FINANCIAL VIABILITY INSTRUCTIONS
Applicants and Providers of VET FEE-HELP

Document publishing date: 9 September 2016
Version control

<table>
<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>Summary of changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>22/05/2013</td>
<td>Initial document</td>
</tr>
<tr>
<td>2.0</td>
<td>14/09/2016</td>
<td>Version 2.0 update</td>
</tr>
</tbody>
</table>

Note: As of the publication of this document there are differing informational requirements for VET and Higher Education Provider (HEP) applicants and approved providers.

VET FEE-HELP

1. Following the promulgation of these FVI all applications currently under assessment will be required to meet all requirements as stipulated in these Financial Viability Instructions for Applicants and Providers of VET FEE-HELP (FVI), the Higher Education Support (VET) Guideline 2015 (VET Guidelines) and the Higher Education Support Act 2003 (the Act) for all financial reporting periods commencing on or after the date of promulgation.

2. Any applications to become an approved VET provider submitted after the date of promulgation of these FVI will be required to meet all requirements as stipulated in these Financial Viability Instructions for Applicants and Providers of VET FEE-HELP (FVI), the Higher Education Support (VET) Guideline 2015 (VET Guidelines) and the Higher Education Support Act 2003 (the Act). 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.

3. VET FEE-HELP providers approved prior to the promulgation of these FVI are required to meet all requirements of these FVI as they apply to approved providers as well as the new financial viability requirements for approved providers as stipulated in the VET Guidelines.

FEE-HELP

4. 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.

5. Approved higher education providers seeking approval as a VET provider and submitting an application after the promulgation of these FVI are required to comply with all conditions applied to VET applicants as stipulated in these FVI.

Dual Sector Providers

6. Approved dual sector providers are required to meet all requirements of these FVI as they apply to VET FEE-HELP providers and the VET Guidelines in order to maintain approval to offer VET FEE-HELP.
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1. Overview

Purpose of the Financial Viability Instructions

The Minister must be satisfied that a vocational education and training (VET) organisation (applicant or VET provider) is financially viable and likely to remain financially viable, as specified under clause 14 of Schedule 1A to the Higher Education Support Act 2003 (the Act), in order for it to be granted, or maintain, its approval to offer VET FEE-HELP loans.

These Financial Viability Instructions Applicants and Providers of VET FEE-HELP (FVI) are part of the approved form required under paragraphs 6(1)(f), 6(1A)(h), 15(2)(a), subclause 9(2) and clauses 16 and 24 of Schedule 1A to the Act for VET providers. These FVI are for use by organisations that are applying to be VET providers, or organisations that are approved to offer loans under the VET FEE-HELP scheme and 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 as to the information that is required, the form in which it must be provided, 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 VET providers 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 2 for the ‘Financial ratios calculated by the Financial Performance’ completed in the HELP IT system (HITS);
- ability to meet requirements in relation to the diversification of revenue;
- 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 an organisation 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 providers, 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 the Risk mitigation strategies and Risk mitigation table of these FVI).

If the organisation is not a specified kind of body, an organisation specified at paragraph 2.1 of these 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 VET FEE-HELP loans. The conditions of approval may vary from one organisation to another, though all VET providers will have to provide an annual submission of financial information as detailed in these FVI and the Act.

Submission of financial information

VET 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 fill out Financial Performance information in HITS. For each document that is uploaded into HITS, the organisation must select the sector, i.e. VET sector, or dual sector, from the drop down menus, where prompted.

If the organisation is dual sector, applicants only need to submit one set of financial information into HITS. In this case, for each document uploaded into HITS, applicants must select ‘dual sector’ from the drop down menus, where prompted. Dual sector applicants are required to meet all additional requirements as they apply to VET applicants in order to gain dual sector approval.

Organisations applying in the VET sector (new application), but already approved as a Higher Education Provider (HEP) (existing approval), are required to submit additional financial information prepared in line with the requirements for VET FEE-HELP applicants. For VET providers applying for approval as a HEP this will not require the submission of any additional financial information. 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 4 for the ‘Risk mitigation table’).

Example: DE Pty Ltd is an approved HEP that is applying to be a VET provider. What financial information is DE Pty Ltd required to submit?

