology, health, or society and culture.

Following receipt of an application and payment of a preliminary assessment fee, TEQSA advises applicants within 30 days whether the application is valid. If the application is found to be valid in accordance with the requirements of subsections 18(3) and 46(2) of the TEQSA Act, the application proceeds to the substantive stage once a further fee is paid. During the substantive assessment stage, the case manager often requests further information, documents or assistance from the applicant, seeks input from external experts and collects evidence from visit(s) to proposed delivery sites, which include interviews with key personnel.

There is no delegation of decisions to grant or reject applications for initial registration from prospective providers – all decisions are made by the TEQSA Commissioners collectively. The outcomes of the assessment of the applications for initial registration and course accreditation are submitted to the Commissioners with recommendations. Where an assessment recommends an adverse finding (rejection of application, imposition of conditions or reduced period of registration or accreditation), a report of the findings is sent to the applicant for comment. In 2016–17, 18 applications for initial registration were considered by the TEQSA Commissioners.

An applicant receiving an adverse assessment of their application has the opportunity to provide a response and further evidence to address the shortcomings identified in the original application or withdraw the application. In 2016–17, 10 applications for registration were withdrawn by the applicants.

Where an applicant provides a response to an adverse assessment and provides further evidence, the case manager will assess the impact of the response on the assessment findings. This further assessment may include seeking further input from

external experts. Once the assessment of the response is complete, a final report with recommendations is provided to TEQSA Commissioners for decision. In 2016–17, the Commissioners made decisions in relation to eight applications for registration.

TEQSA Commissioners consider the recommendations of the assessment and make a decision which is communicated to the applicant within 30 days. Where an adverse decision is made, applicants may seek a review of the decision through the Administrative Appeals Tribunal (AAT). In 2016–17, TEQSA Commissioners rejected four applications for registration and two of these applicants sought review through the AAT.

Decisions to register a new provider are included on the National Register of Higher Education Providers (National Register) following feedback from the registered entity on the content of a public report. Rejections of applications from prospective providers are not recorded on the National Register under the current National Register Guidelines. In 2016–17, TEQSA Commissioners made decisions to register four new providers.

In 2016–17, the median processing time for applications for initial registration, from when the application enters the substantive assessment stage, was 321 days, requiring in a number of cases extensions to the nine month legislative deadline, as set out in section 21 of the TEQSA Act. See Performance Indicator 2.2 for further details.

NATIONAL REGISTER OF HIGHER EDUCATION PROVIDERS

TEQSA is required by section 198 of the TEQSA Act to establish and maintain a National Register of Higher Education Providers and to make it available for inspection on the internet.

The purpose of the National Register is to provide information on the registration status of higher education providers in Australia and, for those providers without the authority to accredit their courses, the accreditation status of the courses delivered. The National Register also includes public reports of regulatory decisions. These reports include the decision and the reasons for the decision.

The National Register Guidelines outline the information about providers and their courses that TEQSA must include on the register, including providers whose registration has been cancelled by TEQSA. TEQSA may also include other information. The National Register is updated each month to include decisions, withdrawals and the expirations in relation to registration of providers and accreditation of courses.

Active providers are designated as either 'registered', or as 'registration ongoing pending renewal' – meaning a decision is pending by TEQSA regarding the provider's re-registration. During this period, the provider remains registered and the courses accredited.

An active course is designated as either 'accredited', or as 'accreditation ongoing pending renewal' – meaning a decision is pending by the TEQSA regarding the

provider's re-accreditation. During this period, the course remains accredited. In a small number of cases, courses are designated as being in 'teach out' mode.

The courses included on the National Register only relate to those providers without the authority to self-accredit their courses. All university providers and some other higher education providers have the authority to accredit all or some of their courses and those courses accredited by providers with SAA are not recorded on the National Register. TEQSA has included a link on the National Register webpage to the Quality Indicators for Learning and Teaching website maintained by the Department of Education and Training, which includes the majority of courses offered by providers with the authority to self-accredit their courses.

In 2016–17, 62 new accredited courses and four new providers were added to the National Register. In addition, seven providers either had their registration cancelled or not renewed by TEQSA, or withdrew or did not renew their registration; and two accredited courses were either not reaccredited, or cancelled or withdrawn during the year. As of 30 June 2017, there were 166 providers registered with TEQSA as per Table 1.

Table 1: National Register breakdown as at 30 June 2017

PROVIDER CATEGORY	PROVIDERS WITH SAA (FULL OR PARTIAL)	PROVIDERS WITH NO SAA	TOTAL
Higher Education Provider	11	112	123
Australian University	40	0	40
Australian University of Specialisation	1	0	1
Overseas University	2	0	2
Total providers	54	112	166

Almost 80 per cent of all respondents to the stakeholder survey rated the quality of information provided on the National Register (showing the results of regulatory decisions) as good or excellent.

OUTCOME AND PROGRAM STRUCTURE

TEQSA is subject to Australian Government requirements for reporting to Parliament on the annual allocation and expenditure of public monies received to carry out its role and functions. In the 2016-17 Portfolio Budget Statements, TEQSA reports on one outcome and one program.

OUTCOME 1:

Contribute to a high quality higher education sector through streamlined and nationally consistent higher education regulatory arrangements; registration of higher education providers; accreditation of higher education courses; and investigation, quality assurance, and dissemination of higher education standards and performance.

This outcome is delivered through Program 1.1: Regulation and Quality Assurance.

Regulation and quality assurance ensure that quality standards are being met by all higher education providers so that the interests of students and the reputation of Australia's higher education sector are promoted and protected.

This occurs by reference to the Higher Education Threshold Standards, which are determined by the Minister for Education and Training on advice from an independent Higher Education Standards Panel. A risk-based approach to planning and implementing assessments of provider compliance with those Standards is used.

PURPOSES

TEQSA reports on four purposes outlined in the *TEQSA Corporate Plan 2016-20*:

- > effective oversight of the quality and reputation of Australian higher education
- > efficient, effective, responsive, risk-based quality assurance and regulatory activities
- > constructive and collaborative relationships with governments, higher education providers and other stakeholders
- > effective internal quality assurance by providers.

ORGANISATIONAL STRUCTURE

COMMISSIONERS

There is currently a part-time Chief Commissioner and two part-time Commissioners. Commissioners are appointed by the Minister for Education and Training (the Minister) based on their expertise in higher education, quality assurance and regulatory practice. Commissioners are responsible for making regulatory decisions, setting strategic directions, monitoring risk in the sector and deciding on matters relating to the development of TEQSA's quality assurance and regulatory framework. The Commissioners are the accountable authority for TEQSA.

PROFESSOR NICHOLAS SAUNDERS AO, CHIEF COMMISSIONER

Professor Saunders joined the agency as Acting Chief Commissioner and Chief Executive Officer in September 2014 and was appointed by the then Minister as TEQSA Chief Commissioner in March 2015.

Professor Saunders was previously Provost and Deputy Vice-Chancellor of Bond University and prior to that Vice-Chancellor of the University of Newcastle, Australia. His other senior academic roles include: Dean of Medicine, Nursing and Health Sciences at Monash University (1998–2003); Head of the Faculty of Health Sciences and Dean of Medicine, Flinders University (1993–98); Professor of Medicine at the University of Newcastle (1983–93); and positions at McMaster University, Canada, and Harvard University, USA.

Professor Saunders holds a medical degree with first-class honours from the University of Sydney and has been influential in the advancement of medical education and research through his extensive contribution to, and participation on, many higher education, research and health care national committees, councils and state government bodies.

During his career, Professor Saunders has been Chair of the National Health and Medical Research Council; a member of the Higher Education Council, the Prime Minister's Science, Engineering and Innovation Council, the Australian Research Council and the Aboriginal and Torres Strait Islander Health Council; Chair of the Committee of Deans of Australian Medical Schools; Chair of the Postgraduate Medical Council of NSW; member of the Board of Universities Australia and Lead Vice-Chancellor for research and international activities; and member of the Victorian Premier's Council for Knowledge, Innovation, Science and Engineering, and the 2011 Ministerial Review of Health and Medical Research in NSW.

Professor Saunders currently holds the part-time position of Chair of the Repatriation Medical Authority of Australia.

In 2012 he was appointed an Officer in the Order of Australia in recognition of his contribution and distinguished service to medicine and higher education.

DOCTOR LINLEY MARTIN, COMMISSIONER

Dr Martin was appointed as a TEQSA Commissioner in February 2015.

Previously, she was the Head of University Services and Vice-Principal (Major Projects) at the University of Melbourne from 2009–11, where she had also held the position of Vice-Principal and Academic Registrar from 2001–05.

From 2005 to 2008 she was Vice-President and Council Secretary at Deakin University and has held many other senior positions at the University of New South Wales, RMIT University, Flinders University and the University of South Australia.

Dr Martin was also a senior adviser to the Review of Australian Higher Education (the Bradley Review) which was pivotal to the establishment of TEQSA.

As well as being a part-time Commissioner at TEQSA, during 2016 Dr Martin was also the part-time Ombuds at RMIT University, an independent reviewer of unresolved student and staff complaints. In 2016 Dr Martin was awarded her Doctor of Philosophy by the University of Melbourne for her thesis on the measurement of student learning outcomes in higher education.

PROFESSOR CLIFF WALSH, COMMISSIONER

Professor Walsh was appointed as a TEQSA Commissioner in February 2014.

He has held professorial appointments at the University of Adelaide and the Australian National University, and visiting appointments at universities in Canada, the US and the UK. His teaching, research, publications and advisory specialities have been in public sector economics and public policy; regulatory theory and its application to economic, social and environmental issues; economic and social evaluation of public sector programs and regulatory regimes; and intergovernmental economic, political and administrative relations.

Professor Walsh has also been an adviser to a Prime Minister and State Premiers; an Associate Commissioner for several Productivity Commission Inquiries; an expert adviser to the European Commission and the World Bank; a member of numerous committees of inquiry into public sector policies and programs; and a member of the quasi-judicial Australian Competition Tribunal, which reviews, on appeal, decisions of Australia's competition regulator, the Australian Competition and Consumer Commission.

He is currently Emeritus Professor of Economics at the University of Adelaide, and a Visiting Research Fellow in the School of Economics.

MR ANTHONY McCLARAN, CHIEF EXECUTIVE OFFICER

The Chief Executive Officer (CEO) is a full-time position, appointed by the Minister and with responsibility for the management and administration of TEQSA.

Mr McClaran commenced at the agency in October 2015.

Before joining TEQSA, Mr McClaran was the Chief Executive of the UK's Quality Assurance Agency for Higher Education for six years and prior to that the Chief Executive of the UK's national agency for higher education admissions, the Universities and Colleges Admissions Service.

Mr McClaran has held several leadership positions in the higher education sector, including as Academic Registrar and Acting Registrar and Secretary at the University of Hull. He was previously a member of the Board of the European Association for Quality Assurance in Higher Education.

He has held a number of governance roles at all levels of education and was Chair of Council and Pro-Chancellor of the University of Gloucestershire from 2007 to 2009.

Mr McClaran is a member of the Board of the International Network of Quality Assurance Agencies in Higher Education (INQAAHE) and the Advisory Council of the US Council for HE Accreditation (CHEA) International Quality Group. He is currently on the steering groups for the Digital Student Data Project, the National Student Partnership Project and the National Peer Assessment Project, and is a member of the Audit Committee of the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB).

SENIOR MANAGEMENT TEAM

The Senior Management Team (SMT) comprises the CEO and TEQSA senior managers. The role of the SMT is to support the CEO in discharging his statutory role, and provide collective operational leadership for the agency in relation to TEQSA's operational priorities, including business planning and the management of resources. The SMT reports to the accountable authority.

FUNCTIONAL GROUPS

TEQSA has highly skilled staff with a range of knowledge and expertise in higher education, regulation, risk management and the public sector. TEQSA staff understand quality assurance and regulation, and have experience in higher education delivery. Staff build on their knowledge and experience through dealing with providers, professional accreditation bodies, TEQSA experts and quality assurance bodies overseas.

TEQSA staff have diverse backgrounds, including in higher education, data collection, data analysis, risk management, financial analysis, regulation and government. They have specialised skills in assessing complex quantitative and qualitative information, and judging its relevance for the quality assurance and regulation of higher education.

TEQSA's approved annual appropriation of \$11.4 million and capital budget of \$0.864 million were maintained in the 2016–17 Federal Budget. However, in response to earlier budget cuts and the reduction in average staffing level (ASL) from 60 to 48 announced in the 2016–17 Federal Budget, an organisational restructure to meet the priorities of the *TEQSA Corporate Plan 2016–20* was put in place to sustain operations. In addition to TEQSA's core work in quality assurance and compliance monitoring, the restructure addressed specific areas requiring additional capacity identified in the 2016–17 Federal

Budget. Additional capacity was required to: investigate and respond to emerging risks; assess and respond to a diversification of providers, courses and delivery modes; and address activities that are insufficiently resourced, including complaints and special investigations. To supplement the provider relationship model used to support providers, TEQSA also committed additional resources to further engage with the sector and other stakeholders.

The new structure (Figure 2) was implemented in late 2016 and created the opportunity to achieve greater economies of scale in regulatory operations through increased specialisation. The restructure also increased decision-making responsibility and spans of control for officers at the Executive Level to increase efficiency and consistency of service delivery. Following a restructure in 2014, TEQSA does not have any Senior Executive Service (SES) officers.

Figure 2: TEQSA's organisational structure.



The functional groups that make up the agency, as at 30 June 2017, are summarised in the following section.

ASSESSMENT AND INVESTIGATIONS GROUP AND ASSURANCE GROUP

The Assessment and Investigation Group and the Assurance Group are responsible for delivering TEQSA's core business of undertaking regulatory assessments of applications under the TEQSA Act for registration and accreditation from providers against the HES Framework. Both groups have responsibility for the active case management and monitoring of registered higher education providers, covering all aspects of regulation and quality assurance. The groups work in collaboration with the Policy and Analysis Team in the Executive Office to prepare risk profiles of each registered provider.

The Assessment and Investigations Group is responsible for cases of high risk and/or high complexity, initial registrations, compliance assessments, cases requiring investigations, and sanctions (under both the TEQSA and ESOS Acts). Specialisation within the group is structured around assessing initial registrations, course accreditations and renewals or investigations. The group includes staff with technical expertise in relation to the ESOS obligations.

The Assurance Group is responsible for applications from higher education providers mostly at the moderate- or low-risk levels (including all of Australia's universities), and also undertakes compliance assessments and investigations as required. This group is also responsible for applications for SAA by non-university providers and for applications for change of provider category.

LEGAL GROUP

TEQSA's Legal Group, led by the General Counsel, is responsible for legal services required by TEQSA as a Commonwealth regulatory agency, including provision to TEQSA staff of strategic legal advice and training on legal issues, and management of claims by or against TEQSA.

CORPORATE GROUP

The Corporate Group provides strategic management of TEQSA's resources, a wide remit which includes planning and performance management, people and organisational development, financial management, risk management, funding negotiation, information management and infrastructure.

The Information Management Team within the Corporate Group is responsible for scoping and collecting provider data, developing and enhancing reporting capability, and analysing and reporting on information required to support regulatory activity. The team is also responsible for managing TEQSA's annual Provider Information Request (PIR) and led the transition of the 2016 PIR to the Commonwealth Higher Education Information Management System (HEIMS) in collaboration with the Department of Education and Training.

ENGAGEMENT GROUP

The Engagement Group is responsible for managing the agency's relationship with its stakeholders including peak bodies, regulatory beneficiaries (students, employers, and Australian public), other regulators, and industry professional bodies and international agencies (including quality assurance agencies of other countries).

The Engagement Group also manages external communication, complaints handling and the TEQSA external experts.

EXECUTIVE OFFICE

The Executive Office has primary responsibility for co-ordinating overall agency activities, and a front line role in mediating between TEQSA and government and public service stakeholders (including the Minister's Office, the Department of Education and Training, and the Higher Education Standards Panel). The Executive Office is made up of two teams; the Governance Team and the Policy and Analysis Team.

The Governance Team is responsible for preparation for Senate Estimates appearances, preparation of the TEQSA Annual Report and the Regulator Performance Framework Report, updating and maintenance of the quality system for assessments, delivery of strategic projects, and providing executive and administrative support to the Commissioners, CEO, accountable authority and SMT.

The Policy and Analysis Team is responsible for the enhancement of TEQSA's outcomes and future direction through ongoing improvements to regulatory policy, business improvement, strategic projects (as guided by the Strategic Projects Steering Group) and quantitative and qualitative analysis. Regulatory policy development includes both internal policy and external policy requiring input from TEQSA, consultation documents and reform policy (enhancing how TEQSA performs its role). The Team is responsible for the ongoing delivery of the internal and external reports and risk analysis (including financial analysis) with the exception of Annual Provider Risk Assessments, which are coordinated by TEQSA's assessment groups.



Performance against purposes

Purpose 1: Effective oversight of the quality and reputation of Australian higher education

Purpose 2: Efficient, effective, responsive, risk-based quality assurance and regulatory activities

Purpose 3: Constructive and collaborative relationships with governments, higher education providers, students and other stakeholders

Purpose 4: Effective internal quality assurance by providers

Analysis of TEQSA'S financial performance

3

Section 3: Performance review

STATEMENT OF PREPARATION

We, the TEQSA Commissioners, as the accountable authority of the Tertiary Education Quality and Standards Agency (TEQSA), present the 2016–17 annual performance statements of TEQSA, as required under paragraph 39(1)(a) of the *Public Governance and Accountability Act 2013* (PGPA Act).

In our opinion, these annual performance statements are based on properly-maintained records, accurately present the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

TEQSA'S PURPOSE

The *TEQSA Corporate Plan 2016–20* sets out TEQSA's performance indicators over a four-year period under four purposes:

1. Effective oversight of the quality and reputation of Australian higher education
2. Efficient, effective, responsive, risk-based quality assurance and regulatory activities
3. Constructive and collaborative relationships with governments, higher education providers and other stakeholders
4. Effective internal quality assurance by providers.

TEQSA's annual performance statements are reported below with a summary of results achieved against each of the performance criteria outlined under the four purposes.

Where relevant, performance statements include results from the recent stakeholder survey of TEQSA's performance in 2016–17. The participation rate for the 2016–17 survey of 74 per cent compares favourably with the 68 per cent response rate for the 2015–16 survey. Survey results and a comparison with the results of the 2015–16 survey will be covered in more depth in TEQSA's *Regulator Performance Framework Report* to be published later in 2017.

