

Standards for Registered Training Organisations and VET Regulators

Decision Regulation Impact Statement
for the decision of the
COAG Industry and Skills Council

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1. Purpose of this Regulation Impact Statement

This Decision Regulation Impact Statement (RIS) has been prepared by the Australian Government Department of Industry to inform decisions of the Council of Australian Governments (COAG) Industry and Skills Council regarding amendments to the current standards for the regulation of Registered Training Organisations (RTOs) and Vocational Education and Training (VET) Regulators.

This RIS is the culmination of a review process completed by the Department of Industry, and building on and improving the work of the former National Skills Standards Council (NSSC), which commenced its review of the standards in 2012, focussing on issues of quality. The outcomes of the review have been informed by a series of consultations, including a public consultation process associated with the initial Consultation RIS in 2013 and subsequent targeted and public consultation by the Department of Industry's VET Reform Taskforce in 2014. In aggregate, these consultations represent robust discussions with industry, employers and enterprises, RTOs, learners, regulators and governments towards new standards to support an efficient and well-functioning training sector.

While the NSSC component of the review was conducted with a brief that focused on issues of quality and ensuring the integrity of qualifications, the subsequent component of the review introduced additional priorities, including reducing unnecessary regulatory and administrative burden on RTOs and employers, and improving the responsiveness of the VET sector to the needs of employers and industry.

Following a substantial consultation and redrafting process, new revised standards for RTOs and VET regulators have been drafted for the consideration of Commonwealth and state ministers on the COAG Industry and Skills Council, and subsequent implementation from 1 January 2015.

This document has been designed to fulfil the requirements of a COAG Decision Regulation Impact Statement (RIS) for the proposed standards, and therefore:

- presents the need for changing the existing standards (i.e. the Problem Statement);
- acknowledges the importance of having standards for RTOs and regulators that ensure quality outcomes from VET for learners, RTOs, industry and the Australian community;
- presents the proposed new standards for consideration by the COAG Industry and Skills Council, and analyses the impact of, and summarises the level of stakeholder support for, components of the new standards;
- discusses four different options for regulatory change, including retaining the status quo; and
- recommends new standards as the course of action that, on balance, best aligns with VET policy objectives identified by the Australian Government and supported by the COAG Industry and Skills Council, including supporting the efficient operation of a training market that is responsive to the skills needs of industry, while minimising unnecessary regulatory and administrative burden on RTOs.

2. Background

This section outlines the context for the proposed reform of the standards for the regulation of RTOs and regulators. It provides an overview of VET and its importance to the Australian economy, how it is currently regulated and the VET reform agenda.

Summary of the VET sector

VET provides Australians with work-ready skills for the labour market. VET qualifications cover entry-level jobs through to highly technical occupations.

People study VET for a range of reasons – in addition to training for entry or re-entry into employment, students may be existing workers who want to improve their careers. VET also delivers training to students who are looking for an enabling pathway through basic or foundation skills or as a way to move on to higher education. It also provides the skills necessary to meet regulatory and licensing requirements.

VET is highly flexible, providing subsidised and fee-for-service training. Around 3 million students a year study VET, with 1.5 million students in government-subsidised training places, including over 386,000 apprentices and trainees. VET is also an important part of Australia's international education market with 135,000 overseas student enrolments in 2013.

There are approximately 4,650 RTOs delivering VET across Australia. Students can do their training in state government owned TAFE institutes, private colleges or their workplaces. Some students do VET courses as part of their secondary schooling (VET in schools) which helps them move from school to work. Others enrol in VET courses at institutions that also deliver higher education courses.

Employers work with the system in a number of ways to ensure they get people with the skills they need. Many employers pay for training for their employees, including as part of a co-contribution scheme with government. Those with apprentices and trainees actively participate in the delivery of training alongside their VET provider and some larger employers are RTOs in their own right.

Nationally recognised training is based on content specified by industry, in Training Packages and accredited courses, to meet different occupation and industry needs. It is developed in accordance with the requirements of the Australian Qualifications Framework (AQF), and can comprise one of several qualification levels – Certificate I-IV, Diploma and Advanced Diploma, and Graduate Certificate and Graduate Diploma.

There are now approximately 3,000 nationally recognised VET courses which include:

- Around 1,600 qualifications in 65 Training Packages managed by 11 Industry Skills Councils and Auto Skills Australia;¹ and
- around 1,400 accredited courses developed to meet needs not covered by the Training Packages.²

Throughout this RIS, reference to qualifications can relate to those that are being completed in full or in part (that is unit/s of competency, skill sets or accredited courses).

¹ This excludes enterprise Training Packages.

² www.training.gov.au report, Accredited courses, accessed 15 August 2014.

Nationally recognised qualifications have been embraced as a form of 'currency' in the labour market, signalling the skills and knowledge of VET completers. This is of value to employers, employees, as well as people considering entry, re-entry or changed entry to the workforce. It facilitates mobility and adaptability in the labour market. More broadly, qualifications can also form part of vocational pathways into further study and can facilitate volunteering and community participation as well as employment opportunities.

The total turnover of the sector comprises both the \$8.4 billion in activity in the public sector (including state and Federal government funding together with fees and ancillary trading) plus privately funded training.³

Since the 1990s, the Commonwealth, states and territories have been working together to share governance and agree on the features needed for a consistent training system that supports people changing jobs. Decisions at this level are made through the Council of Australian Governments Industry and Skills Council. This has resulted in a system with national qualifications that are well established and understood and agreed national standards and regulation to ensure quality in the sector.

The states and territories support VET in their jurisdictions through subsidies to support training that meets local needs. They also oversee the operation of their public TAFE institutes. The states and territories have been opening up their funding to include both public and private RTOs to grow the capacity of their training markets and increase access. State training subsidies are largely targeted based on industry advice so that training delivers the skills needed for employment in the local area. This approach has resulted in significant variety between states and territories in how funding is prioritised.

Registered Training Organisations

Approximately 4,650 RTOs from around the country deliver training and issue qualifications from Training Packages and accredited courses. As the sector has evolved over recent decades, particularly into a more open and competitive market, the range of ownership models, delivery modes, course offerings and learner profiles has expanded. Today, there is a diverse range of public and private provider models catering to a wide variety of learners. The provider types include:

- **TAFE:** Publicly-owned provider of VET and accounts for the highest single concentration of student enrolments. There are 58 TAFEs across Australia delivering qualifications across approximately 500 campuses.
- **Private:** Privately operated organisations that are registered to provide VET. There has been substantial increase in the number of private RTOs in recent years, increasing from around 2,500 businesses in 2005 to over 3,000 today.
- **University:** Comprise both dual-sector institutions that typically offer higher-level VET qualifications such as diplomas and advanced diplomas, and universities who are an RTO or operate in partnership with an RTO. There are currently 13 universities operating as RTOs.
- **School:** Over 400 providers that allow students to combine vocational studies with their secondary education curriculum, sometimes including structured work placements.

³ NCVET 2013, *Australian vocational education and training statistics: Financial Information 2012*.

- **Enterprise:** The primary operation of the enterprise does not involve training and assessment, rather qualifications are delivered as a company adjunct to serve particular skill requirements of its own workforce. There are just under 300 enterprise RTOs.
- **Community:** Not-for-profit organisations that provide training and assessment to meet a social objective, for example in adult learning or the training of marginalised groups. About 350 are currently in operation.
- **Industry Association:** Private organisations that provide training and assessment tailored to the requirements of industry participants, with approximately 200 in operation.
- **Professional Association:** Similar to Industry Associations, around 30 private organisations deliver VET qualifications specific to the members they represent.
- **Other:** All other providers that do not fit into the above categories and have been grouped as not elsewhere classified by training.gov.au.

The sector is supported by a sizeable workforce of trainers/teachers, assessors and other staff. It is estimated there are around 73,000 TAFE employees and 150,000 employees in other RTOs.⁴ Trainers and assessors are expected to be ‘dual professionals’, with both industry skills and teaching capabilities. For simplicity, the term ‘trainer’ is used throughout the RIS and is intended to encompass workers who directly engage with students in the development, delivery, review and (in most cases) assessment of VET.

VET learners

The sector attracts a broad mix of learners, from students still in school through to people at various points in their working, and post working, life, with more than half of learners in publicly funded VET over 24 years of age. There is also a high proportion of part-time students, accounting for 83% of students in the public VET sector in 2013.⁵

The VET sector activity has grown considerably over the past decade. There is now an estimated:

- 1.9 million learners enrolled in the public VET system, comprising 1.5 million government funded students and an estimated 360,000 domestic full-fee paying students.⁶
- 253,000 VET in School students of which about 23,000 are school-based apprentices and trainees⁷
- 30,000 international full-fee-paying students studying in Australia⁸
- 73,000 learners studying Australian VET qualifications offshore in 2009 across 68 different countries⁹
- An estimated 1.5 million students enrolled in fee-for-service courses.

⁴ See pp. 35-37 Productivity Commission 2011, *Vocational Education and Training Workforce*, Research Report for “A practical definition of the Vocational Education and Training workforce”.

⁵ NCVER 2014, *Australian vocational education and training statistics: students and courses 2013*.

⁶ NCVER 2014, *Australian vocational education and training statistics: students and courses 2013*.

⁷ NCVER 2013, *Australian vocational education and training statistics: VET in Schools 2012 data tables Australia*

⁸ NCVER 2013, *Australian vocational education and training statistics: students and courses 2012*.

⁹ National Quality Council 2010, *VET Offshore by Public and Private Providers 2009*.

VET regulatory framework

To ensure the integrity of nationally recognised qualifications and their value as a form of currency in the labour market, the VET sector is regulated through a suite of requirements. The principal tools are the AQF, standards for Training Packages and accredited courses, standards for the regulation of RTOs and the regulators of RTOs, and regulation of overseas students. National, state and territory governments have additional requirements that apply to publicly funded training and training accessed through government facilitated loans. There are also non-regulatory measures to improve quality in the sector including workforce development activities, provision of consumer information including through the MySkills website and/or other government sites (e.g. Victorian Skills Portal).

While the responsibility for the quality of VET primarily rests with RTOs, a key mechanism to maintain quality is restricting the power for issuing AQF qualifications to RTOs that have made a commitment to meet an agreed set of standards. These standards are then enforced by independent regulators. This broad approach has been in place since 1992 (National Framework for Recognition of Training), and forms the basis of the current regulatory arrangements which have been developed iteratively, reflecting incremental regulatory changes and retaining many enduring features.

Relevant standards

The current provider standards principally seek to maintain the integrity of qualifications by ensuring that qualifications issued by RTOs are consistent with the requirements outlined in Training Packages, accredited courses and the AQF. They also aim to provide a level of consumer protection to learners who made a contribution to the cost of their study.

The current arrangements were adopted following the COAG decision in 2009 to reform the sector and establish a national regulator, as part of the National Agreement for Skills and Workforce Development. This led to the establishment of the Australian Skills Quality Authority (ASQA) which commenced in 2011. ASQA is responsible for the registration and audit of RTOs and course accreditation in most states and territories, following the referral of regulatory powers to the Australian Government. To accommodate this, the existing standards were translated into legislative instruments. Victoria and Western Australian did not refer power of regulation and continue to operate state-based systems in tandem with the existing standards and overseen by their own state-based regulators.