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Financial information to be submitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved HEP</td>
<td>Annual financial information to be submitted within six months of the end of each financial period in accordance with the requirements of the Financial Viability Instructions Applicants and Providers of FEE-HELP.</td>
</tr>
<tr>
<td>VET Application</td>
<td>General purpose financial statements for the most recently completed annual financial reporting period (where these had not previously been provided) and additional information addressing all requirements of VET applicants as set out in paragraphs 2.5 and 2.6 of these FVI.</td>
</tr>
</tbody>
</table>

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

Once approved, VET providers 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, additional information or the establishment of additional risk mitigation strategies may be requested (refer to Appendix 4 for the ‘Risk mitigation table’). 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 VET providers or applicant organisations, including information concerning current and future financial viability, is treated as ‘In-confidence’.

Checklists have been provided for VET applicants at Chapter 3, and approved VET providers at Chapter 5, to assist with ensuring that all required information is submitted.
2. Applicants

There are four types of VET applicants:

A. applicants that are specified kinds of bodies, or that are established under specific legislation and are also body corporates;
B. applicants that are Table A or Table B listed providers;
C. applicants that are Table C providers; and
D. all other VET applicants that are not defined above.

The information that an organisation is required to provide depends on the organisation type.

Applicants that are a specified kind of body or established under specific legislation

2.1 Organisations established to provide education under the specific legislation in paragraphs 2.1.1 to 2.1.7 below, or bodies established under any legislation that covers education and training that also meet the body corporate requirements under the Act, are required to submit the financial information in paragraph 2.2.

2.1.1 the Technical and Further Education Commission Act 1990 (NSW);
2.1.2 the Education and Training Reform Act 2006 (Vic.);
2.1.3 the TAFE Queensland Act 2013 (Qld);
2.1.4 the Vocational Education and Training Act 1996 (WA);
2.1.5 the TAFE SA Act 2012 (SA);
2.1.6 the Training and Workforce Development Act 2013 (Tas); or
2.1.7 the Canberra Institute of Technology Act 1987 (ACT).

2.2 These organisations are required to submit:

2.2.1 a copy of the annual report for each of the four most recently completed annual financial reporting periods; and
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.
Applicants that are Table A or Table B listed providers

2.3 The department will assess the 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(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 Table B listed providers.

Applicants that are Table C providers

2.4 If the organisation is a Table C provider it must provide the following financial information for its Australian subsidiary:

2.4.1 audited annual general purpose financial statements for the most recently completed annual financial reporting period, prepared by a qualified accountant, audited by an independent qualified auditor and prepared in accordance with the current standards set by the Australian Accounting Standards Board. All financial statements provided for the purposes of assessment must state the organisation’s ABN and all reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s). Special purpose financial statements will not be accepted for the most recently completed annual financial reporting period.

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.

2.4.2 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 evidence of the auditor’s status as a qualified auditor including their relevant registration number.

2.4.5 financial statements for the three annual financial reporting periods immediately prior to the year for which audited general purpose financial statements have been submitted. The financial statements provided for these years may be special purpose financial statements, but 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).

2.4.6 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 VET applicants

2.5 All other VET applicants will be required to submit financial information which must include, but is not necessarily limited to:

2.5.1 audited general purpose financial statements for the most recently completed annual financial reporting period, prepared by a qualified accountant, audited by an independent qualified auditor, and prepared in accordance with the current standards set by the Australian Accounting Standards Board. All financial statements provided for the purposes of assessment must state the organisation’s ABN and all reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).

Where the applicant meets the criteria for Tier 2 of AASB 1053: Application of Tiers for Australian Accounting Standards it may choose to adopt the reduced disclosure requirements.

Special purpose financial statements will not be accepted for the most recently completed annual financial reporting period.

If the audited annual general purpose 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 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 evidence of the auditor’s status as a qualified auditor including their relevant registration number.

2.5.5 financial statements for the three annual financial reporting periods immediately prior to the year for which audited general purpose financial statements have been submitted. The financial statements provided for these years may be special purpose financial statements, but 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 qualified 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 details of 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/employee information— 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 body 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 qualified 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 independent 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 or financier 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 qualified 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.
3. **Financial viability checklist for VET applicants**

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

3.1 Specified kinds of bodies or as established to provide higher education under the legislation specified at paragraphs 2.1.1 to 2.1.7, or bodies established under any legislation that covers education and training that also meet the body corporate requirements under the Act.

