



Independent verification of the National Audit and Registration Agency (NARA) for compliance with the 'AQTF Standards for State and Territory Registering Bodies (2007)' and including the Education Services for Overseas Students (ESOS) Act

Desktop review conducted September 2007

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## **Assessor**

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The auditor is a certified Lead Auditor in Quality Management Systems and has extensive experience in the non-financial audit of VET delivery, VET Systems, the former Quality Endorsed Training Organisation verification system and is familiar with the key issues and directions of the National VET Agenda.

### Background

Under the Australian Quality Training Framework (AQTF) all State and Territory Registering Bodies (RBs) must adhere to the nationally agreed RB Standards. Independent advice is provided to the National Quality Council (NQC) on the effectiveness of State/Territory registration activities, audit and related processes to assist the NQC in its role of providing advice to the National Senior Officials Committee (NSOC) on the operation of the AQTF.

In November 2006 the Ministerial Council for Vocational and Technical Education agreed to establish a national registration, audit and approval function within TVET Australia. This body, known as the National Audit and Registration Agency (NARA), offers an alternative registration source for RTOs operating in more than one jurisdiction.

The purpose of this current report is to assess the readiness of NARA to manage and implement the registration of training organisations under AQTF 2007 and also the Education Services for Overseas Students (ESOS) Act.

### Audit Methodology

I used the International Standard 'AS/NZS ISO 19011:2003: Guidelines for quality and/or environmental management systems auditing' to provide a protocol to assess NARA against the 'AQTF Standards for State and Territory Registering Bodies (2007)' and the Education Services for Overseas Students (ESOS) Act. Normally a VET provider delivering to international students in Australia first applies to be a RTO under the AQTF before being assessed for ESOS status. This is because, in addition to its own specific requirements, this Act draws heavily on AQTF 2007 components. While the AQTF for Registering Bodies has a primary focus on 'outcomes', as NARA is a new organisation it has no client base. Therefore this initial assessment was undertaken as a desktop audit of NARA's policies, processes and procedures to manage its work flow. I then examined the way NARA proposes to understand, and measure its success and then improve these services.

The main areas reviewed include:

1. RTO registration, covering the handling of queries by providers, advice regarding the AQTF requirements, management of applications for RTO status, re-registration of RTOs, scheduling and conduct of the audits, investigation of complaints, report formats, approaches to sanctions and entering data on the National Training Information Service (NTIS).
2. The selection of auditors, their professional development and performance measurement.

### Statement of Compliance

I believe that there are appropriate processes, procedures and responsible personnel in the National Audit and Registration Agency (NARA), to either meet or exceed the formal requirements of the AQTF 'Standards for State and Territory Registering Bodies' (2007). NARA should be capable of managing and implementing the registration of training organisations under AQTF 2007 and also the Education Services for Overseas Students (ESOS) Act. The relevant NARA policies, processes and procedures that support the registration functions are noted in Attachment A.

There are several areas that need to be closely risk managed by NARA in the early stages of implementing its registration function. These areas will require the development of additional abatement processes or approaches to its work. It is suggested that these 'Opportunities for Improvement' be examined more closely in the proposed validation of NARA's AQTF implementation to occur in early 2008.

## **Additional Observations for the Registering Accrediting Body**

Any formal review of an otherwise compliant organisational system will often note particular **'Strengths'** and **'Opportunities for improvement'**. In addressing the requirements of a standard, **'Opportunities for improvement'** can arise where there is the possibility of inconsistencies or inefficiencies in an otherwise appropriate process.

### **Strengths**

I believe NARA is developing a coordinated approach to its core activity of the registration of training organisations, underpinned by a proactive management structure. There are a number of areas which in my opinion exceed the requirements of the 'AQTF Standards for State and Territory Registering Bodies (2007)':

- **Use of Quality Advisors who are trained as auditors**

Where there are significant changes to its status, such as initiation as a new RTO or a major change to scope, RTOs are obliged to engage an advisor. In this scheme, advisors and auditors are trained to the same skill level and the advisor for the RTO cannot also be the auditor who will make a recommendation for registration under AQTF or ESOS. I consider this to be good practice for formulating and addressing various regulatory issues. The approach is similar to the many third party personnel certification schemes which are increasingly being used worldwide to assist in the implementation of government regulations.

