



Australian Government
Department of Education and Training

FINANCIAL VIABILITY INSTRUCTIONS

Applicants and Providers of FEE-HELP

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Version control

Version	Date	Summary of changes
1.0	22/05/2013	Initial document
2.0	09/09/2016	2016 update

Note: As of the publication of this document there are differing informational requirements for VET and Higher Education Provider (HEP) applicants and approved providers. Following the promulgation of these *Financial Viability Instructions Applicants and Providers of FEE-HELP* (FVI) HEP applicants and providers are required to meet all requirements as specified in this document and the *Higher Education Support Act 2003* (the Act).

Dual Sector Providers

Following the promulgation of these FVI all approved dual sector providers are required to meet all requirements of the *Financial Viability Instructions for Applicants and Providers of VET FEE-HELP* as they apply to VET FEE-HELP providers and the *Higher Education Support (VET) Guideline 2015* in order to maintain approval as a dual provider. This includes the submission of audited general purpose financial statements for all annual financial reporting periods commencing on or after the date of promulgation.

Higher education applicants & providers

HEP applicants and providers are required to meet all requirements of the *Financial Viability Instructions Applicants and Providers of FEE-HELP* following the promulgation of these FVI.

VET FEE-HELP applicants that are approved HEPs

Approved higher education providers seeking approval as a VET provider and submitting an application after the promulgation of the *Financial Viability Instructions for Applicants and Providers of VET FEE-HELP* are required to meet all requirements as specified in that document. This includes requirements relating to the submission of audited general purpose financial statements for the most recently completed annual financial reporting period prior to application.

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1. Overview

Purpose of the *Financial Viability Instructions*

The Minister must be satisfied that an organisation ([applicant](#) or [higher education provider \(HEP\)](#)) is financially viable and likely to remain financially viable, as specified under section 19-5 of the *Higher Education Support Act 2003* (the Act) for a HEP.

These *Financial Viability Instructions for Applicants and Providers of FEE-HELP* (FVI) are part of the approved form required under paragraphs 16-25(1)(f), 19-10(2)(a), subsection 16-40(2) and sections 19-12 and 19-70 of the Act for HEPs. These FVI are for use by organisations that are applying to become approved providers and organisations that are approved providers to offer loans under the [FEE-HELP](#) scheme. These FVI are designed to assist organisations to prepare the parts of their application or annual financial submission that relate to financial viability. These FVI inform organisations of the information that is required, the form in which it must be prepared and how financial viability will be assessed. Applicant organisations failing to satisfy the requirements of these FVI will face non-approval of their application. Approved HEPs failing to satisfy ongoing financial viability requirements may face additional monitoring and reporting activities, suspension or revocation of approved provider status.

These FVI replace the *Financial Viability Instructions: Applicants and Providers of FEE-HELP and VET FEE-HELP assistance* dated May 2013.

Assessing financial viability

When making an assessment of financial viability, the department will consider the level of risk that an organisation presents. In its assessment, the department may consider the:

- financial information provided;
- liquidity, profitability and financing position of the organisation (refer to [Appendix 3](#) for the 'Financial ratios calculated by the Financial Performance' completed in the [HELP IT system](#) (HITS));
- type of organisational structure ([associated entities](#) and whether a trust is involved);
- age and history of the organisation;
- ability of the organisation and all relevant people to meet the [Fit and Proper Person Specified Matters 2012](#);
- experience in providing educational services and period of registration as an accredited HEP or Registered Training Organisation (RTO);
- not for profit, registered association, professional peak body or charitable organisation status;
- student body profile (domestic/international); and
- trends in the financial performance of the organisation.

If the Minister is satisfied that a HEP presents a low risk in terms of its financial viability, based on the information provided in [Chapter 2](#) of these FVI for applicants or [Chapter 4](#) for approved HEPs, that information will usually be considered sufficient for meeting the financial viability requirements under the Act.

Where an organisation is assessed as presenting a level of financial viability risk greater than low, it may be required to provide risk mitigation strategies (refer to [Chapter 6](#) of these FVI and the Risk Mitigation table at [Appendix 5](#)).

If the organisation is not an organisation specified at paragraph [2.1](#) of the FVI, a [Table A or B listed provider](#), or a [Table C provider](#) as specified at paragraphs [2.3](#) and [2.4](#) of these FVI, it will be required to enter into a conditional approval arrangement with the department before it can commence offering HELP loans. The conditional approval documentation sets out details of the undertakings required from the organisation pursuant to subsection 16-50(2) of the Act. The conditions of approval may vary from one organisation to another, though all HEPs will have to provide an annual submission of financial information as detailed in these FVI and the Act.

Submission of financial information

HEP applicants and providers must upload all financial information requested in these FVI into HITS. Organisations should refer to the [HITS User Guide](#) for instructions on how to upload documents and to fill out Financial Performance information in HITS. For each document that is uploaded into HITS, the organisation must select the sector, i.e. HEP sector or dual sector, from the drop down menus, where prompted.

[Dual sector](#) organisations only need to submit one set of financial information into HITS. However, dual sector organisations are required to adhere to all additional requirements relevant to VET providers as specified in the [Financial Viability Instructions Applicants and Providers of VET FEE-HELP](#) and the [VET Guidelines](#) in order to maintain approved dual provider status.

Organisations applying for HEP approval (new application), but already approved in the VET sector (existing approval), are not required to submit any additional information unless requested to by the department. However, approved HEPs seeking VET provider status will be required to submit additional financial information prepared in line with the requirements of the *Financial Viability Instructions Applicants and Providers of VET FEE-HELP*. Any organisation assessed by the department as presenting a level of financial viability risk greater than low with respect to its existing approval (VET or HEP) may be required to provide additional risk mitigation strategies before approval in the second sector is granted (refer to [Appendix 5](#) for the 'Risk mitigation table').

All HEP applicants are required to submit the information stipulated in the relevant sections of these FVI in order to have an assessment progressed.

Once approved, HEPs must submit financial information annually to the department within six months of the close of each annual financial reporting period. If the department assesses the organisation as presenting a level of financial risk greater than low, further information or the establishment of additional risk mitigation strategies may be requested (refer to [Appendix 5](#) for the 'Risk mitigation table for providers'). Organisations that are not found to be financially viable, or who fail to comply with their financial reporting requirements, may face suspension or revocation of approved provider status.

Approved providers will only be considered compliant with their financial reporting obligations when all of the relevant documentation listed in these FVI and any additional reporting requirements stipulated in approval documentation is complete, correct and has been uploaded into HITS in the specified formats.

Information about the financial position of all approved providers or applicant organisations, including information concerning current and future financial viability, is treated as 'In-confidence'.

Checklists have been provided for applicants at [Chapter 3](#), and approved providers at [Chapter 5](#), to assist with ensuring that all required information is submitted.

2. Applicants or newly approved Table providers

There are two types of HEP applicants and two types of providers who may otherwise be newly able to offer FEE-HELP. These are:

- A. applicants that are specified in the legislation cited at paragraph [2.1](#) of these FVI that meet body corporate requirements, or that are otherwise established under legislation with the specific intention of providing education and who also meet the body corporate requirements under the Act, or that are established to provide education under specific legislation and are also body corporate entities;
- B. other HEP applicants that are not defined above;
- C. newly listed [Table A or Table B listed providers](#); and
- D. newly listed [Table C providers](#).

The information that an organisation is required to provide depends on its organisation classification/type.

Applicants that are specified under specific legislation or bodies established to provide education and training under legislation that also meet the body corporate requirements

2.1 Organisations established to provide education under the specific legislation cited in paragraphs [2.1.1](#) to [2.1.7](#) of these FVI that meet body corporate requirements, or bodies established to provide education and training under any legislation that also meet the body corporate requirements under the Act, are required to submit the financial information in paragraph [2.2](#).

2.1.1 Australian Capital Territory: *Canberra Institute of Technology Act 1987*;

2.1.2 New South Wales: *Technical and Further Education Commission Act 1990*;

2.1.3 Queensland: *TAFE Queensland Act 2013*;

2.1.4 South Australia: *TAFE SA Act 2012*;

2.1.5 Victoria: *Education and Training Reform Act 2006*;

2.1.6 Western Australia: *Vocational Education and Training Act 1996*; or

2.1.7 Tasmania: *Training and Workforce Development Act 2013*.

2.2 These organisations will be required to submit:

2.2.1 a copy of the annual report for each of the four most recently completed annual financial reporting periods.

2.2.2 Financial Performance information in HITS—complete Financial Performance information in HITS for the most recently completed annual financial reporting period **and** each of the preceding three annual financial reporting periods. Financial Performance information must be consistent with the information contained in annual reports for the corresponding period unless a detailed explanation for any discrepancies or variations is provided.