<table>
<thead>
<tr>
<th>Information to be provided</th>
<th>Paragraph</th>
<th>Yes</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>A copy of the annual reports for each of the four most recently completed annual financial reporting periods</td>
<td>2.2.1</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Completed Financial Performance information in HITS (submitted)</td>
<td>2.2.2</td>
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3.2 Table A and Table B listed organisations.

<table>
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<th>Information to be provided</th>
<th>Paragraph</th>
<th>Yes</th>
<th>Not applicable</th>
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<tr>
<td>No additional financial information required</td>
<td>2.3</td>
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</table>

3.3 Table C organisations.

<table>
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<th>Information to be provided</th>
<th>Paragraph</th>
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<th>Not applicable</th>
</tr>
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<tbody>
<tr>
<td>Audited general purpose financial statements for the most recently completed annual financial reporting period</td>
<td>2.4.1</td>
<td>☐</td>
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</tr>
<tr>
<td>Interim management reports and bank statements, if applicable.</td>
<td>2.4.1</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Auditor’s independence declaration</td>
<td>2.4.2</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Independent auditor’s report</td>
<td>2.4.3</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Evidence of auditor registration</td>
<td>2.4.4</td>
<td>☐</td>
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</tr>
<tr>
<td>Financial statements for the three annual financial reporting periods prior to the most recently completed annual financial reporting period</td>
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<tr>
<td>Completed Financial Performance information in HITS (submitted)</td>
<td>2.4.6</td>
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</table>
### Financial Viability Instructions for Applicants and Providers of VET FEE-HELP

#### Information to be provided

<table>
<thead>
<tr>
<th>Information to be provided</th>
<th>Paragraph</th>
<th>Yes</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS compliant financial statements of the applicant's consolidated body for the most recently completed annual financial reporting period.</td>
<td>2.4.7</td>
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</table>

#### 3.4 All other applicants.

<table>
<thead>
<tr>
<th>Information to be provided</th>
<th>Paragraph</th>
<th>Yes</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audited general purpose financial statements for the most recently completed annual financial reporting period</td>
<td>2.5.1</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Interim management reports and bank statements, if applicable.</td>
<td>2.5.1</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Auditor’s independence declaration</td>
<td>2.5.2</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Independent auditor’s report</td>
<td>2.5.3</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Evidence of auditor registration</td>
<td>2.5.4</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Financial statements for the three annual financial reporting periods immediately prior to those for which general purpose financial statements were submitted</td>
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<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Completed Financial Performance information in HITS (submitted)</td>
<td>2.5.6</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Declaration of compliance with statutory obligations from an external, independent accountant or auditor</td>
<td>2.5.7</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Business/strategic plan</td>
<td>2.5.8</td>
<td>☐</td>
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<td>Employee information</td>
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</table>

#### 3.5 All other applicants where applicable.

<table>
<thead>
<tr>
<th>Information to be provided</th>
<th>Paragraph</th>
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<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Associated entity information</td>
<td>2.6.2</td>
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<tr>
<td>Statement of independence in relation to audit processes</td>
<td>2.6.3</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Details of payment plan(s)</td>
<td>2.6.4</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Auditor correspondence</td>
<td>2.6.5</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Information to be provided</td>
<td>Paragraph</td>
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<td>Not applicable</td>
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<tr>
<td>--------------------------------------------------</td>
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<td>-----</td>
<td>----------------</td>
</tr>
<tr>
<td>Deed(s) of Guarantee</td>
<td>2.6.6</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Capital injection agreement(s)</td>
<td>2.6.7</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Evidence supporting capital injections and/or guarantees</td>
<td>2.6.8</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Details of changes to reporting period</td>
<td>2.6.9</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Other relevant documents</td>
<td>2.6.10</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Please check all relevant documents are signed before submitting.
4. **Approved Providers**

All VET providers 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 annual financial reporting period. The information required depends on the type of organisation that is approved, and the particular conditions attached to the VET provider’s approval.

VET 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 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 a VET provider’s approval 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.**

VET providers 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 a VET provider 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 4 of these FVI for the 'Risk mitigation table'). VET providers that are found not to be financially viable, or that 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.