Another advantage of this approach is that the advisor and auditor work independently and effectively undertake cross checks and audits of the RTO. Any major discrepancies in their observations can be moderated prior to a recommendation for registration. This should also provide valuable feedback to NARA in its overall approach to risk management.

- **Ongoing review and support of auditor and advisor capability**

To complement its model of engaging RTOs NARA has clearly identified moderation and consistency of its advisors and auditors as key risks to its operations. To manage these risks, NARA is intending to implement ongoing moderation activities that will draw on the key findings and good practices observed in audits to support its auditors and advisors.

- **Internal review and appeals**

NARA offers RTOs a comprehensive 'Complaints and Appeals' system if the RTO is not satisfied with the outcome of an audit. Under this model a separate internal review and appeals process can be undertaken by the TVET CEO to formally address each concern raised by the RTO. This is a particularly transparent approach and should provide valuable feedback to NARA to support its overall approach to risk management.

- **A company wide approach to business operations**

While it is noted that the version provided is a 'draft only', the use of common guidelines for strategic, business and operational planning across TVET's operations fosters an integrated, company wide approach to continuous improvement. As one of six divisions this allows NARA to have a direct input into planning, monitoring and reviewing TVET processes, and vice versa.

- **Client Relationship Managers**

NARA has developed the role of Client Relationship Manager to liaise and manage communications with RTOs, clients and stakeholders, assist with moderation of auditors and advisors and to triage complaints from RTOs. There is clearly an advantage in having one staff member initially responsible for receiving feedback from a variety of sources and using this information to continuously improve NARA's approach to implementing the AQTF and ESOS.

## **Opportunities for Improvement**

There are considered to be a number of opportunities to augment or refine NARA's intended approach to implementing AQTF 2007 and include:

- **Regulator and industry engagement**

While NARA has indicated it intends to use the services of technical experts from industry and occupational licensing bodies, it is unclear how and under what circumstances NARA will engage such personnel. Formal consideration needs to be given to the identification and ongoing liaison with regulatory and other industry bodies and their respective needs. This is an important step in defining key risks and indicative abatement strategies. Arrangements should be established in the RTO registration process for tendering or contracting technical expertise and specification of their role.

- **Development of a coherent Risk Management strategy**

NARA has already sought advice from other jurisdictions of the different levels of non-compliance and how these jurisdictions manage these risks. NARA should develop and publish its approach to risk management so that RTOs can be aware of their own risk rating. Input would be expected from clients and stakeholders including other RTOs, industry and regulatory bodies. NARA's approach should be regularly reviewed.

- **Consolidation of different sources of feedback**

NARA is intending to have fortnightly moderation sessions with its advisor and auditor base. It is less clear how the range of inputs from clients, stakeholders, RTOs, audit report findings, good practice exemplars and moderation sessions will be retained in the medium to longer term. These inputs may need to be integrated into a matrix that might serve a number of needs including ongoing training of all staff, use in cross jurisdictional moderation and quality indicator reporting.

- **Development of a more formal approach to management of non-compliances and implementation of sanctions**

The National Guideline for Managing Non-Compliance under AQTF 2007 has recently been released. NARA may benefit from defining a minimum set of expectations using outcomes based criteria or exhibited behaviours to allow the calibration of the levels of non-compliance. This is especially important in situations that would constitute litigation, sanctions or removal of RTO status. This advice could also note NARA's own response to the elevation of non-compliances that are not subsequently addressed by RTOs.

- **Engagement of new auditors and advisors without AQTF experience**

Inherent in the current approach to contracting personnel as auditors and advisors is that prior AQTF experience is a core requirement (e.g Section 1.5 of the 'Request for Tender of auditor services' that has a 'requirement of proof' of AQTF audit capability). By definition NARA will intentionally or unintentionally not be in a position to develop new auditors and so may not contribute to increasing the pool of available and otherwise skilled staff.

- Other issues still to be addressed

NARA has self identified and is currently developing several procedures that will further underpin its functions. These include an information kit for newly registered RTOs, refinement of confidentiality and no conflict of interest forms for its contractors, and ongoing development of a complaints and dispute register.