PERFORMANCE AGAINST PURPOSES

PURPOSE 1

EFFECTIVE OVERSIGHT OF THE QUALITY AND REPUTATION OF AUSTRALIAN HIGHER EDUCATION			
Source	Indicator	Target	Annual result against the target
2016–20 Corporate Plan, p.7 2016–17 Portfolio Budget Statements, p.218	1.1 TEQSA has effective mechanisms to identify, monitor and respond to risks to higher education across the sector.	Complete annual risk assessments and a sector-wide review of the correlation between risk assessments and assessments outcomes.	Achieved. See page 34.
2016–20 Corporate Plan, p.7 2016–17 Portfolio Budget Statements, p.218	1.2 Enhanced levels of information about the sector are made available to stakeholders and the sector.	Roundtable discussions and forums are held with key stakeholders. Sector to be provided with statistical and other reports.	Achieved. See page 35.
2016–20 Corporate Plan, p.7 2016–17 Portfolio Budget Statements, p.218	1.3 TEQSA engages in regular, constructive consultation with the sector, and also engages with international agencies to contribute to the development of transnational policy.	Roundtable discussions, forums and engagement to be held with stakeholders during the year. MoUs signed or re-signed with peak domestic and international bodies. International visits and staff exchanges to occur during the year.	Achieved. See page 37.

EFFECTIVE OVERSIGHT OF THE QUALITY AND REPUTATION OF AUSTRALIAN HIGHER EDUCATION

Source	Indicator	Target	Annual result against the target
2016–20 Corporate Plan, p.7	1.4 TEQSA collaborates in the development of national data collections.	TEQSA continues to be represented on the data collection committee.	Achieved.
2016–17 Portfolio Budget Statements, p.218		Collaborate with Department of Education and Training during the consolidation of collection of data. Complete whole-of-sector analysis on Provider Information Request data.	See page 39.

PURPOSE 2

EFFICIENT, EFFECTIVE, RESPONSIVE, RISK-BASED QUALITY ASSURANCE AND REGULATORY ACTIVITIES

Source	Indicator	Target	Annual result against the Target
2016–20 Corporate Plan, p.8	2.1 Quality assurance and regulation by TEQSA does not unnecessarily impede the efficient operation of higher education providers.	Provider survey results reflect TEQSA's efficient and effective administration of regulatory functions. Tailored and proportionate approaches are applied to all assessments undertaken during the year, based on risks and performance data from providers.	Achieved.
2016–17 Portfolio Budget Statements, p.219			See page 40.

EFFICIENT, EFFECTIVE, RESPONSIVE, RISK-BASED QUALITY ASSURANCE AND REGULATORY ACTIVITIES

Source	Indicator	Target	Annual result against the Target
2016–20 Corporate Plan, p.8 2016–17 Portfolio Budget Statements, p.219	2.2 TEQSA's decisions are provided in a timely manner, clearly articulating the reasons for decisions, and TEQSA gives all higher education providers a reasonable opportunity to address matters relevant to a decision by TEQSA before TEQSA makes a decision that affects the provider.	Draft summaries of findings are sent to providers for response for all adverse assessment decisions.	Achieved. See page 42.
2016–20 Corporate Plan, p.8 2016–17 Portfolio Budget Statements, p.219	2.3 Quality assurance and regulatory actions undertaken by TEQSA are proportionate to the risks being managed.	The three principles of necessity, risk and proportionality are considered by tailoring assessment for providers, resulting in an increased throughput compared with previous financial year.	Partially achieved. See page 43.
2016–20 Corporate Plan, p.8 2016–17 Portfolio Budget Statements, p.219	2.4 TEQSA's compliance and monitoring approaches are streamlined and coordinated.	Productivity increase in relation to tailored assessments compared with previous financial year.	Not achieved. See page 43.

EFFICIENT, EFFECTIVE, RESPONSIVE, RISK-BASED QUALITY ASSURANCE AND REGULATORY ACTIVITIES

Source	Indicator	Target	Annual result against the Target
2016–20 Corporate Plan, p.8 2016–17 Portfolio Budget Statements, p.219	2.5 Effective implementation of the requirements of regulatory responsibilities is achieved, including the TEQSA and ESOS Acts.	Completed all assessments in accordance with legislation.	Not achieved. See page 47.
2016–20 Corporate Plan, p.8 2016–17 Portfolio Budget Statements, p.219	2.6 The quality assurance framework continues to be improved in consultation with stakeholders.	Roundtable discussions are held, and post implementation activities are completed for Standards Transition project.	Achieved. See page 49.
2016–20 Corporate Plan, p.8 2016–17 Portfolio Budget Statements, p.219	2.7 TEQSA has people with the right skills to deliver its strategies and identifies and addresses capability gaps to enable delivery of Government regulatory policy.	Implement enhanced Organisational Capability Framework.	Partially achieved. See page 50.
2016–20 Corporate Plan, p.8 2016–17 Portfolio Budget Statements, p.219	2.8 Quality assurance business processes are documented and applied consistently.	Regular updating and production of guidance notes for providers and Case Management Handbook for staff; and continued implementation of business process improvement initiatives.	Partially achieved. See page 51.

PURPOSE 3

CONSTRUCTIVE AND COLLABORATIVE RELATIONSHIPS WITH GOVERNMENTS, HIGHER EDUCATION PROVIDERS, STUDENTS AND OTHER STAKEHOLDERS

Source	Indicator	Target	Annual result against the Target
2016–20 Corporate Plan, p.9	3.1 TEQSA's communication with higher education providers is clear, targeted and effective.	Positive provider survey results and feedback from roundtables and transition to new standards forums during the year.	Achieved.
2016–17 Portfolio Budget Statements, p.219			See page 54.
2016–20 Corporate Plan, p.9	3.2 TEQSA has enhanced engagement with students in consultation with peak student bodies.	Establishing direct communication and consultative links with peak student bodies.	Achieved. See page 55.
2016–20 Corporate Plan, p.9	3.3 TEQSA's dealings with higher education providers are open, transparent and consistent.	TEQSA publishes its risk assessment framework, application guides and guidance notes to inform providers of the approach taken to assessment.	Achieved.
2016–17 Portfolio Budget Statements, p.219			See page 56.

CONSTRUCTIVE AND COLLABORATIVE RELATIONSHIPS WITH GOVERNMENTS, HIGHER EDUCATION PROVIDERS, STUDENTS AND OTHER STAKEHOLDERS

Source	Indicator	Target	Annual result against the Target
2016–20 Corporate Plan, p.9 2016–17 Portfolio Budget Statements, p.220	3.4 Increased synergies are developed with other agencies, including contributions to collaborative goals.	Effective collaboration and constructive input on sector-wide issues with ASQA, Dept. Education & Training, and other government agencies. Increased engagement with the Quality Beyond Boundaries Group and other international peak bodies; agreement of new or renewed MoUs, including with Australian Charities and Not-for-profits Commission and state government agencies.	Achieved. See page 57.
2016–20 Corporate Plan, p.9 2016–17 Portfolio Budget Statements, p.220	3.5 Consultation mechanisms and guidance resources are developed for transition to the revised Higher Education Standards Framework.	Transition to the revised Higher Education Standards Framework is completed.	Achieved. See page 58.

PURPOSE 4

EFFECTIVE INTERNAL QUALITY ASSURANCE BY PROVIDERS			
Source	Indicator	Target	Annual result against the Target
2016–20 Corporate Plan, p.10	4.1 Enhanced internal quality assurance systems are reflected in reduced regulatory burden for providers.	Positive provider survey results.	Achieved.
2016–17 Portfolio Budget Statements, p.220			See page 59.
2016–20 Corporate Plan, p.10	4.2 TEQSA engages in proactive regular consultation and support for providers.	TEQSA supports providers through development of supporting material and online resources.	Achieved. See page 60.
2016–20 Corporate Plan, p.10	4.3 TEQSA proactively supports provider self-assurance, including applications to achieve self-accrediting authority.	TEQSA correctly identifies the risk status of providers and provide timely and meaningful responses to risks, including encouragement and support to low risk providers seeking to achieve self-accrediting authority. Applications for self-accrediting authority are launched by appropriate providers.	Achieved.
2016–17 Portfolio Budget Statements, p.220			See page 60.

PURPOSE 1: EFFECTIVE OVERSIGHT OF THE QUALITY AND REPUTATION OF AUSTRALIAN HIGHER EDUCATION

Strategies for Purpose 1 in the *TEQSA Corporate Plan 2016–20*.

STRATEGIES

- > Identify, monitor and respond to significant trends, incidents and risks to higher education that is delivered in or from Australia.
- > Promote the role, importance and effectiveness of Australia's quality assurance and regulatory system in maintaining the reputation of Australian higher education nationally and internationally.
- > Contribute to the enhancement of the national data collection and national sharing of data about the quality of higher education.

OVERVIEW

When considering applications for renewing registration and course accreditation, TEQSA takes into account relevant organisational characteristics that give confidence that strong quality assurance arrangements are in place. The agency considers the provider's track record and applies a range of assessment methods to be confident that providers meet and continue to meet the HES Framework.

Almost 80 per cent of respondents to the 2016–17 TEQSA Stakeholder Survey rated TEQSA's performance in assuring the quality of Australian higher education as good or excellent.

PERFORMANCE INDICATOR 1.1:

TEQSA has effective mechanisms to identify, monitor and respond to risks to higher education across the sector.

TARGET: Complete annual risk assessments and a sector-wide review of the correlation between risk assessments and assessments outcomes.

Annual result: achieved

The Cycle 4 Annual Risk Assessment using the Department of Education of Training verified and validated data was completed in 2016–17. The Cycle 5 Annual Risk Assessment process commenced in May 2017 and will be completed in 2017–18. The delivery of the assessment was delayed due to the introduction of new analytical software and competing priorities arising from the reduction in the staffing level. Implementation of additional mechanisms for achieving more streamlined, efficient risk assessment processes will also continue in 2017–18.

A review of the correlation between the risk profile of a provider and the outcome of regulatory decisions was undertaken for 2014–15 and 2015–16, and reported in the *TEQSA Regulator Performance Report* in December 2016. The report found a strong correlation in relation to renewal of registration assessments, where between 92 per cent and 100 per cent of providers assessed in Annual Risk Assessments as low-risk received a positive decision, and between 73 per cent and 80 per cent of providers assessed as being moderate- or high-risk received an adverse decision (conditions, reduced period of re-registration or rejection).

INTERNATIONAL EDUCATION ACTIVITY PROFILES

In 2016–17, a project to establish each registered provider's profile of international education activity was undertaken and the data verified with providers. The project brought together data from the Higher Education Information Management System (HEIMS), the PIR, the Provider Registration and International Student Management System (PRISMS), Universities Australia, and other open source material to provide a snapshot of a provider's operations in relation to international students studying in Australia and students studying accredited Australian higher education awards offshore. This project was identified as critical to TEQSA's ability to understand international operations in the sector. The identified purposes of the project included:

- > the ability to understand a provider's international activity
- > support for TEQSA's sector-wide scanning capability
- > the ability to understand sector-wide trends or issues relevant to international activity.

TEQSA'S COMPLAINTS PROCESS

In 2016–17, TEQSA also commenced reviewing its approach to handling complaints in line with the agency's strategic priorities, by developing approaches to gathering regulatory intelligence and student engagement. Development of the revised complaints-handling scheme, including the establishment of the complaints-handling principles and exploration of opportunities for staff training, is being designed to efficiently and effectively capture, respond to, and report on complaints made to TEQSA

about registered higher education providers. Due to competing demands for resources, this work was delayed and development and implementation of the new scheme will continue in 2017–18.

PERFORMANCE INDICATOR 1.2:

Enhanced levels of information about the sector are made available to stakeholders and the sector.

TARGET: Roundtable discussions and forums are held with key stakeholders. Sector to be provided with statistical and other reports.

Annual Result: achieved

CONSULTATIONS

During 2016–17, in response to concerns by private providers in the 2015–16 stakeholder survey, TEQSA Commissioners and CEO met with relevant peak bodies and other groups. These meetings discussed: the risk profile of private providers compared with the sector, policy issues, and the agency's workload.

The agency has been in consultation with the sector on proposed changes to the frequency and way decisions are published on the National Register of Higher Education Providers (National Register). During February and March 2017 the agency consulted stakeholders on proposed changes to the timing and dissemination of its regulatory decisions. The proposed changes included: publication of decisions when they are made and the status of any review process, publication of decisions to reject applications for initial registration or initial accreditation of courses of study, publication of news announcements or media releases, and corresponding changes to the National Register guidelines. Feedback from the consultation is being considered by TEQSA.

In July and August 2016, the agency conducted a formal consultation seeking feedback on proposed content for its external reporting program. Further to the planned publication of analysis of assessment outcomes, submissions were sought on other potential reporting areas, including data and analysis relating to TEQSA risk assessments and the links between risk assessment and assessment outcomes. The agency also sought submissions on what other material it could publish that would be of use to stakeholders. Respondents were supportive of the proposed release of information on assessment outcomes. In particular, there was clear support for the concept of the agency providing this information in a manner that assists with internal quality assurance, continuous improvement, and increased transparency of TEQSA's decision-making and regulatory processes. There was general support for the potential areas of future reporting outlined in the consultation paper, with a number of suggestions of other types of information the agency could produce to assist the sector. Following consideration of responses, TEQSA undertook to analyse and report on the outcomes of assessment processes to support an understanding of the sector's compliance with the HES Framework. There will be a focus on compliance themes and examples of good practice. The agency also undertook to publish information about the relationship between risk assessment findings and the outcomes of assessment processes.

STATISTICAL AND OTHER REPORTS

In 2016–17, TEQSA made enhanced levels of information available to the sector with the release of several reports, including the *Key financial metrics on Australia's high education sector* report (released in December 2016), *2017 Statistics Report on TEQSA Registered Higher Education Providers* (released in May 2017) and the report on *Characteristics of Australian higher education providers and their relation to first-year student attrition* (released in June 2017). TEQSA also published reports on the application status of prospective higher education providers in August 2016, March 2017 and May 2017.

These reports were accessed via the TEQSA website by almost 2000 unique visitors, with the *Characteristics of Australian higher education providers and their relation to first-year student attrition* viewed by just under 1000 unique visitors.

The *Characteristics of Australian higher education providers and their relation to first-year student attrition* report examined data from the 2014 calendar year and identified that, for the sector as a whole, the key institutional characteristics found to be associated with higher attrition rates were:

- > a higher proportion of external enrolments
- > a lower proportion of students undertaking postgraduate studies
- > a lower proportion of senior academic staff employed by the provider
- > a higher percentage of students admitted on the basis of VET study
- > a lower percentage of full-time staff employed.

Previous research into attrition has tended to concentrate on the characteristics of students found to be associated with higher attrition rates. This report focused more on institutional characteristics, which is consistent with the regulatory approach used by TEQSA for institutional registration. In 2017–18, TEQSA intends to update the analysis with 2015 calendar year data to examine if the multivariate models are stable over time, explore the nature of the variables, incorporate qualitative information on improvements in attrition, and consider possible improvements to the definition of attrition to accommodate changes in operating patterns.

Over 60 per cent of all respondents to the stakeholder survey rated TEQSA, in terms of availability of information on trends and observations on sector performance, as good or excellent.

The agency collaborated with a range of stakeholders including Commonwealth and state governments, peak bodies and international quality assurance agencies. In 2016–17, TEQSA continued to build networks with government agencies and internationally, and field strong interest from the sector and other agencies to work with TEQSA. Agreements were signed or renewed with agencies in United States, Vietnam, China, Malaysia and Singapore. Staff from Korean, Ethiopian and Japanese agencies were welcomed for visits and placements.

In 2016–17, TEQSA signed or renewed Memoranda of Understanding with a number of peak domestic and international bodies, as listed in Table 2.

PERFORMANCE INDICATOR 1.3:

TEQSA engages in regular, constructive consultation with the sector, and also engages with international agencies to contribute to the development of transnational policy.

TARGET: Roundtable discussions, forums and engagement to be held with stakeholders during the year. MoUs signed or re-signed with peak domestic and international bodies. International visits and staff exchanges to occur during the year.

Annual result: *achieved*

Table 2: Memoranda of Understanding signed in 2016–17

ORGANISATION	MoU ESTABLISHED
Australian Medical Council Limited	July 2016
Council for Private Education, Singapore	July 2016
Chinese Service Center for Scholarly Exchange	September 2016
Higher Education Evaluation Center (China)	September 2016
International Centre of Excellence in Tourism and Hospitality Education (THE-ICE)	September 2016
Queensland College of Teachers	September 2016
Australasia Veterinary Board Council Inc. (AVBC)	October 2016
Australian Institute of Quantity Surveyors	October 2016
Teacher Registration Board South Australia	November 2016
The Speech Pathology Association of Australia Limited	December 2016
National ELT Accreditation Scheme Limited	January 2017
Victorian Institute of Teaching	January 2017
Australian Council for Private Education and Training	February 2017
Professions Australia	February 2017
NEAS	February 2017
Council for Private Higher Education	February 2017
Australian Nursing and Midwifery Accreditation Council	February 2017
Australian Osteopathic Accreditation Council	February 2017
Australian Children's Education and Care Quality Authority	March 2017
Australian Pharmacy Council	April 2017

More detail on collaborations with stakeholders can be found under *Purpose 3: Constructive and collaborative relationships with governments, higher education providers and other stakeholders.*

See Performance Indicator 1.2 for details of roundtable discussions, forums and engagement held with stakeholders in 2016–17.

PERFORMANCE INDICATOR 1.4:

TEQSA collaborates in the development of national data collections.

TARGET: TEQSA continues to be represented on the data collection committee. Collaborate with Department of Education and Training during the consolidation of collection of data. Complete whole-of-sector analysis on Provider Information Request data.

Annual result: **achieved**

TEQSA worked with the Department of Education and Training to successfully verify and validate all student and staff data collected under the 2016 PIR. This milestone represents the successful validation of the student and staff data for the first year of the PIR transition for over 130 providers. As a result of the transition, student and staff data previously reported to TEQSA is submitted through the Department of Education and Training Higher Education Information Management System (HEIMS).

The PIR is a request for information under section 28 of the TEQSA Act. Data is collected to ensure a core dataset is available across all providers in the sector. PIR data informs tailored regulatory processes that take into account provider history, standing, and risk. This means that regulatory burden on providers can be significantly reduced. The use of PIR data also strengthens protection for students' interests and the sector's reputation by enabling TEQSA to monitor significant changes and identify any emerging issues.

PURPOSE 2: EFFICIENT, EFFECTIVE, RESPONSIVE, RISK-BASED QUALITY ASSURANCE AND REGULATORY ACTIVITIES

Strategies for Purpose 2 in the *TEQSA Corporate Plan 2016–20*.