Whilst the two sets of provider and regulator standards were intended to be consistent, and they are in fact aligned in terms of intent and effect, in practice they have different legislative instruments, terminology, structure and layout. They are also accompanied by voluminous (approximately 175 pages) supporting documentation which has developed incrementally. The legal status of these documents is uncertain, with supporting documentation likely to be considered part of the standards, especially if the standards are considered to be ambiguous.

Responsibility for setting the standards is shared between the Australian Government and state and territory governments, as represented by their respective Ministers on the COAG Industry and Skills Council.

Table 1: VET sector regulators and standards

Regulator	Regulated RTOs	Number of RTOs ¹⁰	Standards for RTOs	Standards for Regulator
Australian Skills Quality Authority (ASQA)	<ul style="list-style-type: none"> ■ All RTOs in NSW, Qld, SA, Tas, ACT, NT ■ RTOs in Vic and WA which offer courses in a referring state or territory and/or to overseas students 	<ul style="list-style-type: none"> ■ 3927 	<p>Legislative instruments established under the <i>National VET Regulator (NVR Act) 2011</i>:</p> <ul style="list-style-type: none"> ■ Standards for NVR Registered Training Organisations ■ NVR Fit and Proper Person Requirements ■ NVR Financial Viability Risk Assessment Requirements ■ NVR Data Provision Requirements 	<ul style="list-style-type: none"> ■ National VET Regulator (NVR) Standards for VET Regulators
Victorian Registration and Qualifications Authority (VRQA)	<ul style="list-style-type: none"> ■ All RTOs which deliver only domestic learners in Vic ■ RTOs operating only in Victoria and WA and only deliver to domestic students* 	<ul style="list-style-type: none"> ■ 381 	<ul style="list-style-type: none"> ■ AQTF Essential Conditions and Standards for Initial/Continuing Registration ■ Quality Indicators for RTOs ■ Under the <i>Education and Training Reform Amendment (Skills) Act 2010</i> (Vic) RTOs must also have a 'principal purpose of providing education of training' and comply with the <i>VRQA Guidelines for VET Providers</i>. 	<ul style="list-style-type: none"> ■ Australian Quality Training Framework (AQTF) Standards for State and Territory Registering Bodies ■ AQTF National Guidelines for Registering Bodies (by reference in the standards) ■ AQTF Standards for State and Territory Course Accrediting Bodies
WA Training Accreditation Council (TAC)	<ul style="list-style-type: none"> ■ All RTOs which deliver only domestic learners in WA ■ RTOs operating only in WA and Victoria and only deliver to domestic students* 	<ul style="list-style-type: none"> ■ 325 	<ul style="list-style-type: none"> ■ AQTF Essential Conditions and Standards for Initial/Continuing Registration ■ Quality Indicators for RTOs 	<ul style="list-style-type: none"> ■ AQTF Standards for State and Territory Registering Bodies ■ AQTF National Guidelines for Registering Bodies (by reference in the standards) ■ AQTF Standards for State and Territory Course Accrediting Bodies

* RTOs only operating in both Victoria and WA choose whether they are regulated by either VRQA or TAC.

¹⁰ www.training.gov.au report, RTO List, accessed 12 September 2014.

3. Problem

This section outlines current problems with the standards for RTOs and VET regulators that the review of the standards has sought to identify and address, including the rationale for regulation and the challenges and impacts of the current regulatory arrangements.

Why is VET regulated?

It is difficult for purchasers of VET (including learners, industry and government) to be certain of the quality of VET services before purchase; in economic jargon VET services are an ‘experience good’. As with other types of experience goods, purchasers of training may have insufficient knowledge about the potential returns to purchasing VET services, and may therefore make inefficient investment decisions. This inefficiency presents a potential gain from regulatory intervention.

Regulation of the markets for experience goods typically involves the regulation of quality (to ensure quality doesn’t fall below a certain level), and the regulation of information provision. Both approaches increase the level of information that the purchasers of these goods have about the quality of the goods prior to purchase. In the Australian VET market, both forms of regulation are present:

Quality is regulated by standards that address:

- **Relevance:** Industry is engaged in the production of Training Packages, and also in the operations of individual RTOs;
- **Training and assessment:** A minimum level of qualification or equivalent competencies for trainers and assessors is mandated, and RTOs’ training, assessment and continuous improvement strategies are regulated; and
- **Governance:** Various aspects of RTO governance, including financial management, are regulated.

Information provision is regulated by standards that address:

- **Consumer (learner) protections:** Learners are required to be informed of the fees they are required to pay and the services they will receive in return, the terms of the payments, the relevant support services to be provided, their rights and obligations, as well as any the appeals processes and statutory protections available to them; and
- **Data provision:** RTOs are required to report on quality indicators to the relevant VET Regulator.

How is the current regulation performing?

While VET has considerable strengths, employers, RTOs and students have been telling the Government that it isn’t working as effectively as it should be.

Employers are decreasing their use of, and are becoming less satisfied with, VET. From 2011 to 2013, employer’s use of the system decreased to 52% (down 4 percentage points to an 8 year low) and satisfaction fell to 78% (6 percentage points down from the peak in 2011).¹¹ Moreover, the

¹¹ NCVET 2013, *Australian Vocational Education and Training Statistics: Employers’ use and views of the VET system*.

proportion of VET completers who report improved employment status after training is down to 61%, down about 7 percentage points from 2008.¹²

There are persistent concerns about the level and consistency of the quality of VET under the current regulatory arrangements. This has led to reduced confidence in accredited qualifications – industry peak bodies in particular are worried that VET is no longer providing Australian businesses with the skills they need, now or for the future.

During consultation with the sector as part of the development of the NSSC's proposed standards in 2012 and 2013, and as part of the VET Reform Taskforce's work in 2014, a number of themes have emerged:

- VET isn't as responsive to industry as it should be;
- there are concerns about the quality of RTOs and training; and
- the regulatory framework is complex and inefficient.

VET isn't as responsive to industry as it should be

Employers have indicated an increasing lack of confidence in the VET system's ability to deliver the outcomes they need. Feedback on the effectiveness of VET in ensuring job ready employees is mixed. As discussed above, a survey of employers by the National Centre for Vocational Education Research (NCVER) indicates a generally high level of satisfaction amongst those employers who use the VET system. Nevertheless, it also found that satisfaction declined between 2011 and 2013, with significant declines in certain business sectors (such as information technology). NCVER research indicates that 52% percent of employers use the VET system, which is a decrease of 4.2% between 2011 and 2013.¹³ Employer groups have also expressed concerns that relevant skills are not being taught.

Government consultation with industry and sector stakeholders has revealed a number of factors contributing to declining employer satisfaction and training outcomes that do not meet industry needs. These include:

- issues with the design of training courses, where some RTOs are not adequately translating the content of national industry-developed Training Packages to the delivery of courses;
- issues with the quality of trainers and the quality of training delivery itself; and
- issues with assessment practices, which are supposed to ensure that students graduate with the expected competencies.

Related causes that are not within the scope of RTO regulatory arrangements include the inadequate involvement of industry in VET sector governance arrangements, including policy and decision making; and the extent to which Training Packages adequately reflect industry and employer needs. In this area, formal industry involvement in VET sector decision making has been limited to the development of Training Packages (by Industry Skills Councils in consultation with their sectors), and participation of the few individuals appointed to the former National Skills Standards Council on the basis of their expertise. These arrangements alone have not been sufficient to align the training system to business needs in the context of local economies and industries.

¹² NCVER, 2013, *Student Outcomes 2013*.

¹³ NCVER, 2013, *Employer's Use and Views of the VET System 2013*

To strengthen industry oversight of the performance of the sector, the COAG Industry and Skills Council has announced the future establishment of an Industry and Skills Council Advisory Committee to provide industry with a formal role in relation to policy directions and decision making. It is intended that reforms to VET sector governance arrangements, along with reforms to the sector's regulatory architecture to support quality, and reforms to the approach of the regulator, will better align the output of the VET system with the needs of industry.

Concerns about the quality of RTOs and training

Many of the concerns raised during the consultations relate to the quality and competency of the VET workforce, an issue central to the ability of an RTO to deliver quality training and assessment and issue qualifications that have integrity. This was consistent with the findings from the Productivity Commission research report into the VET workforce¹⁴ and the former Skills Australia's report on the future directions in VET.¹⁵

Workforce capability

Issues raised in this area include the need to provide a clear and adequate minimum standard for the professional capabilities of trainers and assessors. This extends to the adequacy of the delivery of trainer and assessor qualifications, and that trainers have skills and knowledge that is relevant to workplaces, with the existing requirement for 'industry currency' not well understood or applied.

Subcontracting arrangements

The current standards allow non-registered entities to deliver and assess training on behalf of an RTO but do not specify how this should occur and if any formal arrangements must be in place. As a result, RTOs are not currently required to make subcontracting arrangements explicit to either learners or regulators. Submissions from a number of RTOs highlighted that this limits the transparency and accountability of the subcontracting arrangement, and can obscure poor quality training.¹⁶ Also, if an RTO elects not to register delegation arrangements with their regulator, there may be insufficient information to implement a risk-based regulatory model.

Provision of information

Relevant and robust information is crucial for purchasers of the VET system to make informed choices and decisions. Currently there is insufficient information about individual RTOs and their performance for governments to effectively target funding, for learners to select RTOs and keep track of their training, and for businesses to select training options that best meets their needs.

The current standards vaguely specify the type and level of information an RTO must provide to clients, and consequently, many consumers do not have reliable information on which to make an informed choice. Instances of both incomplete and insufficient information and data collection constrain decision making by VET consumers (learners, employers and community) and has adverse impacts on VET investment decisions.¹⁷ The lack of systemic and robust data also leaves VET purchasers vulnerable to RTOs, and others, manipulating data for marketing purposes.

¹⁴ Productivity Commission 2011, *Vocational Education and Training Workforce*, Research Report.

¹⁵ Skills Australia 2011, *Skills for Prosperity: a roadmap for vocational education and training*.

¹⁶ For example, cRIS consultations from Agrifood Skills Australia, Service Skills Australia.

¹⁷ A Skills Australia October 2010 discussion paper (p.79) identified 'insufficient transparency and inadequate data to properly assess performance' as an issue which resonated with submissions to its Road to Prosperity report.

The regulatory framework is overly complex and inefficient

Many RTOs and industry representatives have expressed concerns about the ability of the current regulatory arrangements to adequately address occurrences of serious non-compliance and poor training delivery. They argued that some graduates, despite being issued qualifications by RTOs, are failing to meet the agreed national minimum levels of attainment appropriate for the sector in which they were trained and for the AQF level they were awarded.

During the consultations many stakeholders argued there was a perceived mismatch between the intent and design in the regulatory approach for RTOs. There is currently a strong emphasis on compliance with business processes which was seen to do little to assure the quality of the training outputs – the ‘real business’ of VET. One industry body reported:

At present, an RTO that ticks all the boxes in the standards can show that they are a well-run enterprise with sound administrative practices without also proving that they are a quality training provider that engages meaningfully with industry and produces employable graduates. (Industry body)

The main weaknesses of the current regulatory approach can be summarised as:

- being out-dated;
- being complex and inconsistently applied;
- placing an undue regulatory burden on high-performing RTOs; and
- weak enforcement mechanisms.

A lack of clarity in the Standards is creating unnecessary work for RTOs

PricewaterhouseCoopers (PwC) in their 2013 *ASQA Process Review: Final Report* notes that “a key component of effective regulation is the ability to have clearly identifiable and understandable outcomes, and that it is imperative that the requirements imposed on stakeholders are unambiguous and interpreted correctly.”