Applicants are also required to ensure that they submit each completed Financial Performance individually prior to submitting their application. Financial Performances that are left in draft status when an application is

submitted cannot be considered as complete and the application will not be progressed. Each Financial Performance is required to be submitted individually upon its completion. Submitting an application to become a provider in its entirety does not have the effect of submitting Financial Performances.

Table A or Table B listed providers

- 2.3 [Table A or Table B listed providers](#) are automatically able to offer FEE-HELP following their inclusion on those tables. However, where a Table A or B listed provider intends to commence offering FEE-HELP loans having not previously done so it should advise the department of this via a letter to ppfinance@education.gov.au. The department assesses the financial viability of these organisations using the financial information provided in compliance with the ongoing financial reporting requirements under section 19-10(2) of the Act and section 58 of the *Australian Research Council Act 2001*. There are no additional financial information requirements from Table A or B listed providers.

Table C providers

- 2.4 [Table C providers](#) are automatically able to offer FEE-HELP following their inclusion on that table. However, following any such approval, a Table C provider **must** provide the following financial information for its Australian subsidiary by uploading it into HITS:
- 2.4.1 audited financial statements for the most recently completed annual financial reporting period. These statements must be audited by an independent [qualified auditor](#) and prepared in accordance with [Appendix 2](#) of these FVI. All reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).
- If the audited financial statements provided are more than six months old, interim management reports and supporting bank statements must also be provided. Interim management reports must be attested to by a director of the applicant that they present a true and fair view of the applicant's financial position. Interim management reports must include, at a minimum, a balance sheet including breakdowns of major line items as per *AASB 101 - Presentation of Financial Statements*, a comprehensive income statement and bank statements (consistent with the applicant's interim financial accounting period). Interim management reports and bank statements submitted for the purposes of satisfying this requirement must cover the period from the end of the provider's last annual financial reporting period until the close of the month preceding its inclusion on Table C.
- 2.4.2 auditor's independence declaration—the qualified auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*.
- 2.4.3 independent auditor's report—an independent auditor's report must accompany the financial statements.
- 2.4.4 certificate of the auditor—a copy of the Certificate of Public Practice or Public Practice Certificate held by the person who conducted the audit of the financial statements.
- 2.4.5 financial statements for the three annual financial reporting periods immediately prior to the year for which audited financial statements have

been submitted. Financial statements provided for these years must, at a minimum, have been prepared on an accruals basis and include:

- a detailed balance sheet;
- a comprehensive income statement;
- a statement of cash flows;
- a statement of changes in equity;
- a directors' declaration;
- a directors' report;
- explanatory notes; and
- any other documentation that forms part of the financial statements prepared for those years.

All reports and declarations accompanying the financial statements must be signed and dated by the relevant person(s).

- 2.4.6 Financial Performance information in HITS—complete Financial Performance information in HITS for the most recently completed annual financial reporting period **and** the preceding three annual financial reporting periods. Financial Performance information must be consistent with the information contained in financial statements for the corresponding period unless a detailed explanation for any discrepancies or variations is provided.

Applicants are also required to ensure that they submit each completed Financial Performance individually prior to submitting their application. Financial Performances that are left in draft status when an application is submitted cannot be considered as complete and the application will not be progressed. Each Financial Performance is required to be submitted individually upon its completion. Submitting an application to become a provider in its entirety does not have the effect of submitting Financial Performances.

- 2.4.7 [International Financial Reporting Standards](#) (IFRS) compliant financial statements of the applicant's consolidated body for the most recently completed annual financial reporting period.

All other HEP applicants

- 2.5 All other HEP applicants are required to submit financial information which **must** include, but is not necessarily limited to:

- 2.5.1 audited financial statements for the most recently completed annual financial reporting period. These statements must be audited by an independent [qualified auditor](#) and prepared in accordance with [Appendix 2](#) of these FVI. All reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).

If the audited financial statements provided are more than six months old, interim management reports and supporting bank statements must also be provided. Interim management reports must be attested to by a director of the applicant that they present a true and fair view of the applicant's financial position. Interim management reports must include, at a minimum, a balance sheet including breakdowns of major line items as per *AASB 101 - Presentation of Financial Statements*, a comprehensive income statement and bank statements (consistent with the applicant's interim financial accounting period). Interim management reports and bank statements submitted for the purposes of satisfying this requirement must cover the period from the end of the applicant's last annual financial

reporting period until the close of the month preceding the application submission date.

- 2.5.2 auditor's independence declaration—a qualified auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*.
- 2.5.3 independent auditor's report—an independent auditor's report must accompany the financial statements.
- 2.5.4 certificate of the auditor—a copy of the Certificate of Public Practice or Public Practice Certificate held by the person who conducted the audit of the financial statements.
- 2.5.5 financial statements for the three annual financial reporting periods immediately prior to the year for which audited financial statements have been submitted. Financial statements provided for these years must, at a minimum, have been prepared on an accruals basis and include:
 - a detailed balance sheet;
 - a comprehensive income statement;
 - a statement of cash flows;
 - a statement of changes in equity;
 - a directors' declaration (or equivalent);
 - a directors' report (or equivalent);
 - explanatory notes; and
 - any other documentation that forms part of the financial statements.

All reports and declarations accompanying the financial statements must be signed and dated by the relevant person(s).

- 2.5.6 Financial Performance information in HITS—complete Financial Performance information in HITS for the most recently completed annual financial reporting period **and** each of the preceding three annual financial reporting periods. Financial Performance information must be consistent with the information contained in financial statements for the corresponding period unless a detailed explanation for any discrepancies or variations is provided.

Applicants are also required to ensure that they submit each completed Financial Performance individually prior to submitting their application. Financial Performances that are left in draft status when an application is submitted cannot be considered as complete and the application will not be progressed. Each Financial Performance is required to be submitted individually upon its completion. Submitting an application to become a provider in its entirety does not have the effect of submitting Financial Performances.

- 2.5.7 declaration of compliance with statutory obligations—a declaration by an external and independent [public accountant](#) or [qualified auditor](#) that the applicant has, as at the date of the declaration, complied with all statutory obligations relating to the lodgement and payment of:
 - company tax;
 - goods and services tax;
 - pay-as-you-go withholding tax for employees;
 - payroll tax;
 - superannuation guarantee for employees; and
 - other withholding tax.

It must be stipulated if any of these taxes are not applicable. Accountants or auditors providing the declaration of compliance with statutory obligations must be independent of the applicant entity.

2.5.8 business/strategic plan—a business/strategic plan for the next three years. This business plan must include, but should not necessarily be limited to:

- details regarding the age and history of the applicant organisation;
- details of the applicant's share structure, including shareholders/beneficiaries (if applicable);
- a diagram of the applicant's corporate structure where it forms part of a group of entities. This corporate structure diagram must be sufficiently detailed to allow the department to understand the nature of the relationship that exists between all entities within the group and include details regarding shareholder or beneficiary structures;
- a diagram of the applicant's governance structure;
- details of any significant projects, asset purchases/sales, or changes to business ownership the applicant plans to undertake in the next three years;
- a detailed [SWOT analysis](#); and
- dedicated analysis of possible financial viability and other organisational risks that may affect the applicant and related risk mitigation strategies.

2.5.9 student enrolments—student enrolments consistent with the applicant's financial reporting period, including:

- detailed historical and projected student enrolments using Table 1 and Table 2 at [Chapter 8](#) of these FVI;
- an explanation of variances of ten per cent or more between the applicant's projected student enrolments and actual student enrolments;
- an explanation of underlying assumptions and determining factors affecting the organisation's projected student enrolments; and
- where the applicant has international students, it is also required to complete Table 3 and Table 4 at [Chapter 8](#) of these FVI in relation to international enrolments.

2.5.10 budget forecasts—detailed budget forecasts consistent with the applicant's financial reporting period, including:

- projected income and expenses versus actual income and expenses for the most recently completed annual financial reporting period;
- projected income and expenses versus actual income and expenses covering the period from the end of the last reporting period until the end of the month preceding the application submission date;
- projected income and expenses for the current annual financial reporting period;
- projected income and expenses for the next three annual financial reporting periods; and
- an explanation of variances of ten per cent or more between projected income and expenses and actual income and expenses.

Note: the budget forecasts provided should allow the department to fully understand all underlying assumptions and determining factors affecting future revenue and expense estimates.