STRATEGIES

- > Further integrate risk analysis into quality assurance activities.
- > Maintain a strong focus on the educational experiences and outcomes for students in quality assurance activities.
- > Continue to implement a program of improvement of quality assurance and regulatory approaches involving key stakeholders.
- > Align people, programs and processes to build organisational capability.

OVERVIEW

The *TEQSA Risk Assessment Framework* is a key component for providing efficient, effective, responsive, risk-based quality assurance and regulatory activities.

As part of its continual review of key regulatory processes, TEQSA uses feedback from providers to evaluate and improve its quality assurance and regulatory activities. This feedback is sourced through consultation with key stakeholders and from TEQSA's case management model.

PERFORMANCE INDICATOR 2.1:

Quality assurance and regulation does not unnecessarily impede the efficient operation of higher education providers.

TARGET: Provider survey results reflect TEQSA's efficient and effective administration of regulatory functions. Tailored and proportionate approaches are applied to all assessments undertaken during the year, based on risks and performance data from providers.

Annual Result: achieved

The agency's regulatory actions were considered excellent or good in terms of being proportionate to the risk by around 60 per cent of the stakeholders surveyed.

CASELOAD IN 2016–17

In 2016–17, TEQSA was able to maintain a comparable number of assessments completed to the number in 2015–16. However, the median processing times for assessments increased as a result of: the continuing heavy caseload, particularly due to applications from prospective providers; reduced staffing levels; and increasingly complex assessments. See Performance Indicator 2.2 for further detail. Table 3 sets out TEQSA's caseload over the last three years.

Table 3: TEQSA's caseload

CASELOAD STAGE	2014–15	2015–16	2016–17
Assessments carried over from the previous financial year	201	194	288
Applications received (including initial registration applications)	358 (10)	475 (29)	294 (28)
Assessments completed	365	381	374

In 2016–17, there was a significant decrease in the number of applications received and a small decrease in the number of assessments completed compared with 2015–16. There was also a decrease in the number of assessments that were carried into 2017–18 (208 assessments) compared with the number carried forward from 2015–16 (288 assessments).

Table 4 sets out the total number of assessments completed and decisions made. Table 4 also includes the number of assessments withdrawn for each type of application; the majority of these are withdrawn following an adverse initial assessment.

Table 4: Completed assessments and decisions made in 2016–17

REGULATORY PROCESSES	DECISIONS	WITHDRAWN/ CANCELLED	COMPLETED ASSESSMENTS
Registration	8	10	18
Re-registration	25	-	25
Provider Category Change	-	-	-
Self-Accrediting Authority	1	-	1
Course Accreditation	123	61	184
Course Re-accreditation	111	2	113
Course Re-accreditation (Teach Out)	10	2	12
CRICOS Registration	4	2	6
CRICOS Re-registration	11	1	12
Internal Review	1	-	1
Vary/Revoke Conditions	1	-	1
Withdraw Registration	1	-	1
TOTALS	296	78	374

Of the applications assessed under the TEQSA and ESOS Acts, there was a slight decrease compared with the previous year in the number of decisions made and the number of applications that were either withdrawn or cancelled. In 2015–16, 381 assessments were completed, consisting of 298 decisions made and 83 applications that were either withdrawn by the applicant or cancelled by TEQSA.

In addition, TEQSA completed 685 CRICOS assessments under the ESOS Act, such as changes to student capacity and addition or change to delivery site, that are not included in Table 3. This compares with 754 assessments of this type in 2015–16.

TEQSA also undertook four compliance assessments on registered providers due to increased risk of non-compliance with the HES Framework or the National Code. This work included very direct and rapid regulatory action regarding the Australian School of Management (ASM), which ultimately led to cancellation of its registration.

In relation to TEQSA's most resource intensive work involving case managers and the Legal Group, the agency worked on a number of external reviews of decisions in the AAT. In 2016–17, TEQSA was a party in eight external review matters relating to

18 regulatory decisions. In addition to the two matters carried over from 2015–16, six new matters commenced in 2016–17, including the review of the decision to impose conditions on the registration of ASM.

In 2016–17, the proportion of re-registration assessments with an adverse decision increased compared with 2015–16 (Table 5). Adverse decisions include the imposition of conditions, a reduced registration period, cancellation of registration, or rejection of the application. In 2016–17, 50 per cent of decisions were adverse compared with 45 per cent in 2015–16.

Table 5: Proportion of assessments of re-registration applications with an adverse decision

YEAR	% ADVERSE	% POSITIVE
2012–13	0	100
2013–14	17	83
2014–15	40	60
2015–16	45	55
2016–17	50	50

In total, 14 out of 25 (56 per cent) renewals of registration in 2016–17 were granted for the maximum seven-year period. This compares with 21 out of 25 (84 per cent) renewals of registration in 2015–16.

Three out of the four new providers registered in 2016–17 were granted the maximum seven-year period of registration. This compares with four out of seven new providers in 2015–16 being registered for the maximum seven-year period.

PERFORMANCE INDICATOR 2.2:

TEQSA’s decisions are provided in a timely manner, clearly articulating the reasons for decisions, and TEQSA gives all higher education providers a reasonable opportunity to address matters relevant to a decision by TEQSA before TEQSA makes a decision that affects that provider.

TARGET: Draft summaries of findings are sent to providers for response for all adverse assessment decisions.

Annual result: Achieved

Where adverse decisions are made, TEQSA always sends providers the reasons for decision. Providers are advised of proposed adverse decisions and no decision is made until the provider has had at least 28 days to comment. In one case during 2016–17, TEQSA failed to notify an applicant within 30 days of decisions made under sections 22 and 50 of the TEQSA Act regarding an application for initial registration and course accreditations.

Over 70 per cent of all respondents rated TEQSA, in terms of providing a reasonable opportunity to address matters relevant to a regulatory decision, as good or excellent.

PERFORMANCE INDICATOR 2.3:

Quality assurance and regulatory actions undertaken by TEQSA are proportionate to the risks being managed

TARGET: The three principles of necessity, risk and proportionality are considered by tailoring assessment for providers, resulting in an increased throughput compared with previous financial year.

Annual result: partially achieved

The increased level of enquiries and applications from prospective providers in 2016–17 necessitated more resource intensive assessment processes due to the lack of track record of most applicants. The impact of the continuing demand from prospective providers and the loss of experienced staff meant that throughput for the year did not increase, with 374 assessments completed in 2016–17 compared with 381 completed in 2015–16. In addition, 208 assessments were carried over into 2017–18.

CORE+ MODEL OF ASSESSMENT FOR RENEWAL OF REGISTRATION AND COURSE ACCREDITATION

Under the Core+ model, registered providers are required to submit minimum evidence relating to a set of core standards in the HES Framework with their applications. The model is designed to reduce evidence requirements and create more efficient regulatory assessment for low-risk providers. Higher-risk providers are required to submit additional evidence against other selected standards on a case-by-case basis, according to risk profile and

regulatory track record. Initial registration applications are assessed against all standards in the HES Framework due to the absence of regulatory history with TEQSA.

Following extension of this risk-differentiated Core+ model to course accreditation and reaccreditation in September 2015, all renewal applications assessed in 2016–17 were undertaken in accordance with the Core+ methodology.

The three principles of necessity, risk and proportionality were consistently applied in 2016–17. Consistent with these principles, TEQSA explored options to streamline assessments, ranging from trialling abridged case team reports for low-risk course accreditation to trialling a streamlined approach for initial registration/course accreditation applications. However, there were limited low-risk assessments for course re-accreditations received in 2016–17 to trial the option.

PERFORMANCE INDICATOR 2.4:

TEQSA's compliance and monitoring approaches are streamlined and coordinated

TARGET: Productivity increase in relation to tailored assessments compared with previous financial year.

Annual result: not achieved

Although a comparable number of assessments were decided in 2016–17 to those decided in 2015–16, the time taken to complete the assessments increased. Table 6 provides information regarding the assessments where a decision was made in 2016–17.

Table 6: Number of assessments decided and number of days to decision

	2015–16	2016–17
Number of assessments decided	298	296
Average number of days to decision	202	303
Median number of days to decision	165	295

Table 7: Percentage of decisions made within six months

DECISION TYPE	2014–15*	2015–16	2016–17
Re-registration	42.1%	39.3%	8.0%
Course accreditation (registered and prospective providers)	64.6%	69.6%	25.0%
Course accreditation (registered providers)	52.5%	49.2%	21.1%
Course re-accreditation	44.7%	52.1%	7.0%

* Adjusted from those figures reported in the 2014–15 Annual Report following further analysis.

The main factors influencing these results were the reduced staffing levels overall, transfer of case managers to deal with the influx of applications for initial registration, the consequential increased caseload for remaining case managers, the high turnover of case managers and the increased number of assessments with an adverse decision.

The increasing time taken to make decisions is also reflected in the results of the stakeholder survey, with only 54 per cent of respondents rating the timeliness of decisions as good or excellent. A number of providers also commented negatively on the lengthy decision times, with a reduction in decision timeframes being a common suggestion for improvement.

MEETING CASELOAD TIMEFRAMES

In 2016–17, the percentage of decisions made within six months for course accreditations, re-accreditations and re-registrations decreased significantly compared with 2015–16, as shown in Table 7.

However, the median processing time for the accreditation of new courses from registered providers fell slightly in 2016–17 compared with 2015–16, as shown in Table 8.

The timeframe associated with assessment of applications for accreditation of new courses is set in legislation.

Table 8: Median processing times from submission of application to decision

	2015–16 (days)	2016–17 (days)
Total (all assessment types)	165	295
Registration*	245	349
Re-registration	245	377
Course accreditation (registered and prospective providers)	193	244
Course accreditation (registered providers)	165	160
Course Re-accreditation	182	363

* For substantive assessment stage – the processing time in 2015–16 was 197 days and in 2016–17 it was 321 days

In 2016–17, TEQSA experienced continued strong interest from prospective providers seeking initial registration and course accreditations. Applications for initial registration must undergo a two stage assessment process within legislative timeframes. Undertaking the assessment of applications from prospective providers requires significant resources to ensure only providers that meet the required quality standards enter the sector, and the reputation of the higher education sector is maintained. In addition, the timeframes set in the TEQSA Act within which decisions must be made mean that these registration applications from prospective providers are prioritised over re-registration applications from existing providers. To address the risk of reduced service levels to registered providers, the restructure of the agency in late 2016 included the establishment of a dedicated team of case managers to assess applications from prospective providers. TEQSA also commenced using external experts for a small number of registration applications to assist in meeting the increased workload. External experts were also used, as before, to assess applications for course accreditation.

During 2016–17, a total of 48 applications for initial registration, accompanied by 99 applications for course accreditations, were under assessment. 20 of these applications were carried over from 2015–16 and of the remaining 28 applications, 24 were received just before the HES Framework 2015 came into effect on 1 January 2017. It is worth noting that of the 18 applications for initial registration where assessment was completed in 2016–17, only four applicants were granted registration. This low rate of success of applicants in achieving registration is a reflection of the lack of preparedness of the majority of applicants, and the difficulty many of the applicants operating in the vocational education and training sector have in meeting the requirements of higher education for effective course development and academic governance processes. In addition, many applications assessed in 2016–17 were prepared for prospective providers by specialist consultants, and in a large number of these cases the key personnel of the prospective provider were unable to demonstrate the necessary expertise in the provision of higher education and competence in academic governance.

As part of TEQSA's organisational reshaping, specialised teams were established to assess applications of the same type, or from the same type of provider. The regulatory assessment groups further specialised the assessment work by risk level as an effective case and resource management mechanism. A dedicated function of agency performance was also established to monitor performance of regulatory activities.

The need to establish a dedicated team in 2016–17 to assess applications from prospective providers also had the effect of shifting the caseload for existing registered providers onto a smaller number of staff. Assessments from prospective providers required approximately eight full-time equivalent case managers in 2017–18 which meant that only 25 case managers were available to assess applications and other regulatory matters for all registered providers. Despite the establishment of a dedicated team, the legislative deadlines for 13 applications for initial registration had to be extended in 2016–17.

LOSS OF CORPORATE EXPERIENCE AND KNOWLEDGE

Following the reduction in ASL from 60 to 48 in the 2016–17 Budget, considerable effort was made in 2016–17 to recruit contract staff to undertake regulatory work. However, TEQSA experienced a high turnover of case managers, particularly of the case managers engaged as contractors where the turnover rate was 136 per cent.

Compounding this turnover was the shifting ratio of APS staff to contractors in the assessment groups, from 3.8 APS staff for each contractor to 1.5 APS per contractor. This loss of corporate memory and experience contributed to the significant increase in the time taken to complete assessment of applications compared with 2015–16.

To address the high turnover in case managers, significant work was undertaken in 2016–17 to update and enhance internal systems to support case managers. See Performance Indicator 2.8 for further detail.

It is worth noting that the stakeholder survey results identified that 90 per cent of respondents considered the TEQSA case management approach 'very important' to their organisation. However, despite positive comments in the performance of individual case managers, a significant number of providers commented negatively on the high turnover of case managers.

IMPLEMENTING DELEGATIONS

The TEQSA Act, as amended through the *Tertiary Education Quality and Standards Agency Amendment Act 2014*, permits the delegation of TEQSA's powers and functions from the Commissioners collectively to agency staff. In 2015–16, TEQSA gave effect to the Commissioners' decision to approve the delegation of decision-making authority, in specific instances, to a single Commissioner and TEQSA regulatory staff. The policy is based upon three guiding principles:

- > delegates understand their responsibilities
- > delegates are skilled decision makers
- > delegates observe procedural fairness and safeguard against bias and conflicts of interest.

The delegation of regulatory decision-making powers and functions enables TEQSA to use its resources more flexibly while maintaining the quality of regulatory outcomes.

In 2016–17, there were 199 delegated decisions compared with 229 in 2015–16, in line with the reduced number of course accreditation and reaccreditation applications received in 2016–17 (229) compared with 2015–16 (353).

Under its governing legislation, TEQSA is obliged to provide particular forms of advice or complete specific processes, within specified timeframes.

Table 9 contains information about the timing of requirements of the TEQSA Act and TEQSA's performance in meeting these requirements in the 2016–17 reporting period.

PERFORMANCE INDICATOR 2.5:

Effective implementation of the requirements of regulatory responsibilities is achieved, including the TEQSA and ESOS Acts.

TARGET: Completed all assessments in accordance with legislation.

Annual result: not achieved

Table 9: Performance in 2016–17 against the requirements of the TEQSA Act

REQUIREMENT	REFERENCE IN THE TEQSA ACT	PERFORMANCE
TEQSA must undertake a preliminary assessment of an application for registration within 30 days after an application is made.	Section 19	Achieved TEQSA completed preliminary assessments of all applications for registration within 30 days after an application was made.
TEQSA must make a decision on the application for registration within 9 months of receiving it, or if TEQSA is satisfied for reasons beyond its control that a decision cannot be made within the 9 months, TEQSA may determine a longer period not exceeding a further 9 months, within which it must make a decision on the application.	Section 21	Achieved However, due to resource constraints and the increased number of applications for initial registration, the legislative deadline for 13 decisions was extended in 2016–17.
TEQSA must make a preliminary assessment of an application for a course of study to be accredited within 30 days after an application is made.	Section 47	Not achieved TEQSA did not complete preliminary assessments for 17 applications for a course of study to be accredited within 30 days after the applications were made.

REQUIREMENT	REFERENCE IN THE TEQSA ACT	PERFORMANCE
<p>TEQSA must make a decision on the application for accreditation of a course of study within 9 months of receiving it, or if TEQSA is satisfied for reasons beyond its control that a decision cannot be made within the 9 months, TEQSA may determine a longer period not exceeding a further 9 months, within which it must make a decision on the application.</p>	<p>Section 49</p>	<p>Achieved</p> <p>However, due to the increased number of applications for initial course accreditation accompanying applications for some initial registrations, and resource constraints, the legislative deadline for 26 decisions was extended in 2016–17.</p>
<p>TEQSA must make its decision on review of a reviewable decision within 90 days after receiving the application for review</p>	<p>Section 186</p>	<p>Not achieved</p> <p>There was one case where the decision arising from an internal review of a decision on a course accreditation was not made by the required deadline.</p>

ESOS FRAMEWORK REVIEW

Implementation of changes arising from the *Education Services for Overseas Students Amendment (Streamlining Regulation) Act 2015* continued from 2015–16. Reviews of the National Code and the *ELICOS Standards* by the

Department of Education and Training will continue in 2017–18. TEQSA will consider what changes to documentation or processes might be needed as a result of any amendments to the National Code and the *ELICOS Standards*.

PERFORMANCE INDICATOR 2.6:

The quality assurance framework continues to be improved in consultation with stakeholders.

TARGET: Roundtable discussions are held, and post implementation activities are completed for Standards Transition project.

Annual result: achieved

Following the successful engagement with the sector during 2015–16 to brief providers on the transition to the HES Framework 2015 that came into effect on 1 January 2017, TEQSA focused on finalising the application materials and guidance for the sector. In 2016–17, TEQSA worked on several activities related to improving the quality assurance framework, including:

- > releasing a contextual overview and 19 guidance notes for consultation to support providers transition to the HES Framework 2015
- > conducting a briefing on the HES Framework 2015 in September 2016, for 43 peak bodies with responsibility for registration or accreditation for professional practice
- > trialling new online forms and templates for the HES Framework 2015 with selected providers before being made available to all providers
- > updating applications guides for registration, re-registration, course accreditation, reaccreditation and registration in university categories based on stakeholder feedback.

All materials required by providers to lodge applications under the HES Framework 2015 were made available. Table 10 summarises the access of materials made available through the TEQSA website. As of 30 June 2017, 55 assessments had been submitted under the HES Framework 2015.

Table 10: number of unique visitors who accessed TEQSA webpages supporting the transition to the HES Framework 2015 in 2016–17.

PAGE NAME	NUMBER OF VISITORS
Applying under the new Standards	6229
HESF 2015 specific guidance notes	6524
TEQSA contextual overview of the new HES Framework	11890

THE STANDARDS TRANSITION REFERENCE GROUP

The Standards Transition Reference Group provided advice to TEQSA on the approach and strategies used for the transition to the HES Framework 2015 with particular reference to the impact of transition on providers.

The reference group included representatives from Universities Australia, the International Education Association of Australia, the Australian Council for Private Education and Training, the Council of Private Higher Education, and TAFE Directors Australia.

The reference group was invited to provide feedback on:

- > the approach TEQSA took to prioritise the development and release of key materials over multiple stages, in order to expedite support for providers in the transition to the HES Framework 2015
- > the suitability of sample materials for providers (for example the overview for the HES Framework and guidance notes)
- > TEQSA's recommendations for handling process issues arising from the transition to the HES Framework 2015
- > the proposed approach to briefing and engaging providers.