The lack of clarity of the current standards, and its impact on capacity for an RTO to achieve initial compliance without further work required is discussed by PwC in its report. The report indicates that approximately 75% of RTOs, when audited, were found to be non-compliant at the initial audit. Subsequently, when given the chance to rectify, approximately two thirds of these RTOs achieved compliance prior to a final decision being made on the RTOs application. The report suggests that the majority of the initial non-compliances were in relation to RTOs who, in the opinion of the audit officer, were making a genuine attempt to comply with the rules and did not understand the requirements. The report concludes that “while RTOs are failing to correctly understand their compliance requirements, the reasoning behind this is may be attributable to a lack of proper knowledge regarding what requirements must be undertaken to achieve satisfactory compliance.”

This finding indicates that there is scope to improve the clarity of the standards, and in doing so negate the need for many RTOs to expend resources to rectify non-compliance that would otherwise arise from misinterpretation of the standards.

Out-dated

While there have been several iterations of the provider standards since the early 1990s, the regulatory model has not substantially changed and is no longer suitable for the current environment.

The current provider standards were established in 2010, incorporating only minor changes to the standards established in 2007. The standards were updated largely in response to provider collapses and concerns about low-quality RTOs, and focused on improving the standards in relation to financial management, governance and consumer protection. The standards establish high level policy objectives or aspirational statements, rather than prescribed actions. This reflected the relative homogeneity of the VET market at the time they were developed, with publicly funded delivery dominated by a small number of large TAFEs.

The subsequent shift to a more contestable and entitlement-based model, and growth in direct purchasing arrangements, has led to a substantial increase in the number of RTOs and a diverse range of sizes and governance arrangements. A defining feature of the current market is the increased amount and share of public funding flowing to non-public RTOs due to increasing funding contestability. Given this new paradigm, and that access to government funding is principally driven by registration as an RTO, regulators and other stakeholders have argued that the focus of the current standards on providing guidance and encouraging quality improvement is not in and of itself sufficient to maintain accountability of all RTOs and the integrity of AQF qualifications.¹⁸

In addition, the referral of regulatory powers by the States (except Victoria and Western Australia), and transfer of powers from the Territories, to ASQA in 2011 and 2012 has significantly changed the regulatory landscape. Yet the existing regulator standards are unchanged. They remain centred on promoting collaboration and consistency across regulators, despite this now being less relevant because of the shift from eight to three regulators. The standards also have little emphasis on risk-based regulation, which focuses on evidence-based assessment of risk and has attracted recent attention as a way to improve regulatory efficiency.

Complex and inconsistent implementation

The sector currently operates under two sets of standards for regulating RTOs – the AQTF and the legislative instruments established under the NVR Act 2011 (collectively known as the VET Quality Framework). This has led to confusion and inconsistent interpretation by RTOs, regulators, auditors, industry and others. Whilst the standards contained within AQTF formed the basis for development of the NVR legislative instruments, with no significant change to the effect or intent of the standards, there are differences in terminology, structure and layout. For example, the AQTF is divided between conditions and standards, whereas the VET Quality Framework includes standards only.

To help implement the standards, each regulator has incrementally developed a variety of supplementary regulatory guidelines and policies. These now comprise approximately 175 pages of supporting documentation, with ambiguous legal status. This can create differing interpretations and inconsistencies, creating confusion for RTOs and increasing the cost of compliance. It can also result

¹⁸ For example ASQA's submission to the consultations.

in RTOs receiving different treatment dependent upon their regulator, including the approach to auditing.¹⁹

Another challenge identified in the consultations is that new RTOs are not required to deliver training and assessment of a quality consistent with that expected of established RTOs. Currently the standards are split into standards for initial registration and for continuing registration; those for continuing registration require demonstration of a track record of quality delivery. This is impractical for new RTOs, so instead they are assessed on their preparedness to comply with the standards (e.g. strategies, plans, staff qualifications and intentions). As a result, RTOs can operate for some time from initial registration without having demonstrated their compliance with the standards for continuing registration.

Undue regulatory burden on high-performing RTOs

The current regulatory framework places a consistent regulatory burden on all RTOs, with regulation being largely application-driven and the standards enforced pre-dominantly through a process of five-yearly audits for RTOs to renew their registration. These audits are usually full compliance audits across all standards, no matter the provider's risk rating and history of compliance. While the regulatory framework also includes risk-based audits and strategic audits, in relation to re-registration audits high-performing RTOs are subject to a similar regulatory burden as poor performing and high-risk RTOs and those who have demonstrated a track record of compliance.

Poor enforcement arrangements

Because of the 'ambiguous' language used in the standards, there is a high evidential burden on RTOs to demonstrate they comply and a large 'grey area' where compliance is unclear and open to interpretation. This has created uncertainty and confusion, and results in standards that are unwieldy and difficult to enforce. Further, while the standards provide a statement of policy intent, the vague nature of the language has resulted in some regulatory decisions that are overturned when challenged in courts and tribunals.

Policy context –VET reform agenda

In 2012, the former COAG Ministerial Council asked the former National Skills Standards Council (NSSC) to develop new standards for RTOs and regulators to improve quality in the VET sector. The NSSC developed a set of draft standards for RTOs and regulators and sought comment from the sector.

Concerns were raised that some of the proposals in the NSSC draft were impractical and would have added unnecessary cost and regulation on RTOs. In addition, the draft standards fell short of delivering the necessary quality improvements – in particular the need for industry to be central to the development, delivery and assessment of VET training at the RTO level.

The inaugural meeting of the COAG Industry and Skills Council (with membership comprising Commonwealth, state and territory ministers with portfolio responsibility for industry and/or skills) on 3 April 2014, considered the issues and concerns about the VET sector and agreed on a reform agenda. The Chair of the Council, the Hon Ian Macfarlane MP, Commonwealth Minister for Industry, tabled the concerns raised by stakeholders through the VET reform process.

¹⁹ This includes Skills Australia October 2010 discussion paper and submissions to the consultations.

In response, Ministers agreed to six reform objectives with three priority areas for immediate action. One of the three key priorities to be addressed immediately was dealing with the draft NSSC standards:

Priority Action: examine the standards for providers and regulators to ensure they better recognise the different level of risk posed by different providers, enable the regulators to deal more effectively with poor quality in the sector to improve confidence, and meet the Australian Government's deregulation objectives.

The development of the new standards for RTOs and VET regulators contemplated in Option 4 in this Decision RIS is the result of the Council's decision to re-examine the standards.

4. Objective

Australia needs a VET sector that is flexible and responsive to industry, and can provide Australians with the skills they need now and into the future.

To that end, the standards for RTOs and VET regulators should promote:

- responsiveness to the training needs of industry;
- the quality of RTOs and the outcomes of training; and
- a streamlined regulatory framework that better recognises the different level of risk posed by different providers, eliminates unnecessary red tape and enables the regulators to deal more effectively with poor quality in the sector to improve confidence.

5. Options

The four viable Options considered in this RIS are:

1. Retain the status quo
2. Alignment of standards
3. 2013 NSSC proposed standards framework
4. Proposed standards for RTOs and VET regulators

The first three Options were presented to stakeholders in the Consultation RIS, prepared in 2013. Following feedback received through the consultations, and in the course of national consultations in 2014 for the Commonwealth's VET reform agenda, Option 4 – *Proposed standards for RTOs and VET regulators* – has been developed.

Each Option is outlined in turn below.

Option 1: Retain the status quo

Under Option 1 the status quo would be maintained.

The AQTF Essential Conditions and Standards for Registration and Quality Indicators would continue to apply to RTOs regulated by the VRQA and WA TAC, and the NVR VET Quality Framework would continue to apply to RTOs regulated by ASQA. Similarly, the AQTF Standards for State and Territory Registering/Accrediting Bodies and the NVR Standards for VET Regulators would remain unchanged.

Under this Option, the standards would have to be updated to include planned changes already agreed by the COAG Industry and Skills Council's predecessor, the Standing Council on Tertiary Education, Skills and Employment (SCOTESE), in relation to the enhancement of the national data collections and implementation of a Unique Student Identifier (USI).

This Option forms a base case relative to which the other three Options are compared.

Option 2: Alignment of AQTF with the NVR VET Quality Framework

Under Option 2 the AQTF would be amended to align with the NVR legislative instruments. This would have little impact on the realisation of intent of the standards but would improve consistency of the application of regulatory activity by different regulators across all jurisdictions.

This Option involves minor changes to the wording of the AQTF to align it to the NVR legislative instruments. To supplement this alignment and to improve quality, the NSSC would clarify the standards through non-legislative policy mechanisms, including through:

- communication to the sector, which could include information sessions, guidelines, practice notes, definition of terminology and its application in particular types of RTOs;
- the revision of existing supporting material; and
- development of new material for all stakeholders to support interpretation of the standards.

The proposed changes to the AQTF are summarised in Table 2.

Table 2: Summary of changes under Option 2

AQTF (Current)		AQTF aligned with the NVR Act (Option 2)	
Standards for RTOs	<ul style="list-style-type: none"> ▪ Essential Conditions and Standards for Initial Registration ▪ Essential Conditions and Standards for Continuing Registration ▪ Quality Indicators for RTOs 	Standards for RTOs	<ul style="list-style-type: none"> ▪ Standards for Registered Training Organisations ▪ Fit and Proper Person Requirements ▪ Financial Viability Risk Assessment Requirements ▪ Data Provision Requirements
Standards for regulators	<ul style="list-style-type: none"> ▪ Standards for State and Territory Registering Bodies ▪ Standards for State and Territory Course Accrediting Bodies 	Standards for regulators	<ul style="list-style-type: none"> ▪ Standards for VET Regulators

As with Option 1, this Option would require planned changes to the standards already agreed to by SCOTese in relation to the enhancement of the national data collections and implementation of a USI. This would impact both sets of provider standards.

Option 3: 2013 NSSC proposed standards framework

Option 3 as developed by the NSSC proposed the replacement of the current sets of standards for RTOs and regulators, with the addition of some significant changes to the way in which RTOs are required to operate. This approach introduced the concept of a new Australian Vocational Qualification System (AVQS), which included the alignment of the NVR regulatory instruments and the AQTF, the clarification of existing regulatory requirements for RTOs, and the introduction of new training and assessment, educational leadership and governance requirements for RTOs, with the intention of enhancing the quality of training provision.