VET providers are required to submit the following financial information on an annual basis:

**VET providers that are a specified kind of body or established under specific legislation**

4.1 VET providers that are established to provide education under the specific legislation in paragraphs 2.1.1 to 2.1.7 of these FVI, or bodies established under any legislation that covers education and training that also meet the body corporate requirements under the Act, 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.
VET providers 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.

VET providers that are Table C providers

4.3 Table C providers must provide the following financial information for its Australian subsidiary:

4.3.1 audited general purpose financial statements for the most recently completed annual financial period, prepared by a qualified accountant, audited by an independent qualified auditor and prepared in accordance with the current standards set by the Australian Accounting Standards Board. All financial statements provided for the purposes of assessment must state the VET provider’s ABN and all reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).

Special purpose financial statements will not be accepted.

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 evidence of the auditor’s status as a qualified auditor including their relevant registration number.

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 general purpose 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 VET providers

4.4 All other VET providers must provide the following information:

4.4.1 audited general purpose financial statements for the most recently completed annual financial period, prepared by a qualified accountant, audited by an independent qualified auditor, and prepared in accordance with the current standards set by the Australian Accounting Standards Board. All financial statements provided for the purposes of assessment must state the VET provider’s ABN and all reports and declarations that accompany the financial statements must be signed and dated by the relevant person(s).
Where the VET provider meets the criteria for Tier 2 of AASB 1053: Application of Tiers for Australian Accounting Standards it may choose to adopt the reduced disclosure requirements.

**Special purpose financial statements** will not be accepted.

For VET providers who were approved prior to the promulgation of these FVI, the requirement that general purpose financial statements be submitted will commence with the submission of financial statements for the first full annual financial reporting period beginning on or after the promulgation of these FVI.

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 evidence of the auditor’s status as a **qualified auditor** including their relevant registration number.

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 **qualified accountant** or **qualified auditor** that the VET provider 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 VET provider.

4.4.7 evidence of revenue diversification— in accordance with subsection 22(2) of the **VET Guidelines**, where the VET provider has met or exceeded the prescribed enrolment levels, it must provide evidence that at least 20 per cent of revenue for that period was generated through means other than HELP loans. This evidence may be in the form of the financial statements themselves, the Financial Performance information in HITS, or additional supporting documents.

4.4.8 any other specific financial information as required by the conditions of the VET provider’s approval.

4.5 If applicable, as a VET provider, the organisation must also provide the following:

4.5.1 consolidated financial statements—where the VET provider is a wholly-owned subsidiary of another entity, 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 independent qualified auditor has communicated to the VET provider, 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 VET provider.

4.5.3 statement of independence—where the VET provider’s qualified 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.

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

Note: Where VET providers submit details of major projects, they are also required to submit supplementary information relating to student enrolment projections and budget forecasts (refer to paragraphs 2.5.9 and 2.5.10).

4.5.5 details of payment plan(s)—where the VET provider has entered into any payment plan(s) in relation to any of the statutory obligations referred to in 4.4.6, details of the payment plan(s).

4.5.6 evidence supporting capital injections and/or guarantees—where the VET provider 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 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.

- for guarantees or agreements provided by individuals—a statement of assets and liabilities (indicating the individual’s principal residence) attested to by a qualified 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 VET provider may have to change its financial reporting period.

4.5.8 other relevant documents—any other documentation the VET provider has agreed to provide under the conditions of its approval or that it believes may assist the department to assess ongoing financial viability.
5. Financial viability checklist for providers

This is a checklist for the organisation to use to assist with preparing submissions to meet ongoing financial viability reporting requirements.

5.1 Specified kinds of bodies or as established to provide higher education under the legislation specified at paragraphs 2.1.1 to 2.1.7 or bodies established under any legislation that covers education and training that also meet the body corporate requirements under the Act.

<table>
<thead>
<tr>
<th>Information to be provided</th>
<th>Paragraph</th>
<th>Yes</th>
<th>Not applicable</th>
</tr>
</thead>
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<tr>
<td>A copy of the annual report for the most recently completed annual financial reporting period</td>
<td>4.1.1</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Completed Financial Performance information in HITS (submitted)</td>
<td>4.1.2</td>
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</tbody>
</table>

5.2 Table A and Table B listed organisations.

<table>
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<th>Paragraph</th>
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</thead>
<tbody>
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<td>No additional financial information required</td>
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</table>