- 2.5.11 staff employees—detailed information of staff employed by the applicant, broken down by full-time employees, part-time employees, teaching staff and other staff.
- 2.6 In addition, applicants **must** provide the following financial information *if applicable*:
- 2.6.1 consolidated financial statements—where the applicant is a wholly-owned subsidiary of another legal entity, or forms part of a larger tax group, the applicant is required to submit the financial statements of the consolidated group, which must include the relevant ABN of the controlling entity, for the most recently completed annual financial reporting period. Financial statements provided for the consolidated body must, at a minimum, have been prepared on an accruals basis and include:
- a detailed balance sheet;
 - a comprehensive income statement;
 - a statement of cash flows;
 - a statement of changes in equity;
 - a directors' declaration (or equivalent);
 - a directors' report (or equivalent);
 - explanatory notes; and
 - any other documentation that forms part of the financial statements.
- All reports and declarations accompanying the financial statements of the consolidated group must be signed and dated by the relevant person(s).
- 2.6.2 associated entity information—information about relationships that the applicant organisation has with associated entities.
- 2.6.3 statement of independence—where the applicant's accountant and [qualified auditor](#) both work for the same firm, a statement from the auditor explaining how independence has been maintained throughout the audit process.
- 2.6.4 details of payment plan(s)—where the applicant has entered into any payment plan(s) in relation to any of the statutory obligations referred to in paragraph [2.5.7](#), details regarding the conditions of the agreed payment plan(s) and the circumstances which led to them being entered into.
- 2.6.5 auditor correspondence— where the [qualified auditor](#) has communicated to the applicant, either verbally or in writing, about significant matters resulting from, or pertaining to, the audit process, details of those communications including copies of all correspondence and an explanation as to how the matters identified impact upon the ongoing financial viability of the applicant.
- 2.6.6 Deed(s) of Guarantee—where the applicant has a Deed(s) of Guarantee (and/or Deed(s) of Cross Guarantee) in place, a copy of all relevant Deeds.
- 2.6.7 capital injection agreement(s)— where an applicant has an agreement in place relating to capital injections from [related entities](#), directors, shareholders or third parties it must provide a copy of the agreement(s) to the department.
- 2.6.8 evidence supporting capital injections and/or guarantees—where the applicant has provided evidence of an agreed capital injection and/or has a Deed(s) of Financial Guarantee in place (and/or Deed(s) of Cross Guarantee), evidence that the person/entity providing the capital injections

or acting as guarantor/financier has sufficient assets to honour those agreements. This evidence must include, but is not necessarily limited to:

- for guarantees and agreements provided by companies—the *most recently completed annual financial statements*. Financial statements provided for the guarantor or financier must, at a minimum, have been prepared on an accruals basis and include:
 - a detailed balance sheet;
 - a comprehensive income statement;
 - a statement of cash flows;
 - a statement of changes in equity;
 - a directors' declaration (or equivalent);
 - a directors' report (or equivalent);
 - explanatory notes; and
 - any other documentation that forms part of the financial statements prepared for those years.

In addition, if the financial statements provided for this purpose are more than six months old, interim management reports and supporting bank statements must be submitted. Interim management reports must include, but are not limited to, a balance sheet and comprehensive income statement attested to by a director of the guarantor or financier that they present a true and fair view of the guarantor/financier's financial position. Interim management reports must cover the period from the end of the last reporting period until the end of the month preceding the application submission date and must include the relevant ABN. Interim management reports must be accompanied by all bank statements for the guarantor/financier organisation covering the final month of the period included in the interim management reports.

- for guarantees or agreements provided by individuals—a statement of assets and liabilities (indicating the individual's principal residence) attested to by a [public accountant](#) that it presents a true and fair view of the individual's financial position. All assets and liabilities of the potential guarantor or financier must be included, and where there is joint ownership of any asset or liability this must be indicated.

2.6.9 details of changes to reporting period—details of any plans the applicant may have to change its financial reporting period.

2.6.10 other relevant documents—any other documentation the applicant believes is relevant or that may assist the department to assess the financial viability of the organisation.

Supplementary information required from applicants

New or reconstituted reporting entities

2.7 If the applicant is a [new or reconstituted reporting entity](#), it will need to provide supplementary information to demonstrate how it could be considered to present a low financial risk in the absence of four years of

trading history. This information **must** include, but is not necessarily limited to:

- 2.7.1 audited financial statements—audited financial statements for either the applicant’s most recently completed annual financial reporting period, or where the applicant has not yet reached the close of its first annual financial reporting period, the duration of time for which it has been in operation. These financial statements must be audited by an independent [qualified auditor](#) and prepared in accordance with [Appendix 2](#) of these FVI. All reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).

If the audited financial statements provided are more than six months old, applicants must also provide interim management reports and supporting bank statements. Interim management reports must be attested to by a director of the applicant that they present a true and fair view of the applicant’s financial position. Interim management reports must include, at a minimum, a detailed balance sheet including breakdowns of major line items as per *AASB 101 - Presentation of Financial Statements*, a comprehensive income statement and bank statements (consistent with the applicant’s interim financial accounting period). Interim management reports and bank statements submitted for the purposes of satisfying this requirement must cover the period from the end of the applicant’s last annual financial reporting period until the close of the month preceding the application submission date.

- 2.7.2 auditor’s independence declaration—a qualified auditor’s independence declaration, as required under section 307C of the *Corporations Act 2001*.
- 2.7.3 independent auditor’s report—an independent auditor’s report must accompany the financial statements.
- 2.7.4 certificate of the auditor—a copy of the Certificate of Public Practice or Public Practice Certificate held by the person who conducted the audit of the financial statements.
- 2.7.5 financial statements for all previous annual financial reporting periods, prior to the period for which audited financial statements have been submitted, during which the applicant has been in operation. Financial statements provided for these years must, at a minimum, have been prepared on an accruals basis and include:

- a detailed balance sheet;
- a comprehensive income statement;
- a statement of cash flows;
- a statement of changes in equity;
- a directors’ declaration (or equivalent);
- a directors’ report (or equivalent);
- explanatory notes; and
- any other documentation that forms part of the financial statements.

All reports and declarations accompanying these financial statements must be signed and dated by the relevant person(s).

- 2.7.6 bank statements—bank statements in the applicant’s name for the preceding 12 months. Where the applicant is less than 12 months old, all statements available since the commencement of trading must be submitted.

- 2.7.7 copies of loan agreement(s)—copies of any loan agreement(s) in place related to funding.
- 2.7.8 details of changes in trading history (if available)—if the organisation has a trading history at any time over the past four years having operated in the name of an antecedent legal entity, it is required to provide financial information referred to in paragraphs [2.5.1](#) to [2.5.5](#) of these FVI in relation to that entity, if the financial information is available.
- 2.7.9 evidence of any additional risk mitigation strategies that the applicant has established which it believes may assist it to satisfy the financial viability requirements (refer to [Appendix 5](#) of these FVI for examples of risk mitigation strategies that may be appropriate).
- 2.7.10 other relevant documents—any other documentation the applicant believes provides evidence of its financial viability or supports its application.

Trustee arrangements

- 2.8 If the applicant is submitting financial information in its capacity as a trustee company for a trust, it **must** provide, in addition to any other information required by these FVI, full details of the trust arrangements including:
 - 2.8.1 a statement from its legal adviser—a written statement of explanation from the applicant's legal adviser (who must be a person with a current, unrestricted practising certificate) explaining how the trust assets may be validly applied by the applicant in its capacity as a trustee company.
 - 2.8.2 a trust deed—a certified copy of the current trust deed.
 - 2.8.3 a statement from the [public accountant](#)—a written statement of explanation from the applicant's [public accountant](#) about the trust's [business affairs](#) and how the trust should be taken into account in assessing the applicant's financial viability (some aspects of which may be addressed in the legal adviser's statement of explanation).
- 2.9 The applicant, in its capacity as a trustee company for a trust, should pay particular attention to the need to demonstrate that it has in its capacity as a trustee company:
 - 2.9.1 sufficient equity levels to satisfy the debt-to-equity ratios required by the financial viability thresholds set out in [Appendix 3](#) of these FVI.
 - 2.9.2 sufficient retained earnings to build up equity over time, and in the absence of such, the trust has made alternative sources of funding available to support its operations, such as loans from directors.
 - 2.9.3 the ability to satisfy the other financial ratio thresholds set out in [Appendix 3](#).

3. Financial viability checklist for applicants

This is a checklist for Applicant organisations to use to assist with preparing an application.

- 3.1 Organisations established to provide education under the specific legislation cited in paragraphs [2.1.1](#) to [2.1.7](#) of these FVI that meet the body corporate requirements, or bodies established to provide education and training under any legislation that also meet the body corporate requirements under the Act.

Information to be provided	Paragraph	Yes	Not applicable
A copy of the annual reports for the four most recently completed annual financial reporting periods	2.2.1	<input type="checkbox"/>	<input type="checkbox"/>
Completed Financial Performance information in HITS (submitted)	2.2.2	<input type="checkbox"/>	<input type="checkbox"/>

- 3.2 Table A and Table B listed organisations.