Following meetings in 2015–16, the reference group met in August 2016 to provide further advice on transitional matters. The operating term of the group ended in January 2017.

PERFORMANCE INDICATOR 2.7:

TEQSA has people with the right skills to deliver its strategies and identifies and addresses capability gaps to enable delivery of Government regulatory policy.

TARGET: Implement enhanced Organisational Capability Framework.

Annual result: partially achieved

TEQSA has highly skilled staff with a range of knowledge and expertise in higher education, regulation, risk management and government.

In 2016–17, in response to the reduction of ASL allocation for the agency from 60 to 48, a new organisational structure was implemented in order to deliver the *TEQSA Corporate Plan 2016–20* and sustain operations. The restructure was to allow TEQSA to: increase specialisation for investigations, respond to emerging risks, set up a dedicated team for the large number of prospective sector entrants, increase engagement with the sector, and to establish a dedicated function to monitor the performance of agency regulatory activities. However, despite considerable effort in recruiting contractors with expertise in higher education, the agency has struggled to retain staff and experienced an overall separation rate of 74.9 per cent. In 2016–17, there were 19 total separations in APS staff, which is a separation rate of 43.2 per cent compared with an APS average of 7.1 per cent, and a turnover rate of 136 per cent for contractors.

TEQSA undertook measures to enhance staff capabilities in addition to the existing individual Performance and Development Plans, as well as updating its *Learning and Development Strategy and Plan 2017–19*. In 2017–18, this work will continue to identify and address immediate learning and development needs.

LEARNING COMMITTEE

In 2016–17, TEQSA's Learning Committee facilitated 13 interactive sessions for staff with presenters from peak bodies, international agencies and internal experts of TEQSA. The Learning Committee project was established to support TEQSA as a learning organisation. It is driven by a community of staff, focusing on information sharing by enhancing understanding and knowledge of strategic and emerging issues in the higher education sector.

REGISTER OF EXPERTS

When undertaking assessments, TEQSA staff use external expertise in a range of discipline areas and in specialised higher education learning and teaching methodologies as necessary. To facilitate engagement with sector expertise, TEQSA maintains a Register of Experts that regulatory staff use to engage experts required to assist in assessing course accreditation applications. In 2016–17 some experts were used in registration assessments, as mentioned below. Table 11 shows the number of work assignments completed by experts.

Table 11: Work assignments completed by experts

FINANCIAL YEAR	COMPLETED WORK ASSIGNMENTS
2014–15	152
2015–16	178
2016–17	191
Total	521

In 2016–17, although more work assignments were completed by experts, there were fewer experts used – 109 experts compared with 120 in 2015–16. The majority of experts worked on one work assignment, with some working on two or more, and a maximum of eight work assignments for a

particular expert. Most work assignments are related to assessing applications for accreditation of courses against the Course Accreditation Standards of the HES Framework. However, experts were occasionally used to provide specialist advice in relation to compliance with other parts of the HES Framework or as part of compliance assessments.

PERFORMANCE INDICATOR 2.8:

Quality assurance business processes are documented and applied consistently.

TARGET: Regular updating and production of guidance notes for providers and Case Management Handbook for staff; and continued implementation of business process improvement initiatives.

Annual result: *partially achieved*

In 2016–17, TEQSA focused on the development of 19 guidance notes, enhancement of the four guidance notes published in 2015–2016, and the production of other material for providers to support the transition to the HES Framework 2015, which came into effect on 1 January 2017. TEQSA has also implemented a new Internal Quality Assurance Framework. Table 12 lists the guidance notes released to support transition to the new HES Framework

Table 12: Guidance released to support transition to the HES Framework 2015

TITLE	RELEASE DATE
Staffing	August 2016
Scholarship	August 2016
Third Party Arrangements	August 2016
Nested Courses	August 2016
Professional Equivalence	August 2016
TNE Inbound	August 2016
Joint and dual awards	August 2016
Technology enhanced learning	August 2016
External referencing	August 2016
Varying a period of registration/accreditation	August 2016
Workplace Integrated Learning (WIL)	August 2016
Financial Standing	August 2016
Financial Assessment	August 2016
Research and Research Training	August 2016
Diversity and Equity	August 2016
Academic Integrity	August 2016
Material Change Policy	October 2016
AQF FAQs	November 2016
Changes in a Course of Study that may lead to Accreditation as a New Course	February 2017
SAA application guide	April 2017

In 2016–17, the TEQSA Standards Transition Briefing May 2016 video was viewed over 2300 times on YouTube and the page on the TEQSA website with the guidance

notes specific to the transition to the HES Framework 2015 was viewed by over 6500 unique visitors.

CASE MANAGEMENT HANDBOOK

TEQSA's Case Management Handbook was developed in 2013–14 to guide case managers in undertaking assessments. Following the review and development of application materials and guidance for the sector on the new HES Framework 2015, TEQSA invested in a comprehensive review and enhancement of internal resources to develop a revised Case Management Handbook.

The handbook documents the processes for assessment, decision and notification, as well as providing guidance on various aspects of the assessment process and template materials. The handbook was updated to include revised processes, increased detail regarding assessment processes and the changes arising from the introduction of the HES Framework 2015. Significant progress was made and the redevelopment of the Case Management Handbook will be completed in early 2017–18.

TEQSA INTERNAL QUALITY ASSURANCE

To enhance internal quality assurance, a steering group was formed in June 2017 to drive improvement of the agency's internal quality processes. The steering group remit includes the redevelopment of the Case Management Handbook, the improvement of the customer relationship management system used to manage regulatory work and the redevelopment of the National Register of Higher Education Providers.

PURPOSE 3: CONSTRUCTIVE AND COLLABORATIVE RELATIONSHIPS WITH GOVERNMENTS, HIGHER EDUCATION PROVIDERS AND OTHER STAKEHOLDERS

Strategies for Purpose 3 in the *TEQSA Corporate Plan 2016–20*.

STRATEGIES

- > Share data and analyses to support compliance and improvement activities.
- > Strengthen the collaborative relationship with the Australian Skills Quality Authority (ASQA), the Higher Education Standards Panel and other agencies with mutual interests both in Australia and internationally.
- > Consult with peak bodies and higher education providers to promote a shared understanding of TEQSA's approach and its core functions.

OVERVIEW

TEQSA communicates its approach to its core functions to a wide range of stakeholders. In 2016–17, the agency focused its efforts on:

- > outlining the agency's approach to its work and building confidence in its capacity
- > increasing provider understanding of their quality assurance obligations and compliance with them, to support a culture of self-assurance in the sector

- > increasing provider understanding to support the transition to the HES Framework 2015
- > supporting the development of policies and processes to reduce the regulatory burden for providers
- > promoting international recognition of TEQSA's expertise to assure the quality of Australian international education and reduce provider compliance burden.

TEQSA collaborates with the Department of Education and Training (DET) and other Australian Government agencies to access and share knowledge, expertise and resources. The TEQSA CEO, staff and Commissioners meet regularly with relevant areas of DET to discuss common issues and identify opportunities for cooperation.

During 2016–17, following changes to the loan arrangements for vocational education and training students, the agency met regularly with areas of DET managing the transition to the replacement loan scheme. Information regarding dual sector providers from DET was used to monitor the impact of changes in access to the scheme on the financial viability of the higher education operation of providers.

The Commissioners and CEO met with the Higher Education Standards Panel during 2016–17 to discuss the review of the impact of the TEQSA Act, the consultation on transparency in admissions, links with the QILT project, regulatory options for upholding the integrity of academic assignments, international activities in the sector, the regulatory impact of professional accreditation, transition to the HES Framework 2015, reporting parameters for the Regulatory Performance Framework, research into attrition rates, and updates on the impact of TEQSA's reform agenda. The Panel also provided external validation of TEQSA's self-assessment of its 2015–16 performance against the Regulatory Performance Framework.

TEQSA is represented on the Education Regulator and Immigration Committee, established by the Department of Immigration and Border Protection as a forum for sharing information and discussing matters relating to education providers and student visas. This forum is a valuable source of information regarding emerging risks in the international student market.

The agency and ASQA continue to apply coordinated approaches to managing all CRICOS-related matters for dual sector providers. This has now expanded to sharing further information on providers registered with both agencies and, in particular, regulatory decisions relating to prospective higher education providers.

TEQSA consults regularly with the higher education sector, in meetings and via written correspondence. The agency meets regularly with peak body representatives including Universities Australia, the Australian Council for Private Education and Training, the Council of Private Higher Education, TAFE Directors Australia, English Australia, the National ELT Accreditation Scheme and the International Education Association of Australia.

PERFORMANCE INDICATOR 3.1:

TEQSA's communication with higher education providers is clear, targeted and effective.

TARGET: Positive provider survey results and feedback from roundtables and transition to new standards forums during the year.

Annual result: achieved

Around 80 per cent of respondents to the 2016–17 stakeholder survey rated the quality of information on the National Register as good or excellent. In addition, survey respondents indicated an improvement in the agency's communication via the

website and newsletters compared with 2015–16. However, on a number of matters relating to communicating regulatory decisions, TEQSA's rating fell in comparison with 2015–16.

Almost 90 per cent of respondents rated the quality and relevance of information on TEQSA's regulatory policies and processes on the website and in newsletters as good or excellent.

The agency actively and openly engages with the higher education sector and as part of these activities TEQSA developed a framework in 2016–17 to guide engagement activities. The engagement framework aligns with *TEQSA Corporate Plan 2016–20* and addresses feedback from the 2015–16 TEQSA Stakeholder Survey.

TEQSA Commissioners and senior staff are frequently invited to present at higher education conferences and events. In 2016–17, the agency presented at, or attended, more than 30 events to explain and discuss the agency's approach to quality assurance and regulation. The agency issued a monthly e-News to the sector in 2016–17, including a special edition focused on the transition to the HES Framework 2015. As of 30 June 2017, the e-News had a subscriber list of 2300, including students, peak bodies, professional staff, academics and CEOs/vice-chancellors.

TEQSA CONFERENCE

In November 2016, TEQSA held its first conference titled *Sharing Excellence: Assuring Quality*. The conference was attended by more than 420 delegates, and, with a further waiting list of over 200, demand exceeded the capacity of the conference venue. Feedback from conference attendees revealed that the sector was keen for more interaction of this type with TEQSA. Planning for the second TEQSA conference to be held in November 2017 commenced in 2016–17 and used feedback from the first conference as the basis for an expanded program of engagement with the sector.

Feedback about the 2016 conference was very positive, with over 85% of respondents to the stakeholder survey rating the program, quality of speakers, relevance of material and opportunity for interaction, as good or excellent.

PERFORMANCE INDICATOR 3.2:

TEQSA has enhanced engagement with students in consultation with peak student bodies.

TARGET: Establishing direct communication and consultative links with peak student bodies.

Annual result: achieved

In 2016–17, TEQSA actively engaged with students, including with peak student bodies, to discuss approaches to student engagement and how TEQSA can work with these bodies in the future. The agency also entered into discussions with Study Melbourne and the Overseas Student Ombudsman regarding information sharing of student complaints about higher education providers.

Activities also included reviewing the information for students on the TEQSA website, with the prominence of the student voice and student access to the website as key principles for a refreshed website which will be launched later in 2017. Student representatives were also consulted in relation to the TEQSA Conference.

In 2016–17, the CEO joined the steering group of the Office of Teaching and Learning strategic priority project *Student engagement in university decision-making and governance – towards a more systemically inclusive student voice*, to provide advice on international practices for including students in provider decision making.

PERFORMANCE INDICATOR 3.3:

TEQSA's dealings with higher education providers are open, transparent and consistent

TARGET: TEQSA publishes its risk assessment framework, application guides and guidance notes to inform providers of the approach taken to assessment.

Annual result: **achieved**

RISK ASSESSMENT FRAMEWORK

The agency varies the depth and breadth of its assessments based on all available information about each registered provider's organisational characteristics and risk profile. TEQSA's Risk Assessment Framework is a key component for providing effective oversight of the quality and reputation of Australian higher education.

The framework:

- > provides TEQSA with both an overview of risks in the sector as a whole and information about individual providers
- > reduces regulatory burden by using risk assessments to inform a tailored approach to evidence and reporting requirements in regulatory processes
- > strengthens the protection of students' interests and the sector's reputation by monitoring key aspects of providers' operations during registration periods
- > supports TEQSA case managers and providers in early discussions about emergent issues prior to any formal compliance review
- > supports quality improvement activities through the sharing of information with providers and other regulators about potential risks and good practices in the sector.

A review of the Risk Assessment Framework commenced in 2016–17 with an updated framework to be published in 2017–18.

TEQSA REGULATOR PERFORMANCE FRAMEWORK

The *TEQSA Regulator Performance Framework Report 2015–2016* (RPF Report) and the *TEQSA Stakeholder Survey 2016 – Report of overall findings* were both published in December 2016. The RPF Report discussed the results of the stakeholder survey in the context of the performance indicators required for the RPF and also included analysis of the correlation between risk profile of providers and the outcome of assessments of applications.

GUIDANCE NOTES

In addition to the consultation undertaken with providers in relation to the transition to the HES Framework 2015, TEQSA released 24 revised and new guidance notes, including 19 in 2016–17, to support providers. The guidance notes on academic leadership; workplace integrated learning; research and research training; TEQSA and the Australian Qualifications Framework; financial standing; technology enhanced learning; external referencing; diversity and equity; academic integrity; course design, learning outcomes and assessment; and wellbeing and safety were developed in collaboration with experts in the sector and/or the Standards Transition Reference Group.

See Performance Indicator 2.8 for further details about the publication of application guides and guidance notes in 2016–17.

PERFORMANCE INDICATOR 3.4:

Increased synergies developed with other agencies, including contributions to collaborative goals

TARGET: Effective collaboration and constructive input on sector-wide issues with ASQA, Dept. Education & Training, and other government agencies. Increased engagement with the Quality Beyond Boundaries Group and other international peak bodies; agreement of new or renewed MoUs, including with Australian Charities and Not-for-profits Commission and state government agencies.

Annual result: **achieved**

The agency collaborated, and provided constructive input on thematic issues, with several Commonwealth government departments and agencies as well as state governments, international quality assurance agencies and peak bodies representing the higher education sector.

In 2016–17, in addition to formal submissions to the review of the impact of the TEQSA Act, TEQSA provided background and contextual material, including legislative proposals, to consultants engaged by the Department of Education and Training to undertake the review.

During 2016–17, the agency continued to work with state government investment arms and was involved in discussions with international providers considering entry to the Australian higher education sector. TEQSA provided advice on the HES Framework, the categorisation of providers and how external parties could enter and operate in the local market.

COLLABORATION WITH ASQA

The agency continued to work with ASQA to streamline the regulation of providers registered by both regulatory agencies. The ASQA–TEQSA Reference Group, co-chaired by Commissioners from both agencies and attended by the TEQSA CEO, oversees the initiatives of a Memorandum of Understanding (MoU) designed to:

- > streamline the regulation of dual sector providers to the maximum extent possible, given the separate quality assurance and regulatory standards frameworks for the higher education and vocational education and training sectors
- > reduce the potential for duplication that impacts on the compliance burden and cost for dual sector providers
- > streamline regulatory processes where possible to benefit the VET and higher education sectors.

Although TEQSA and ASQA are required to assess providers under different sets of quality standards, the two agencies continue to apply coordinated approaches to manage all CRICOS-related matters for dual sector providers, and this has now expanded to sharing more information on providers registered with both agencies.

Following a pilot project in 2015–16 to jointly manage the process for Registered Training Organisation, Higher Education Provider, and CRICOS registration for dual sector providers, TEQSA and ASQA developed a register of the risk profiles of such providers. The register is used by case managers to establish evidence requirements and the scope of assessment. In 2016–17, the joint ASQA/TEQSA risk register was actively maintained and utilised to further inform TEQSA's risk based regulatory approach. The two agencies continued to work together to share information about dual sector providers and VET providers seeking entry to the

higher education sector. Further work on approaches to risk between the regulators will continue over 2017–18. Two dual sector university re-registration assessments were planned and scoped.

Staff from both agencies met in a number of discussions, workshops and forums over the last year and this engagement created a higher level of understanding between the two agencies on how they will continue to work together in the future.

INTERNATIONAL QUALITY ASSURANCE

TEQSA plays an important role in protecting, enhancing and promoting the quality and integrity of Australia's higher education sector in the international sphere. The agency is a member of the following international networks:

- > International Network for Quality Assurance Agencies in Higher Education (INQAAHE)
- > Asia-Pacific Quality Network (APQN)
- > Council for Higher Education Accreditation (CHEA) International Quality Group
- > Quality Beyond Boundaries Group (QBBG).

In 2016–17, the agency continued to strengthen links with international quality assurance agencies through these networks, with ongoing discussion about Australian providers, quality assurance and regulation. TEQSA signed a number of MoUs with international bodies and domestic groups and agencies, as listed earlier in the report in Table 3. In February 2017, TEQSA released its International Engagement Strategy 2016–20. The Strategy builds on TEQSA's statutory objective to protect the strong reputation of the quality and integrity of Australia's higher education sector in cross border higher education.

QUALITY BEYOND BOUNDARIES GROUP

The Quality Beyond Boundaries Group (QBBG) is a network of international quality assurance agencies from major sending and receiving countries of cross border higher education. The QBBG consists of quality assurance agencies from the UK, Singapore, Dubai, Hong Kong, the USA and Australia. The Group addresses common challenges by creating a platform to collaborate, share information and best practices, and to work together to improve quality assurance systems for cross border higher education.

In October 2016, TEQSA hosted the fifth annual conference of QBBG. Delegates discussed academic integrity and its challenges on a global scale, perspectives from working with government in different jurisdictions, better frameworks for transnational data collection and the comparability of data across jurisdictions.

PERFORMANCE INDICATOR 3.5:

Consultation mechanisms and guidance resources are developed for transition to the revised Higher Education Standards Framework

TARGET: Transition to the revised Higher Education Standards Framework is completed.

Annual result: achieved

As outlined in the outcome for performance indicators 2.6 and 2.8, the transition to the HES Framework 2015 (effective 1 January 2017) was successfully achieved with:

- > the development of a comprehensive framework of guidance materials
- > a series of briefings for providers
- > the development of new application guides based on stakeholder feedback, and new online forms and templates.

TEQSA will continue to monitor the impact of the implementation of the HES Framework 2015 on providers during 2017–18.

PURPOSE 4: EFFECTIVE INTERNAL QUALITY ASSURANCE BY PROVIDERS

Strategies for Purpose 4 in
the *TEQSA Corporate Plan 2016–20*.

