

VTA Response to VET Funding Review

Refocusing Compliance on Quality Outcomes

This submission is made by the Victorian TAFE Association (VTA). The VTA is the peak body for Victoria's public VET providers. VTA members include four dual sector Universities, twelve stand-alone public TAFE Institutes and an associate member, AMES. Services provided by VTA to members include public policy advocacy, workforce relations advice, education projects, research, government liaison and representation, and professional development. VTA members may respond to the Review in areas of particular interest.

The VTA fully supports the Victorian Government's objective for a more stable vocational education and training (VET) funding system that can adapt to Victoria's changing economy and support investment to allow the training system to thrive. VTA congratulates the Government of Victoria on commissioning the VET Funding Review (the Review) to inquire, in particular, into how to improve the quality of the Victorian training market. The TAFE system, government owned and not-for-profit, is the critical link to the Government achieving public policy objectives including high quality outcomes for the VET sector, access and equity in skills development, and workforce productivity.

VTA has elected to make several submissions to the VET Funding Review in relation to the terms of reference of the Review. This submission responds specifically to funding settings that contribute to ensuring government subsidised training is high quality. VTA acknowledges a parallel Quality Assurance Review announced by the Minister for Skills and Training, the Hon. Steve Herbert, on 20th February 2015, to review and redesign the current Victorian VET quality assurance framework.

Specific points of focus for the VET Funding Review's investigations

VTA members accept responsibility to provide evidence of training and assessment as part of their contractual obligations and – especially as public entities – responsible for expenditure of large amounts of public funds.

It is our view that the current compliance processes to monitor the VTG contractual arrangements and policy outcomes are not providing evidence that the Victorian Government is getting quality outcomes for its spend and that compliance systems driven from the bureaucracy are entrenching inefficiencies and a culture of suspicion.

Reforms are required as a matter of urgency.

VTA invites the VET Funding Review to consider:

- the significant investment of public funds by the Victorian Government and public providers of VET to manage VTG arrangements. This investment must be well targeted and risk-based.
- Planning of audit activity associated with monitoring VTG contracts must be risk-based.
- Audit activity should be agreed between contracted parties based on continuous improvement models.
- Auditors to have a sound understanding of public providers of VET as being in the business of education.
- Eliminating the illogical attention to the minutiae of unimportant information and focus on what is important to maximise outcomes that meet government policy imperatives.
- Apply common sense approaches to decisions around compliance.

Recommendations:

1. Government to convene stakeholder forums for VTG contracted parties to agree on compliance methodologies.
2. Risk-based approach to compliance monitoring including an approach that rewards low risk providers.
3. Establish transparent guidelines for measuring compliance of records.
4. Convene a roundtable of principal stakeholders with an interest in VET in Victoria (eg Victorian Government, ASQA, VRQA, TEQSA, ACPET, VTA) to streamline business processes and establish principles of mutual recognition between stakeholder agencies.

Quality systems in the context of the current VET system

Victoria's businesses need to be supported by a world class vocational education and training (VET) system. A world class VET system will deliver consistently high quality outcomes to individuals and industry.

Much has been written about the features of *quality* in VET in Australia. A scan of VET research identifies the following among the essential features of quality in the VET context:

- responsiveness to emerging industry sectors,
- qualifications with a high perceived value,¹
- meeting the current and future needs of Australian businesses and industries, and supporting Victoria's competitive advantages,
- exemplary learning environments,
- innovation and engagement in VET research and development,
- teaching and assessment strategies tailored to the needs of students, and
- learning design that is mindful of the volume of learning needed to enable students to achieve national competency standards.

The lay person may provide a more pragmatic explanation. From an industry perspective, the VET system is providing a quality outcome when an employee brings to the workplace the necessary underpinning skills, knowledge and attributes to make a productive contribution to that workplace. A student may see that they have participated in a quality education system if, as an outcome, they have the necessary skills (generic and technical) to secure and succeed in the job they want, for job mobility or for a pathway to future work/education.

The Australian Qualifications Framework (AQF) and the Standards for Registered Training Organisations (2015) underpin all accredited VET delivery. The regulators (ASQA, TEQSA, VRQA) implement systems and processes to monitor VET activity with a view to assessing compliance with regulatory frameworks and forming judgements on the quality of training and assessment.

Other stakeholders with an investment in the VET sector will also want to monitor VET activity. Their motivation may include assuring the best spend of their investment: Commonwealth Government

¹ *Improving Vocational Education & Training the case for a new system, A Position Paper of the National Skills Standards Council, NSSC, March 2013*

regarding specific targeted initiatives, State Government as part of specific initiatives and the VTG, industry partners as co-contributors to training and assessment.

Irrespective of the definition applied, systems and processes informing an assessment of quality in the VET sector must embrace the principles of continuous improvement.

VTA members are critical that, in the current context, quality systems are compliance audit driven rather than the focus being on the quality of training and assessment. There are growing concerns among VTA members where students present with testamurs for VET qualifications, yet skills gaps are evident. The principles of continuous improvement do not consistently underpin the systems and processes being used by external stakeholders to assess the quality outcomes of the TAFE Institutes and dual sector Universities particularly in relation to training under the VTG.