## Attachment A

### NARA's approach to support its registration function under:

#### 1) AQTF Standards

<i>Standard 1 Regulatory activities ensure nationally consistent registration outcomes.</i>	<i>Evidence of NARA's approach</i>
Elements	
<p>1.1 Registering bodies continuously improve national consistency in registration functions by acting on relevant data and by benchmarking with registering bodies in other jurisdictions.</p>	<p>NARA notes it is using the nationally agreed Standards and supporting documentation for the implementation of the AQTF 2007 Standards, e.g. AQTF 2007 Audit Handbook to inform its operations (for example Policy and Procedure NAR003c - Conduct Audit).</p> <p>NARA, notes through the TVET Chair, it has sought advice from States and Territories on their approach and examples of non-compliance against the three agreed levels of non-compliance in the AQTF 2007 National Guidelines for Managing Non-Compliance.</p>
<p>1.2 Communication strategies that support state and territory registration functions are based on nationally agreed resources and are consistent with national decisions.</p>	<p>NARA has incorporated the nationally agreed forms for applications for initial and re-registration, to cancel registration, and to amend scope of registration in its system.</p> <p>NARA has incorporated the nationally agreed audit report template.</p> <p>NARA notes it has been invited to attend the meetings of the Registering/Course Accrediting Body Chairs and will also receive copies of papers and decisions taken by the National Quality Council.</p>
<p>1.3 Regulatory activities are guided by a nationally consistent risk-management approach. They are based on RTOs' performance against nationally agreed quality indicators and assessment of the risk level attributed to their operations.</p>	<p>NARA notes it has incorporated the nationally agreed AQTF 2007 National Guideline for Risk Management (for example Policy and Procedure NAR003c - Conduct Audit).</p> <p>NARA intends to use these to inform auditor decision making through our fortnightly auditor moderation sessions once the quality indicators have been nationally agreed,</p>
<p>1.4 Consistency in auditors' judgements is maintained through national and jurisdictional moderation of audits.</p>	<p>NARA notes contracted auditors regularly participate in moderation activities (section 1.4 of the Auditor 'Request for Tender') and the position description of the NARA National Manager).</p> <p>NARA intends to host moderation activities with State and Territory Registering Bodies to</p>

<i>Standard 1 Regulatory activities ensure nationally consistent registration outcomes.</i>	<i>Evidence of NARA's approach</i>
	develop a shared understanding of auditing against the new AQTF Standards (for example a letter from TVET Chair to all RBs).
1.5 Sanctions and conditions applied to RTOs are in accordance with national guidelines.	<p>NARA notes it has incorporated in its decision making regarding sanctions and appeals by the AQTF 2207 National Guideline for Managing Non-Compliance (for example Policy and Procedure NAR003d Action Audit).</p> <p>NARA notes it will only impose sanctions or conditions once these have been endorsed by the TVET Board.</p> <p>NARA notes it will also inform the relevant RB of its intention to impose a sanction or condition on an RTO (all examples in Policy and Procedure NAR003d Action Audit).</p>

<i>Standard 2 Regulatory services meet the needs of industry and clients.</i>	<i>Evidence of NARA's approach</i>
Elements	
<p>2.1 Regulatory services are continuously improved by acting on data from:</p> <ul style="list-style-type: none"> <li>✧ learners and other clients of RTOs</li> <li>✧ enterprises and representatives of industry and commerce and unions</li> <li>✧ Industry Skills Councils and Training Package developers</li> <li>✧ RTOs</li> <li>✧ occupational licensing bodies and regulatory authorities.</li> </ul>	<p>See NAR001a, step 2.</p> <p>NARA notes it also hopes to improve its regulatory practices through the relationships its Client Relationship Managers build with different types of RTOs and the peak stakeholder groups which represent them (for example PDs for Client Relationship Managers).</p>
2.2 Regulatory responses are proportionate to each RTO's performance against nationally agreed outcomes and the risk level attributed to its operations.	NARA intends to use outcomes data from them and an RTO's risk rating to inform its audit approach and regulatory responses (NAR003b, step 5; NAR003c, step 3; and NAR003d, step 2) once the quality indicators have been nationally agreed
2.3 Industry regulators and occupational licensing bodies that use certification from the VET sector are appropriately engaged in regulatory arrangements for the sector.	<p>NARA intends to use technical experts from industry and occupational licensing bodies in audits of RTOs delivering training for licensed occupations and in other areas where industry regulators wish to be involved in the audit (NAR003b, step 2 – specifically identify technical expertise required).</p> <p>NARA intends to act on feedback from</p>

<i>Standard 2 Regulatory services meet the needs of industry and clients.</i>	<i>Evidence of NARA's approach</i>
	industry stakeholders (NAR001a, step 2).  NARA notes it is aware that it needs to develop protocols with States and Territories (as well as peak national industry and occupational licensing bodies) regarding the use of technical experts to assist in audits or the provision of other advice.
2.4 Complaints and appeals about RTOs and regulatory services are resolved efficiently and effectively, and in accordance with National Quality Council policy.	See NARA Policy 5, and procedure NAR005a, plus NARA Policy 4 and procedures NAR004a and NAR004b.