STRATEGIES

- > Optimise TEQSA's application of the HES Framework to foster internal quality assurance purposes.
- > Provide guidance to providers on enhancing internal quality assurance.

OVERVIEW

TEQSA grants full or partial self-accrediting authority (SAA) to low risk providers that can demonstrate that they meet the requirements of the HES Framework, including the SAA criteria. The decision to grant SAA is based on evidence of good practice including, but not limited to:

- > a history of successful operation including systemic and mature internal processes to assure and maintain the quality of the provider's courses, academic standards and academic integrity
- > well-structured and effective governance arrangements, and robust course design, approval and review processes, including comprehensive external review
- > highly experienced administrative and teaching staff
- > an active scholarly community with a significant and sustained history of scholarship
- > a proven history of successful graduate outcomes.

PERFORMANCE INDICATOR 4.1:

Enhanced internal quality assurance systems are reflected in reduced regulatory burden for providers.

TARGET: Positive provider survey results.

Annual result: **achieved**

Overall, just under 60 per cent of respondents rated TEQSA's performance in 2016–17 to reduce the burden for their organisation as good or excellent. However, this is a drop from just over 70 per cent in 2015–16.

Similarly, there was a drop in the satisfaction rating of respondents in relation to TEQSA's reuse of material for regulatory matters compared with 2015–16 – 56 per cent of respondents rated TEQSA as good or excellent in 2016–17 compared with 71 per cent in 2015–16.

While TEQSA's regulatory framework includes sanctions that can be used against registered providers that do not maintain adequate internal quality assurance, it also contains incentives for providers to maintain effective internal quality assurance.

TEQSA has improved the online forms developed as part of the transition to the HES Framework 2015, which took effect on 1 January 2017. The forms standardised and streamlined data collection for assessments and reduced the need for requests for information. The new model developed for renewal of registration under the HES Framework 2015 focuses on assessment of a provider's governance, monitoring and internal quality assurance processes.

PERFORMANCE INDICATOR 4.2:

TEQSA engages in proactive regular consultation and support for providers.

TARGET: TEQSA supports providers through development of supporting material and online resources.

Annual result: *achieved*

Consultation with the Australian higher education sector is a crucial component in maintaining the agency's relations with stakeholders and improving quality assurance processes. Feedback from the sector is considered in decisions to modify the agency's approach to assessment. When undertaking consultations, the agency ensures that consultation papers are easily accessible, the sector and the broader public are allowed sufficient time to prepare responses, and any questions are addressed promptly and shared publicly. The TEQSA website www.teqsa.gov.au is a key tool for communicating important information to the higher education sector and those with an interest in Australian higher education.

In February–March 2017, TEQSA consulted the sector in relation to proposed changes to the publication of its decision; the agency also consulted the sector on five draft application guides and 19 guidance notes for the new HES Framework. During 2016–17, feedback was received from 48 organisations on one or more of the support materials (application guides and guidance notes) published for the transition to the HES Framework 2015.

A dedicated inbox was used in 2016–17 to receive feedback and provide clarification on the guidance notes as they were released to the sector. During 2016–17,

based on feedback from providers and case managers, TEQSA prepared further guidance notes and other support materials.

Refer also to selected achievements for Performance Indicators 2.6 and 2.8.

PERFORMANCE INDICATOR 4.3:

TEQSA proactively supports provider self-assurance, including applications to achieve self-accrediting authority.

TARGET: TEQSA correctly identifies the risk status of providers and provides timely and meaningful responses to risks, including encouragement and support to low risk providers seeking to achieve self-accrediting authority. Applications for self-accrediting authority are launched by appropriate providers.

Annual result: *achieved*

TEQSA encourages providers to follow a path of development that leads to self-accrediting status and potentially, in some cases, to becoming a university.

In 2016–17, TEQSA published a new application guide on SAA. The new guide is aligned with the requirements of the HES Framework 2015 and TEQSA engaged with TAFE Directors Australia as part of the process of revising the guide and developing online forms.

As at 30 June 2017, there were 54 providers with full or partial SAA, equivalent to 33 per cent of all providers. This compares to 53 providers (31 per cent of providers) at 30 June 2016. All 43 university providers had the authority to accredit all their courses of study prior to TEQSA commencing operations in 2012. Table 13 summarises the change in numbers of providers with full or partial self-accrediting authority.

Table 13: Number of providers with full or partial SAA as at 30 June of each financial year

	2014–15	2015–16	2016–17
Providers with full or partial SAA	48	53	54
Total providers	169	171	166
Percentage of providers with full or partial SAA	28%	31%	33%

ANALYSIS OF TEQSA'S FINANCIAL PERFORMANCE

For the 2016–17 financial year, the agency recorded a total comprehensive loss of \$1.12 million, which is \$0.16 million or 12.5 per cent lower than the deficit of \$1.28 million in 2015–16. The decrease in operating deficit is primarily attributed to higher sublease rental income arising from the cessation of the rent-free period for one lease coupled with the agency's ability to manage its expenses.

The 2016–17 operating deficit is also \$0.36 million more than the estimated deficit of \$0.76 million as set out in the 2016–17 Portfolio Budget Statements. This increase is the result of higher than expected utilisation of contractors and

external experts to address: the number of increasingly complex assessments, the increase in volume of applications from prospective providers and the backlog of assessments from 2015–16, and the introduction of the updated HES Framework.

The 2016–17 operating deficit, after adjusting for depreciation and amortisation expenses of \$0.62 million, is \$0.51 million which was TEQSA's approved operating loss for the financial year. This is the second consecutive year in which TEQSA has had operating losses.



Corporate governance

Human resources

Financial management

4

Section 4: Management and accountability

CORPORATE GOVERNANCE

TEQSA's corporate governance framework incorporates regulatory and management decision-making bodies; an integrated planning framework; systems, policies and directives such as the Enterprise Risk Management Framework, the internal control framework, and chief executive instructions; an ethical and accountable organisational culture; and transparency in public reporting.

DECISION FORUMS AND COMMITTEES

ACCOUNTABLE AUTHORITY

Section 132 of the TEQSA Act specifies the Commissioners as the accountable authority for the purposes of the PGPA Act. This confers various responsibilities and powers on the accountable authority to promote high standards of accountability and performance. As the accountable authority, TEQSA Commissioners are responsible for the governance of TEQSA's operations under the PGPA Act.

The general duties imposed on Commissioners as the accountable authority by the PGPA Act are to:

- > prepare of the corporate plan, annual report and annual performance statement
- > govern TEQSA consistently with the proper use and management of public resources, the purposes of TEQSA and the financial sustainability of TEQSA

- > establish and maintain systems relating to risk and control
- > encourage cooperation with others to achieve common objectives
- > take into account the relevant risks and effects when imposing requirements on others for the use or management of public resources
- > keep the Minister for Education and Training and Minister for Finance informed of various listed matters.

In 2016–17, the Commissioners met as the accountable authority on a monthly basis to monitor agency resourcing and compliance, and received quarterly reports which included updates on the performance of the agency against the corporate plan.

COMMISSION MEETINGS

The TEQSA Commission is also responsible for making regulatory decisions, setting strategic directions, monitoring risk in the sector and deciding on matters relating to the development of TEQSA's quality assurance and regulatory framework.

The Commission's focus is to:

- > interpret and apply the provisions of the TEQSA and ESOS Acts to be consistent with the objects of the Acts
- > determine strategic directions for the development of regulatory policy
- > make decisions concerning individual providers

- > manage strategic relations with key stakeholders
- > oversee external and internal communications
- > take necessary action to protect and promote TEQSA's reputation.

In 2016–17, the Commissioners met on a fortnightly basis to consider and make decisions on regulatory matters.

SENIOR MANAGEMENT TEAM MEETINGS

The Senior Management Team (SMT) comprises the Chief Executive Officer (CEO) and senior managers. The role of the SMT is to guide the ongoing development of TEQSA's management and administration processes and policies. It is also responsible for developing, implementing, coordinating and overseeing the agency's Corporate Plan and operational activities and projects. The SMT reviews TEQSA's performance against the objectives set out in the TEQSA Corporate Plan 2016–20 and makes regular reports to the Commission as the accountable authority.

Additionally, the SMT is responsible for:

- > the development, management and monitoring of the TEQSA Budget, including capital investments
- > advising Commissioners on developments, amendments to and implementation of regulatory approaches and processes
- > the development and approval of corporate policies and procedures for the recruitment, training, development, management and performance of the agency's staff.

In 2016–17, the Senior Management Team met weekly and received quarterly reports, including progress reports against the operational plan.

AUDIT COMMITTEE

TEQSA's Audit Committee has been established in compliance with section 42 of the PGPA Act and operates under an Audit Committee Charter approved by the accountable authority. The committee has two external members appointed by the Commission (including the Chair) and a Commissioner, appointed on 10 May 2017.

The Audit Committee's role is to provide independent assurance to the accountable authority on TEQSA's financial and performance reporting responsibilities, risk oversight and management and system of internal control. This includes reviewing the proposed internal audit coverage to ensure the approach is focused on TEQSA's key areas of financial and operational risk.

In 2016–17 two internal audits were carried out:

- > a review of TEQSA's practices and processes for the management of outsourced accreditation providers; and
- > a review of the implementation and integration of TEQSA's Regulatory Framework throughout the agency.

In 2016–17, the Audit Committee met on a quarterly basis.

SECURITY COMMITTEE

TEQSA's Security Committee comprises the CEO, the Agency Security Adviser and the Information Technology Security Adviser. The committee meets biannually, focuses on all aspects of protective security affecting the agency, and assists the agency to meet its compliance, risk management, business continuity management and reporting requirements under the Protective Security Policy Framework.

CORPORATE PLANNING IN 2016–17

CORPORATE PLANNING

The TEQSA Corporate Plan 2016–20 was submitted to the Minister by 30 April 2016 as required under the TEQSA Act, was approved in May 2016 and was published on the TEQSA website at www.teqsa.gov.au/about/corporate-plan by 31 August 2016.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

TEQSA accepts that there may be risk in any aspect of its operations and that having an appropriate strategy for risk is critical. TEQSA uses a risk-based approach for its day-to-day business and is committed to the continuous improvement of risk management practices in line with the international risk management standard (ISO 31000:2009).

TEQSA's Enterprise Risk Management Framework is underpinned by a strong organisational culture, a risk management policy, an enterprise risk register, a risk appetite statement, an internal control framework, a Fraud Control and Anti-Corruption Plan and arrangements for consultation, communication and performance reporting.

PROTECTIVE SECURITY

TEQSA's Agency Security Adviser is responsible for coordinating security functions in the agency and provides advice to the CEO, management and staff on security matters. In 2016–17, TEQSA applied appropriate protective security measures, based on its risk profile, to ensure compliance with the 36 mandatory requirements under the Protective Security Policy Framework.

ETHICAL STANDARDS

TEQSA's measures to promote ethical standards within the agency include:

- > providing training for all staff in fraud awareness and conflicts of interest
- > maintaining policies relating to ethical standards and behaviour relevant to TEQSA's operational context; for example, in relation to email, internet use, fraud and disclosure of information
- > building adherence to the Australian Public Service Code of Conduct and Values into the individual performance and development plans of TEQSA staff.

EXTERNAL SCRUTINY

TEQSA is subject to external scrutiny by the Office of the Commonwealth Ombudsman, the Australian National Audit Office, the Administrative Appeals Tribunal, the Attorney-General's Department, the Office of the Australian Information Commissioner and parliamentary committees.

During 2016–17, the Australian National Audit Office, the Commonwealth Ombudsman and parliamentary committees did not issue any reports on the operations of TEQSA. No judicial decisions, decisions of administrative tribunals, or decisions by the Australian Information Commissioner in 2016–17 had a significant impact on the operations of TEQSA.

During 2016–17, TEQSA officials appeared at parliamentary committee hearings for:

- > 2016–17 Additional Estimates (1 March 2017).
- > 2017–18 Budget Estimates (31 May 2017).

TEQSA officials also attended the 2016–17 Supplementary Budget Estimates (October 2016) but were not called to give evidence.

FRAUD CONTROL

The Commonwealth Fraud Control Policy requires that accountable authorities provide a report about fraud annually to their Minister. Section 10 of the *Public Governance Performance and Accountability Rule 2014* requires the agency to take all reasonable measures to prevent, detect, and deal with fraud, including by undertaking fraud risk assessments and establishing a fraud control plan.

TEQSA's Fraud and Anti-Corruption Plan sets out TEQSA's policy and approach to fraud control, procedures to effectively manage fraud and corruption risks and incidents, and relevant reporting obligations. The plan is reviewed annually by TEQSA's Audit Committee.

TEQSA's Fraud and Anti-Corruption Plan also provides for appropriate training and awareness-raising activities to support TEQSA staff in understanding their responsibilities in relation to fraud control.

TEQSA employees are subject to a robust employment screening process. Ongoing staff commencing with TEQSA are required to be vetted by the Australian Government Security Vetting Agency to obtain a baseline national security clearance.

TEQSA adopts a zero tolerance policy towards fraud and corruption, and aims to manage the fraud risk to a level as low as is reasonably practicable. The success of the fraud initiatives undertaken by TEQSA to date is reflected in the fact that no fraud incidents occurred during 2016–17. TEQSA will continue to take a proactive role in fraud management, prevention and detection, based on its risk profile and in accordance with the Commonwealth Fraud Control Policy.

SERVICE CHARTER

The TEQSA Service Charter articulates the agency's commitment to engaging with stakeholders, its service standards and its approach to complaints handling. TEQSA believes its quality assurance and regulatory approach should be responsive and service-oriented. To ensure good practice in its handling of complaints, TEQSA ensures students, providers and the general public are aware of options for making complaints about a provider or about TEQSA itself. More information is contained in this report at Appendix G. TEQSA has begun a review of its complaints arrangements with the intention of further improving this area of service.

More broadly, TEQSA manages its relationships with providers in line with the Australian Public Service Code of Conduct and Values which emphasise professionalism and accountability.

HUMAN RESOURCES

The terms and conditions of employment for TEQSA non-Senior Executive Service employees are set out in the TEQSA Enterprise Agreement 2012–14. The Enterprise Agreement nominally expired on 30 June 2014, but remains in effect until replaced by a new enterprise agreement.

TEQSA commenced negotiations for a new enterprise agreement in July 2014, and these negotiations were ongoing as at 30 June 2017.

The agency held 13 enterprise bargaining meetings with the union and employee bargaining representatives between 1 July 2016 and 30 June 2017. An unsuccessful ballot was held in December 2017, but TEQSA remains committed to progressing to a new enterprise agreement, whilst meeting the requirements of the Australian Government Workplace Bargaining Policy.

TEQSA maintains a shared services arrangement with the Productivity Commission for information and communications technology, and payroll services. The arrangement is beneficial for both agencies and particularly for TEQSA's service delivery, significantly reducing costs.

STAFFING STATISTICS

As at 30 June 2017 TEQSA employed 31 APS and 23 executive level staff. All were located in Melbourne.

Of these employees:

- > 72 per cent were female and 28 per cent were male
- > 98 per cent were ongoing employees with 2 per cent non-ongoing
- > at 30 June 2017, TEQSA had one ongoing staff member who identifies as Indigenous.

Following the review of TEQSA's structure and staffing in 2014, the agency does not have any SES level staff.

As at 30 June 2017, TEQSA had 22.8 (full-time equivalent) contractors.

More information on TEQSA's staffing profile is included at Appendix B.

REMUNERATION AND OTHER TERMS AND CONDITIONS

The conditions of employment for APS and executive level employees are set out in the Enterprise Agreement. It offers competitive terms and conditions of employment including financial assistance for relevant professional development.

Commissioners of TEQSA, including the Chief Commissioner, are appointed by the Minister pursuant to section 138 of the TEQSA Act and are paid the remuneration determined by the Remuneration Tribunal. The CEO of TEQSA is also appointed by the Minister and the CEO's remuneration is determined by the Remuneration Tribunal.

NON-SALARY BENEFITS

Non-salary benefits provided by the agency to non-SES employees include superannuation, home-based computer access, professional development and studies assistance, leave flexibilities and airline club memberships.

PERFORMANCE PAY

TEQSA's Enterprise Agreement does not include provision for performance pay for non-SES staff.

PERFORMANCE ASSESSMENT

TEQSA has a formal performance management system in place for staff. This assists in:

- > clarifying individual employee work tasks, their responsibilities and their performance
- > setting performance expectations and providing feedback
- > improving communication between managers and their staff (through performance appraisals)
- > providing a basis for determining salary advancement within classifications, identifying learning and professional development needs and opportunities, and identifying and managing underperformance.

PROFESSIONAL DEVELOPMENT

TEQSA recognises the value of a well-educated workforce and provides staff with learning and development opportunities to develop skills and knowledge for current and future roles and responsibilities.

TEQSA's Enterprise Agreement provided access for all staff to an annual reimbursement of up to \$3000 for the cost of relevant professional development, including fees associated with an approved course of study.

WORKPLACE CONSULTATIVE ARRANGEMENTS

The agency consults regularly with staff through a number of forums. Regular all-staff meetings provide staff with updates on a range of management and operational issues. Each group within the agency holds regular meetings to raise issues and put forward ideas for improving the work environment. In addition, staff are able to provide comment and feedback through the TEQSA Staff Consultative Committee.

FINANCIAL MANAGEMENT

GRANTS

TEQSA does not administer a discretionary grants program.

LEGAL SERVICES

TEQSA's Legal Group provides, or arranges for the provision of, legal services in relation to all aspects of TEQSA's operations.

Where necessary, the Legal Group obtains additional legal expertise from providers on the Legal Services Multi-Use List administered by the Attorney-General's Department. The Legal Group ensures that TEQSA complies with the Legal Services Directions and other Commonwealth policies or rules relevant to the provision of legal services.

PERFORMANCE AGAINST CORE PURCHASING POLICIES

The core policies and principles of the Commonwealth Procurement Rules were adhered to throughout the reporting period. An appropriate approach to market was made for all procurements covered by the Commonwealth Procurement Rules.

COMPETITIVE TENDERING AND CONTRACTING

TEQSA's Accountable Authority Instructions and Procurement Manual require compliance with the Commonwealth Procurement Rules.

All contracts worth more than \$10,000 entered into by TEQSA in 2016–17 were lodged on AusTender.

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

TEQSA supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website at www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts.

TEQSA's procurement practices support small and medium enterprises by using the following:

- > the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000
- > the Small Business Engagement Principles to effectively engage and communicate with small businesses
- > electronic systems to ensure invoices are paid on time and within the 30 day payment terms.