5.3 Table C organisations.

<table>
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<th>Paragraph</th>
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<th>Not applicable</th>
</tr>
</thead>
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</tr>
<tr>
<td>Auditor’s independence declaration</td>
<td>4.3.2</td>
<td>☐</td>
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<tr>
<td>Independent auditor’s report</td>
<td>4.3.3</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Evidence of auditor registration</td>
<td>4.3.4</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Completed Financial Performance information in HITS (submitted)</td>
<td>4.3.5</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>IFRS compliant financial statements of the applicant’s consolidated body for the most recently completed annual financial reporting period.</td>
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5.4 All other VET providers

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<th>Paragraph</th>
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<th>Not applicable</th>
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</thead>
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<tr>
<td>Information to be provided</td>
<td>Paragraph</td>
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<td>Not applicable</td>
</tr>
<tr>
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</tr>
<tr>
<td>Auditor’s independence declaration</td>
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<tr>
<td>Independent auditor’s report</td>
<td>4.4.3</td>
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<tr>
<td>Evidence of auditor registration</td>
<td>4.4.4</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Completed Financial Performance in HITS (submitted)</td>
<td>4.4.5</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Declaration of compliance with statutory obligations</td>
<td>4.4.6</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Evidence that at least 20 per cent of revenue has been generated by means other than HELP loans during the most recently completed annual financial reporting period</td>
<td>4.4.7</td>
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<td>☐</td>
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<tr>
<td>Any other specified information</td>
<td>4.4.8</td>
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5.5 All other VET providers if applicable.

<table>
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<th>Information to be provided</th>
<th>Paragraph</th>
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<th>Not applicable</th>
</tr>
</thead>
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<td>Consolidated financial statements</td>
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<tr>
<td>Auditor correspondence</td>
<td>4.5.2</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Statement of independence</td>
<td>4.5.3</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Details of major projects</td>
<td>4.5.4</td>
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<td>Details regarding payment plans</td>
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<td>Evidence supporting capital injections and/or guarantees</td>
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<td>☐</td>
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<tr>
<td>Details of changes to reporting period</td>
<td>4.5.7</td>
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<td>☐</td>
</tr>
<tr>
<td>Other relevant documents</td>
<td>4.5.8</td>
<td>☐</td>
<td>☐</td>
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</tbody>
</table>

Please check all relevant documents are signed before submitting.
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 VET provider.

If VET providers do 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 2, 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 VET provider has not met any of these undertakings, the department will require an explanation, including any risk mitigation strategies that the VET provider 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 VET Providers, these documents are available at: [http://education.gov.au/ongoing-requirements](http://education.gov.au/ongoing-requirements)

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


- **HITS User Guide**


- **Higher Education Support Act 2003**
- **Corporations Act 2001**
- **Higher Education Support (VET) Guideline 2015**

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: Actuarial versus projected domestic student enrolments**

Financial reporting period: [insert financial reporting period here]

<table>
<thead>
<tr>
<th>Course level</th>
<th>Actual student enrolments (A)</th>
<th>Projected student enrolments (P)</th>
<th>Variance [((A-P)P \times 100)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor and above HEP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-bachelor HEP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma and above VET</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Certificate I to IV VET</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other training*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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**

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

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]

<table>
<thead>
<tr>
<th>Country</th>
<th>Actual student enrolments (A)</th>
<th>Projected student enrolments (P)</th>
<th>Variance $(((A-P)/P) \times 100)$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Country</th>
<th>Projected student enrolments for the first projected annual financial reporting period (Specify period)</th>
<th>Projected student enrolments for the second projected annual financial reporting period (Specify period)</th>
<th>Projected student enrolments for the third projected annual financial reporting period (Specify period)</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

Note: add more rows as necessary.

Explanation of underlying assumptions and details of determining factors affecting projected student enrolments: [insert explanation here].
Appendix 1 Terms used in this document

**Applicant** refers to the legal entity that is applying for approval as a VET 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*.

**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.

**HITS** means the HELP IT system.

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

**Organisation** means an applicant or provider.

**Provider** means (as relevant):

- a VET provider, which has the same meaning as in the *Higher Education Support Act 2003*
- 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 or non-Table B provider
- a Table C provider
- Open Universities Australia.