Information to be provided	Paragraph	Yes	Not applicable
No additional financial information required	2.3	<input type="checkbox"/>	<input type="checkbox"/>

- 3.3 Table C organisations.

Information to be provided	Paragraph	Yes	Not applicable
Audited financial statements for the most recently completed annual financial reporting period	2.4.1	<input type="checkbox"/>	<input type="checkbox"/>
Interim management reports and bank statements, if applicable.	2.4.1	<input type="checkbox"/>	<input type="checkbox"/>
Auditor's independence declaration	2.4.2	<input type="checkbox"/>	<input type="checkbox"/>
Independent auditor's report	2.4.3	<input type="checkbox"/>	<input type="checkbox"/>
Certificate of the auditor	2.4.4	<input type="checkbox"/>	<input type="checkbox"/>
Financial statements for the three annual financial reporting periods prior to the most recently completed annual financial reporting period	2.4.5	<input type="checkbox"/>	<input type="checkbox"/>
Completed Financial Performance information in HITS (submitted)	2.4.6	<input type="checkbox"/>	<input type="checkbox"/>
IFRS compliant financial statements of the applicant's consolidated body for the most recently completed annual financial reporting period.	2.4.7	<input type="checkbox"/>	<input type="checkbox"/>

3.4 All other applicants.

Current audited annual financial statements prepared in accordance with Appendix 2 of these FVI	2.5.1	<input type="checkbox"/>	<input type="checkbox"/>
Interim management reports and bank statements, if applicable.	2.5.1	<input type="checkbox"/>	<input type="checkbox"/>
Auditor's independence declaration	2.5.2	<input type="checkbox"/>	<input type="checkbox"/>
Independent auditor's report	2.5.3	<input type="checkbox"/>	<input type="checkbox"/>
Certificate of the auditor	2.5.4	<input type="checkbox"/>	<input type="checkbox"/>
Financial statements for the three annual financial reporting periods prior to the most recently completed annual financial reporting period	2.5.5	<input type="checkbox"/>	<input type="checkbox"/>
Completed Financial Performance information in HITS (submitted)	2.5.6	<input type="checkbox"/>	<input type="checkbox"/>
Declaration of statutory obligations	2.5.7	<input type="checkbox"/>	<input type="checkbox"/>
Business/strategic plan	2.5.8	<input type="checkbox"/>	<input type="checkbox"/>
Student enrolments	2.5.9	<input type="checkbox"/>	<input type="checkbox"/>
Budget forecasts	2.5.10	<input type="checkbox"/>	<input type="checkbox"/>
Staff/employee information	2.5.11	<input type="checkbox"/>	<input type="checkbox"/>

3.5 All other applicants where applicable.

Information to be provided	Paragraph	Yes	Not applicable
Consolidated financial statements	2.6.1	<input type="checkbox"/>	<input type="checkbox"/>
Associated entity information	2.6.2	<input type="checkbox"/>	<input type="checkbox"/>
Statement of independence	2.6.3	<input type="checkbox"/>	<input type="checkbox"/>
Details of payment plan(s)	2.6.4	<input type="checkbox"/>	<input type="checkbox"/>
Auditor correspondence	2.6.5	<input type="checkbox"/>	<input type="checkbox"/>
Deed(s) of Guarantee	2.6.6	<input type="checkbox"/>	<input type="checkbox"/>
Capital injection agreement(s)	2.6.7	<input type="checkbox"/>	<input type="checkbox"/>
Evidence supporting capital injections and/or guarantees	2.6.8	<input type="checkbox"/>	<input type="checkbox"/>
Details of changes to reporting period	2.6.9	<input type="checkbox"/>	<input type="checkbox"/>
Other relevant documents	2.6.10	<input type="checkbox"/>	<input type="checkbox"/>

3.6 Additional information from new or reconstituted reporting entities.

Information to be provided	Paragraph	Yes	Not applicable
Audited financial statements for the most recently completed annual financial reporting period or period of operations	2.7.1	<input type="checkbox"/>	<input type="checkbox"/>

Information to be provided	Paragraph	Yes	Not applicable
Auditor's independence declaration	2.7.2	<input type="checkbox"/>	<input type="checkbox"/>
Independent auditor's report	2.7.3	<input type="checkbox"/>	<input type="checkbox"/>
Certificate of the auditor	2.7.4	<input type="checkbox"/>	<input type="checkbox"/>
Financial statements for all previous periods of operation	2.7.5	<input type="checkbox"/>	<input type="checkbox"/>
Bank statements	2.7.6	<input type="checkbox"/>	<input type="checkbox"/>
Copies of loan agreement(s)	2.7.7	<input type="checkbox"/>	<input type="checkbox"/>
Details of changes in trading history (if available)	2.7.8	<input type="checkbox"/>	<input type="checkbox"/>
Additional risk mitigation strategies	2.7.9	<input type="checkbox"/>	<input type="checkbox"/>
Other relevant documents	2.7.10	<input type="checkbox"/>	<input type="checkbox"/>

3.7 Additional information from applicants with trustee arrangements in place.

Information to be provided	Paragraph	Yes	Not applicable
A written statement from the applicant's legal advisor	2.8.1	<input type="checkbox"/>	<input type="checkbox"/>
A certified copy of the trust deed	2.8.2	<input type="checkbox"/>	<input type="checkbox"/>
A written statement from the applicant's public accountant	2.8.3	<input type="checkbox"/>	<input type="checkbox"/>

4. Approved Providers

All approved HEPs are required to make an annual submission of financial information in order to maintain approved provider status. Submissions of annual financial information must be made within six months of the close of each of an approved provider's annual financial reporting periods. The information required depends on the type of organisation that is approved, and the particular conditions attached to that provider's approval.

Approved HEPs will only be considered compliant with their financial reporting obligations when all of the relevant documentation listed in these FVI, and any additional reporting requirements as stipulated in approval documentation, is complete, correct, and has been uploaded into HITS in the specified formats.

Failure to submit financial information in line with reporting requirements is a breach of the conditions of approval to offer FEE-HELP loans and will result in regulatory action. It is not possible under any circumstances for an extension to be granted in relation to the submission of annual financial reporting requirements.

Approved HEPs are also advised that following the submission of annual financial information they are required to action the milestone in HITS relating to financial reporting requirements. This is essential as it ensures that appropriate reminders regarding reporting requirements for future periods are able to be issued. Please refer to the [HITS User Guide](#) for information about how to action and submit milestones.

If, based on the financial information submitted, the department assesses an approved HEP as presenting a level of financial risk greater than low, additional information or the establishment of risk mitigation strategies may be requested (refer to [Appendix 5](#) of these FVI for the 'Risk mitigation table'). Approved HEPs that are found not to be financially viable, or who fail to comply with financial reporting requirements or conditions of their approval, may face penalties including additional reporting requirements, or the possible suspension or revocation of approved provider status.

Approved HEPs are required to submit the following financial information on an annual basis:

HEPs that are specified in, or established under, specific legislation

- 4.1 HEPs that are specified in the legislation cited at paragraph [2.1](#) of these FVI or that otherwise established under legislation with the specific intention of providing education, and who also meet the body corporate requirements, must provide the following information:
 - 4.1.1 a copy of the annual report for the most recently completed annual financial reporting period.
 - 4.1.2 Financial Performance information in HITS for the most recently completed annual financial reporting period. The information provided in the Financial Performance must be consistent with the information contained in the annual report for the corresponding period.

HEPs that are Table A or Table B listed providers

- 4.2 The department will assess the ongoing financial viability of [Table A or Table B listed providers](#) using the existing financial information that has been provided in compliance with the ongoing financial reporting requirements under section 19-10 of the Act and section 58 of the *Australian Research Council Act 2001*.

There are no additional financial information requirements from Table A or Table B listed providers.

HEPs that are Table C providers

- 4.3 If the HEP is a [Table C provider](#) as per the Act, it must provide financial information for its Australian subsidiary as follows:
- 4.3.1 audited financial statements for the most recently completed annual financial reporting period. These statements must be audited by an independent [qualified auditor](#) and prepared in accordance with [Appendix 2](#) of these FVI. All reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).
 - 4.3.2 auditor's independence declaration—a qualified auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*.
 - 4.3.3 independent auditor's report—an independent auditor's report must accompany the financial statements.
 - 4.3.4 certificate of the auditor—a copy of the Certificate of Public Practice or Public Practice Certificate held by the person who conducted the audit of the financial statements.
 - 4.3.5 Financial Performance in HITS— complete Financial Performance information in HITS for the most recently completed annual financial reporting period. The information provided in the Financial Performance must be consistent with the information contained in the audited financial statements for that period.
 - 4.3.6 [International Financial Reporting Standards](#) (IFRS) compliant financial statements of the applicant's consolidated body for the most recently completed annual financial reporting period.

