



**Australian Government**

**Tertiary Education Quality and Standards Agency**



















# **From External Quality Assurance → External Risk Management**

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**INQAAHE Conference 2017**

# The Legatum Prosperity Index 2016

RANK	COUNTRY										
ADJUST	SUB-INDEX WEIGHTING ?		x1	x1	x1	x1	x1	x1	x1	x1	x1
1	 New Zealand	+	1	2	2	15	12	19	3	1	13
2	 Norway	+	7	10	3	5	13	6	11	6	5
3	 Finland	+	12	8	1	3	21	18	8	11	2
4	 Switzerland	+	4	9	6	1	3	8	18	16	8
5	 Canada	+	13	3	9	14	16	22	2	3	19
6	 Australia	+	15	7	13	4	8	20	12	2	14
7	 Netherlands	+	2	14	4	2	5	12	7	13	36
8	 Sweden	+	3	13	5	13	6	10	14	18	9
9	 Denmark	+	6	11	7	12	23	5	13	7	18
10	 United Kingdom	+	10	5	11	6	20	13	15	12	10

# Standard audit model

- ▶ ‘Standard model’ used by nearly all agencies
  - ▶ Self-review, report submitted to agency
  - ▶ Analysed by peer review panel
  - ▶ Followed up by extensive site visit with interviews
  - ▶ Panel or audit director develops report with recommendations
- ▶ Providers can be assessed against:
  - ▶ Internal objectives (‘fit for purpose’ model)
  - ▶ Sets of standards

# One Size Fits All?

- ▶ Should we change our assessment scope to differentiate between, for example:
  - ▶ 300 year old 'Ivy League' university with massive endowments, long track-record in course accreditation, famous scholars and academic leaders
  - ▶ first-time applicant spun out from vocational education & training provider, unknown financial reserves, no track-record in HE, no academic leaders or teachers in place yet

# Risk-based regulation

- ▶ Developed in other sectors (e.g. UK policing & environmental inspections), varying:
  - ▶ location of resources
  - ▶ frequency of inspections
  - ▶ but not necessarily audit techniques
- ▶ Are we too proud to learn from other sectors?
- ▶ Sure, HE is different, but is it unique?
- ▶ However, we must **adapt** models to HE needs
- ▶ Case study: development of TEQSA



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**Upcoming Events**

[14 February - Private Health Insurance statistical publications](#)

[16 February - Quarterly General Insurance Performance Statistics](#)

## Supervision

APRA supervises Australia’s banks, building societies and credit unions (authorised deposit-taking institutions), life and general insurance and reinsurance companies, friendly societies and superannuation funds (excluding self-managed funds). APRA promotes financial stability by requiring these institutions to manage risk prudently so as to minimise the likelihood of financial losses to depositors, policy holders and superannuation fund members.

Through its supervision, APRA’s aim is to identify potential weaknesses in its regulated institutions as early as possible. APRA follows a risk-based approach under which institutions facing greater risks receive closer supervision.

After an institution is licensed by APRA, it is subject to ongoing supervision to ensure it is managing risks prudently and meeting prudential requirements, and to identify those institutions that are unable or unwilling to do so.

The two main supervisory tools APRA uses are on-site and off-site analysis. These reviews are undertaken by prudential supervisors with in-depth knowledge of institutions in a particular sector, and supported by specialist risk experts.

For a more detailed overview of APRA’s supervision of institutions download the [APRA Supervision Blueprint in PDF](#) or [view the publication in HTML](#).

### PAIRS and SOARS

In October 2002, APRA introduced new risk assessment and supervisory response tools known as the *Probability and Impact Rating System (PAIRS)* and the *Supervisory Oversight and Response System (SOARS)*. These supervisory tools are the centrepiece of APRA’s risk-based approach to supervision and assist APRA in:

- making better risk judgments;
- quickly and consistently taking supervisory action where necessary;
- strengthening the ability of supervisors to take effective action; and
- improving oversight and reporting on problem entities.