**Qualified accountant** has the meaning given by section 88B of the *Corporations Act 2001*.

**Qualified auditor** means:

- the Auditor-General of a State, of the Australian Capital Territory or of the Northern Territory; or
- a registered company auditor (within the meaning of section 9 of the *Corporations Act 2001*), who is independent of the VET provider; or
- a person approved by the Minister under paragraph (d) of the definition of *qualified auditor* in subclause 1(1) of Schedule 1A to the *Higher Education Support Act 2003*, who is independent of the VET provider.
Note: for the purposes of the *Higher Education Support Act 2003* and 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 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.

**Specified kind of body** means a body of the kind specified in Part 2 of the VET Guidelines.

**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 ratios calculated by the Financial Performance in HITS

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

* * 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 3 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**

A3.1 Life and stability:
- A3.1.1 An organisation that has been operating for more than five years could be considered a lower risk.
- A3.1.2 An organisation that has had a recent change to its core business lines could be considered a higher risk.
- A3.1.3 An organisation that has had a high turnover of directors and/or senior management could be considered a higher risk.

A3.2 Past success:
- A3.2.1 An organisation that has successfully delivered other government funded programs could be considered a lower risk.

A3.3 Industry experience:
- A3.3.1 An organisation that is newer to the industry could be considered a higher risk.
- A3.3.2 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**

A3.4 Ownership and control:
- A3.4.1 The department will consider the corporate structure suitability of the organisation to the nature of its business in assessing risk.
- A3.4.2 An organisation with a simple corporate structure could be considered a lower risk.
- A3.4.3 An organisation that does not have clear ownership could be considered a higher risk.

A3.5 Loans:
- A3.5.1 An organisation that has a low level of borrowings could be considered a lower risk.
- A3.5.2 An organisation that has a high level of loan repayments could be considered a higher risk.

A3.6 Legal agreements:
- A3.6.1 An organisation that has agreements that may constrain its operations could be considered a higher risk.
Organisation financial and other commitments

A3.7 Financing commitments:
   A3.7.1 An organisation that has a low level of capital commitments could be considered a lower risk.
   A3.7.2 An organisation that already has significant non-cancellable commitments could be considered a higher risk.

A3.8 Insurance cover:
   A3.8.1 An organisation that has adequate insurance to cover professional indemnity, public liability, etc. could be considered a lower risk.
   A3.8.2 An organisation that does not have insurance to cover the value of the anticipated level of FEE-HELP or VET FEE-HELP payments, as a minimum, could be considered a higher risk.

A3.9 Contingent liabilities
   A3.9.1 An organisation that is currently, or has been involved in significant litigation could be considered a higher risk.

Organisation financial viability (financial ratio analysis)

A3.10 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.

A3.11 Historical performance:
   A3.11.1 An organisation that cannot provide quality financial statements for the previous four years could be considered a higher risk.
   A3.11.2 An organisation that has received audit qualifications in the past, depending on the nature of the qualifications, could be considered a higher risk.

A3.12 Net equity:
   A3.12.1 An organisation that has high levels of net equity, unencumbered tangible assets, working capital, reserves and revenue could be considered a lower risk.
   A3.12.2 An organisation that has low levels of equity relative to annual expenses could be considered higher risk.

A3.13 Debt levels:
   A3.13.1 An organisation that has low debt levels could be considered a lower risk.
   A3.13.2 An organisation that has a poor credit rating could be considered a higher risk.
A3.13.3 An organisation that has high debt levels could be considered a higher risk.

A3.14 Operation levels:

A3.14.1 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.

A3.14.2 An organisation that has multiple sources of revenue could be considered a lower risk.

A3.14.3 An organisation that relies on one project, customer, area of operation, or method of student recruitment may be considered a higher risk.

A3.15 Profit levels:

A3.15.1 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.

A3.15.2 An organisation that has a high profit to net sales could be considered a lower risk.

A3.15.3 An organisation that has high operating expenses to sales could be considered a higher risk.

A3.16 Return on assets (RoA):

A3.16.1 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.

A3.16.2 An organisation that has a high RoA (ie higher than 0.1) could be considered a lower risk.

A3.16.3 An organisation that has a low RoA (ie closer to 0) could be considered a higher risk.

A3.17 Interest coverage:

A3.17.1 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.

A3.17.2 An organisation that has high interest coverage (ie higher than 1.5) could be considered a lower risk.

A3.17.3 An organisation that has a low interest coverage (ie lower than 1.5) could be considered a higher risk.