EXEMPT CONTRACTS

No contracts were exempted by the CEO from being published on AusTender on the basis that publication would disclose exempt matters under the Freedom of Information Act 1982.

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

No contracts were let during the year for \$100,000 or more with provisions to exempt Australian National Audit Office access to contractor's premises.

FEES

TEQSA operates on a partial cost recovery basis, consistent with Commonwealth Cost Recovery Guidelines. Section 158 of the TEQSA Act states that TEQSA may determine fees for things done in the performance of its functions. Fees collected by TEQSA under cost recovery arrangements are returned to the Australian Government's Consolidated Revenue. TEQSA cannot determine fees without the Minister's approval.

TEQSA developed its initial fee schedule based on parameters set by the Australian Government in 2011 and TEQSA's status as a partial cost recovery agency. Cost recovery arrangements are currently under review by the Department of Education and Training.

Fees payable as at 30 June 2017 are available at www.comlaw.gov.au/Details/F2013L02162.

INFORMATION TECHNOLOGY

TEQSA's information technology infrastructure and support is provided by the Productivity Commission under a service agreement.

TEQSA is required to comply with the guidance from the Australian Government Information Management Office, Implementation of upgraded accessibility standard across Australian Government websites. This requires TEQSA's website to conform to Web Content Accessibility Guidelines version 2.0 (WCAG 2.0).

CONSULTANCIES

POLICY ON SELECTING AND ENGAGING CONSULTANTS

The agency engages consultants where it requires specialist expertise or when independent research, review or assessment is required.

Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or creative solutions to assist in the agency's decision making.

Prior to engaging consultants, the agency takes into account the skills and resources required for the task, the skills available internally and the cost effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the PGPA Act and related regulations including the Commonwealth Procurement Rules and relevant internal policies.

The main purposes for engaging consultants were to:

- > provide independent assessments, analysis and advice, and apply high level expertise not otherwise available to the agency
- > undertake research, studies and modelling exercises.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website at www.tenders.gov.au.

CONSULTANCY CONTRACTS

During 2016-17, six new consultancy contracts were entered into involving total actual expenditure of \$153,045 (GST inclusive).

In addition, one ongoing consultancy contract was active during the period, involving total actual expenditure of \$68,466 (GST-inclusive).

Independent Auditor's report

Statement by the accountable
authority and Chief Financial Officer

Financial statement

5



INDEPENDENT AUDITOR'S REPORT

To the Minister for Education and Training

Opinion

In my opinion, the financial statements of the Tertiary Education Quality and Standards Agency for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Tertiary Education Quality and Standards Agency as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Tertiary Education Quality and Standards Agency, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement;
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Tertiary Education Quality and Standards Agency in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

The Accountable Authority of the Tertiary Education Quality and Standards Agency is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Accountable Authority is also responsible for such internal control as the Accountable Authority determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Authority is responsible for assessing the Tertiary Education Quality and Standards Agency's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Accountable Authority is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

31 August 2017

Section 5: Financial report

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STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Tertiary Education Quality and Standards Agency will be able to pay its debts as and when they fall due.



Professor Nicholas Saunders, AO
Chief Commissioner
on behalf of the Accountable Authority

31 August 2017



Elmer Wiegold
Chief Financial Officer

31 August 2017

Statement of Comprehensive Income for the Tertiary Education Quality and Standards Agency
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	5,804	7,678	6,897
Suppliers	1.1B	6,519	4,424	4,799
Depreciation and amortisation	3.2A	617	770	758
Finance costs	1.1C	10	31	19
Write-down and impairment of assets	1.1D	-	121	-
Losses from asset sales		10	30	-
Total expenses		12,960	13,054	12,473
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	86	98	5
Rental income	1.2B	316	166	297
Other revenue	1.2C	53	52	54
Total own-source revenue		455	316	356
Gains				
Reversal of write-downs and impairment	1.2D	22	-	-
Total gains		22	-	-
Total own-source income		477	316	356
Net cost of services		(12,483)	(12,738)	(12,117)
Revenue from Government	1.2E	11,359	11,461	11,359
Deficit attributable to the Australian Government		(1,124)	(1,277)	(758)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		-	(6)	-
Total comprehensive loss attributable to the Australian Government		(1,124)	(1,283)	(758)

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Statement of Comprehensive Income for the Tertiary Education Quality and Standards Agency

Employee benefits

The underspend of \$1.093 million (16%) was mainly attributed to lower than anticipated staffing levels arising from higher attrition, the time taken to subsequently fill the vacant positions and the writeback of long service leave relating to the resignations for which provision has been made in prior years. The drop in staffing level was mitigated by the employment of contractors (included under supplier expenses) which offset the underspend.

Suppliers

Changes in staffing levels has resulted in a higher than expected utilisation of contractors and external experts to address: the number of increasingly complex assessments; the increase in volume of applications from prospective providers and the backlog of assessments from 2015-16; and the introduction of the updated HES Framework. As a consequence, actual supplier expenses were \$ 1.720 million (36%) higher than budgeted.

Depreciation and amortisation

Depreciation and amortisation were lower by \$0.141 million (19%) due to the delay in the purchase of new ICT equipment and implementation of computer software.

Total comprehensive loss attributable to the Australian Government

The total comprehensive loss of \$1.124 million was \$0.366 million (48%) higher than the original Budget. The higher loss was predominantly due to the higher than expected supplier expenses to support the regulatory activities. Following the Budget, TEQSA was approved to operate at a loss of \$0.500 million in 2016-17 to reflect the funding required to deliver the planned activities.

Excluding unfunded depreciation and amortisation expenses of \$0.617 million, the 2016-17 operating deficit was \$0.507 million which is in line with the approved operating loss.

Statement of Financial Position for the Tertiary Education Quality and Standards Agency
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	112	116	109
Trade and other receivables	3.1B	5,982	7,785	7,036
Total financial assets		6,094	7,901	7,145
Non-financial assets				
Buildings - leasehold improvements	3.2A	1,006	1,143	1,153
Plant and equipment	3.2A	367	431	497
Intangibles - computer software	3.2A	1,599	1,113	1,117
Other non-financial assets	3.2B	180	295	246
Total non-financial assets		3,152	2,982	3,013
Total assets		9,246	10,883	10,158
LIABILITIES				
Payables				
Suppliers	3.3A	533	311	216
Other payables	3.3B	1,478	1,588	1,512
Total payables		2,011	1,899	1,728
Provisions				
Employee provisions	6.1A	1,297	2,348	1,812
Other provisions	3.4A	890	1,328	1,188
Total provisions		2,187	3,676	3,000
Total liabilities		4,198	5,575	4,728
Net assets		5,048	5,308	5,430
EQUITY				
Contributed equity		10,463	9,599	10,463
Reserves		-	-	6
Retained surplus/(Accumulated deficit)		(5,415)	(4,291)	(5,039)
Total equity		5,048	5,308	5,430

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Statement of Financial Position for the Tertiary Education Quality and Standards Agency

Trade and other receivables

The lower level of trade and other receivables by \$1.054 million (15%) was primarily attributed to a lower appropriation balance resulting from the higher supplier expenses.

Buildings - leasehold improvements

The decrease in Buildings - leasehold improvements of \$0.147 million (13%) against budget mainly resulted from a lower opening balance arising from a revaluation decrement following an independent valuation performed on 1 June 2016. The original Budget was prepared before the revaluation took place.

Plant and equipment

Plant and equipment was lower by \$0.130 million (26%) attributed to the revaluation decrement to TEQSA's office furniture and IT equipment in June 2016 which was not factored in the budget.

Intangibles - computer software

Intangibles - computer software exceeded budget by \$0.482 million (43%) mainly due to the higher than anticipated spending on the TEQSA website redevelopment as well as the unbudgeted risk assessment software to support TEQSA's provider risk assessment process.

Suppliers

The increase in suppliers of \$0.317 million (147%) was driven by a higher than budgeted accrued expense in relation to supplier payments mainly attributed to the higher than expected utilisation of contractors.

Employee provisions

Employee provisions was \$0.515 million (28%) lower than budget as a result of the lower than expected staffing levels. The higher interest rate used to discount the employee benefits provision was also a contributing factor to the reduction.

Other provisions

The decrease in other provisions of \$0.298 million (25%) was mainly attributed to the write back of the onerous lease provision for the car park due to the unexpected termination of the lease.

Retained surplus/(Accumulated deficit)

The accumulated deficit was higher by \$0.376 million (7%) due a higher than budgeted operating deficit.

Statement of Changes in Equity for the Tertiary Education Quality and Standards Agency
for the period ended 30 June 2017

	2017	2016	Original Budget
	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	9,599	8,732	9,599
Opening balance	9,599	8,732	9,599
Transactions with owners			
Contributions by owners			
Departmental capital budget	864	867	864
Total transactions with owners	864	867	864
Closing balance as at 30 June	10,463	9,599	10,463
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	(4,291)	(3,014)	(4,281)
Opening balance	(4,291)	(3,014)	(4,281)
Comprehensive income			
Surplus/(Deficit) for the period	(1,124)	(1,277)	(758)
Total comprehensive income	(1,124)	(1,277)	(758)
Closing balance as at 30 June	(5,415)	(4,291)	(5,039)
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	-	6	6
Opening balance	-	6	6
Comprehensive income			
Other comprehensive income	-	(6)	-
Total comprehensive income	-	(6)	-
Closing balance as at 30 June	-	-	6
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	5,308	5,724	5,324
Opening balance	5,308	5,724	5,324
Comprehensive income			
Surplus/(Deficit) for the period	(1,124)	(1,277)	(758)
Other comprehensive income	-	(6)	-
Total comprehensive income	(1,124)	(1,283)	(758)
Transactions with owners			
Contributions by owners			
Departmental capital budget	864	867	864
Total transactions with owners	864	867	864
Closing balance as at 30 June	5,048	5,308	5,430

The above statement should be read in conjunction with the accompanying notes.

Accounting Policy**Equity Injections**

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other Distributions to Owners

The FRR require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Budget Variances Commentary**Statement of Changes in Equity for the Tertiary Education Quality and Standards Agency****Surplus/(Deficit) for the period**

The deficit for the year was higher than budgeted by \$0.366 million (48%) mainly due to the higher than expected supplier expenses to support the regulatory activities.

Cash Flow Statement for the Tertiary Education Quality and Standards Agency
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		14,346	13,286	10,906
Sales of goods and rendering of services		427	152	302
Net GST received		581	415	439
Total cash received		15,354	13,853	11,647
Cash used				
Employees		6,836	7,662	6,849
Suppliers		7,259	5,545	5,221
Section 74 receipts transferred to OPA		1,176	728	-
Total cash used		15,271	13,935	12,070
Net cash from/(used by) operating activities		83	(82)	(423)
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment and intangibles		912	113	441
Total cash used		912	113	441
Net cash (used by) investing activities		(912)	(113)	(441)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		825	158	864
Total cash received		825	158	864
Net cash from financing activities		825	158	864
Net (decrease) in cash held		(4)	(37)	-
Cash and cash equivalents at the beginning of the reporting period		116	153	109
Cash and cash equivalents at the end of the reporting period	3.1A	112	116	109

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Cash Flow Statement for the Tertiary Education Quality and Standards Agency

Cash received - Appropriations and Cash used - Section 74 receipts transferred to OPA

The appropriations received and cash used for the transfer of Section 74 receipts to the Official Public Account (OPA) were not separately identified but presented on a net basis in the Portfolio Budget Statement (PBS). Net appropriation drawdown was higher than budget by \$2.264 million (21%) due to the increase in supplier expenses and capital expenditure requiring cash appropriation drawdown.

Cash received - Sales of goods and rendering of services

The higher cash received from the sales of goods and rendering of services of \$0.125 million (41%) was mainly due to the unanticipated funding received for the implementation of the Asia-Pacific Economic Cooperation (APEC) Quality Assurance in Online Education project.

Net GST received

The higher actual net GST received by \$0.142 million (32%) was primarily due to the increased GST paid to suppliers in line with the increased supplier expenses.

Cash used - Suppliers

Cash paid to suppliers was higher than budget by \$2.038 million (39%) due to a higher than expected cost of employing resources including contractors and fluctuations with the timing of payments to suppliers.

Cash used - Purchase of property, plant and equipment and intangibles

Cash used for purchase of property, plant and equipment and intangibles exceeded budget by \$0.471 (107%) due to higher than anticipated spending on the TEQSA website redevelopment as well as the unbudgeted risk assessment software to support TEQSA's provider risk assessment process.

Administered Schedule of Comprehensive Income for the Tertiary Education Quality and Standards Agency

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Income				
Revenue				
Non-taxation revenue				
Fees	2.2A	2,829	4,015	3,601
Total non-taxation revenue		2,829	4,015	3,601
Total income		2,829	4,015	3,601

The above schedule should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Administered Schedule of Comprehensive Income for the Tertiary Education Quality and Standards Agency

Fees

Fees was \$0.772 million (21%) below the budgeted revenue due to assumptions made in the budget which did not materialise. The quantum of initial registrations and course accreditations cannot be accurately estimated at time of establishing the budget.

Administered Schedule of Assets and Liabilities for the Tertiary Education Quality and Standards Agency

as at 30 June 2017

	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	-	-	-
Total financial assets	-	-	-
Total assets administered on behalf of Government	-	-	-
Net assets	-	-	-

The above schedule should be read in conjunction with the accompanying notes.

Administered Reconciliation Schedule for the Tertiary Education Quality and Standards Agency

	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July	-	-
Net contribution by services		
Income	2,829	4,015
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account (OPA)		
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	26	94
Appropriation transfers to OPA		
Transfers to OPA	(2,855)	(4,109)
Closing assets less liabilities as at 30 June	-	-

The above schedule should be read in conjunction with the accompanying notes.

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by TEQSA for use by the Government rather than TEQSA is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by TEQSA on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Administered Cash Flow Statement for the Tertiary Education Quality and Standards Agency

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Fees		2,855	4,109
Total cash received		2,855	4,109
Cash used			
Refunds to higher education providers		26	94
Total cash used		26	94
Net cash from operating activities		2,829	4,015
Net increase in cash held		2,829	4,015
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from Official Public Account			
Appropriations		26	94
Total cash from official public account		26	94
Cash to Official Public Account			
Appropriations		(2,855)	(4,109)
Total cash to Official Public Account		(2,855)	(4,109)
Cash and cash equivalents at the end of the reporting period		-	-

This schedule should be read in conjunction with the accompanying notes.

Notes to the financial statements

Objectives of the Tertiary Education Quality and Standards Agency

The Tertiary Education Quality and Standards Agency (TEQSA) is an Australian Government controlled entity. It is a not-for-profit entity. TEQSA is Australia's independent quality assurance and regulatory agency for higher education.

TEQSA was established in July 2011 under Section 132 of the *Tertiary Education Quality and Standards Agency Act 2011* with the objective to maintain and enhance quality, diversity and innovation in the Australian higher education sector through quality assurance and nationally consistent regulation. Since 29 January 2012, TEQSA has regulated higher education providers against a national set of quality standards known as the Threshold Standards. Since 1 July 2012, TEQSA has fully regulated providers in accordance with its responsibilities under the *Education Services for Overseas Students Act 2000*.

TEQSA is structured to meet one outcome:

Outcome 1: Contribute to a high quality higher education sector through streamlined and nationally consistent higher education regulatory arrangements; registration of higher education providers; accreditation of higher education courses; and investigation, quality assurance and dissemination of higher education standards and performance.

The continued existence of TEQSA in its present form and with its present programmes is dependent on Government policy and on continuing funding by Parliament for TEQSA's administration and programmes.

TEQSA activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by TEQSA in its own right. Administered activities involve the management or oversight by TEQSA, on behalf of the Government, of items controlled or incurred by the Government.

TEQSA has in place partial cost recovery arrangements for specified services (including registration and re-registration of providers; accreditation and re-accreditation of courses; and major variations to registrations and accreditations) to higher education providers. All fee revenue from cost recovery arrangements is administered revenue and is returned to the consolidated revenue fund.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

New Accounting Standards

All new, revised, amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on TEQSA's financial statements.

Taxation

TEQSA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

Departmental

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of TEQSA.

Administered

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of TEQSA.

Financial Performance

This section analyses the financial performance of the Tertiary Education Quality and Standards Agency for the year ended 2017

1.1 Expenses

	2017	2016
	\$'000	\$'000
1.1A: Employee Benefits		
Wages and salaries	4,703	5,443
Superannuation		
Defined contribution plans	469	557
Defined benefit plans	336	510
Leave and other entitlements	218	616
Separation and redundancies	78	552
Total employee benefits	5,804	7,678

Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

1.1B: Suppliers

Goods and services supplied or rendered

Consultants	201	43
Contractors	2,587	1,294
Travel	370	324
IT services	483	471
Other	1,691	1,261
Total goods and services supplied or rendered	5,332	3,393

Goods supplied	100	137
Services rendered	5,232	3,256
Total goods and services supplied or rendered	5,332	3,393

Other suppliers

Operating lease rentals	966	915
Workers compensation expenses	221	116
Total other suppliers	1,187	1,031
Total suppliers	6,519	4,424

Leasing commitments

As at 30 June 2017, TEQSA has one lease for its Melbourne office accommodation. The lease which commenced in 2011-12 expires on 30 April 2022, with a five year option.

Lease payments are subject to a fixed percentage annual increase in accordance with the lease agreement.

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	1,574	1,672
Between 1 to 5 years	6,663	6,797
More than 5 years	-	1,606
Total operating lease commitments	<u>8,237</u>	<u>10,075</u>

Note: Commitments are GST inclusive where relevant.

Accounting Policy

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.1C: Finance Costs

Unwinding of discount	10	31
Total finance costs	<u>10</u>	<u>31</u>

Accounting Policy

All borrowing costs are expensed as incurred.

1.1D Write-Down and Impairment of Assets

Revaluation decrements	-	121
Total write-down and impairment of assets	<u>-</u>	<u>121</u>

1.2 Own-Source Revenue and Gains

	2017	2016
	\$'000	\$'000

Own-Source Revenue

1.2A: Sale of Goods and Rendering of Services

Rendering of services	86	98
Total sale of goods and rendering of services	86	98

Accounting Policy

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to TEQSA.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.2B: Rental Income

Operating lease		
Sublease rental	316	166
Total rental income	316	166

Subleasing rental income commitments

As at 30 June 2017, TEQSA has one sublease agreement for the letting of surplus office space. The sublease commenced on 21 September 2015 and expires on 28 February 2022.

Lease payments are subject to a fixed percentage annual increase in accordance with the sublease agreement.