### Quick Links

[APRA Website Feedback](#)

[D2A](#)

[Disqualification Register](#)

[Enforceable Undertakings](#)

[Financial Claims Scheme \(FCS\)](#)

[Freedom of Information \(FOI\)](#)

[Infringement Notices](#)

[Supervision of conglomerate groups \(Level 3\)](#)

### Consultations open

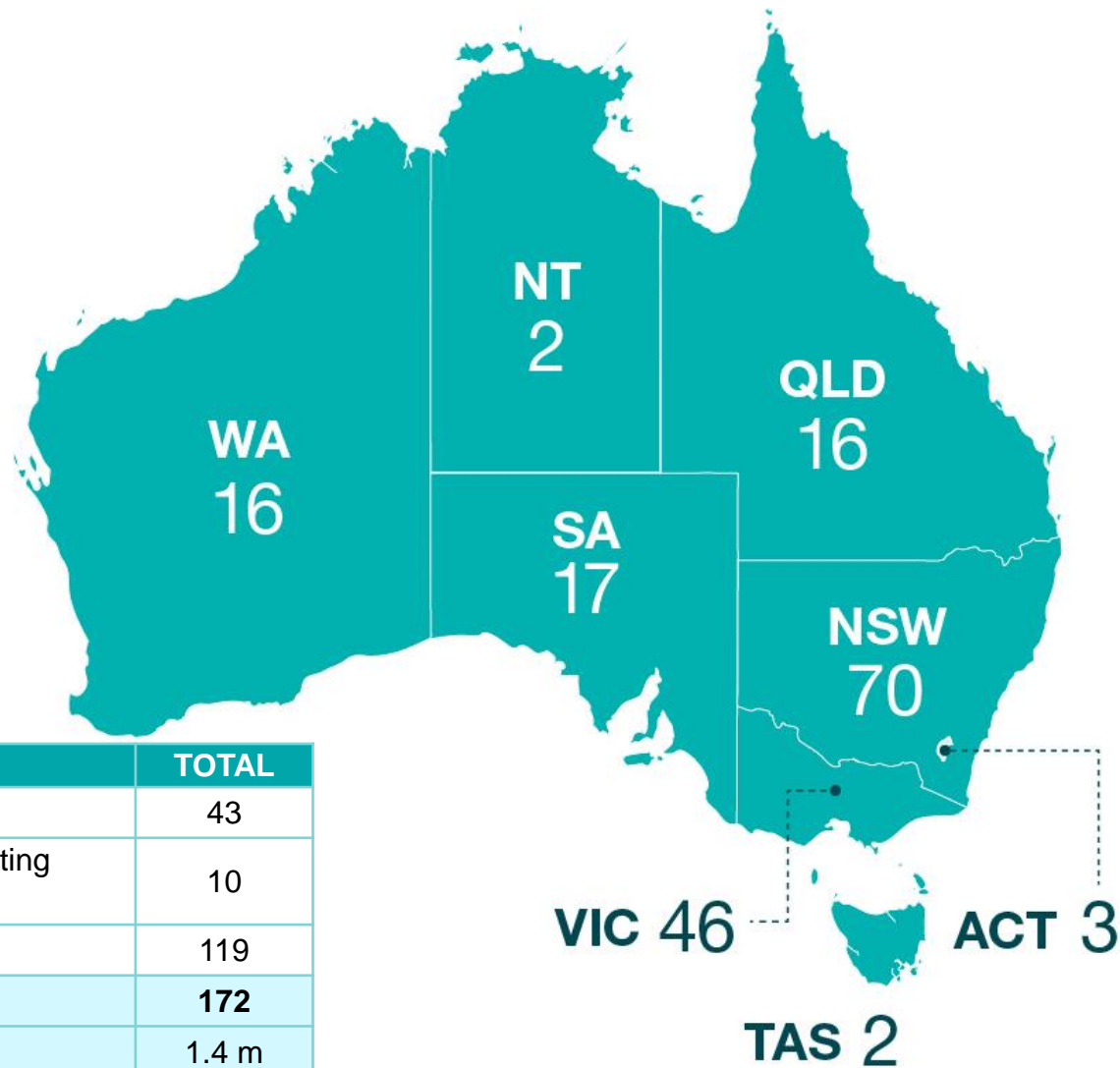
[December 2016 - Introduction of a Risk Management Standard for the Private Health Insurance Industry](#)

[January 2017 - Consultation on modernised economic and financial statistics \(EFS\) data collection](#)

# APRA Model

- ▶ Entirely based on risk assessment & ‘supervision’
  - probability & impact of failure
  - continuously updated
  - based on range of factors:
    - governance & management
    - internal risk management
    - strategy & planning
    - financial risks
  - No peer review
- ▶ No product quality standards
- ▶ No periodic re-accreditation, but action plans
- ▶ Graduated responses, ranging from more frequent reviews to mandatory rectification