A3.18 Days in creditor:

A3.18.1 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.
A3.18.2 An organisation that has a high average repayment time (ie greater than 30 days) could be considered higher risk.

A3.18.3 An organisation that has a low average repayment time (ie less than 30 days) could be considered lower risk.

A3.19 Staff costs:

A3.19.1 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

A3.20 Internal trends:

A3.20.1 An organisation that has negative trends when comparing current financial information with prior periods may indicate a higher risk.

A3.21 External trends:

A3.21.1 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

A3.22 Course structure:

A3.22.1 An organisation that has a narrow range of courses may be considered a higher risk.

A3.23 Student body:

A3.23.1 An organisation that relies heavily on the recruitment of students through brokers or third parties could be considered a higher risk.

A3.23.2 An organisation that relies heavily on the recruitment of international students could be considered a higher risk.

A3.23.3 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

A3.24 Necessary infrastructure

A3.24.1 An organisation that has the necessary technology, equipment and materials to deliver the proposed courses could be considered a lower risk.

A3.24.2 An organisation that relies on another party, even a related party, for the availability of infrastructure could be considered a higher risk.
A3.25 Industry experience

A3.25.1 An organisation whose management staff has relevant qualifications and/or experience could be considered a lower risk.

A3.25.2 An organisation that has high levels of director and management turnover could be considered a higher risk.

A3.26 Size and scope

A3.26.1 An organisation with a sufficient stable equity base and varied scope could be considered a lower risk.

A3.26.2 An organisation with limited equity base and scope could be considered a higher risk.
Appendix 4  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 2 and Appendix 3). 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**

<table>
<thead>
<tr>
<th>Risk level</th>
<th>Department request</th>
<th>Action by applicant</th>
<th>Action by provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low risk</td>
<td>Further information may be required.</td>
<td>Submit financial information as detailed in Chapter 2 of these FVI as applicable.</td>
<td>Additional risk mitigation strategies may be required at the department’s direction.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Additional risk mitigation strategies may be required at the department’s direction.</td>
<td>The provider is required to submit financial information as detailed in Chapter 4 of these FVI as applicable.</td>
</tr>
<tr>
<td>Medium risk</td>
<td>Further information required and monitoring of organisation’s financial performance.</td>
<td>Answer questions by the department regarding:</td>
<td>Provide half-yearly or quarterly submission of financial information and student data accompanied by directors’ declaration.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ ratios not meeting thresholds;</td>
<td>Answer questions regarding:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ internal risk mitigation strategy;</td>
<td>☐ ratios not meeting thresholds;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ strategy to remedy financial performance;</td>
<td>☐ internal risk mitigation strategy;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ issues identified during assessment; and/or</td>
<td>☐ strategy to remedy financial performance;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ forecast assumptions.</td>
<td>☐ issues identified during assessment; and/or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>☐ forecast assumptions.</td>
</tr>
<tr>
<td>High risk</td>
<td>Strengthening of financial position required.</td>
<td>Establish a line of credit and/or capital injection from the organisation’s parent entity, a director or shareholder.</td>
<td>Establish a line of credit and/or capital injection from the organisation’s parent entity, a director or shareholder.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase equity to 50 per cent of projected annual expenditure.</td>
<td>Increase equity to 50 per cent of projected annual expenditure.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide a Deed of Guarantee or bank guarantee of support from parent entity, a director or shareholder.</td>
<td>Provide a Deed of Guarantee or bank guarantee of support from parent entity, a director or shareholders.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agreements regarding the declaration of dividends.</td>
<td>Agreements regarding the declaration of dividends.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Establishment of detailed cost minimisation strategies.</td>
<td>Establishment of detailed cost minimisation strategies.</td>
</tr>
<tr>
<td></td>
<td>Further information required.</td>
<td>Provide information as requested in Notices seeking further information</td>
<td>Answer questions (onsite or off) regarding:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>☐ ratios not meeting thresholds;</td>
</tr>
<tr>
<td></td>
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<td>☐ internal risk mitigation strategy;</td>
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<td>☐ strategy to remedy financial performance;</td>
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<td></td>
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<td></td>
<td>☐ issues identified during assessment; and/or</td>
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<tr>
<td></td>
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<td></td>
<td>☐ forecast assumptions.</td>
</tr>
</tbody>
</table>