<i>Standard 3 Management systems are responsive to the needs of the VET sector.</i>	<i>Evidence of NARA's approach</i>
Elements	
3.1 Registering bodies continuously improve their management of registration functions by acting on relevant data and benchmarking with registering bodies in other jurisdictions.	NARA intends to use the nationally agreed Standards and supporting documentation for the implementation of the AQTF 2007 Standards, eg AQTF 2007 Audit Handbook to inform its operations (see for example NAR003c, step 3).  NARA notes it has sought advice from States and Territories on how they categories different examples of non-compliance against the three agreed levels of non-compliance in the AQTF 2007 National Guidelines for Managing Non-Compliance (see letter from TVET Chair to all RBs and enclosed template).  NARA intends to report on its activities to the National Quality Council (see NAR001c).  NARA notes it will undergo an annual independent audit of its activities against the AQTF 2007 Standards for State and Territory Registering Bodies.
3.2 Registration functions are managed through a defined and documented quality system that is regularly reviewed to ensure its continuing suitability and effectiveness.	NARA uses a documented quality system - see TVET Australia NARA Policies and Procedures and particularly Policy 1: quality assurance and continuous improvement, and procedures NAR001a and NAR001b.
3.3 Where registration functions are delegated, the registering body ensures compliance with all relevant standards and procedures so that decisions by delegates are nationally consistent.	N/A

## 2) Quality indicators

Requirement: 'Each state and territory registering body will report annually to the National Quality Council on its performance in relation to these standards and on quality issues arising from the regulation of the VET sector in its jurisdiction.'

NARA intends to use quality indicators for assessing performance against the standards. For each quality indicator, the registering body will provide qualitative and quantitative data that will be specified annually by the National Quality Council. The quality indicators will be based on the five principles listed below.

<i>Quality indicators</i>	<i>Evidence of NARA's approach</i>
1 Consistency	
<p>The extent to which the regulatory processes and outcomes from each registering body are consistent with:</p> <ul style="list-style-type: none"> <li>✧ national standards and guidelines, and</li> <li>✧ the processes and outcomes of other registering bodies.</li> </ul>	<p>NARA intends to host moderation activities with State and Territory Registering Bodies to develop a shared understanding of auditing against the new AQTF Standards (see letter from TVET Chair to all RBs).</p>
2 Effectiveness	
<p>The extent to which registering bodies ensure that:</p> <ul style="list-style-type: none"> <li>✧ only those organisations meeting the AQTF 2007 Essential Standards for Registration are registered, and</li> <li>✧ RTOs continue to operate in accordance with these Standards.</li> </ul>	<p>See response to Element 3.2, as well as NARA Policies 2 and 3, and specific procedures NAR002a, NAR002b, NAR003c, NAR003d.</p> <p>NARA's intends to review its policies and procedures where it receives feedback that they could be improved (NAR001a, step 2).</p>
3 Proportionality	
<p>The extent to which regulatory processes and decisions are guided by:</p> <ul style="list-style-type: none"> <li>✧ the performance of an RTO in relation to the AQTF 2007 Essential Standards for Registration, and</li> <li>✧ the assessed risk in relation to the context of the RTO's operations.</li> </ul>	<p>NARA intends to use outcomes data from them and an RTO's risk rating to inform its audit approach and regulatory responses (NAR003b, step 5; NAR003c, step 3; and NAR003d, step 2) once the quality indicators have been nationally agreed,</p>
4 Responsiveness	
<p>The extent to which regulatory services are responsive to clients' needs and the changing needs of the national VET system.</p>	<p>See NAR001a, step 2.</p> <p>NARA intends to improve its regulatory practices through the relationships its Client Relationship Managers build with different types of RTOs and the peak stakeholder groups which represent them (eg PDs for Client Relationship Managers).</p>
5 Transparency	

