

VICTORIA

Victorian
Auditor-General

Audit summary
of
Victorian Registration
and Qualifications
Authority

Tabled in Parliament
7 October 2010

Audit summary

The Victorian Registration and Qualifications Authority (VRQA) was established in July 2007 to regulate and monitor school and higher education, and vocational education and training (VET). It replaced the Victorian Qualifications Authority.

VRQA registers education providers and monitors them for compliance with the *Education and Training Reform Act 2006* (the Act). VRQA's main role in relation to VET providers is to assure the public that providers comply with minimum standards established under state and Commonwealth legislation, and that the qualifications they award meet a standard that other providers and employers recognise. The education sector is a major source of export income amounting to billions of dollars annually, reinforcing the importance of VRQA's regulatory role.

Government policy is for VRQA to regulate the education sector with a 'light touch' approach, shifting from quality control over activities to quality assurance. This means VRQA's responsibility lies in assuring that providers meet regulatory standards, but not how they do so.

This audit assessed the effectiveness of VRQA in regulating VET providers. It examined whether VRQA registers and monitors these providers in line with the Act, including the requirement that providers meet national standards in the Australian Quality Training Framework 2007 (the framework). Within the VET sector, VRQA is responsible for regulating about 1 200, mostly private, providers.

Conclusion

VRQA cannot reliably assure that it has effectively regulated VET providers.

When it was formed in July 2007, VRQA was aware of serious shortcomings in its predecessor's approach to registering VET providers. The actions it took to address these issues up to mid-2009 were steps in the right direction, but they did not resolve problems with both the operational shortcomings of its VET unit, or weaknesses in its own quality assurance processes.

In September 2009 VRQA identified a range of further corrective actions that it is still implementing. Those which it has completed have not been in place long enough to assess their effectiveness. Of most concern is that VRQA has yet to implement a quality assurance regime over the work performed by its contracted auditors. The auditors' work is fundamental to VRQA knowing whether or not providers meet regulatory standards.

These issues should be promptly addressed. Until they are, students, employers and other stakeholders cannot have the level of confidence in the quality of services from VET providers they deserve.

Findings

Governance

While VRQA has been progressively implementing a range of reforms to its regulation of VET providers, these have been slow when considered in the context, both of the significance of this sector to the economy, and the fast pace of change in the sector that has occurred since 2007.

The VRQA Board was slow to resolve two threshold issues known to exist at the time of VRQA's formation in July 2007:

- The lack of independence of the auditors that VET providers used to assess their compliance with the standards was not resolved until January 2009. The board originally decided in November 2007 that providers would be able to use their own auditors only up to 30 April 2008 to assess whether they could teach more courses and to check rectification of any minor non-compliance with the standards. In response to industry concerns, the board decided in April 2008 to extend the deadline by eight months to December 2008.
- Concerns with the performance of the VET unit's work were not decisively acted on until after August 2009. The operation of the unit was reviewed in December 2008, but the review did not address its quality assurance processes. Ongoing concerns by senior management prompted a further review of the unit in August 2009, leading to identification of a range of corrective actions. It is not evident the board has actively monitored the adequacy or impact of these actions.

Further, implementation of necessary corrective actions arising from the 2009 review of the VET unit has been delayed because of work required to introduce new ministerial guidelines to strengthen the criteria on which VRQA can assess providers.

A risk-based approach to auditing providers has yet to be fully introduced.

For new providers seeking registration a default 'high' risk rating is now assigned, but it is not evident that this rating is reviewed when a follow-up audit is undertaken after 12 months.

A risk-based audit approach for existing providers applying to teach more courses, and for those seeking re-registration, was not introduced until August 2009 and May 2010, respectively. Because of the five-year cycle for re-registration, it may take until 2015 before all existing providers are assessed and assigned an appropriate risk rating. Risk assessments are used by VRQA to establish the level of regulatory oversight applied to each provider.

Although the board recognised in July 2007 the need to calculate the cost of doing audits, and review its fees accordingly, it has yet to complete this fundamental work.

Registering providers

VRQA adequately informs providers and potential applicants about Victoria's registration requirements.

There is, however, insufficient evidence to determine whether VRQA registers and monitors VET providers in line with the Act and the framework. The documentation that supports VRQA decisions to register VET providers is incomplete. It is not clear, therefore, when making decisions about providers that delegates know whether VRQA staff assessed auditors' reports in line with VRQA's expectations.

The power to register providers has been delegated to four VRQA senior managers, including the director and deputy director. The paper-based document trail supporting registration decision-making showed:

- files either not having a recommendation to the delegate, or a record of the delegate's decision
- inconsistent management of providers who do not comply with the standards.

VRQA is transitioning to an electronic filing system, which should allow it to store all relevant documents and decisions more efficiently. While this will support better documentation of decisions it will not assure the quality of those decisions.

VRQA is a quality assurance agency, but it does not quality assure the work of its staff or contracted auditors. Although adequate quality controls are in place for the work of contracted auditors, VRQA does not have a system for assessing whether these controls are actually operating as intended. Over the past two years VRQA has conducted about 5 000 audits, comprising registration, re-registration and audits to assess if providers can teach more courses. A quality assurance regime over the work of contracted auditors is expected to be implemented late in 2010.

Recommendations

Number	Recommendation	Page
1.	<p>The Victorian Registration and Qualifications Authority should:</p> <ul style="list-style-type: none"> • expedite establishment of comprehensive quality assurance processes over the delegate's decision-making, VET unit staff and contracted auditors • comprehensively document its decisions about registering, monitoring and re-registering providers • schedule post-implementation reviews of the actions to improve operational efficiency and quality assurance over contractors to assess the effectiveness of these actions and inform their refinement and revision. 	14

Recommendations – continued

Number	Recommendation	Page
2.	<p>The Victorian Registration and Qualifications Authority Board should closely oversight the Victorian Registration and Qualifications Authority’s regulatory activities by:</p> <ul style="list-style-type: none"> • promptly assessing whether all areas of concern about how well VRQA regulates the vocational education and training sector have been identified, appropriately prioritised and acted on • progressively evaluating whether actions to address shortcomings with regulatory practices have been effective • determining the full cost of regulating the vocational education and training sector and review its fee structure on this basis • regularly reviewing the efficiency and effectiveness of regulatory practices used in registering and monitoring vocational education and training providers. 	22

Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the Victorian Registration and Qualifications Authority with a request for submissions or comments.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) submissions and comments, together with my acquittal response to the Chair, Victorian Registration Qualifications Authority, are included in Appendix A.