# The HE Landscape



Provider Category (November 2016)	TOTAL
University	43
Non University HEP – with Self Accrediting Authority (full or partial)	10
Non University HEP	119
<b>TOTAL</b>	<b>172</b>
Students	1.4 m



# TEQSA Mark 1.0

- ▶ ‘One-stop shop’ for all accreditations
- ▶ Coercive powers, which frightened unis
- ▶ Parallel tracks for annual RAs & audits
- ▶ 42 indicators in first RA framework
  - ▶ Financial indicators
  - ▶ Proxies for educational quality
    - Attrition rates
    - Progress rates
    - Completions
    - Staffing
  - ▶ Two-stage Risk Assessment (RA) process
  - ▶ Must be followed by audit to substantiate findings

# TEQSA Mark 2.0

- ▶ ‘One size fits all’ for first-time applicants still
- ▶ For renewals: interactivity between RA & audits
- ▶ Improved RA framework with fewer indicators, more trends, statistical significance
- ▶ Vary scope of renewal assessments:
  - ▶ horizontally – number of standards
  - ▶ vertically – depth of evidence, investigation

# General Renewal Model

- ▶ ‘Core +’ model for all renewals
- ▶ Rationale:
  - ▶ Scope and depth of assessment should vary with risk on a sliding scale: ‘variable touch’
  - ▶ Mature low-risk providers should not have to demonstrate they meet all 109+ standards if:
    - provider is well constituted with established systems
    - student performance data favourable
    - history of meeting standards
    - also consider complaints history, is there a pattern?
  - ▶ Always audit sub-set of standards
  - ▶ Extend to others if need be

# Institutional Assessment Core

- ▶ Governance, monitoring and IQA domains overarching processes → ‘meta-regulation’
- ▶ Focus on primary external governance review, required every accreditation period to cover:
  - ▶ Governing Body
  - ▶ Academic governance
- ▶ **Review report is ‘core of core’ for TEQSA’s RR**
  - ▶ Focus on self-correcting capability
  - ▶ Capacity to ‘detect and correct’ variations in Q

# Review of Reviews

- ▶ Also sample reports of other reviews covering major QA responsibilities:
  - Courses
  - Academic units (for consistency)
  - Assessment model, practices & validity
  - Student outcomes
    - completion & attrition rates
    - assurance of learning
  - Research performance
  - Academic integrity
  - Complaints & grievances
  - Risk management

# Does the review of reviews work?

- ▶ Can identify and address various scenarios
  - ▶ No framework for QA reviews
    - Some QA policies but no provision for reviewing them
  - ▶ Framework in place but not operational
    - Framework in place for various types of reviews, but some or all not actually taking place
  - ▶ Framework operational but not effective
    - Reviews taking place, but no actions arising
    - Problems detected but not corrected
  - ▶ Framework in place and evidently effective
    - Agency can rely on outputs of provider's own reviews & actions arising

2012-13

2014-16

2016 onwards

Principles of risk, necessity, proportionality

All providers assessed against all Standards  
High front gate for initial registration

'Core/core +' renewal of registration /course accreditation  
High front gate initial registration

2015 HESF -provider self-assurance  
Reduced cyclical assessment

Monitoring strategies and regulatory tools for targeted regulatory response

Regulatory Risk Framework – 96 risk indicators

Risk differentiation 12 indicators, 2 overall areas of risk  
Expanding analysis and reporting

Enhanced sector analysis, market intelligence and general oversight

Expanded guidance and support for providers

Established annual data collection  
Key HE statistics published

Enhancing national data collection and sharing arrangements with other agencies

Improved information and transparency on provider operations and sector issues

# Possible Lessons for Other Agencies

- ▶ With renewal audits:
  - ▶ Establish differentiated flexible model, with scope of audits varying with risk/confidence
  - ▶ Use any tools required for the objective
    - Hammers, saws and screwdrivers!
  - ▶ Focus on the overarching functions:
    - Corporate governance
    - Academic governance
    - IQA
    - academic leadership?



# Why?

- ▶ Free time and resources for the big issues:
  - ▶ Assurance of learning
    - How do you know all graduates achieve learning outcomes?
    - Especially with microcredentialling & disaggregation of programs
  - ▶ Student experience
    - Go beyond numerical ratings of student satisfaction
  - ▶ Academic integrity
    - Are they winning the arms race?
- ▶ Some of these may need ‘thematic’ review



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