The key changes under Option 3 are as follow:

Table 3: Summary of changes under Option 3

Current practice (status quo)	Option 3 – NSSC proposed standards
<p>Qualifications of Trainers/Assessors:</p> <p>A – trainers must have a Certificate IV TAE (or equivalent competencies)</p> <p>B – people delivering training under supervision must have either the Enterprise Trainer – Presenting Skill Set or Enterprise Trainer – Mentoring Skill Set (or be able to demonstrate equivalent competencies within two years of commencing). They must be supervised by a trainer who holds a Certificate IV TAE, (or equivalent competencies).</p> <p>C – assessors must have Assessor Skill</p>	<p>A – trainers must have a Certificate IV TAE</p> <p>B – people delivering training under supervision must have either Enterprise Trainer – Presenting Skill Set or Enterprise Trainer – Mentoring Skill Set. They must be supervised by a trainer who holds a Certificate IV TAE.</p> <p>C – assessors must have the Assessor Skill Set</p> <p>All must be able to demonstrate vocational competencies at least to the level being delivered and assessed, and must be continuing their professional development.</p> <p>Trainers delivering the Certificate IV TAE are required to hold a Dip VET (inc. TAE50111 Dip and TAE50211 Dip).</p> <p>The RTOs must also:</p> <ul style="list-style-type: none"> ▪ Not be a holder of a provisional/initial licence; and

Current practice (status quo)	Option 3 – NSSC proposed standards
<p>Set (or equivalent) competencies). All must be able to demonstrate vocational competencies at least to the level being delivered and assessed, and must be continuing their professional development.</p>	<ul style="list-style-type: none"> ▪ Meet a requirement for an external validation.
<p>Accountable Education Officer: Although the standards do not explicitly require it, it's conventionally understood that many organisations are likely to have someone carrying out at least part of the function in an informal capacity, though they may not meet the new qualification requirements.</p>	<p>All RTOs must nominate an Accountable Education Officer (AEO) who has a Diploma or higher level qualification in education and training. In addition they must demonstrate pedagogical expertise.</p> <p>An AEO should have influence over the decision making of senior management in relation to training, assessment, strategies and practice. They can be a full-time, part-time employee, an individual that is shared amongst RTOs or contracted by the RTO through an external service provider.</p> <p>The AEO is registered with the AVQS regulator, subject to an application and the RTO's scope of licence. Registration may be withdrawn where there is a demonstrated failure in RTO quality in training, assessment, strategies and practice.</p>
<p>Agreements with learners: Exist for the most part, and typical practice is through some combination of registration forms and course content outlines and other communications.</p>	<p>RTOs must enter into a written agreement for training and assessment with all learners for which it is responsible for, including where partners deliver qualifications on behalf of the RTO.</p>
<p>Incorporation: The vast majority of RTOs are already incorporated or fall within an exemption category.</p>	<p>All non-government RTOs must be registered as a company, incorporated association, incorporated under Royal Charter or regulated by the Australian Charities and Not-For-Profit Commission.</p>
<p>LTO title: Currently all providers are called RTOs</p>	<p>All providers must be called a 'Licensed Training Organisation (LTO)' and through regulation will be awarded a licence to issue vocational qualifications for up to five years.</p>
<p>Subcontracting: RTOs are fully responsible and accountable for all training and assessment undertaken on their behalf. However subcontracting arrangements are not formally documented or registered with the regulator.</p>	<p>Subcontracting arrangements with non-RTOs must be formally documented and registered with the regulator. Where training or assessment is not being delivered by an RTO, learners must be informed.</p> <p>A RTO in a subcontracting arrangement must adhere to minimum requirements or standard terms defined by the NSSC. Minimum requirements include: requiring RTO subcontracting arrangements to undergo audits by the AVQS regulator, complying with AVQS training and assessment standards, documenting all subcontractors used and specifying how quality will be assured.</p>

This Option would also implement the changes already agreed to by the previous Standing Council on Tertiary Education, Skills and Employment in relation to the enhancement of the national data collections and implementation of a USI.

The proposed changes to the Regulator Standards were largely designed to facilitate a more risk-based approach to regulating RTOs, and to address RTO concerns around the consistency of compliance audits. Specific changes included:

- a requirement for regulators to maintain a service charter;
- auditors and course accreditation providers to meet national competency requirements; and
- a requirement that regulators issue 2 year 'provisional licenses' for new providers.

Option 4: Proposed standards for RTOs and VET regulators

Option 4 would establish a new regulatory approach, replacing the current sets of standards for RTOs and regulators. As with Option 3, the proposed Standards include the alignment of the NVR regulatory instruments and the AQTF, the clarification of existing regulatory requirements for RTOs, and the introduction of new training and assessment and governance requirements for RTOs.

The key differences between Options 3 and 4 are a result of amendments to align with the principles of the VET reform agenda agreed by the Commonwealth, states and territories as members of the COAG Industry and Skills Council (ISC) in response to stakeholder feedback. The major differences are:

- clarification of the role of industry engagement in an RTO's strategies and training and assessment practices;
- clarification of the requirements for the provision of information to learners prior to the delivery of services;
- phasing in of requirements for trainers to hold Certificate IV TAE, and for trainers under supervision and assessors to hold relevant Skill Sets;
- no new requirement for trainers delivering the Certificate IV TAE to hold a Diploma of VET;
- no new requirement for a nominated Australian Education Officer;
- no new requirement to prepare written agreements with learners;
- no new requirement for non-government RTOs to be incorporated; and
- no new requirement for all RTOs to be called 'licenced training operators'.

The key changes from the status quo under proposed Standards are summarised below. The draft RTO standards are at Appendix 1.

Table 4: Summary of changes under Option 4

Current practice (status quo)	Option 4 – Proposed Standards
<p>Qualifications of Trainers/Assessors:</p> <p>A – trainers must have a Certificate IV TAE (or equivalent competencies)</p> <p>B – people delivering training under supervision must have either the Enterprise Trainer – Presenting Skill Set or Enterprise Trainer – Mentoring Skill Set (or be able to demonstrate equivalent competencies within two years of commencing). They must be supervised by a trainer who holds a Certificate IV TAE, (or equivalent competencies).</p> <p>C – assessors must have Assessor Skill Set (or equivalent competencies).</p> <p>All must be able to demonstrate vocational competencies at least to the level being delivered and assessed, and must be continuing their professional development.</p>	<p>A – trainers must have a Certificate IV TAE by 1 January 2016.</p> <p>B – people delivering training under supervision must have either Enterprise Trainer – Presenting Skill Set or Enterprise Trainer – Mentoring Skill Set or Enterprise Trainer and Assessor Skill Set. From 1 January 2016 they must be supervised by a trainer who holds a Certificate IV TAE.</p> <p>C – assessors must have the Assessor Skill Set from the Training and Education Training Package.</p> <p>All must be able to demonstrate vocational competencies at least to the level being delivered and assessed, and must undertake professional development.</p>
<p>Industry engagement: There is a requirement that RTOs have defined strategies for training and assessment that are developed through effective consultation with industry.</p>	<p>RTOs have strategies in place that are informed by consultation with industry, and RTOs use those strategies to ensure the industry relevance of training and assessment and the industry skills of trainers and assessors.</p>
<p>Independent validation: There is a requirement that RTOs have defined strategy and procedures in place to ensure that assessment is ‘systematically validated’.</p>	<p>In order to deliver the Certificate IV TAE or higher training and assessment qualification or the skill set for assessors, an RTO must have undergone an independent validation of its assessment system, tools, processes and outcome.</p>
<p>Validation of assessment:</p> <p>There is a requirement that RTOs have defined strategy and procedures in place to ensure that assessment is ‘systematically validated’.</p>	<p>RTOs has a plan for, and implements, an assessment system where training products are validated by one or more persons who were not involved in the samples of training and assessment being examined and who collectively have relevant vocational, industry and trainer/assessor skills.</p>
<p>Provision of information to learners:</p> <p>Current standards require RTOs to inform learners about training, assessment and support services provided, and about their rights and obligations</p>	<p>The Standards clarify and strengthen requirements for the provision of information to learners prior to the delivery of services, ensuring that learners are aware of the nature of the training, complaints policies and consumer protections. Information is to be provided at a time and in a manner that enables the learner to make informed decisions.</p>
<p>Subcontracting: RTOs are fully responsible and accountable for all training and assessment undertaken on their behalf. However, the standards do not require subcontracting arrangements to be</p>	<p>RTOs are fully responsible and accountable for all training and assessment and other services delivered on their behalf by a third party, including educational support services and the brokering of national recognised qualifications.</p> <p>In addition, arrangements with third parties delivering</p>

Current practice (status quo)	Option 4 – Proposed Standards
formally documented or registered with the regulator.	these services must be formally documented and registered with the regulator. Where training or assessment is not being delivered by an RTO, learners must be informed.
Annual Declaration of Compliance: RTO are not currently required to provide the regulator with an annual declaration of compliance with the standards.	RTOs must provide the regulator with annual declaration of compliance with the standards. The declaration is to include whether the RTO met the standards at the time of making the declaration, and whether declaration AQF certification information issued in the last 12 months meets the standards.

Changes to the standards previously agreed by the former Standing Council on Tertiary Education, Skills and Employment in relation to the enhancement of the national data collections and implementation of a USI are also accommodated under this Option, noting that those changes have been subject to separate regulatory impact analysis in the course of the development and passage of the *Student Identifiers Act 2014*.

Like the changes to Regulator standards proposed by the NSSC, the proposed changes to the Regulator Standards are designed to facilitate a more risk-based approach to regulating RTOs, and to address RTO concerns around the consistency of compliance audits. Specific changes include:

- a requirement for regulators to maintain a service charter and code of practice that is publically available; and
- auditors and course accreditation providers to meet national competency requirements.

In addition, the need for regulators to have a general information provision role to facilitate compliance by RTOs is emphasised in the proposed standards. The draft VET Regulator Standards are at Appendix 2.

6. Impact analysis

This section outlines the impacts of Options 1, 2, 3 and 4, including the impacts of Options 2-4 relative to Option 1, considering those stakeholder groups likely to be affected, and the nature, scale and timing of the costs and benefits they are likely to incur. The analysis focuses only on the key reform components of each Option relative to the status quo.

Option 1: Status quo

The problems identified in Section 3 will not be addressed through the status quo Option of retaining the current standards for RTOs and VET regulators. While the standards are one component of a suite of mechanisms that influence the operation of the training system, and these mechanisms are all subject to VET reform processes under the reform agenda, reforms to standards are a necessary component of reform.

While issues with the industry-appropriateness of the design and delivery of training may partly be resolved through improvements to Training Packages, clarification of the standards is required to ensure that industry is consulted about the design of training and assessment strategies and practices.

Similarly, improvements to the quality of training delivery that may arise from stronger industry participation in VET governance and decision making will also need to be accompanied by appropriate revisions to standards that to enable a base-line level of quality and a sufficient basis for the regulator to address low quality training delivery.

In addition, occurrences of RTOs not achieving initial compliance when audited due to the lack of clarity in the standards will continue, as will the ongoing cost to the sector of rectifying non-compliance.

Option 2: Alignment of AQTF with the NVR VET Quality Framework

Benefits

The benefits of aligning the AQTF to the NVR standards are greater clarity and simplicity for the public, prospective RTOs and other VET sector stakeholders in relation to the workings of the sector and how the standards apply in different jurisdictions. While this is not likely to equate to a direct reduction in costs for existing RTOs, the associated 'educative' activities will assist RTOs to better understand obligations associated with being an RTO, which makes compliance easier to achieve and maintain.

It is possible that benefits associated with this specific reform could result in some RTOs improving their level of compliance with the standards, and there may be a flow on benefit to learners and employers of improved quality of training and assessment. However, there is little demonstrable evidence from the consultation process or otherwise that benefits for learners and employers would be realisable.

Again, if provider compliance improved, regulators would subsequently benefit from reduced regulatory effort.

Costs

The costs of Option 2 are principally borne by RTOs who are currently regulated under the AQTF. They would incur transition costs to comply with the new common standards, requiring at a minimum, that they check their processes and systems with the guidance material, and potentially apply remedial action where required. There are unlikely to be notable ongoing costs. These RTOs all operate in Victoria or West Australia.

The regulators VRQA and WA TAC would also incur some transition costs to implement the new standards.

Other stakeholders are unlikely to incur any costs in addition to those imposed under the status quo.

Option 3: 2013 NSSC proposed standards framework

Significant changes proposed by the NSSC

For Option 3, only the changes to the standards that represent significant policy changes from the status quo are examined below. They are grouped into changes that relate to:

- Quality of trainers and assessors;
- Quality and governance of RTOs; and
- Streamlined regulatory framework.