All other approved HEPs

- 4.4 All other approved HEPs must provide the following:
- 4.4.1 audited financial statements for the most recently completed annual financial reporting period. These statements must be audited by an independent qualified auditor and prepared in accordance with [Appendix 2](#) of these FVI. All reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).
 - 4.4.2 auditor's independence declaration—a qualified auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*.
 - 4.4.3 independent auditor's report—an independent auditor's report must accompany the financial statements.
 - 4.4.4 certificate of the auditor—a copy of the Certificate of Public Practice or Public Practice Certificate held by the person who conducted the audit of the financial statements.

- 4.4.5 Financial Performance in HITS— complete Financial Performance information in HITS for the most recently completed annual financial reporting period. The information provided in the Financial Performance must be consistent with the information contained in the audited financial statements for that period.
- 4.4.6 declaration of compliance with statutory obligations—a declaration by an external and independent [public accountant](#) or [qualified auditor](#) that the approved HEP has, as at the date of the declaration, complied with all statutory obligations relating to the lodgement and payment of:
- company tax;
 - goods and services tax;
 - pay-as-you-go withholding tax for employees;
 - payroll tax;
 - superannuation guarantee for employees; and
 - other withholding tax.
- It must be stipulated if any of these taxes are not applicable. Accountants or auditors providing the declaration of compliance with statutory obligations must be independent of the approved HEP.
- 4.4.7 any other specific financial information as required by the conditions of the organisation’s HEP approval.
- 4.5 If applicable, approved HEPs must also provide the following:
- 4.5.1 consolidated financial statements—where the approved HEP is a wholly-owned subsidiary of another organisation, or forms part of a larger tax group, it is required to submit the financial statements of the consolidated body, which must include the ABN of the controlling entity, for the most recently completed annual financial reporting period. Financial statements provided for the consolidated body must, at a minimum, have been prepared on an accruals basis and include:
- a detailed balance sheet;
 - a comprehensive income statement;
 - a statement of cash flows;
 - a statement of changes in equity;
 - a directors’ declaration (or equivalent);
 - a directors’ report (or equivalent);
 - explanatory notes; and
 - any other documentation that forms part of the financial statements.
- All reports and declarations accompanying the financial statements of the consolidated body must be signed and dated by the relevant person(s).
- 4.5.2 auditor correspondence— where the auditor has communicated to the approved HEP, either verbally or in writing, about significant matters resulting from, or pertaining to, the audit process, details of those communications including copies of all correspondence and an explanation as to how the matters identified impact upon the ongoing financial viability of the approved HEP.
- 4.5.3 statement of independence—where the HEPs provider’s accountant and auditor both work for the same firm, a statement from the auditor explaining how independence has been maintained throughout the audit process.

4.5.4 details of major projects—details of any major projects, asset purchases/sales, changes to business ownership or other event(s) that the approved HEP plans to undertake within the next three years that are likely to have a material effect on its finances.

Note: Where details of major projects are provided, approved HEPs will also be required to submit supplementary information relating to student enrolment projections (refer to paragraph [2.5.9](#)) and budget forecasts (refer to paragraph [2.5.10](#)).

4.5.5 details of payment plan(s) — where the approved HEP has entered into any payment plan(s) in relation to any of the statutory obligations referred to in paragraph [4.4.6](#), details of the payment plan(s).

4.5.6 evidence supporting capital injections and/or guarantees—where the approved HEP has provided agreements relating to a capital injection and/or a Deed of Financial Guarantee (and/or Deed of Cross Guarantee), it must provide evidence that the guarantor or financier has sufficient assets to honour these agreements. The evidence must include, but is not limited to:

- for guarantees or agreements provided by companies—the *most recently completed annual financial statements*. Financial statements provided for the guarantor/financier must, at a minimum, have been prepared on an accruals basis and include:
 - a detailed balance sheet;
 - a comprehensive income statement;
 - a statement of cash flows;
 - a statement of changes in equity;
 - a directors' declaration (or equivalent);
 - a directors' report (or equivalent);
 - explanatory notes; and
 - any other documentation that forms part of the financial statements prepared for those years.
- for guarantees or agreements provided by individuals—a statement of assets and liabilities (indicating the individual's principal residence) attested to by a [public accountant](#) that it presents a true and fair view of the individual's financial position. All assets and liabilities of the potential guarantor/financier must be included, and where there is joint ownership of any asset or liability this must be indicated.

4.5.7 details of changes to reporting period—details of any plans the approved HEP may have to change its financial reporting period.

4.5.8 if the approved HEP is receiving [Commonwealth Grant Scheme](#) funding it must provide:

- Commonwealth Grant Scheme acquittals using [Template 2](#) of these FVI; and
- a declaration in the directors' report to the financial statements for the most recently completed annual financial reporting period declaring the following:

‘The amount of Australian Government financial assistance expended during the reporting period was for the purpose(s) for which it was intended and [name of HEP] has complied with

applicable legislation, contracts, agreements and program guidelines in making expenditure.'

- 4.5.9 for an approved HEP charging a [student services and amenities fee](#) (SSAF):
- where an approved HEP charges eligible students a student services and amenities fee (SSAF), the Chief Executive Officer or equivalent of that provider is required to certify that the SSAF revenue was collected and expended in accordance with requirements under the Act. The approved HEP must submit a copy of the certification to the department. The required certification is:

'[name of HEP] charged student services and amenities fees strictly in accordance with the *Higher Education Support Act 2003* (the Act) and the Administration Guidelines made under the Act. Revenue from the fee was spent strictly in accordance with the Act and only spent on, or provided to third parties for the provision of, the services and amenities specified in subsection 19-38(4) of the Act,' and
 - the approved HEPs must also provide evidence of SSAF revenue sources and expenditure using [Template 3](#) of these FVI.
- 4.5.10 other relevant documents—any other documentation the approved HEP has agreed to provide under the conditions of its approval or may assist the department to assess ongoing financial viability.

5. Financial viability checklist for approved HEPs

This is a checklist for Applicant organisations to use to assist with preparing an annual submission.

- 5.1 HEPs that are specified in the legislation cited at paragraph [2.1](#) of these FVI, or that are otherwise established under legislation with the specific intention of providing education, and who also meet the body corporate requirements under the Act

Information to be provided	Paragraph	Yes	Not applicable
A copy of the annual report for the most recently completed annual financial reporting period	4.1.1	<input type="checkbox"/>	<input type="checkbox"/>
Completed Financial Performance information in HITS (submitted)	4.1.2	<input type="checkbox"/>	<input type="checkbox"/>

- 5.2 Table A and Table B listed organisations.

Information to be provided	Paragraph	Yes	Not applicable
No additional financial information required	4.2	<input type="checkbox"/>	<input type="checkbox"/>

- 5.3 Table C organisations.

Information to be provided	Paragraph	Yes	Not applicable
Audited financial statements for the most recently completed annual financial reporting period	4.3.1	<input type="checkbox"/>	<input type="checkbox"/>
Auditor's independence declaration	4.3.2	<input type="checkbox"/>	<input type="checkbox"/>
Independent auditor's report	4.3.3	<input type="checkbox"/>	<input type="checkbox"/>
Certificate of the auditor	4.3.4	<input type="checkbox"/>	<input type="checkbox"/>
Completed Financial Performance information in HITS (submitted)	4.3.5	<input type="checkbox"/>	<input type="checkbox"/>
IFRS compliant financial statements of the applicant's consolidated body for the most recently completed annual financial reporting period.	4.3.6	<input type="checkbox"/>	<input type="checkbox"/>

- 5.4 All other approved HEPs.

Audited financial statements for the most recently completed annual financial reporting period	4.4.1	<input type="checkbox"/>	<input type="checkbox"/>
Auditor's independence declaration	4.4.2	<input type="checkbox"/>	<input type="checkbox"/>
Independent auditor's report	4.4.3	<input type="checkbox"/>	<input type="checkbox"/>

Certificate of the auditor	4.4.4	<input type="checkbox"/>	<input type="checkbox"/>
Completed Financial Performance information in HITS (submitted)	4.4.5	<input type="checkbox"/>	<input type="checkbox"/>
Declaration of statutory obligations	4.4.6	<input type="checkbox"/>	<input type="checkbox"/>
Any other specified information	4.4.7	<input type="checkbox"/>	<input type="checkbox"/>

5.5 All other approved HEPs if applicable.

Information to be provided	Paragraph	Yes	Not applicable
Consolidated financial statements	4.5.1	<input type="checkbox"/>	<input type="checkbox"/>
Auditor correspondence	4.5.2	<input type="checkbox"/>	<input type="checkbox"/>
Statement of Independence in relation to audit processes	4.5.3	<input type="checkbox"/>	<input type="checkbox"/>
Details of major projects	4.5.4	<input type="checkbox"/>	<input type="checkbox"/>
Details of payment plan(s)	4.5.5	<input type="checkbox"/>	<input type="checkbox"/>
Evidence supporting capital injections and/or guarantees	4.5.6	<input type="checkbox"/>	<input type="checkbox"/>
Details of changes to reporting period	4.5.7	<input type="checkbox"/>	<input type="checkbox"/>
Commonwealth Grants Scheme acquittals	4.5.8	<input type="checkbox"/>	<input type="checkbox"/>
Student services and amenities fee certification	4.5.9	<input type="checkbox"/>	<input type="checkbox"/>
Other relevant documents	4.5.10	<input type="checkbox"/>	<input type="checkbox"/>

6. Risk mitigation strategies

Evidence of effective risk mitigation strategies is often a very important part of the financial information provided by organisations. Applicants or approved providers who fail to instigate adequate risk mitigation strategies may be found not to be financially viable.