Quality of Training versus the Business of Education

VTA members refer to the intense focus on auditing for compliance with Victorian Government contractual requirements, to the extent that the focus on quality of training is overlooked. One regional TAFE Institute noted in a recent VTA consultation that three weeks had been spent on audits in the first ten weeks of 2015. There are difficulties, within available resources, to implement an improvement plan when the next wave of audit demands are bearing down on the TAFE or dual-sector University.

There is a pervading perception among VTA members that the purpose of the audit is to find errors rather than look at improvement plans and actions taken to address weaknesses identified in earlier audits.

There is a lack of confidence in auditing approaches to address continuous improvement principles.

Audit Approach - Evidence of concessions and eligibility for VTG

In October 2013 the HESG Business Process Audit program audited 2011-2012 records relating to evidence of concessions and eligibility for VTG. A second Business Process audit occurred in March 2014 of 2013 records relating to evidence of concessions and eligibility for VTG.

It was impossible for 2013 records to reflect implementation of improvements on 2011-2012 as the same business processes were in place up to the audit in October 2013.

The first opportunity to demonstrate improvement in business processes would be in 2014 based on improvement plan established after October 2013 audit.

To VTA's knowledge there has been no audit of members' records of evidence of concessions and eligibility for VTG after the date of the improvement plan established after October 2013.

VTA members comment that the March 2014 audit was a complete and utter waste of time with TAFE/University providers knowing they would be deemed non-compliant.

TAFE Institutes and dual-sector universities have directed their efforts to paying pinpoint attention to the business of education rather than focusing on best practices in education. This is manifest in the extent of human effort that is given to ensuring dates and codes on records are *correct* and reflect the records reported so that revenue streams are earned and retained. In our view, the attention to detail in scrutinising data is disproportional to the task at hand.

To manage and mitigate against the costs of non-compliance public providers revert to strategies to narrow the scope of offerings particularly the range of elective units in a course of study. The more units that are incorporated into the delivery strategy, the higher the compliance costs. This occurs because the provider must be able to demonstrate that the national standards for RTOs are met at the unit of competency level. The broader the choice of electives, the greater cost in ensuring the level of physical and human capital are available and delivery meets standards. While there is a public perception that Victoria's public providers will offer a broad spectrum of choice and that resources will be kept current, business imperatives are known to step in and there are conscious efforts to scale back on flexibility in order to become more competitive. As an outcome of business decisions to reduce delivery options, the needs of industry may not be met with less flexibility in the packaging of qualifications.

VTA advocates for a risk-based approach to managing compliance. The associated risk framework will recognise and encourage the diversity of VET providers' scope, scale and approach to delivery and assessment.

Misdirected Effort and Reasonableness

VTA members consistently comment that the officials charged with carrying out HESG compliance audits, as financial auditors, do not understand the core activities of public entities in education industry. VTA members cite as examples:

- Lack of reasonableness of the audit requirements where records are held across multiple campuses, across considerable distances and/or in workplace settings. It is unreasonable to expect a provider to be able to marshal hardcopy teachers' records over a weekend, across campuses at some distance when twenty-four hours' notice is given on a Friday for audit on a Monday. Where information cannot be provided the provider is deemed non-compliant.
- Where an auditor determines that a student response of '0' to a question on an enrolment form was evidence of compliance, yet an answer to the same question of 'zero' or '-' were deemed non-compliant. This seems a nonsensical approach and consequently links to significant man-hours wasted between auditor and provider.
- The interactions between the auditor and the provider lack consistency and are not always built on a common sense approach. Varying interpretations of the compliance requirements by different auditors may mean that records/data are acceptable by one auditor but not by another and, such as, one auditor may be willing to accept information in an electronic format yet another demands hardcopy. One auditor may look at documents (eg. complaints policy/procedure) holistically whereas another auditor will drill through specific instances where a complaint has occurred.
- Where a new rule is announced to the VTG funding contract and the rule is effective immediately, there is no consideration at audit for the timing of the announcement and the fact that enrolments are in train that the rule change impacts on. The outcome for the provider is simply 'non-compliant'.

The competing demands of many stakeholders with an interest in monitoring the activities of TAFE Institutes and dual-sector Universities must also be acknowledged. There is a lack of co-ordination between agencies such as HESG, ASQA, TEQSA, VRQA and CRICOS auditing VET activity. TAFE Institutes and dual-sector Universities continue to be frustrated with the lack of communication between regulators/government regarding audit requirements and continue to complain that auditors are requesting the same information but there is a complete lack of willingness by the auditors to offer any reasonable flexibility in the format that the information is provided. As an example, Internal Audit Checklist (HESG) aligns to elements of Standards 2-8 of the Standards for RTOs 2015, aspects of CRICOS standards, aspects of VRQA standards for non-school secondary providers, ISO and TEQSA. The overlaying administrative effort to keep abreast of the myriad changes to Training Packages adds a further dimension to the burden of compliance. VTA proposes an exploration of the overlap between the agencies to identify commonalities between the agencies.

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