Quality of trainers and assessors

The Certificate IV in Training and Assessment (Certificate IV TAE) is currently deemed to be the minimum qualification for trainers and assessors working in VET. However, trainers and assessors without the Certificate IV TAE may not be in breach of the current standards, so long as they can demonstrate equivalent competency and/or work under supervision of a trainer who does hold it.

Self-accreditation of employee equivalent competency is a potential conflict of interest, where RTOs are looking to reduce the cost or inconvenience of having their staff attend additional training. Furthermore, given there is currently no formal process for assessing equivalent competencies, this has the potential to undermine the intent of the minimum qualification standard.

In addition, concerns over the quality of the delivery of the Certificate IV TAE have led to a number of audits of RTOs who have this qualification on scope. *The Quality of Teaching in VET: Final Report*²⁰ recommended increasing the degree of regulatory oversight of RTOs offering the qualification. Further, an NQC report concluded that “it is clearly likely that there is a significant risk of invalid qualifications”. In particular, the report found that RTOs faced competitive pressures to offer qualifications in a short timeframe and at low cost: about one third of the RTOs covered by the audit deliver the qualification in ten or fewer days.

In response to these concerns, the changes to the provider standards proposed by the NSSC would require:

- all trainers to have a Certificate IV in Training and Assessment – that is, the possibility for individuals to demonstrate equivalent competencies would be removed;

²⁰ Wheelahan, L. and Moody, G. 2012, *The Quality of Teaching in VET: Final Report*, LH Martin Institute for Higher Education Leadership and Management, <[http://www.lhmartininstitute.edu.au/userfiles/files/research/quality_vetteaching_final_report\(1\).pdf](http://www.lhmartininstitute.edu.au/userfiles/files/research/quality_vetteaching_final_report(1).pdf)>

- people delivering training under supervision to have either Enterprise Trainer – Presenting Skill Set or Enterprise Trainer – Mentoring Skill Set; again, this removes the possibility for individuals to demonstrate equivalent competencies. They must be supervised by a trainer who holds a Certificate IV TAE;
- all trainers delivering the Certificate IV in Training and Assessment to hold a Dip VET; and
- all RTOs delivering the Certificate IV in Training and Assessment to not hold a provisional licence, and to have undergone an independent validation of its assessment system, tools processes and outcomes.

Quality and governance of RTOs

One of the most challenging activities of a provider is developing training and assessment strategies and identifying appropriate staff and resources to produce the outcomes defined within Training Packages and accredited courses, whilst also meeting the needs of learners and local enterprises. For example, ASQA's submission to the NSSC Consultation Paper in 2012 reported that the most common area of regulatory action taken in its first twelve months of existence (accounting for 97% of rejection decisions) is for non-compliance against, not necessarily exclusively, standards SNR 15 - Strategies for quality training and assessment and SNR 16 - Strategies for principles of access and equity and to maximise outcomes for clients.

The view of the NSSC was that whilst training and assessment is core to the operations of an RTO, business viability is critical to its ongoing sustainability and the investment made into training and assessment delivery. On the basis this view, operational and financial business standards therefore provide important protective measures for the learner and industry, as well as acting as a disincentive for underprepared entities to enter the market.

The NSSC proposed the following changes to the Standards in order to support the quality and governance of RTOs:

- the requirement that each RTO nominate an appropriately qualified Accountable Education Officer to provide educational leadership and management of quality systems;
- the requirement for a written agreement between the learner and the training provider, outlining the training and assessment being provided, the RTO's responsibilities, and the consumer protections available to the learner. The requirement would be largely consistent with the Education Services for Overseas Students Act 2000, ensuring that all students are provided with appropriate information;
- a requirement that non-government RTOs be incorporated associations or companies. Having the RTOs meet these corporate governance requirements was intended to allow the regulators to allow less focus on general business practices, and divert more resources to monitoring education and training outcomes;
- a requirement that RTOs declare to the regulator annually that their operations meet the standards;
- a requirement that subcontracting arrangements take the form of written agreements, and that they be notified to the regulator; and
- requiring a nomenclature change to 'Licensed Training Organisation' (LTO) from the current 'Registered Training Organisation'. This change was intended to signal a break from the past and

communicate to purchasers of training, and the community more broadly, that RTOs are of a higher minimum quality.

Streamlined regulatory framework

With the above changes to the standards in place, the NSSC considered that RTOs would be required to conform to a higher standard of operation, and that the added requirements around transparency would make it easier for the regulators to monitor compliance with the standards. As such, it was considered that the standards would allow the regulator to better monitor lower quality RTOs ('risk-based regulation'), and reduce the costs of ensuring compliance through audits, which are borne by both the regulator and regulated entities. This outcome would be reinforced by supporting changes to regulator standards that would emphasise a risk-based approach to regulation.

Impacts of NSSC proposed standards on RTOs

Almost all current RTOs who intend to deliver training and assessment under Option 3 are likely to face some additional financial costs when compared to a continuation of the status quo (Option 1). Characteristics such as provider type, size and scope of delivery also influence a provider's capacity to absorb the additional costs, restructure and participate in a new sector as an LTO or subcontractor to an LTO.

In total, once-off transition costs of the NSSC-proposed standards are estimated at \$75.15 million, while ongoing costs are estimated at \$4.5 million per annum.

The most costly requirements in the NSSC-proposed standards are the requirement for all RTOs to nominate a suitably qualified AEO, and for all trainers to hold a Certificate IV TAE.

Table 5: Transitional and ongoing costs of NSSC-proposed reforms²¹

Reform category	Total transition cost (\$million)	Total ongoing cost (\$ million)
Certificate IV TAE trainers required to hold Dip VET	9.89	n/a
All trainers required to hold Certificate IV TAE	27.77	n/a
All assessors required to hold TAE10 Assessor Skill Set	1.14	n/a
External validation of Certificate IV	n/a	0.26
All individuals under supervision required to hold Enterprise Trainer Skill Set	3.61	n/a
Accountable Education Officer	26	8.8
Written agreement with learners	0.3	0.13
Incorporation	0.82	0.80
Notification of subcontracting agreements to regulator	0.04	0.07
Annual declaration of compliance	n/a	0.3
LTO	5.56	n/a
Removal - continual improvement of operational management	n/a	-3.34
Removal - processes to inform management decision making	n/a	-0.83
Reduced audit preparation due to clearer requirements	n/a	-1.69
Total	75.15	4.50

²¹ Deloitte Cost Benefit Analysis produced for the Australian Government Department of Industry, and supplementary cost modelling by the Department of Industry.

The AEO requirement falls particularly heavily on smaller, private RTOs, as these RTOs are the least likely to already employ a suitably qualified staff member who could be nominated AEO. The transitional cost of the AEO requirement for private RTOs is \$16.8 million²², which is over half of the cost of the AEO requirement for the entire VET sector. Of the submissions to the NSSC's consultation paper that mentioned the AEO proposal, around two-thirds expressed concerns about implementation issues or were explicitly opposed to the proposal.

The other large transitional cost is the requirement for all trainers to hold formal training and assessment qualifications at least at the Certificate IV TAE level. The transitional cost of this requirement across the VET sector is around \$27.8 million; the costs of this requirement are spread relatively evenly across the various types of RTOs, and by provider size, reflecting the distribution of training and assessment staff across the sector.

The other major transitional cost items in the NSSC-proposed reforms are:

- The requirement for Certificate IV TAE trainers to hold Dip VET (\$9.89 million);
- The change in nomenclature to 'licensed training organisation' (\$5.56 million); and
- The requirement that all individuals under supervision required to hold Enterprise Trainer Skill Set (\$3.61 million).

It is also likely that the changes to the standards proposed by the NSSC would result in some RTOs ceasing to provide training or entering into partnerships arrangements with a compatible RTO. A survey was conducted of RTOs as part of the NSSC's standards development process, and it indicated that about 9 per cent of RTOs would leave the sector altogether. While a number of private RTOs are likely to exit, overall they were expected to maintain their market share (66%). It is estimated that a disproportionate share of community and school providers leave the sector – this group were particularly concerned with the ability to find a suitable partner for their niche activities.

Those RTOs expected to leave the sector typically reported they would leave because of the cumulative impact of the new standards and other recent regulatory imposts which reduce their profitability. Incorporation costs (the direct registration fees and the associated accounting and legal implications) were the most commonly cited discrete reason for not transitioning to an LTO, followed by procuring an AEO and training staff to meet the new standards.

Impacts of proposed NSSC standards on competition

The impact of Option 3 on competition in the VET sector is likely to be marginal and related to the number of RTOs that may leave the training sector as a result of the imposition of the new regulatory requirements.

Impacts of NSSC proposed standards on learners

Under the NSSC's proposed changes to the standards, learners in the VET system are likely to experience a number of benefits, at a price.

The changes to the standards will require RTOs to provide, in the form of a written agreement with learners, clear information about the services to be provided by the RTO, and the protections available to the learner.

²² Deloitte Cost Benefit Analysis prepared for the Department of Industry 2013.

All learners will be trained by individuals with formal qualifications in training and assessment. This is not the case at present – many learners are trained by individuals who have been assessed by the RTO as having ‘equivalent competencies’. While this is not necessarily a problem, there has been feedback from stakeholders during consultations that the equivalent competencies provision is open to misuse, and that trainers without sufficient experience or qualifications are providing training. The requirement for trainers to have formal qualifications in training and assessment – attained through courses that have undergone independent validation and are presented by diploma-qualified trainers – is likely to improve the training received by many learners. However, it is likely that the cost of these improvements will pass through, to some degree, to course fees paid by learners.

It is also possible that the changes will cause the exit of some RTOs from the VET sector. To the extent that this is the case, choice of RTOs may be reduced for some learners. However, it is expected that the number of RTOs that will leave the sector will be small (around 9 per cent, based on the survey undertaken for the development of the NSSC standards), and that the market share of the various types of trainers will remain relatively stable.

Impacts of NSSC proposed standards on regulators

Each of the three regulators is likely to incur costs in implementing the new Standards defined in Option 3. Based on cost estimates provided by each regulator, it is estimated that the total incremental cost related to the transition is in the order of \$2-3 million over the two year transition period (Table 6). In this total cost Victoria is disproportionately represented, given the more extensive operational and legislative changes that are understood to be required. The key working assumptions underpinning these costs are:

- No parallel regulatory systems at any point in the transition period;
- RTOs attest to being compliant at the transition date; and
- There are no changes to the regulator workforce qualification requirements.

Table 6: costs incurred by regulators under NSSC proposal

Transition cost element	Description	Estimate
Provider communications and education	Provider workshops and materials	\$400-500k
Technology systems upgrades	Enhancements and modifications	\$500k+
Document updates and policy reviews	Policy reviews and development	\$200-300k
Business process reengineering	Internal project management	\$200-300k
Professional development	Workshops with auditors and all staff	\$300-500k
Regulation impact statements etc.	Legislative change processes	\$500-600k
Total		\$2.1-2.7m

Impacts of NSSC proposed standards on industry and the broader community

Among those in the Australian community who do or could participate in vocational education and training, the NSSC perceived that improved educational outcomes would translate into some combination of:

- improved skill development and signalling (i.e. confidence in the sector), with corresponding improvements in the productivity and participation of these persons;

- reduced retraining outlays by individuals and/or employers, where previously a vocational education and training completer might otherwise need to retrain to attain the nominated competencies;
- reduced productivity costs, until and during that retraining, for the vocational education and training completers who had previously been insufficiently trained and assessed; and
- reduced unproductive subsidisation of vocational education and training by government, where the individuals who are being insufficiently trained and assessed are at least partially government subsidised in that training.