<i>Quality indicators</i>	<i>Evidence of NARA's approach</i>
<p>The extent to which registering bodies ensure that:</p> <ul style="list-style-type: none"> <li>✧ RTOs are informed of their obligations as set out in the AQTF 2007 Essential Standards for Registration, and</li> <li>✧ the basis for a decision affecting an RTO is clearly documented and communicated to the RTO.</li> </ul>	<p>See response to Transparent above, plus NAR003d. NARA notes it is aware that prior to commencing operations it needs to build webpages that explain to RTOs their obligations under the AQTF 2007 Standards. It is intended this will also be one of the functions undertaken by NARA-approved QCs.</p>

### 3) Operating protocols for undertaking registration functions

Requirement: 'Registration and audit activities are conducted under the authority of state and territory legislation for the regulation of vocational education and training. Each registering body will apply the operating protocols set out below, in accordance with their governing legislation.'

<i>Operating protocols for undertaking registration functions</i>	<i>Evidence of NARA's approach</i>
1 National recognition	
Each registering body accepts the registration decisions made by any other registering body.	See NARA Policy 1, (1.1.1 Background)
2 Assessing applications and monitoring audits	
2.1 The registering body will not grant an application for registration if it considers that the applicant's principal place of business, or all or most of its operations, will be in another state or territory.	NARA intends to only accept multi-jurisdictional RTOs who have provided evidence to their registering body verifying their eligibility for NARA (See NAR 002d)
2.2 Audits of RTOs and the assessment of applications for registration are against the AQTF 2007 Essential Standards for Registration.	See NARA Policy 3 and procedures NAR003a, NAR003b, NAR003c, NAR003d
2.3 Audits of RTOs that operate in more than one jurisdiction are managed by the RTO's registering body.	N/A
2.4 Auditors, technical advisers and audit teams meet national competency requirements agreed by the National Quality Council.	National competency standards come into effect on 1 July 2008. NARA intends to undertake the required professional development to ensure they fulfil these standards. NARA will also ensure it only uses appropriately qualified technical advisors.
2.5 The decision on whether or not to	See NAR003d
✧ register a training organisation (including decisions for applications from RTOs to amend their scope of registration or renew registration), or	

<i>Operating protocols for undertaking registration functions</i>	<i>Evidence of NARA's approach</i>
<ul style="list-style-type: none"> <li>✧ impose sanctions on an RTO, or</li> <li>✧ cancel or suspend an RTO's registration,</li> </ul> <p>is made by a person or people who have not participated in the audit of that training organisation or RTO.</p>	
<p>2.6 Registration or extension to scope of registration is not granted until the training organisation or RTO has addressed to the satisfaction of the registering body any significant non-compliance with the AQTF Essential Standards for Registration.</p>	<p>See NAR003c and NAR003d</p>
<p>2.7 The registering body enters all registration decisions and changes to RTO details on the National Training Information Service (NTIS) in accordance with nationally agreed standards.</p>	<p>See NAR002a (steps 10 and 12)</p>
<p>2.8 Where registration is granted, the registering body provides the RTO with a registration document such as a letter or a certificate that includes:</p> <ul style="list-style-type: none"> <li>✧ the full name of the legal entity that is the RTO, the registered business name(s) under which it trades, its head office address and national provider number</li> <li>✧ the scope of the registration granted</li> <li>✧ the effective date of registration and the term for which the registration is valid</li> <li>✧ the nationally recognised training (NRT) logo.</li> </ul>	<p>See NAR002a (step 11) and copies of NARA certificates of registration New Certificate file</p>
<p>2.9 Where an extension to scope of registration is granted, the registering body issues the RTO with an extract of their revised registration details as entered on the NTIS. Any extension granted to an RTO's scope of registration does not extend the term of its registration.</p>	<p>See NAR002a (steps 10 and 12) and copies of NARA letters relating to extensions to scope</p>
<p>3 Reporting</p>	
<p>3.1 The performance of registration functions, including those conducted under delegation, is reported in accordance with nationally agreed performance outcomes and reporting protocols.</p>	<p>See TVET Australia NARA Policies and Procedures</p>
<p>3.2 Information on the performance of regulatory functions in accordance with the AQTF 2007 Standards for State and Territory Registering Bodies is published at least annually.</p>	<p>See NAR001c</p>