Commitments for sublease rental income receivables are as follows:

Within 1 year	302	353
Between 1 to 5 years	1,222	1,265
More than 5 years	-	259
Total sublease rental income commitments	1,524	1,877

Note: Commitments are GST inclusive where relevant.

	2017	2016
	\$'000	\$'000

1.2C: Other Revenue

Resources received free of charge		
Remuneration of auditors	53	52
Total other revenue	53	52

Accounting Policy

Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

	2017	2016
	\$'000	\$'000

Gains

1.2D: Reversals of Write-Downs and Impairments

Reversal of previous write-downs	22	-
Total reversals of previous asset write-downs and impairments	22	-

1.2E: Revenue from Government

Appropriations:		
Departmental appropriations	11,359	11,461
Total revenue from Government	11,359	11,461

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when TEQSA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Tertiary Education Quality and Standards Agency does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1 Administered - Expenses

For the year ended 30 June 2017, no administered expenses had been incurred by TEQSA (2016: nil).

2.2 Administered - Income

	2017 \$'000	2016 \$'000
Revenue		
Non-Taxation Revenue		
2.2A: Fees		
Fees from regulatory services	2,829	4,015
Total fees	2,829	4,015

Accounting Policy

All administered revenues are revenues relating to ordinary activities performed by the entity on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution of the funds as directed.

Revenue is generated from partial cost recovery arrangements for specified services to higher education providers. Fees are charged on registration and re-registration of providers, accreditation and re-accreditation of courses, and major variations to registrations and accreditations.

Financial Position

This section analyses the Tertiary Education Quality and Standards Agency's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

3.1 Financial Assets

	2017	2016
	\$'000	\$'000
3.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	112	116
Total cash and cash equivalents	112	116
3.1B: Trade and Other Receivables		
Goods and services receivables		
Goods and services	11	54
Total goods and services receivables	11	54
Appropriations receivables		
Appropriation receivable	5,516	7,288
Total appropriations receivables	5,516	7,288
Other receivables		
GST receivable from the Australian Taxation Office	166	136
Sublease incentive	127	154
Operating sublease receivable	140	136
Other	22	17
Total other receivables	455	443
Total trade and other receivables (gross)	5,982	7,785

Credit terms for goods and services were within 30 days (2016: 30 days).

No provision for impairment is provided for as at balance date.

Accounting Policy

Trade and Other Receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Financial assets are assessed for impairment at the end of each reporting period.

3.2 Non-Financial Assets

3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles for 2017

	Buildings - Leasehold Improvements \$'000	Plant and Equipment \$'000	Intangibles - Computer Software ¹ \$'000	Total \$'000
As at 1 July 2016				
Gross book value	1,153	515	2,026	3,694
Accumulated depreciation, amortisation and impairment	(10)	(84)	(913)	(1,007)
Total as at 1 July 2016	1,143	431	1,113	2,687
Additions				
Purchase	-	16	-	16
Internally developed	-	-	896	896
Depreciation and amortisation	(137)	(70)	(410)	(617)
Disposals				
Other	(11)	(38)	-	(49)
Write back of accumulated depreciation and amortisation	11	28	-	39
Total as at 30 June 2017	1,006	367	1,599	2,972
Total as at 30 June 2017 represented by				
Gross book value	1,142	493	2,922	4,557
Accumulated depreciation, amortisation and impairment	(136)	(126)	(1,323)	(1,585)
Total as at 30 June 2017	1,006	367	1,599	2,972

1. The carrying amount of computer software includes \$0.020 million of purchased software and \$1.579 million of internally generated software.

No indicators of impairment were found when assessing property, plant and equipment and intangible assets.

No property, plant and equipment or intangibles are expected to be sold or disposed of within the next 12 months.

Contractual commitments for the acquisition of property, plant and equipment and intangible assets

There were no significant contractual commitments for the acquisition of property, plant and equipment and intangible assets as at balance date.

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Non-financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements.

In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset Recognition Threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by TEQSA where there exists an obligation to restore the property to its original condition. These costs are included in the value of TEQSA's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, leasehold improvements, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depend upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable leasehold improvements, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to TEQSA using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2017	2016
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 10 years	3 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if TEQSA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of leasehold improvements, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

TEQSA's intangibles comprise purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of TEQSA's software are 3 to 5 years (2016: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

Accounting Judgements and Estimates

The fair value of non-financial assets has been taken to be the market value of similar assets as determined by management assessment.

	2017	2016
	<u>\$'000</u>	<u>\$'000</u>
<u>3.2B: Other Non-Financial Assets</u>		
Prepayments	<u>180</u>	<u>295</u>
Total other non-financial assets	<u>180</u>	<u>295</u>

No indicators of impairment were found for other non-financial assets.

3.3 Payables

	2017	2016
	\$'000	\$'000

3.3A: Suppliers

Trade creditors and accruals	533	311
Total suppliers	533	311

Settlement is usually made within 30 days.

3.3B: Other Payables

Salaries and wages	36	24
Superannuation	10	3
Lease incentive	825	995
Operating lease payable	578	565
Prepayments received/unearned income	28	-
Other	1	1
Total other payables	1,478	1,588

3.4 Other Provisions

3.4A: Other Provisions

	Provision for restoration ¹	Provision for onerous contracts ²	Total
	\$'000	\$'000	\$'000
As at 1 July 2016	530	798	1,328
Additional provisions made	-	3	3
Amounts used	(46)	(156)	(202)
Amounts reversed	(22)	(227)	(249)
Unwinding of discount or change in discount rate	8	2	10
Total as at 30 June 2017	470	420	890

1. TEQSA currently has 1 (2016: 2) agreement for the leasing of premises which has a provision requiring TEQSA to restore the premises to their original condition at the conclusion of the lease. TEQSA has made a provision to reflect the present value of this obligation.
2. TEQSA currently has 1 (2016: 2) agreement for the leasing of accommodation which is surplus to its requirements. TEQSA has made a provision to reflect the present value of the expected costs to be incurred that are in excess of the economic benefit expected to be derived from the lease.

Accounting Judgements and Estimates

When the present value of the future cash flows receivable from the operation of leased assets is less than the present value of the rental payments to which TEQSA is committed, TEQSA applies the shortfall firstly against the carrying amount of the assets, and then provides for any further onerous element of the contract.

TEQSA has made a provision for its onerous obligations under non-cancellable operating leases where the leased property is vacant and where the rental expense is in excess of income. Determining the amount of such provision requires estimating the future net cash flows receivable, and in particular cases where the leased property is vacant, this requires assessing the likely period for which the property will remain vacant, the cost of any works required to enhance its marketability and the rental income receivable when the property is sublet. To the extent that actual cash flows received differ from those estimated, the amount of provision recognised could differ materially.

Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to conduct operations and the operating liabilities incurred which the Tertiary Education Quality and Standards Agency does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1 Administered - Financial Assets

As at 30 June 2017, TEQSA held no administered financial assets (2016: nil).

4.2 Administered - Payables

As at 30 June 2017, TEQSA held no administered payables (2016: nil).

Funding

This section identifies the Tertiary Education Quality and Standards Agency's funding structure.

5.1 Appropriations**5.1A: Annual Appropriations ("Recoverable GST exclusive")****Annual Appropriations for 2017**

	Annual Appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	11,359	1,176	12,535	14,350	(1,815)
Capital Budget ⁴	864	-	864	825	39
Other services					
Equity Injections	-	-	-	-	-
Total departmental	12,223	1,176	13,399	15,175	(1,776)
Administered					
Ordinary annual services	-	-	-	-	-
Capital Budget ⁴	-	-	-	-	-
Administered items	-	-	-	-	-
Other services	-	-	-	-	-
Total administered	-	-	-	-	-

1. In 2016-17, there were no appropriations which have been withheld (Section 51 of the PGPA Act) and quarantined for administration purposes.
2. In 2016-17, adjustments to appropriation comprised \$1.176 million of PGPA Act Section 74 receipts.
3. In 2016-17, the variance between total appropriation and appropriation applied in 2017 for Ordinary Annual Services relates to payments funded from unspent prior year appropriation items.
4. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2016

	Annual Appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	11,461	728	12,189	13,323	(1,134)
Capital Budget ⁴	867	-	867	158	709
Other services					
Equity Injections	-	-	-	-	-
Total departmental	12,328	728	13,056	13,481	(425)
Administered					
Ordinary annual services	-	-	-	-	-
Capital Budget ⁴	-	-	-	-	-
Administered items	-	-	-	-	-
Other services	-	-	-	-	-
Total administered	-	-	-	-	-

1. In 2015-16, there were no appropriations which have been withheld (Section 51 of the PGPA Act) and quarantined for administration purposes.
2. In 2015-16, adjustments to appropriation comprised \$0.728 million of PGPA Act Section 74 receipts.
3. In 2015-16, the variance between total appropriation and appropriation applied in 2016 for Ordinary Annual Services relates to payments funded from unspent prior year appropriation items. The underspend in Departmental Capital Budget was mainly due to the delay in implementing the Records Management System and other planned fixed asset purchases.
4. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2017	2016
	\$'000	\$'000
Departmental		
Appropriation Act (No. 1) 2014-15	-	15
Appropriation Act (No. 1) - Capital Budget (DCB) 2014-15	-	631
Appropriation Act (No. 1) 2015-16	-	5,906
Appropriation Act (No. 1) - Capital Budget (DCB) 2015-16	673	867
Appropriation Act (No. 1) 2016-17	4,091	-
Appropriation Act (No. 1) - Capital Budget (DCB) 2016-17	504	-
Supply Act (No. 1) - Capital Budget (DCB) 2016-17	360	-
Total departmental	5,628	7,419

5.1C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2017	2016
			\$'000	\$'000
<i>Public Governance, Performance and Accountability Act 2013 s77, Administered</i>	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and the Finance Minister is satisfied that, apart from this section, there is no specific appropriation for the repayment.	26	94
Total special appropriations applied			26	94

5.2 Regulatory Charging Summary

	2017	2016
	\$'000	\$'000
Amounts applied		
Departmental		
Annual appropriations	10,038	10,912
Total amounts applied	10,038	10,912
Expenses		
Departmental	8,573	10,566
Total expenses	8,573	10,566
External revenue		
Administered	2,829	4,015
Total external revenue	2,829	4,015

Regulatory charging activities:

TEQSA has in place partial regulatory charging for specified services to higher education providers including: registration and re-registration of providers; accreditation and re-accreditation of courses; and major variations to registrations and accreditations.

All fee revenue from regulatory charging activities is administered revenue and is returned to the Consolidated Revenue Fund. TEQSA does not have any administered expenses.

Documentation (Cost Recovery Implementation Statement) for the above activities is available at <http://www.teqsa.gov.au/for-providers/teqsa-fees>.

5.3 Net Cash Appropriation Arrangements

	2017	2016
	\$'000	\$'000
Total comprehensive loss less depreciation/amortisation expenses previously funded through revenue appropriations	(507)	(513)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(617)	(770)
Total comprehensive loss - as per the Statement of Comprehensive Income	(1,124)	(1,283)

People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

6.1 Employee Provisions

	2017	2016
	\$'000	\$'000
6.1A: Employee Provisions		
Leave	1,297	1,839
Separations and redundancies	-	509
Total employee provisions	1,297	2,348

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including TEQSA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by the use of the Australian Government Actuary's shorthand method using the Standard Commonwealth sector probability profile. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. TEQSA recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

TEQSA's staff are members of the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The PSS is a defined benefit scheme for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

TEQSA makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. TEQSA accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

6.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. TEQSA has determined the key management personnel to be the Commissioners, Chief Executive Officer, Chief Financial Officer and Directors. Key management personnel remuneration is reported in the table below:

	2017	2016
	\$'000	\$'000
Short-term employee benefits	1,638	742
Post-employment benefits	191	89
Other long-term employee benefits	147	19
Total key management personnel remuneration expenses¹	1,976	850

The total number of senior management personnel that are included in the above table are 9 (2016: 5).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

6.3 Related Party Disclosures

Related party relationships:

TEQSA is an Australian Government controlled entity. Related parties to TEQSA are Key Management Personnel including the Portfolio Minister and Executive.

Transactions with related parties:

Giving consideration to relationships with related parties, and transactions entered into during the reporting period by TEQSA, it has been determined that there are no related party transactions that requires disclosure.

Managing Uncertainties

This section analyses how the Tertiary Education Quality and Standards Agency manages financial risks within its operating environment.

7.1 Contingent Assets and Liabilities

7.1A: Contingent Assets and Liabilities

Quantifiable Contingencies

TEQSA had no quantifiable departmental contingencies at 30 June 2017 (2016: nil).

Unquantifiable Contingencies

TEQSA had no unquantifiable departmental contingencies at 30 June 2017 (2016: nil).

7.1B: Administered - Contingent Assets and Liabilities

Quantifiable Contingencies

TEQSA had no quantifiable administered contingencies at 30 June 2017 (2016: nil).

Unquantifiable Contingencies

TEQSA had no unquantifiable administered contingencies at 30 June 2017 (2016: nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

7.2 Financial Instruments

	2017	2016
	\$'000	\$'000
7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	112	116
Trade and other receivables	33	71
Total loans and receivables	145	187
Total financial assets	145	187
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers payables	533	311
Total financial liabilities measured at amortised cost	533	311
Total financial liabilities	533	311

Accounting Policy

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. TEQSA only holds financial assets of loans and receivables. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

Income is recognised on an effective interest rate basis.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

7.2B: Net Gains or Losses on Financial Assets

There were no gains or losses on financial assets - loans and receivables for the year ended 30 June 2017 (2016: nil)

7.2C: Net Gains or Losses on Financial Liabilities

There were no gains or losses on other financial liabilities for the year ended 30 June 2017 (2016: nil)

7.3 Administered - Financial Instruments

TEQSA had no administered financial instruments as at 30 June 2017 (2016: nil).

7.4 Fair Value Measurement

Accounting Policy

TEQSA engaged Australian Valuation Solutions (AVS) to conduct a detailed external valuation of its non-financial assets during the 2015-16 financial year and has relied upon the results of this external valuation when establishing the carrying amounts of non-financial assets. AVS had provided written assurance to TEQSA that the valuation models developed are in compliance with AASB 13.

An annual assessment is undertaken to determine whether the carrying amount of the assets are materially different from their fair value. Comprehensive valuations are carried out at least once every three years.

TEQSA's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2017 \$'000	2016 \$'000
Non-financial assets²		
Buildings - Leasehold improvements ¹	1,006	1,143
Plant and equipment ¹	367	431

1. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2017 (2016: Nil).
2. TEQSA's assets are held for operational purpose and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.

7.5 Administered - Fair Value Measurement

TEQSA had no administered assets and liabilities as at 30 June 2017 (2016:nil), hence fair value measurement is not applicable.



Appendix A: Summary of resources

Appendix B: Staffing profile

Appendix C: Freedom of information

Appendix D: Ecologically sustainable development and environmental performance

Appendix E: Advertising and market research

Appendix F: Workplace health and safety

Appendix G: Complaints handling

Appendix H: Disability reporting

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Section 6: Appendices

APPENDIX A: SUMMARY OF RESOURCES

Table A.1: Entity Resource Statement 2016–17

	Actual available appropriation for 2016–17 \$'000	Payments made 2016–17 \$'000	Balance remaining 2016–17 \$'000
	(a)	(b)	(a)–(b)
Ordinary annual services ¹			
Departmental appropriation ²	20,803	15,175	5,628
Total	20,803	15,175	5,628
Total ordinary annual services A	20,803	15,175	5,628
Total available annual appropriations and payments	20,803	15,175	5,628
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>Public Governance, Performance and Accountability Act 2013 – s77</i>		26	
Total special appropriations B		26	
Total resourcing and payments for TEQSA A+B	20,803	15,201	

1 Appropriation Act (No. 1) 2016–17. This also includes prior-year departmental appropriation and section 74 retained revenue receipts.

2 Includes an amount of \$0.864m in 2016–17 for the departmental capital budget. For accounting purposes, this amount has been designated as 'contributions by owners'.

Table A.2: Expenses for Outcome 1

Outcome 1: Contribute to a high quality higher education sector through streamlined and nationally consistent higher education regulatory arrangements; registration of higher education providers; accreditation of higher education courses; and investigation, quality assurance and dissemination of higher education standards and performance.	Budget*	Actual expenses	Variation
	2016–17	2016–17	2016–17
	\$'000	\$'000	\$'000
	(a)	(b)	(a)–(b)
Program 1.1: Regulation and Quality Assurance			
Departmental expenses			
Departmental appropriation ¹	11,661	12,290	(629)
Expenses not requiring appropriation in the budget year	812	670	142
Total for Program 1.1	12,473	12,960	(487)
Outcome 1 totals by appropriation type			
Departmental expenses			
Departmental appropriation ¹	11,661	12,290	(629)
Expenses not requiring appropriation in the budget year	812	670	142
Total expenses for Outcome 1	12,473	12,960	(487)
	2016–17	2016–17	
Average staffing level (number)	48	44	4

* Full-year budget, including any subsequent adjustment made to the 2016–17 budget at Additional Estimates.

- 1 Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

APPENDIX B: STAFFING PROFILE

As at 30 June 2017 TEQSA employed 31 APS and 23 executive level staff. All were located in Melbourne.

Of these employees:

- > 72 per cent were female and 28 per cent were male

- > 98 per cent were ongoing employees with two per cent non-ongoing.
- > at 30 June 2017 TEQSA had one ongoing staff member who identifies as Indigenous.

TEQSA does not currently have any SES level staff.

As at 30 June 2017, TEQSA had 22.8 (full-time equivalent) contractors.

Table B.1: Full-time and part-time, and ongoing and non-ongoing employees by gender

Ongoing		FEMALE		MALE		GRAND TOTAL
		Ongoing	Non Ongoing	Ongoing	Non Ongoing	
EL2	Full-time	1	-	4	-	5
	Part-time	-	-	-	-	-
EL1	Full-time	9	-	6	-	15
	Part-time	2	-	1	-	3
APS6	Full-time	17	-	2	-	19
	Part-time	4	-	-	-	4
APS5	Full-time	5	-	-	-	5
	Part-time	1	-	-	-	1
APS4	Full-time	-	-	-	-	-
	Part-time	-	-	1	1	2
Totals		39	-	14	1	54

NB: Includes all ongoing and non-ongoing (active and long term leave). Excludes Chief Commissioner, Commissioners, CEO and contractors.

Table B.2: Salaries in \$A available to TEQSA APS staff from commencement of the 2012–2014 TEQSA Enterprise Agreement.