For the community more broadly, this implies a range of economic and social gains. As an indication of the potential magnitude of these gains, the Productivity Commission²³ estimated that the achievement of COAG's VET reform targets by 2020 would result in increases of:

- 1.04% employment;
- 0.35% in labour productivity; and
- 1.95% in GDP.

Option 4: Proposed standards for RTOs and VET regulators

The work of the VET Reform Taskforce

The draft standards developed by the NSSC (Option 3) contain some important improvements to support quality in the sector. However concerns have been raised that some of the proposed requirements are impractical and would add unnecessary cost and regulation on RTOs.

In the course of consultations around the Commonwealth's broader VET reform agenda stakeholders raised clear concerns about impacts of various reforms proposed by the NSSC, in particular the requirement for the introduction of the AEO, which RTOs in particular viewed as not having benefits to quality training outcomes in proportion to the resultant administrative and wage costs. The requirements for RTOs to adopt new nomenclature (Licensed Training Organisations) and to be incorporated, were also seen as unnecessary insofar as the expected benefits to quality outcomes were not proportionate to costs. The Commonwealth has sought to conclude the reform process commenced by the NSSC through further consultation and subsequent determination of which proposals should be retained in the light of additional priorities, including increasing industry-responsiveness and minimising regulatory burden and red tape.

The role of the VET Reform Taskforce has been to take the draft standards framework developed by the NSSC, and produce new standards that would also increase quality in the sector, with a greater role for industry and in a way that avoids over-burdensome regulation.

The Taskforce has looked to achieve this by:

- emphasising the absolute responsibility of RTOs in meeting the requirements of the standards, including with regard to training and related services delivered by third parties on their behalf, while recognising that RTOs should have freedom to manage quality assurance within their business without overly-prescriptive regulations in this regard; and
- improving the transparency of training products, training arrangements, recruitment and consumer information, and operations, to allow informed choice by learners and to facilitate risk-based enforcement of the standards by regulators.

The key changes in the standards are grouped under changes that relate to: quality of trainers and assessors; quality and governance of RTOs; increased industry engagement; and a streamlined regulatory framework.

Quality of trainers and assessors

Improving the quality of training and assessment is a priority of the COAG Industry and Skills Council, and this has been an important theme in stakeholder feedback to the Taskforce, including from industry stakeholders who have an interest in learners graduating VET courses with the appropriate skills. In this context, the Taskforce proposes to retain the following changes to the standards in relation to the quality of trainers and assessors, which were initially proposed by the NSSC:

- all trainers to have a Certificate IV TAE– that is, the opportunity for individuals to demonstrate equivalent competencies instead of this qualification would be removed;
- people delivering training under supervision to have either Enterprise Trainer – Presenting Skill Set or Enterprise Trainer – Mentoring Skill Set or Enterprise Trainer and Assessor Skill Set; again, this removes the possibility for individuals to demonstrate equivalent competencies. They must be supervised by a trainer who holds a Certificate IV TAE;
- all RTOs applying to add the Certificate IV TAE to their scope to have held registration as an RTO for at least 2 years, and to have undergone an independent validation of the relevant assessment system, tools processes and outcomes.

Where this approach differs from the NSSC’s proposals is that the requirement for all trainers delivering the Certificate IV in TAE to hold a Dip VET has been removed. The Taskforce considered that other protections in the standards – particularly the need for RTOs intending to add the Certificate IV TAE to its scope to undergo an independent validation process – provide a sufficient protection of the quality of this qualification.

Option 4 includes a one-year transition period to provide RTOs with time to ensure that their trainers and assessors have or obtain the requisite qualifications.

Protecting Consumers

The new standards lift protections for consumers by clarifying the minimum requirements for information that RTOs and third parties acting on their behalf need to provide to prospective learners in the course of the marketing and during enrolment. These clarifications respond to issues raised in the ASQA’s Strategic Review into RTO advertising and marketing practices (2013), as well as significant stakeholder feedback on the occurrence of misleading practices, including in relation to course pricing and the application of government training subsidies and fee assistance schemes.

It is intended that further work in the area of strengthening consumer protections, including in relation to the activities of brokers and other non-RTOs participating in the market of training and the recruitment of learners, will be pursued with state and territory governments, which have primary jurisdiction over consumer law.

Quality and governance of RTOs and services

In relation to the quality and governance of RTOs, the Taskforce's proposed standards differ from the current standards in that:

- there is a requirement that RTOs declare to the regulator annually that their operations meet the standards; and
- there is a requirement that subcontracting arrangements take the form of written agreements, and that they be notified to the regulator.

The proposed standards are significantly different in this area from those proposed by the NSSC. These differences include the removal of the requirements for: an AEO; a written agreement with learners; incorporation of non-government RTOs; and the change in nomenclature to a 'Licensed Training Organisation'.

The Taskforce's proposed standards emphasise the need for RTOs to take responsibility for meeting Standards relating to quality, governance and information provision at the RTO level, while allowing RTOs the flexibility to achieve this in the way that best suits their organisation. The proposed standards are a response to feedback from stakeholders, many of whom saw the proposed AEO and incorporation requirements as onerous, and are also consistent with the COAG Industry and Skills Council's objective of a regulatory framework that eliminates unnecessary cost and regulation on RTOs.

Increased industry engagement

Consistent with the COAG Industry and Skills Council's objective that the standards should promote responsiveness to industry, a key theme emerging from the Taskforce's consultations with stakeholders has been the importance of greater engagement with industry to ensure that graduates are job-ready and have the skills that industry needs. The Commonwealth has considered that a greater emphasis is required to ensure training development and learner assessment systems are informed by industry engagement in various and context-relevant forms.

The proposed standards clarify expectations in relation to how RTO's should engage with industry to develop their training and assessment practices and ensure that trainers and assessors have current industry skills relevant to the training and assessment; and to clarify and underscore the importance of individuals with current knowledge of industry skills participating in the validation of an RTO's assessment systems. As engagement with industry is already a requirement under the standards, the standards are not deemed to have an additional regulatory cost impact in this respect.

Streamlined regulatory framework

With the above changes to the standards in place, the Taskforce considers that RTOs would be required to conform to a higher standard of operation in relation to the qualifications of its trainers and assessors and engagement with industry, and that the added requirements around transparency would make it easier for the regulators to monitor compliance with the standards. As such, it was

considered that the standards would allow the regulator to better focus its regulatory efforts on lower quality training RTOs ('risk-based regulation'), and reduce the costs of ensuring compliance through audits, which are borne by both the regulator and regulated entities. This outcome would be reinforced by supporting changes to regulator standards that would emphasise a risk-based approach to regulation, supported by an emphasis on the provision of information to the sector about what compliance with the standards means.

Impacts of the proposed standards on RTOs

As with the NSSC's standards, a significant benefit to RTOs as a result of the proposed standards is that they clarify the ambiguous wording of the existing standards, which have meant that many standards are open to interpretation and the expectations of regulators and how compliance is to be achieved are unclear. The clarification of the standards in Option 4, alongside the changes to the regulator standards, will result in lower costs for RTOs related to interpreting how the standards apply to their operations and then complying with those standards. It is notable that many RTOs engage the services of consultants and third parties to assist them in navigating the regulatory framework.

Clarification of the standards will give RTOs greater certainty about how regulators will enforce those standards. It is estimated that the clarification of requirements will save RTOs \$1.69 million in regulatory burden annually. This considers that two thirds of incidents of initial non-compliance by RTOs are likely to be due to a misunderstanding of the standards.²⁴ A clarification of the standards is therefore likely to reduce costs across the sector associated with providing further evidence of compliance after an initial audit decision by around \$1.19 million. Further to this, it is estimated that clearer standards are likely to produce an additional 10% reduction in costs for the sector associated with preparing information required for an audit.

The new standards require regulators to operate in accordance with a risk assessment framework agreed by Ministers. This approach is a step forward and it is intended that RTOs who have good training, assessment and governance systems in place, and who provide information about these systems to the relevant regulator in a clear and timely manner – are likely to have their compliance audited by the regulator less often. This is likely to result in lower costs for those RTOs.

Again, as with the NSSC's proposed standards in Option 3, almost all current RTOs who intend to deliver training and assessment under Option 4 are likely to face some additional financial costs when compared to a continuation of the status quo (Option 1). However, the removal of some of the more onerous requirements of Option 3 – in particular the need for RTOs to nominate an AEO and become 'licensed training organisations' – means that the costs to RTOs or the proposed changes to the standards are considerably less than in Option 3.

The most costly requirement in the proposed standards is the requirement for all trainers to hold a Certificate IV TAE. The transitional cost of this requirement across the VET sector is around \$27.8 million; the costs of this requirement are spread relatively evenly across the various types of RTOs, and by provider size, reflecting the distribution of training and assessment staff across the sector.

²⁴ PricewaterhouseCoopers (PwC), *ASQA Process Review: Final Report*, 2013

The cost of the proposed requirement for all trainers to hold a Certificate IV TAE is based on an estimate of the numbers of persons who train without supervision and who hold 'equivalent' qualifications (7.8% per cent of practitioners according to Department of Industry survey data) and who would need to obtain the required qualification through training or RPL, at a cost to the employer or the individual. The cost model used includes estimated course and RPL fees, as well as opportunity costs for businesses and individuals in relation to the time required to obtain the qualification.

The other major cost item in Option 4 is the requirement that all individuals under supervision are required to hold either of three specified Enterprise Trainer Skill Sets. Similar to the Certificate IV TAE requirement, the associated costs have been estimated using Department of Industry survey data on the numbers of practitioners who would be required to upskill under the new standards.

Table 7: Transitional and ongoing costs of Option 4

Reform category	Total transition cost (\$million)	Total ongoing cost (\$ million)
All trainers required to hold Certificate IV TAE	27.77	n/a
All assessors required to hold TAE10 Assessor Skill Set	1.14	n/a
External validation of TAE assessment system	n/a	0.26
All individuals under supervision required to hold Enterprise Trainer Skill Set	3.61	n/a
Notification of subcontracting agreements to regulator	0.04	0.07
Annual declaration of compliance	n/a	0.3
Removal - continual improvement of operational management	n/a	-3.34
Removal - Processes to inform management decision making	n/a	-0.83
Reduced audit preparation due to clearer requirements	n/a	-1.69
Total	32.57	-5.23

Costs to RTOs associated with new requirements to notify subcontracting arrangements to the regulator and providing an annual declaration of compliance have been estimated on the basis of wage estimates and an estimation of the number of working hours, required to complete the task annually.

Compared to the existing NVR standards, the proposed standards under Option 3 and 4 remove several requirements that currently have compliance costs for RTOs. These include prescribing a systematic and continuous improvement approach to the management of operations; and processes to demonstrate how the RTO ensures the decision making of senior management is informed by the experiences of its trainers and assessors. Compliance costs associated with these requirements (obtained through Department of Industry surveys) have been removed at a benefit to RTOs, noting that RTOs are ultimately responsible for the outcomes of their operations and management decisions. Other aspects of the proposed standards ensure quality training and assessment outcomes, and these are the end product of sound management decision making and quality assurance.