If applicants do not provide evidence of risk mitigation strategies on application or request by the department, this may increase the time needed to assess the organisation's application and/or lead to non-approval of an application to become a higher education provider.

If an approved HEP does not provide evidence of risk mitigation strategies on request by the department, this may result in an assessment concluding that the provider can no longer be considered financially viable and lead to the suspension or revocation of approved provider status.

If, as an applicant or a provider, any organisation appears to present a level of financial viability risk greater than low, the department may require that organisation to establish one or more of the risk mitigation strategies outlined below. (Please note that this list is not exhaustive and alternative measures may also be considered where deemed necessary or appropriate). Failure to adhere to departmental requests in relation to the establishment of risk mitigation strategies may result in non-approval, suspension or revocation of approved provider status.

Possible Risk Mitigation Strategies

- 6.1 Additional financial reporting requirements which may include, but are not necessarily limited to, the provision of:
 - 6.1.1 interim management reports on a six monthly, quarterly or monthly basis;
 - 6.1.2 additional student enrolment and/or budget information;
 - 6.1.3 progress reports;
 - 6.1.4 break even analysis; or
 - 6.1.5 bank statements.
- 6.2 Further information requests, such as detailed explanations as to why the organisation has not met ratio thresholds as outlined at [Appendix 3](#), whether any internal risk mitigation strategies exist, explanations for the makeup of, or movements and trends in items listed in financial statements, strategies the organisation has in place to remedy financial performance, explanations regarding other issues identified during assessment of financial statements and forecast assumptions.
- 6.3 The need for the organisation to strengthen its financial position through measures such as:
 - 6.3.1 establishing a credit facility with a recognised Australian financial institution;
 - 6.3.2 obtaining a cash injection from a related party or a third party;
 - 6.3.3 increasing equity to 50 per cent or more of projected annual expenditure;

- 6.3.4 retention of liquid assets equal to specified proportion of annual expenditure;
- 6.3.5 securing a Deed of Financial Guarantee or Cross Guarantee from:
- an independent and unrelated: entity (i.e. bank) or a person (i.e. investor); or
 - a related: entity (e.g. other companies in the organisation's corporate group) or a person (e.g. an existing shareholder or director).
- Note: Paragraph 6.3.5 is subject to evidence that the guarantor has sufficient resources to support the guarantee (refer to paragraph [2.6.8](#)). Also refer to [Chapter 7](#) for links to the Deed of Financial Guarantee template and instructions to assist drafters of the template.
- 6.3.6 providing personal declarations from directors, shareholders or other creditors that they will not call upon loan(s) issued to the organisation in situations where the repayment of a loan(s) could contribute to the organisation becoming financially unviable.
- 6.3.7 the conversion of loans payable by the organisation to related persons or entities into equity under a debt for equity swap or additional capital through the gifting of the outstanding balance (Note: if the share holdings of the applicant or provider organisation would change as a result of such an action, evidence of this change to share structure being lodged with ASIC should be provided).
- 6.4 Providing any other information that the department considers is necessary.
- 6.5 The establishment of a risk management plan. The Risk Management Institution of Australasia can assist in identifying professional risk managers to assist the organisation. Further information is available from their website at <http://www.rmia.org.au>.
- 6.6 Requesting written confirmation that all undertakings continue to be met. In cases where a HEP has not met any of these undertakings, the department will require an explanation, including any risk mitigation strategies that the HEP has in place to address identified shortcomings.

7. Further information

- *Deed of Financial Guarantee—Financial Viability* template
- *Instructions for drafters of the Deed of Financial Guarantee—Financial Viability* template

For Applicants, these documents are available at:

<http://education.gov.au/applying-become-help-provider>

For HEPs, these documents are available at:

<http://education.gov.au/financial-reporting-requirements>

- *FEE-HELP Provider Application Guide* and *VET FEE-HELP Provider Application Guide*

These documents are available at:

<http://education.gov.au/applying-become-help-provider>

- *HITS User Guide*

This document is available at:

<http://education.gov.au/help-it-system-hits-user-guide>

- *Higher Education Support Act 2003*
- *Corporations Act 2001*
- *FEE-HELP Guidelines*

These documents are available at:

<http://www.legislation.gov.au>

8. Template 1—Detailed student enrolments

Instructions: Complete Table 1 for each *financial reporting period* as follows:

- financial reporting period in progress (e.g. period from 1 July 2015 to 31 May 2016);
- most recently completed annual financial reporting period (e.g. year ended 30 June 2015); and
- preceding three annual financial reporting periods (e.g years ended 30 June 2014, 30 June 2013 and 30 June 2012).

Table 1: Actual versus projected domestic student enrolments

Financial reporting period: [*insert financial reporting period here*]

Course level	Actual student enrolments (A)	Projected student enrolments (P)	Variance $\left(\frac{A-P}{P}\right) \times 100$
Bachelor and above HEP			
Sub-bachelor HEP			
Diploma and above VET			
Certificate I to IV VET			
Other training*			

* *Other training refers to all short courses, courses or qualifications that are not nationally accredited and do not result in the awarding of a regulated qualification under the Australian Qualifications Framework, and any other training programs or services that the applicant may deliver.*

Explanation of variances of ten per cent or more between projected student enrolments and actual student enrolments: [*insert explanation here*]

Explanation of underlying assumptions and details of determining factors affecting projected student enrolments: [*insert explanation here*]

Table 2: Projected domestic student enrolments for the next three annual financial reporting periods

Course level	Projected student enrolments for the first projected annual financial reporting period (<i>Specify period</i>)	Projected student enrolments for the second projected annual financial reporting period (<i>Specify period</i>)	Projected student enrolments for the third projected annual financial reporting period (<i>Specify period</i>)
Bachelor and above HEP			
Sub-bachelor HEP			
Diploma and above VET			
Certificate I to IV VET			
Other training*			

Explanation of underlying assumptions and details of determining factors affecting projected student enrolments: [*insert explanation here*]

Instructions: Complete Table 3 for *each financial reporting period* as follows:

- financial reporting period in progress (e.g. period from 1 July 2015 to 31 May 2016);
- most recently completed annual financial reporting period (e.g. year ended 30 June 2015); and
- preceding three annual financial reporting periods (e.g. years ended 30 June 2014, 30 June 2013 and 30 June 2012).

Table 3: Actual versus projected international student enrolments (if applicable)

Financial reporting period: [*insert annual financial reporting period here*]

Country	Actual student enrolments (A)	Projected student enrolments (P)	Variance (((A-P)÷P) × 100)

Note: add more rows as necessary.

Explanation of variances of ten per cent or more between projected student enrolments and actual student enrolments: [*insert explanation here*]

Explanation of underlying assumptions and details of determining factors affecting projected student enrolments: [*insert explanation here*]

Table 4: Projected international student enrolments for the next three financial reporting periods

Country	Projected student enrolments for the first projected annual financial reporting period (<i>Specify period</i>)	Projected student enrolments for the second projected annual financial reporting period (<i>Specify period</i>)	Projected student enrolments for the third projected annual financial reporting period (<i>Specify period</i>)

Note: add more rows as necessary.

Explanation of underlying assumptions and details of determining factors affecting projected student enrolments: [*insert explanation here*].

9. Template 2—Commonwealth Grant Scheme Acquittals

Commonwealth Grants Scheme funding	Most recently completed financial reporting period	Previous completed financial reporting period
	\$'000	\$'000
Financial assistance received in cash during the period		
Net accrual adjustments		
Revenue for the period		
Surplus/(deficit) from the previous year		
Total revenue including accrued revenue		
Less expenses including accrued expenses		
Surplus/(deficit) for reporting period		

Note: in accordance with the Australian Accounting Standards Board (AASB) 1004, for not-for-profit entities, the revenue for the period should equal cash received. However, due to timing differences it would not be expected that funding will match spending, and may result in a surplus or deficit for the reporting period.