EL2	EL1	APS 6	APS 5	APS 4	APS 3	APS 2	APS 1	AGE RATES
139,305	108,997	88,194	76,268	69,100	61,868	56,678	49,513	(20 yrs) 41,210
130,438	103,516	82,811	72,859	66,414	59,398	55,631	45,284	(19 yrs) 36,682
123,067	100,989	80,201	71,340	64,608		53,187		(18 yrs) 31,699
116,051	98,619							(Under 18) 27,170

SES REMUNERATION

TEQSA has no current SES employees. Remuneration for any future SES employees would be based on their skills and experience.

APPENDIX C: FREEDOM OF INFORMATION

Entities subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement appears in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display a plan on its website showing what information it publishes in accordance with the IPS requirements.

In accordance with these IPS requirements, an agency plan indicating published information is accessible from TEQSA’s website at www.teqsa.gov.au/about/information-publication-scheme.

APPENDIX D: ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

The information provided is in accordance with section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*. TEQSA is committed to progressing towards a sustainable future and continued improvement in reducing negative impacts on the environment.

In 2016–17 TEQSA has complied with environmental initiatives, participating in recycling initiatives offered by the 530 Collins St building management. This comprises paper, cardboard, co-mingled organic matter and hard waste recycling; e-waste recycling; and battery recycling. TEQSA is committed to reducing contamination of waste streams and reducing its general waste stream. TEQSA provides all staff with individual under-desk, co-mingled recycling bins.

TEQSA also continued its commitments to other recycling initiatives not provided by building management, including printer toner and waste cartridge recycling.

APPENDIX E: ADVERTISING AND MARKET RESEARCH

TEQSA did not conduct any advertising campaigns during 2016–17.

APPENDIX F: WORKPLACE HEALTH AND SAFETY

TEQSA is committed to safeguarding the health, safety and welfare of staff and visitors, and to preventing occupational injury. TEQSA has a Workplace Health and Safety (WH&S) Committee that includes representatives from management and staff. TEQSA provides staff with access to an Employee Assistance Program and annual flu vaccinations.

TEQSA also implements a Wellbeing Workshop series, Disability Action Plan, a Multicultural Plan and a Diversity Program to support staff wellbeing.

No reportable WH&S incidents occurred during 2016–17 and TEQSA was not required to give any notices under the *Work Health and Safety Act 2011*.

TEQSA is committed to preventing serious and long-term injuries through early intervention strategies, support for staff and case management.

APPENDIX G: COMPLAINTS HANDLING

COMPLAINTS ABOUT HIGHER EDUCATION PROVIDERS

TEQSA monitors complaints about higher education providers registered with TEQSA as they relate to compliance with the HES Framework and the ESOS Act or the National Code.

The HES Framework represents the minimum acceptable requirements for the provision of higher education by higher education providers registered under the TEQSA Act.

TEQSA's approach to complaint handling is under review. Further development of TEQSA's approach to complaint handling is designed to efficiently and effectively capture, respond and report on complaints made to TEQSA about registered higher education providers.

TEQSA's website www.teqsa.gov.au/complaints provides information for the public on options for making a complaint about a registered higher education provider. This website includes links to Commonwealth and state and territory ombudsman offices.

The website states that complaints TEQSA receives about a provider are retained and considered when it assesses whether a provider is meeting its obligations under the TEQSA Act and the HES Framework. The website makes clear the circumstances under which TEQSA may be unable to address a complaint.

TEQSA receives complaints about higher education providers through its complaints inbox Complaints@teqsa.gov.au, enquiries inbox and through formal correspondence.

In accordance with TEQSA's Service Charter, TEQSA endeavours to respond within five business days of receiving a complaint.

COMPLAINTS ABOUT TEQSA

When a complaint is received about TEQSA itself, the Complaints Officer consults with the appropriate senior staff member or Commissioner while investigating the matter and when preparing a response.

APPENDIX H: DISABILITY REPORTING

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission’s State of the Service Report and the APS Statistical Bulletin. These reports are available at www.apsc.gov.au. From 2010–11, entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been replaced by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at www.dss.gov.au.

TEQSA’S DISABILITY ACTION PLAN

TEQSA’s Disability Action Plan sets out the agency’s commitment to the inclusion, support and engagement of people with disability. It aims to promote the equitable participation of staff with a disability in the workplace and to remove barriers and provide improved access and services to people with a disability.

The plan focuses on four key priority areas:

- > physical accessibility
- > technological accessibility
- > employment
- > communication and community engagement.

The plan was developed in accordance with the provisions of the *Disability Discrimination Act 1992* and was informed by the National Disability Strategy 2010–2020. It can be found at www.teqsa.gov.au/sites/default/files/DisabilityActionPlan.pdf.



Acronyms and abbreviations

Glossary of terms

Compliance index

Alphabetical index

7

Section 7: Indices and references

ACRONYMS AND ABBREVIATIONS

ACPET	Australian Council for Private Education and Training
APS	Australian Public Service
AQF	Australian Qualifications Framework
ASL	Average Staff Level
ASQA	Australian Skills Quality Authority
CEO	Chief Executive Officer
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
ELICOS	English Language Intensive Courses For Overseas Students
ESOS	Education Services for Overseas Students
ESOS Act	<i>Education Services for Overseas Students Act 2000</i>
FOI Act	<i>Freedom of Information Act 1982</i>
HEIMS	Higher Education Information Management System
HITS	HELP IT System
IPS	Information Publication Scheme
MoU	Memorandum of Understanding
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
QAA	Quality Assurance Agency
QACHE	Quality Assurance of Cross Border Higher Education
QBBG	Quality Beyond Boundaries Group
QILT	Quality Indicators for Learning and Teaching
SAA	Self-accrediting authority
SES	Senior Executive Service
SME	Small and Medium Enterprises
SMT	Senior Management Team
TAFE	Technical and Further Education
TEQSA	Tertiary Education Quality and Standards Agency
TEQSA Act	<i>Tertiary Education Quality and Standards Agency Act 2011</i>
WH&S	Workplace Health and Safety

GLOSSARY OF TERMS

AUSTRALIAN QUALIFICATIONS FRAMEWORK (AQF)

The Australian Qualifications Framework (AQF) is Australia's national policy for regulated qualifications. The AQF encompasses higher education, vocational education and training, and school education. It provides for national recognition and a consistent understanding of what defines each qualification type. The Qualification Standards enshrined in the TEQSA Act strongly reflect the AQF, which requires awards issued to be quality assured, protected against fraudulent use and to serve as pathways for further learning. The Qualification Standards incorporate, by reference, the following AQF policy documents: AQF Levels Criteria and AQF Qualification Type Descriptors, AQF Qualifications Issuance Policy, AQF Qualifications Pathways Policy, AQF Qualifications Register Policy, and AQF Qualification Type Addition and Removal Policy. These documents are available at www.aqf.edu.au.

AUSTRALIAN SKILLS QUALITY AUTHORITY (ASQA)

The Australian Skills Quality Authority (ASQA) is the national regulator for Australia's vocational education and training sector. ASQA regulates courses and training providers to ensure nationally approved quality standards are met.

COMMONWEALTH REGISTER OF INSTITUTIONS AND COURSES FOR OVERSEAS STUDENTS (CRICOS)

Commonwealth Register of Institutions and Courses for Overseas Students is the official Australian Government website that lists all Australian education providers offering courses to people studying in Australia

on student visas and the courses offered. CRICOS is a searchable database managed by Department of Education and Training under the ESOS legislative framework. It provides details of Australian education institutions approved to recruit, enrol and deliver education and training services to overseas students and details of the courses that they deliver. TEQSA is responsible for assessing applications for inclusion on the CRICOS and for approving the registration of a provider on CRICOS. The database can be searched by course or provider name/number and can be accessed at www.cricos.education.gov.au.

CORE+

Under the Core+ model of assessment, providers with a sound history of higher education delivery and no significant compliance or risk concerns benefit from a reduced scope of assessment (requiring less evidence and information at the time of application) compared with those with a limited track record of higher education delivery or with compliance or risk concerns. The model allows applicants to address a sub-set of quality standards and provide a minimum core of evidence relating to the standards.

Any extension beyond the core set of standards (the +) is based on risk. The Core+ model was introduced for assessment of renewal of registration applications in late 2013 and for course accreditations in September 2015.

DEPARTMENT OF EDUCATION AND TRAINING

The Australian Government Department of Education and Training is responsible for national policies and programs that help Australians access quality early childhood education, school education, higher education, vocational education and training, international education and research.

EDUCATION SERVICES FOR OVERSEAS STUDENTS (ESOS)

The *Education Services for Overseas Students (ESOS) Act 2000* (the ESOS Act) and the associated legislation form the legal framework governing delivery of education to overseas students studying in Australia on a student visa. The framework sets out clear roles and responsibilities for providers of education and training to international students and complements Australia's student visa laws.

On 29 January 2012, TEQSA assumed responsibility for regulating international education for higher education under the ESOS Act.

ENGLISH LANGUAGE INTENSIVE COURSES FOR OVERSEAS STUDENTS (ELICOS)

English Language Intensive Courses for Overseas Students are courses offered to students studying in Australia on student visas. 'Intensive' denotes full-time study comprising a minimum of 20 scheduled course contact hours per week of face-to-face classes of English language instruction.

GOVERNMENT ACCREDITATION AUTHORITY

Government Accreditation Authorities referred to state and territory government accrediting authorities for higher education responsible for accrediting AQF qualifications and authorising nonself-accrediting higher education institutions to issue them. Their functions are now conducted by TEQSA.

HES FRAMEWORK

Higher Education Standards Framework (Threshold Standards) 2011 (HES Framework 2011) was made by the responsible Minister on the advice of the Department of Industry, Innovation, Science, Research and Tertiary Education and commenced on 5 January 2012. The *Higher Education Standards Framework (Threshold Standards) 2015* (HES Framework 2015) was determined by the Minister for Education and Training on advice from the independent Higher Education Standards Panel and commenced on 1 January 2017.

Further information regarding the HES Framework 2011 can be found at www.legislation.gov.au/Details/C2016C00888 and information about the HES Framework 2015 can be found at www.legislation.gov.au/Details/F2015L01639

HIGHER EDUCATION PROVIDER

Higher education provider is defined in the TEQSA Act and means:

- a. a constitutional corporation that offers or confers a regulated higher education award
- b. a corporation that:
 - i. offers or confers a regulated higher education award
 - ii. (is established by or under a law of the Commonwealth or a Territory
- c. a person who offers or confers a regulated higher education award for the completion of a course of study provided wholly or partly in a Territory.

HIGHER EDUCATION STANDARDS PANEL

The Higher Education Standards Panel is responsible for developing and monitoring the HES Framework. Panel members are appointed by the (then) Minister for Tertiary Education, in consultation with the responsible Minister. As of 1 January 2015, the Panel has been supported by the Department of Education and Training.

HIGHER EDUCATION SUPPORT ACT 2003 (HESA)

HESA provides for the Commonwealth Government to give financial support for higher education and certain vocational education and training through:

(a) grants and other payments made largely to higher education providers, and (b) financial assistance to students (usually in the form of loans).

MATERIAL CHANGE

Under subsection 29(1) of the TEQSA Act, it is a condition of registration that TEQSA is notified of events that happen, or are likely to happen, that will either:

(a) significantly affect the provider's ability to meet the Higher Education Standards Framework, or (b) require updating the provider's entry on the National Register of Higher Education Providers.

NATIONAL CODE

The *National Code of Practice for Providers of Education and Training to Overseas Students 2017* (National Code) provides nationally consistent standards for the conduct of registered providers and the registration of their courses. These standards set out specifications and procedures to ensure that registered providers of education and training courses can clearly understand and comply with their obligations under the National Code.

National Protocols for Higher Education Approval Processes (National Protocols), developed in 2000 and revised in 2007, were a key element of the national quality assurance framework for Australian higher education. The National Protocols were drafted as guidelines rather than standards and did not contain measures of performance. Aspects of the National Protocols were incorporated into the HES Framework.

NATIONAL REGISTER

The National Register of Higher Education Providers (National Register) was established and is maintained under section 198 of the TEQSA Act.

PROVIDER CATEGORY

Provider category relates to a category of provider as listed in the Provider Category Standards of the HES Framework 2011. The Provider Category Standards were replaced by the Criteria for Classification of Higher Education Provider Categories (Part B1) in the HES Framework 2015.

REGISTERED HIGHER EDUCATION PROVIDER

This term refers to a higher education provider registered under Part 3 of the TEQSA Act and listed on the National Register under paragraph 198(1)(a) of the Act.

REGULATORY RISK

In the context of TEQSA's quality assurance and regulatory operations, 'regulatory risk' refers to actual or potential risk events (regarding a provider's operations and performance) that indicate that the provider may not meet the HES Framework (either currently or in the future).

RISK ASSESSMENT

The term 'risk assessment' captures the overall process of risk identification, risk analysis and risk evaluation.

RISK ASSESSMENT FRAMEWORK

The Risk Assessment Framework outlines TEQSA's approach to undertaking structured risk assessments of registered higher education providers. Risk assessments play a key role in TEQSA's risk-based quality assurance and regulation of the sector by helping to prioritise TEQSA's regulatory focus.

TEQSA CASE MANAGERS

TEQSA case managers are managers employed in the regulation and review area of TEQSA who manage activities relating to a higher education provider, through communication and cooperation with provider contacts.

TEQSA STAKEHOLDER SURVEY 2016–17

In July 2017, TEQSA undertook a sector-wide survey for 2016–17, to increase TEQSA's accountability, better understand its impact on higher education providers, and improve its performance. The assessment was against the key performance indicators outlined in TEQSA's *Regulator Performance Framework 2016–17*. Relevant peak, professional and student bodies were also invited to participate in the survey.

COMPLIANCE INDEX

Table 14 indicates the location of information provided in accordance with paragraph 17AJ(d) of the PGPA Act. References in the first column of the Compliance index are to the relevant paragraph in the PGPA Act.

Table 14: List of requirements

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AD(g)	Letter of transmittal			
17AI		A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	1
17AD(h)	Aids to access			
17AJ(a)		Table of contents.	Mandatory	2
17AJ(b)		Alphabetical index.	Mandatory	140–147
17AJ(c)		Glossary of abbreviations and acronyms.	Mandatory	124–128

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AJ(d)		List of requirements.	Mandatory	128–139
17AJ(e)		Details of contact officer.	Mandatory	Inside front cover
17AJ(f)		Entity's website address.	Mandatory	Inside front cover
17AJ(g)		Electronic address of report.	Mandatory	Inside front cover
17AD(a)	Review by accountable authority			
17AD(a)		A review by the accountable authority of the entity.	Mandatory	8–9
17AD(b)	Overview of the entity			
17AE(1)(a)(i)		A description of the role and functions of the entity.	Mandatory	12–13
17AE(1)(a)(ii)		A description of the organisational structure of the entity.	Mandatory	18–23
17AE(1)(a)(iii)		A description of the outcomes and programs administered by the entity.	Mandatory	18
17AE(1)(a)(iv)		A description of the purposes of the entity as included in corporate plan.	Mandatory	18
17AE(1)(b)		An outline of the structure of the portfolio of the entity.	Portfolio departments mandatory	n/a
17AE(2)		Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	n/a

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AD(c)	Report on the Performance of the entity			
	ANNUAL PERFORMANCE STATEMENTS			
17AD(c)(i); 16F		Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	27–33
17AD(c)(ii)	Report on Financial Performance			
17AF(1)(a)		A discussion and analysis of the entity's financial performance.	Mandatory	61
17AF(1)(b)		A table summarising the total resources and total payments of the entity.	Mandatory	116–117
17AF(2)		If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity, how the entity has responded to the loss and the actions that have been taken in relation to the loss, and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	n/a

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AD(d)	Management and Accountability			
CORPORATE GOVERNANCE				
17AG(2)(a)		Information on compliance with section 10 (fraud systems).	Mandatory	67
17AG(2)(b)(i)		A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	1
17AG(2)(b)(ii)		A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	1
17AG(2)(b)(iii)		A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	1
17AG(2)(c)		An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	64–67
17AG(2)(d) – (e)		A statement of significant issues reported to Minister under paragraph 19(1) (e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	n/a

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
EXTERNAL SCRUTINY				
17AG(3)		Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	66
17AG(3)(a)		Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	n/a
17AG(3)(b)		Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	n/a
17AG(3)(c)		Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	n/a

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
MANAGEMENT OF HUMAN RESOURCES				
17AG(4)(a)		An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	67–69
17AG(4)(b)		<p>Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including the following:</p> <ul style="list-style-type: none"> > Statistics on staffing classification level > Statistics on fulltime employees > Statistics on parttime employees > Statistics on gender > Statistics on staff location > Statistics on employees who identify as Indigenous. 	Mandatory	119
17AG(4)(c)		Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	68
17AG(4)(c)(i)		Information on the number of SES and nonSES employees covered by agreements etc identified in paragraph 17AD(4) (c).	Mandatory	68

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AG(4)(c)(ii)		The salary ranges available for APS employees by classification level.	Mandatory	119
17AG(4)(c)(iii)		A description of non-salary benefits provided to employees.	Mandatory	68
17AG(4)(d)(i)		Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	n/a
17AG(4)(d)(ii)		Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	n/a
17AG(4)(d)(iii)		Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	n/a
17AG(4)(d)(iv)		Information on aggregate amount of performance payments.	If applicable, Mandatory	n/a
ASSETS MANAGEMENT				
17AG(5)		An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, Mandatory	n/a
PURCHASING				
17AG(6)		An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	69

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
CONSULTANTS				
17AG(7)(a)		A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST), the number of ongoing consultancy contracts that were entered into during a previous reporting period, and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	70
17AG(7)(b)		A statement that "During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]."	Mandatory	70
17AG(7)(c)		A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	70

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AG(7)(d)		A statement that "Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."	Mandatory	70
AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES				
17AG(8)		If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	n/a
EXEMPT CONTRACTS				
17AG(9)		If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	n/a

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
SMALL BUSINESS				
17AG(10)(a)		A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory	69
17AG(10)(b)		An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	69
17AG(10)(c)		If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, Mandatory	n/a
FINANCIAL STATEMENTS				
17AD(e)		Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	74–113

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AD(f)	Other Mandatory Information			
17AH(1)(a)(i)		If the entity conducted advertising campaigns, a statement that "During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."	If applicable, Mandatory	n/a
17AH(1)(a)(ii)		If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	120
17AH(1)(b)		A statement that "Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website]."	If applicable, Mandatory	n/a

PGPA RULE REFERENCE	PART OF REPORT	DESCRIPTION	REQUIREMENT	PAGE NUMBER
17AH(1)(c)		Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	121
17AH(1)(d)		Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	Back cover
17AH(1)(e)		Correction of material errors in previous annual report.	If applicable, Mandatory	n/a
17AH(2)		Information required by other legislation.	Mandatory	n/a

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