Many of the other changes involve clarifying the current requirements for RTOs, rather than imposing new regulatory requirements. For example:

- The vast majority of subcontracting arrangements currently take the form of written agreement – the proposed changes to the standards in this area seek to remove any uncertainty in the requirements (noting that there is a new requirement to notify the regulator of the engagement of a subcontractor, for which it has been determined that there will be a cost of \$0.04 million to transition and \$0.07 million annually for RTOs); and
- The current standards require RTOs to validate their assessment systems. The new standards clarify what this means for RTOs in terms of the need to have and implement a plan for systematic validation, and that the validation of the assessment system should include persons with relevant knowledge to ensure that the policy intent of this standard is actually achieved.

In total, the once-off transition costs of the change to the proposed standards are estimated at \$32.57 million, while the ongoing impact on regulatory burden is estimated at a saving to RTOs of \$5.23 million per annum.

As with the changes to the standards proposed by the NSSC, it is possible that the proposed change to the standards under Option 4 would result in some RTOs ceasing to provide training or entering into partnerships arrangements with a compatible RTO. However, while there was no survey undertaken on the likely impacts of the standards proposed by the Taskforce, the RTO survey undertaken as part of the NSSC's standards development process suggest that there would be fewer RTOs likely to leave the sector under the changes in Option 4. That survey indicated that costs associated with the AEO and with the requirement that non-government RTOs become incorporated were two commonly-cited reasons for those RTOs who indicated that they would not become LTOs under the NSSC's proposed standards. This was in addition to the general cumulative impact on profitability of the new standards and other recent regulatory imposts. The standards proposed by the Taskforce are likely to impose significantly lower total costs on RTOs.

It is also notable that the nature of a number of the proposed reforms is such that associated compliance costs will be returned to the VET sector in the form of income. For example, RTOs will be the recipients of training fees for VET trainers and assessors who are required to obtain a Certificate IV TAE, Assessor Skill Set or Enterprise Skill Set under the new standards. This benefit to the sector will equate to almost the entire value of the regulatory costs. Fees for independent validation of TAE assessment systems will also return to the VET sector, as many RTOs are likely to have agreements with other RTOs to undertake validation.

The impact of the proposed standards on RTOs is one of a range of measures being implemented by government to reduce regulatory burden on the VET sector. These measures include expanding ASQA delegation of its powers to RTOs that have a strong history of compliance, so that these providers can self-approve changes to their scope of registration. These arrangements mean that eligible RTOs will no longer be required to allocate resources to preparing applications or paying fees in relation to changes of scope, saving the sector \$3.32 million per year in compliance costs.²⁵ Other measures led by government to reduce regulatory burden on the VET sector in 2014 include the

²⁵ Australian Government Department of Industry 2014. *Regulation Impact Statement – Regulation of 'scope of registration applications in vocational education and training*.

removal of requirements for ASQA-regulated RTOs to apply and pay a fee to update their scope of registration in response to an 'equivalent' training package amendment.

Impacts of Option 4 on competition

The impact of Option 4 on competition in the VET sector is likely to be marginal and related to the number of RTOs that may leave the training sector as a result of the imposition of the new regulatory requirements.

Impacts of Option 4 on learners

Under the proposed changes to the standards, learners in the VET system are likely to experience a number of benefits, at a price.

The clarification of requirements in relation to the information the RTOs must provide to learners, both in marketing and prior to and during enrolment processes, will enable learners to make more informed choices about the training products that they are purchasing, including whether the training actually meets their employment needs. The provision of adequate information to learners in relation to fee assistance schemes and state training subsidies will ensure that learners make purchasing decisions in their full knowledge of the financial implications and the impacts on any government entitlements. The provision of adequate information to learners will prevent reported instances where students have made financial commitments to training without adequate knowledge of the product and financial implications, in some instances where the RTO or agents acting on behalf of an RTO have intentionally provided misleading information to consumers prior to enrolment.

As with Option 3, all learners will be trained by individuals with formal qualifications in training and assessment. As previously mentioned, this is not the case at present – many learners are trained by individuals who have been assessed by the RTO as having 'equivalent competencies'. The requirement for trainers to have formal qualification in training and assessment, attained through courses that have undergone independent validation, is likely to improve the training received by many learners.

Learners will be enrolling in courses that have been developed with more involvement by industry. The changes in the standards require RTOs to integrate engagement with industry with the development of training and assessment practices. For many RTOs, this will require greater engagement with industry during the development and delivery of its courses, and is likely to improve the 'job-readiness' of the skills that the learners acquire during training.

Overall, to the extent that the quality and relevance of the skills acquired by learners improves, the changes to the standards are expected to lead to improved productivity through these individuals' working lives, and increases in earnings. As an indication of the potential increase in earnings, the Productivity Commission in 2012 estimated that the achievement of the COAG 2020 VET targets (of which changes to the VET Standards is a part) is estimated to be associated with a rise in labour income exceeding a net present value of \$108 billion over the course of the working lives of those obtaining higher level qualifications²⁶.

²⁶ Productivity Commission 2012, *Impacts of COAG Reforms: Business Regulation and VET*, Research Report, Volume 1 – Overview, Canberra.

It is likely that the cost of these improvements will pass through, to some degree, to course fees paid by learners. While the cost increases – and the extent to which costs are passed through to learners – will vary from provider to provider, it is likely that the size of these increases will be relatively small. The net total transition and ongoing costs of the changes are estimated to be around \$6.42 million over the first five years of the new arrangements. In 2013, there were almost 16.2 million subject enrolments in the public VET sector, across the range of public and private RTOs²⁷ and an estimated 9.4 million enrolments in fee-for-service courses delivered by private RTOs; this implies that the average increase in the cost to learners, assuming full pass-through of costs and consistent impact across all enrolments, will be in the order of \$0.05 per enrolment. Averaging transition and ongoing cost impacts over ten years, the impact of the changes on RTOs is estimated to be a reduction in compliance burden on RTOs of around \$2 million per annum.

There is a possibility that the changes to the standards will cause the exit of some RTOs from the VET sector due to real or perceived additional costs. To the extent that this is the case, choice of RTOs may be reduced for some learners. However, it is expected that the number of RTOs that will leave the sector will be small – certainly significantly smaller than would have been the case under Option 3 – and that the market share of the various types of trainers will remain relatively stable.

Impacts of Option 4 on regulators

As with Option 3, each of the three regulators is likely to incur costs in implementing the new Standards defined in Option 4. Based on cost estimates provided by each regulator, it is estimated that the total incremental cost related to the transition is in the order of \$2-3 million over the two year transition period – similar to the cost of implementing Option 3. Again, Victoria is disproportionately represented, given the more extensive operational and legislative changes that are understood to be required.

Impacts of Option 4 on industry and the broader community

The implementation of Option 4 will benefit industry and the community through a clearer articulation in the standards of the requirement for RTOs to design, deliver and assess training on the basis of robust consultation with industry about local needs. This will complement the clearer requirements to ensure that training strategies and practice are consistent with the content of Training Packages. Together this will improve employment outcomes for graduates who are more likely to have acquired the skills actually required to do a job.

Additionally, improvements to training outcomes as a result of clearer requirements for the validation of assessment systems and industry consultation will translate into:

- improved skill development and signalling (i.e. confidence in the sector), with corresponding improvements in the productivity and participation of these persons;
- reduced retraining outlays by individuals and/or employers, where previously a vocational education and training completer might otherwise need to retrain to attain the nominated competencies;
- reduced productivity costs, until and during that retraining, for the vocational education and training completers who had previously been insufficiently trained and assessed; and

²⁷ Australian vocational education and training statistics: Students and Courses, NCVET 2013. <http://www.ncver.edu.au/>

- reduced unproductive subsidisation of vocational education and training by government, where the individuals who are being insufficiently trained and assessed are at least partially government subsidised in that training.

7. Consultation

The VET Standards reform process has involved extensive consultation with VET stakeholders, starting with the former NSSC's process in June 2012, and continued by the VET Reform Taskforce from late 2013.

NSSC consultation

Extensive consultation – including the development of a COAG consultation RIS – was undertaken by the former NSSC in its review of the standards for the regulation of VET. Starting in June 2012, the NSSC invited VET stakeholders to provide feedback at various stages of the consultation process. The consultation process engaged a comprehensive representation of stakeholder views, receiving a total of more than 300 submissions – with many submissions coming from peak bodies representing multiple members – and meeting with over 450 stakeholders. A summary of the industry feedback received by the NSSC was published online²⁸.

VET Reform Taskforce consultation

Since its establishment in November 2013, the VET Reform Taskforce has undertaken a broad-ranging and open-ended consultation process to obtain stakeholder views on the core issues affecting the VET system and suggestions on the potential direction for future reforms. This included over 3,750 stakeholder engagements.

A series of targeted consultations were held from April 2014 with state and territory governments, RTOs, industry groups, employers and interested individuals participating in VET.

During these consultations, stakeholders raised the following issues relating to both the standards for the regulation of VET and the draft standards proposed by the former NSSC:

- the need for a more risk-based approach to regulation that recognises that RTOs are not all the same and that risk factors such as the size of the organisation and the type of training delivered by the provider should influence the level of engagement with the regulator;
- the red tape and endless process imposed on RTOs;
- the need for a stronger focus on training and assessment in the standards, including providing a greater role for industry;
- the current standards are ambiguous and there is inconsistency in the way they are interpreted by auditors;
- VET regulators should have a role in educating RTOs on what compliance looks like;
- the standards should be outputs and outcomes focused rather than inputs focused; and
- a number of proposals developed by the NSSC mean significant additional costs for RTOs without a commensurate benefit to quality in the VET system.

²⁸ http://www.nssc.natese.gov.au/standards_review/submissions

These concerns were considered the COAG Industry and Skills Council on 3 April 2014, leading to agreement that the standards for RTOs and regulators needed to be examined to ensure that they better recognise the different level of risk posed by different providers, and enable the regulators to deal more effectively with poor quality in the sector to improve confidence and to align with the Commonwealth deregulation objectives.

In examining the current standards and the NSSC draft standards, the VET Reform Taskforce consulted with key stakeholders from training and support services providers, and industry, to consider the significant amount of feedback gathered through NSSC consultation process and the broader consultation process undertaken by the Taskforce in early 2014.

New revised standards for RTOs and VET regulators were subsequently drafted and released for public consultation on 25 June 2014.

Consultation on redrafted standards

The public consultation period for the VET Reform Taskforce's draft standards concluded on 23 July 2014. 128 written submissions were received, with representation from peak bodies, industry, small and large private RTOs, public RTOs, Industry Skills Councils and interested individuals working in the sector. Feedback was also collected from the VET Reform LinkedIn group, which currently has over 1200 members²⁹, and the three webinar feedback sessions which attracted over 340 participants.

Generally, stakeholders were supportive of the direction of the draft standards; however, some were concerned that the standards did not go far enough in moving the sector towards an outcome-based or risk-based approach to regulation.

Most submissions received commented on the draft RTO standards, with only a small number commenting on the draft regulator standards. Of the feedback received on the regulator standards, most were positive about the requirement for regulators to adopt an educative role and the shift to a more risk-based approach to regulating. Of the feedback received on the draft RTO standards, the main areas of concern for further consideration or clarification were in relation to:

- The concept of volume of learning and how it would apply in the standards;
- Systematic validation of assessment;
- Qualification requirements for trainers and assessors;
- Subcontracting arrangements; and
- Consumer protections and 'brokers'.