10. Template 3—Student services and amenities fees evidence

Calculation	Student services and amenities fee	Most recently completed financial reporting period \$'000	Previous completed financial reporting period \$'000
A	Unspent/(overspent) revenue from previous period		
B	SA-HELP revenue earned		
C	Student services fees direct from students		
D = A + B + C	Total revenue expendable in period		
E	Student services expenses during period		
F = E - D	Unspent/(overspent) student services revenue		

Appendix 1 Terms used in this document

Applicant refers to the legal entity that is applying for approval as a FEE-HELP income contingent loan scheme provider.

Associated entity has the same meaning as in section 50AAA of the *Corporations Act 2001*.

Business affairs has the same meaning as in section 53AD of the *Corporations Act 2001*.

Commonwealth Grant Scheme means the grants payable to higher education providers in relation to Commonwealth supported places, under Part 2-2 of the *Higher Education Support Act 2003*, that meet certain requirements under the *Higher Education Support Act 2003*.

Dual sector means:

- an organisation that is submitting an application to be approved to offer loans under the FEE-HELP and VET FEE-HELP schemes as both a HEP and a VET provider simultaneously or
- an organisation that is approved to offer loans under both the FEE-HELP and VET FEE-HELP schemes as both a HEP and a VET provider.

FEE-HELP has the same meaning as *FEE-HELP assistance* in the *Higher Education Support Act 2003*.

General purpose financial statements has the same meaning as in the *Glossary of defined terms* of the Australian Accounting Standards Board.

HEP means higher education provider.

Higher Education Provider (HEP) means (as relevant):

- a HEP, which has the same meaning as in the *Higher Education Support Act 2003*, but which is restricted for the purposes of these FVI to a non-Table A, non-Table B and non-Table C provider; or
- Open Universities Australia.

HITS means the HELP IT system.

International Financial Reporting Standards means the accounting standards as issued by the International Accounting Standards Board

New or reconstituted entity means a reporting entity that has recently commenced operations in its present legal form, with less than four years of trading history.

Organisation means an applicant or provider.

Public accountant means the holder of a practising certificate recognised under regulation 2M.4.01A to the *Corporations Regulations 2001*.

Qualified auditor means:

- the Auditor General of a state, of the Australian Capital Territory or of the Northern Territory
- a person registered as a company auditor or a public accountant under a law in force in a state, the Australian Capital Territory or the Northern Territory
- a member of the Institute of Chartered Accountants Australia and New Zealand, or of CPA Australia, who holds a current or Certificate of Public Practice or Public Practice Certificate;
- a person approved by the Minister in writing as a qualified auditor for the purposes of the *Higher Education Support Act 2003*.

Note: for the purposes of these FVI, a qualified auditor will be considered to be independent from the entity it is auditing if the qualified auditor meets the independence requirements specified in Part 2M.4, Division 3 of the *Corporations Act 2001* and is independent to the entity that prepared the financial statements of the organisation.

Related entity has the same meaning as in the *Corporations Act 2001*.

Reporting entity has the same meaning as in the *Glossary of defined terms* of the Australian Accounting Standards Board.

Special purpose financial statements has the same meaning as in the *Glossary of defined terms* of the Australian Accounting Standards Board.

Student services and amenities fee has the same meaning as in the *Higher Education Support Act 2003*.

SWOT Analysis is a structured analysis of the strengths, weaknesses, opportunities and threats inherent to an entity, project or business venture.

Table A or B Listed provider, means either a Table A or Table B provider as listed at sections 16-15 and 16-20 of the *Higher Education Support Act 2003*.

Table C provider, means a Table C provider as listed at section 16-22 of the *Higher Education Support Act 2003*.

VET means vocational education and training.

VET Guidelines means the *Higher Education Support (VET) Guideline 2015*.

VET FEE-HELP has the same meaning as VET FEE-HELP assistance in the *Higher Education Support Act 2003*.

VET Provider means a body approved by the Minister under subclauses 6(1) or 6(1A) of Schedule 1A to the *Higher Education Support Act 2003*.

Appendix 2 Financial statement requirements (HEP applicants and providers)

Applicants

A2.1 An applicant is required to provide audited financial statements for the *most recently completed annual financial reporting period* and audited (if available) financial statements for the *preceding three annual financial periods*, as set out in [Chapter 2](#) of these FVI. These **must** state the organisation's ABN and have been prepared in the relevant form prescribed in either paragraphs [A2.1.1](#) or [A2.1.2](#) below:

A2.1.1 [general purpose financial statements](#) prepared in accordance with all the current standards set by the Australian Accounting Standards Board should be provided by an applicant which:

- is a [reporting entity](#); or
- is a large proprietary company, if two of the following apply:
 - the consolidated revenue for the financial year of the company and the entities it controls (if any) is \$25 million or more;
 - the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is \$12.5 million or more;
 - the company and the entities it controls (if any) have 50 or more employees at the end of the financial year; or
- has financial statements that are, or held out to be, general purpose financial statements

A2.1.2 [special purpose financial statements](#) prepared in accordance with the following current standards set by the Australian Accounting Standards Board may be provided by small proprietary companies that are not reporting entities:

- AASB 101;
- AASB 107;
- AASB 108;
- AASB 1031;
- AASB 1048; and
- AASB 1053.

A2.2 Where a HEP applicant is not able to provide financial statements prepared in accordance with paragraph [A2.1](#) above:

A2.2.1 it may provide *audited* financial statements for the *most recently completed annual financial reporting period* and *audited (if available)* financial statements for the *preceding three annual financial reporting periods* that **must** include, but should not necessarily be limited to:

- a statement of financial position (balance sheet);
- a statement of comprehensive income (income statement or comprehensive income statement);
- a statement of changes in equity;
- a statement of cash flows;

- notes, comprising a summary of significant accounting policies and other explanatory notes;
- full disclosure of any related party transactions;
- a signed and dated directors' report and declaration in respect of the financial statements; and
- a signed and dated report from an independent [qualified auditor](#), in cases where one has been prepared, in respect of the financial statements.

A2.2.2 for the *most recently completed annual financial reporting period*, it **must** also provide a signed and dated statement by the [qualified auditor](#). The statement **must** confirm the financial information reported in the audited financial statements is not materially different to the information which would have been reported if the financial statements had been prepared in accordance with paragraph [A2.1](#) above.

Approved providers

A2.3 An approved provider **must** provide financial statements in accordance with paragraph [A2.1](#) only, for the *most recently completed annual financial reporting period*.

Appendix 3 Financial ratios calculated by the Financial Performance in HITS

Ratio	Explanation	Formula	Average performance threshold
Current ratio	Indicates whether the organisation has enough short term assets to cover its short-term debts.	current assets / current liabilities	between 0.5* and 1.5*
Net tangible assets ratio	Compares tangible assets with total liabilities.	tangible assets / total liabilities	between 0.4* and 0.7
Debt-to-equity ratio	Measures the proportion of borrowing to owners' investment.	total liabilities / total equity	between 1.5 and 2.5*
Net profit ratio	Indicates the percentage of sales revenue that flows through to profit.	operating profit after tax / total revenue	between 0* and 0.07
Return on total assets	Indicates profitability of an organisation's investment on its assets.	operating profit before tax / total assets	between 0* and 0.1
Interest coverage	The number of times earnings before interest and tax covers interest expense for the period.	operating profit before interest and tax / interest expense	between 1* and 2
Creditor days	Measures how long on average it takes a company to pay its creditors.	(average creditors / (total expenses less salary costs, borrowing costs and non-cash items)) x 365	between 30 and 60*
Staff costs (including contractors) margin	Measures the proportion of staff, consultant and contractor costs of revenue.	staff costs (including contractors and consultants) / total revenue	between 0.50 and 0.65*

* means inclusive of this number

Notes:

1. Calculation of the above ratios and comparison with relevant thresholds will be completed using the Financial Performance in HITS.
2. Meeting the average performance threshold for one or all of the above ratios does not guarantee approval or indicate that the department will not seek further information.

Appendix 4 Indicators of risk

The department will assess the organisation as presenting a low level, medium level or high level of financial risk. The following information shows which factors contribute to the department's assessment of the financial risk level for the organisation.

Organisation history

A4.1 Life and stability:

- A4.1.1 An organisation that has been operating for more than three years could be considered a lower risk.
- A4.1.2 An organisation that has had a recent change to its core business lines could be considered a higher risk.
- A4.1.3 An organisation that has had a high turnover of directors and/or senior management could be considered a higher risk.

A4.2 Past success:

- A4.2.1 An organisation that has successfully delivered other government funded programs could be considered a lower risk.

A4.3 Industry experience:

- A4.3.1 An organisation that is newer to the industry could be considered a higher risk.
- A4.3.2 An organisation that is considered to be a market leader and has a strong reputation could be considered a lower risk.

Organisation legal and capital structure

A4.4 Ownership and control:

- A4.4.1 The department will consider the corporate structure suitability of the organisation to the nature of its business in assessing risk.
- A4.4.2 An organisation with a simple corporate structure could be considered a lower risk.
- A4.4.3 An organisation that does not have clear ownership could be considered a higher risk.

A4.5 Loans:

- A4.5.1 An organisation that has a low level of borrowings could be considered a lower risk.
- A4.5.2 An organisation that has a high level of loan repayments could be considered a higher risk.

A4.6 Legal agreements:

- A4.6.1 An organisation that has agreements that may constrain its operations could be considered a higher risk.

Organisation financial and other commitments

A4.7 Financing commitments:

A4.7.1 An organisation that has a low level of capital commitments could be considered a lower risk.

A4.7.2 An organisation that already has significant non-cancellable commitments could be considered a higher risk.

A4.8 Insurance cover:

A4.8.1 An organisation that has adequate insurance to cover professional indemnity, public liability, etc. could be considered a lower risk.

A4.8.2 An organisation that does not have insurance to cover the value of the anticipated level of FEE-HELP payments, as a minimum, could be considered a higher risk.

A4.9 Contingent liabilities

A4.9.1 An organisation that is currently, or has been involved in significant litigation could be considered a higher risk.

Organisation financial viability (financial ratio analysis)

A4.10 The department will compare the organisation's period-to-period Financial Performance completed in HITS with various indicators of risk. This will assist the department with gaining a significant insight into the organisation's financial performance. The department's comparison of period-to-period financial performance will indicate fluctuations in the organisation's financial performance.

A4.11 Historical performance:

A4.11.1 An organisation that cannot provide quality financial statements for the previous four years could be considered a higher risk.

A4.11.2 An organisation that has received audit qualifications in the past, depending on the nature of the qualifications, could be considered a higher risk.

A4.12 Net equity:

A4.12.1 An organisation that has high levels of net equity, unencumbered tangible assets, working capital, reserves and revenue could be considered a lower risk.

A4.12.2 An organisation that has low levels of equity relative to annual expenses could be considered higher risk.

A4.13 Debt levels:

A4.13.1 An organisation that has low debt levels could be considered a lower risk.

A4.13.2 An organisation that has a poor credit rating could be considered a higher risk.

A4.13.3 An organisation that has high debt levels could be considered a higher risk.

A4.14 Operation levels:

A4.14.1 The department will consider the revenue streams of the organisation in conjunction with the nature of the organisation's business, its history and business structure in assessing risk.

A4.14.2 An organisation that has multiple sources of revenue could be considered a lower risk.

A4.14.3 An organisation that relies on one project, customer, area of operation, or method of student recruitment may be considered a higher risk.

A4.15 Profit levels:

A4.15.1 The department will consider the relationship between the organisation's sales volume and sales margin in assessing risk and whether the organisation has sound business/strategic planning processes in place.

A4.15.2 An organisation that has a high profit to net sales could be considered a lower risk.

A4.15.3 An organisation that has high operating expenses to sales could be considered a higher risk.

A4.16 Return on assets (RoA):

A4.16.1 The department will consider the relationship between the organisation's profit and ability to generate profit from assets in assessing risk and whether the organisation is efficiently using its assets to generate earnings. This indicator may not be relevant for a not-for-profit organisation.

A4.16.2 An organisation that has a high RoA (ie higher than 0.1) could be considered a lower risk.

A4.16.3 An organisation that has a low RoA (ie closer to 0) could be considered a higher risk.

A4.17 Interest coverage:

A4.17.1 The department will consider the relationship between the organisation's gross revenue generated and the amount of interest expense it incurs on its debts in assessing risk and how well the organisation is managing its debt levels.

A4.17.2 An organisation that has high interest coverage (ie higher than 1.5) could be considered a lower risk.

A4.17.3 An organisation that has a low interest coverage (ie lower than 1.5) could be considered a higher risk.

A4.18 Days in creditor:

A4.18.1 The department will consider the average length of time it takes for the organisation to repay its creditors in assessing risk and whether the organisation may have difficulty with meeting its liabilities as and when they fall due.

- A4.18.2 An organisation that has a high average repayment time (ie greater than 30 days) could be considered higher risk.
- A4.18.3 An organisation that has a low average repayment time (ie less than 30 days) could be considered lower risk.

A4.19 Staff costs:

- A4.19.1 The department will consider the staff costs incurred by the organisation in conjunction with the organisation's revenue in assessing risk and whether the organisation is effectively managing the level of salaries paid out as a percentage of revenue, as staff costs are often the most significant expense incurred by educational institutions. An overly high or overly low staff costs ratio may indicate a higher risk.

Organisation financial benchmarking

A4.20 Internal trends:

- A4.20.1 An organisation that has negative trends when comparing current financial information with prior periods may indicate a higher risk.

A4.21 External trends:

- A4.21.1 An organisation whose financial information compares positively with other approved HEPs or VET providers that have a similar organisation, profile, scope and history, may indicate a lower risk.

Organisation student body profile

A4.22 Course structure:

- A4.22.1 An organisation that has a narrow range of courses may be considered a higher risk.

A4.23 Student body:

- A4.23.1 An organisation that relies heavily on the recruitment of students through brokers or third parties could be considered a higher risk.
- A4.23.2 An organisation that relies heavily on the recruitment of international students could be considered a higher risk.
- A4.23.3 An organisation that relies heavily on the recruitment of international students from a limited number of overseas markets could be considered a higher risk.

Organisation other assessment

A4.24 Necessary infrastructure

- A4.24.1 An organisation that has the necessary technology, equipment and materials to deliver the proposed courses could be considered a lower risk.
- A4.24.2 An organisation that relies on another party, even a related party, for the availability of infrastructure could be considered a higher risk.

A4.25 Industry experience

A4.25.1 An organisation whose management staff has relevant qualifications and/or experience could be considered a lower risk.

A4.25.2 An organisation that has high levels of director and management turnover could be considered a higher risk.

A4.26 Size and scope

A4.26.1 An organisation with a sufficient stable equity base and varied scope could be considered a lower risk.

A4.26.2 An organisation with limited equity base and scope could be considered a higher risk.

Appendix 5 Risk mitigation table

The department will assess the organisation's level of risk in determining financial viability using the financial information that the organisation has submitted, financial ratio analysis and indicators of risk (refer to [Appendix 3](#) and [Appendix 4](#)). Depending on the level of risk that the organisation is assigned, the department may request further action by the applicant. This is outlined below.

Possible departmental action

Risk level	Department request	Action by applicant	Action by provider
Low risk	Further information may be required.	Additional risk mitigation strategies maybe required at the department's direction. Submit financial information as detailed in Chapter 2 of these FVI (where applicable).	Additional risk mitigation strategies maybe required at the department's direction. The provider is required to submit financial information as detailed in Chapter 4 of these FVI (where applicable).
Medium risk	Further information required and monitoring of organisation's financial performance.	Answer questions by the department regarding: <ul style="list-style-type: none"> <input type="checkbox"/> ratios not meeting thresholds <input type="checkbox"/> internal risk mitigation strategy <input type="checkbox"/> strategy to remedy financial performance <input type="checkbox"/> issues identified during assessment and/or <input type="checkbox"/> forecast assumptions 	Provide half-yearly or quarterly submission of financial information and student data accompanied by directors' declaration. Answer questions regarding: <ul style="list-style-type: none"> <input type="checkbox"/> ratios not meeting thresholds <input type="checkbox"/> internal risk mitigation strategy <input type="checkbox"/> strategy to remedy financial performance <input type="checkbox"/> issues identified during assessment and/or <input type="checkbox"/> forecast assumptions
High risk	Strengthening of financial position required.	Establish a line of credit and/or capital injection from the organisation's parent entity, a director or shareholder. Increase equity to 50 per cent of projected annual expenditure. Provide a Deed of Guarantee or bank guarantee of support from parent entity, a director or shareholder.	Establish a line of credit and/or capital injection from the organisation's parent entity, a director or shareholder. Increase equity to 50 per cent of projected annual expenditure. Provide a Deed of Guarantee or bank guarantee of support from parent entity, a director or shareholders. Agreements regarding the declaration of dividends. Establishment of detailed cost minimisation strategies.
	Further information required.		Answer questions (onsite or off) regarding: <ul style="list-style-type: none"> <input type="checkbox"/> ratios not meeting thresholds <input type="checkbox"/> internal risk mitigation strategy <input type="checkbox"/> strategy to remedy financial performance <input type="checkbox"/> issues identified during assessment and/or <input type="checkbox"/> forecast assumptions