'Volume' of learning

Many stakeholders were not clear about the meaning of requirements for the consideration of 'volume of learning' (now clarified as the 'amount of training [RTOs] provide' in the proposed standards) in the RTO's training and assessment strategies and practices. However, the new draft standards make it clear that an RTO's training and assessment strategies and practices must be consistent with the content of the associated Training Packages and VET Accredited Courses,

²⁹ As at 21 August 2014

including the amount of training provided. The policy intent of this clarification is to support the regulator to take action in future in circumstances where the delivery of a qualification is completed in a considerably shorter time frame than that reasonably required for a learner (considering the learner's existing skills and experience) to acquire the required competencies. The enactment of this policy is through the mechanism of compliance with training packages or VET Accredited Courses, and the application of this regulation will therefore require that Training Packages and courses to include the relevant requirements.

Systematic validation of assessment

The clarification in the draft standards of existing requirements for systematic validation of assessment received significant attention through all consultation channels, with a number of written submissions commenting on this aspect of the draft standards. While many noted that assessment was a key issue affecting the quality of VET, questions were raised about practicalities of compliance with the clarified requirements, many on the basis of misconceptions about the actual requirements being specified and the policy intent (requiring a clearer expression of the requirement in the final draft).

Noting that systematic validation is already a requirement of the NVR standards, and that the clarifications presented in the new draft standards align with adequate practice as described in literature³⁰, RTO concerns should be addressed sufficiently once redrafting of the standards and regulator guidance demonstrates that:

- The wording of the relevant clauses in the public consultation draft appeared to require each validator to hold all of prescribed skills, which is not the case - as long a panel arrangement is used that includes a combination of the prescribed skills.
- It is not a requirement for validation processes to include participants that are external to the RTO, rather the validation of the assessment system must include participants who were not responsible for delivery of the particular training or assessment that is being examined as part of the system validation process.

Some additional issues that were raised and considered by the Taskforce were that the primary skill required for validation is expertise in vocational teaching, learning and assessment, rather than specific industry expertise; and therefore vocational competencies should not be a skill requirement for the validation of an assessment system. Risks to intellectual property where inter-RTO validation is conducted as a systemic validation solution, was also raised. The standards retain the requirement for validation of assessment to include one or more persons with current industry skills, on the basis that industry input to validation of assessment systems contributes to greater alignment between an RTO's processes and industry expectations of the outcomes of training, which in turn builds confidence in the system. The former National Quality Council has identified industry participation in assessment validation as desirable both for assessing the relevance of assessment systems to workplaces, and content validity in terms of mapping tasks to competency standards, and benchmarking examples of learner work at competent and not yet competent levels.³¹

³⁰ National Quality Council, *Implementation: Validation and Moderation Guide*, 2009.

³¹ National Quality Council, *Assessor Guide: Validation and Moderation*, 2010.

Quality of trainers and assessors

Many stakeholders raised concerns about the quality of trainers and assessors and the minimum qualification requirement (currently the Certificate IV TAE). While stakeholders welcomed the focus on trainer and assessor capability and the delivery of training and assessment qualifications, there was a wide range of views on how to improve the overall quality of trainers and assessors.

Some were concerned about the quality of the Certificate IV TAE qualification itself, suggesting changes at the training package level to provide a minimum practicum or including core units that better equipped graduates with the skills to train and assess effectively. Others were concerned about the wide range of quality in the delivery of the Certificate IV in Training and Assessment, suggesting a 'time served' approach to ensure deliverers are adequately experienced or introducing a 'licencing' or 'accreditation' scheme. Participants in the feedback webinars also suggested that the requirement for continual professional development apply to all trainers and assessors.

In terms of the quality of the Certificate IV TAE, the proposed RTO standards under Option 4 support higher quality in the design and delivery of the Certificate IV TAE through requirements for external validation of TAE assessment systems, and through the general measures to ensure quality training delivery, including stronger alignment of training programs with Training Package requirements.

While the NSSC proposed to mandate higher qualifications (such as the Diploma of VET) for those delivering the Certificate IV TAE, only 14 written submissions supported this. The range of views on the issue suggest that the issue is more complex than simply lifting the qualification requirements, with one submission noting "there is no guarantee that having a TAE Diploma will raise the standard of training and assessment. It is the system that is impacting on the standard, not individual trainers".

Feedback from the webinars, LinkedIn and written submissions were supportive of including safeguards in the system to ensure the quality of Training and Assessment qualifications, however some expressed concerns about the potential costs involved with independent validation and how this would be implemented.

8. Conclusion

While the Australian VET sector has considerable strengths, employers, RTOs and students have been telling the Government that it isn't working as effectively as it should be.

Employers are decreasing their use of, and are becoming less satisfied with, VET. Moreover, the proportion of VET completers who report improved employment status after training is falling.

During consultation with the sector as part of the development of the NSSC's proposed standards in 2012 and 2013, and as part of the VET Reform Taskforce's work in 2014, a number of themes have emerged:

- VET is not as responsive to industry as it should be;
- there are concerns about the quality of RTOs and training; and
- the regulatory framework is complex and inefficient.

Option 1

Option 1 would seek to maintain the status quo, which would come at no additional cost to the sector and also supply no savings to the sector in the form of reduction in regulatory or administrative burden. While this option has no additional regulatory impact on business or individuals, it fails to align with the reform objectives agreed by the COAG Industry and Skills Council, including to better recognise the different level of risk posed by different providers, enable the regulators to deal more effectively with poor quality in the sector to improve confidence, and meet the Australian Government's deregulation objectives.

Option 2

Option 2 would seek to combine the current multiple sets of standards into one set of National Standards. This is anticipated to solve some of the inconsistency in the application of regulatory activity by different regulators across all jurisdictions and would limit the costs to a transition cost for RTOs covered by the regulatory frameworks in Victoria and Western Australia. The 'educative' changes associated with this option are likely to assist RTOs to better understand obligations associated with being an RTO, which will make compliance easier to achieve and maintain. While the costs and benefits have not been estimated, the change is likely to deliver a small net benefit to the Australian community that may be realised through some RTOs improving their level of compliance with the standards, which may result in a flow on benefit to learners and employers of improved quality of training and assessment. However, this option does not address the identified problems in the VET sector, nor does it achieve the COAG Industry and Skills Council reform objectives.

Option 3

This option would seek to replace the current sets of standards for RTOs and regulators, with the addition of some significant changes to the way in which RTOs are required to operate, including the introduction of the AVQS and the new training and assessment, educational leadership and governance requirements for RTOS, with the intention of enhancing the quality of training provision.

The benefits of Option 3 accrue principally to learners, employers and the community. These benefits are likely to include higher quality training provision and improvements in the perceived and actual return to training. This is likely to lead to improved confidence in the sector, enhanced productivity, better matching of graduates to Australian workplaces and increased industry satisfaction with and use of the VET sector.

It is estimated that costs to the sector of implementing Option 3 are likely to be around \$75.15 million in transition costs and an estimated \$4.5 million per annum in ongoing costs. The largest components of the transition costs are likely to be the requirement for RTOs to have an AEO (estimated cost of approximately \$26 million), the requirement for trainers to hold a Certificate IV TAE (estimated to cost approximately \$27.77 million), and the requirement for individuals training under supervision to hold an Enterprise Trainer Skill Set (estimated to cost approximately \$3.61 million), with the ongoing costs to RTOs largely attributable to the maintenance of the AEO (estimated to cost approximately \$8.8 million per annum).

While Option 3 is likely to increase the quality of training, with a flow on benefit to the Australian community through better skilled graduates, this option fails to meet the COAG Industry and Skills Council's reform objective of minimising regulatory burden on the sector and includes several measures for which the benefits are considered as being disproportionate to the estimated costs to the sector. Measures in this category include the AEO and the requirement for trainers of the Certificate IV TAE to hold the Diploma in VET, and changes to RTO nomenclature.

Option 4

Option 4 would also seek to replace the current sets of standards for RTOs and regulators. This option also includes the introduction of new training and assessment and governance requirements for RTOs. However, this option does not include those measures for which the benefits are considered as being disproportionate to the estimated costs.

As with Option 3, the likely benefits of Option 4 will accrue to learners and employers through higher quality training provision and improved industry confidence in the sector. Option 4 includes several measures also included in Option 3, such as the requirement that trainers have minimum qualifications, and the requirement to notify the regulator of subcontracting arrangements and the provision of annual declarations of compliance. As with Option 3, Option 4 removes some existing compliance costs for RTOs through the greater clarity of the standards and the removal of prescriptions in relation to operational management and decision making.

Option 4 retains the requirement for trainers to hold the Certificate IV TAE, at a cost of around \$27.8 million for the transition period, which is the most significant cost for this option. This is followed by the requirement for individuals training under supervision to hold an Enterprise Trainer Skill Set, which is estimated to cost approximately \$3.61 million.

It is estimated that costs to the sector of implementing Option 4 are likely to be around \$32.57 million in transition costs and an estimated ongoing saving of around \$5.23 million per annum. It is anticipated that this option will provide a net saving to the sector estimated to be around \$2 million per annum (averaged over a ten year period).

Options 1 and 2 do not address the identified problems in the VET sector or meet the COAG Industry and Skills Council's reform priority in terms of deregulation objectives. While Option 3 introduces stronger benefits to the community and meets some of the identified problems in the VET sector, the regulatory cost for RTOs is significant. Option 4 addresses stakeholder concerns about the VET system, while meeting the COAG Industry and Skills Council's deregulation objectives. Option 4 represents more savings for business compared to the other three options.

It is recommended that Option 4 is progressed as described in Part 5.

Distributional effects

- RTOs are likely to have a clearer and more certain regulatory framework, and lower annual costs as a result of the proposed standards.
- To the extent that the costs on RTOs are passed through to learners, they may face higher course fees over the first 5 years of the new standards, however these are expected to be low—an average of around \$0.05 per subject enrolment. In return, they are likely to be better informed consumers and are likely to receive higher quality training and, ultimately, better job prospects. Learners are likely to be net beneficiaries under the new standards.
- Industry will have the opportunity to be more involved in the development and delivery of VET in Australia through clearer requirement for RTO to consult with industry in the design of training strategies and practices. To the extent that this leads to learners acquiring more relevant skills, industry will be net beneficiaries of the new Standards
- Regulators will face transitional costs in implementing the new Standards.

9. Implementation and review

The following arrangements for the implementation of the RTO and VET regulator standards are yet to be agreed by Commonwealth, state and territory Ministers, and are subject to amendment prior to, or at the time of, agreement to the draft standards.

Implementation

The establishment of the new standards as they apply to RTOs regulated by the Australian Skills Quality Authority (ASQA) will occur through the disallowable legislative instrument made by the Commonwealth Minister for Industry under the *National Vocational Education and Training Regulator Act 2011*. It is anticipated that the making of the instrument will occur in October 2014, ahead of the standards coming into effect from 1 January 2015.

Implementation arrangements for the new standards for RTOs regulated by the Victorian and Western Australian governments, which have not referred regulatory powers to the Commonwealth, will be specific to the circumstances in each state. The Victorian Government will need to amend legislation to enable the adoption of the RTO and VET Regulator standards, the timing of which may require transition arrangements in early 2015, during which the AQTF temporarily remains in place for RTOs under Victorian jurisdiction.

Across all jurisdictions, the national and state-based regulators will work together to develop communications and educational materials for RTOs to provide guidance on the requirements of the new standards and expectations for transition to the new system.

Transition arrangements

To enable the required legislative arrangements to be made and to ensure that RTOs have sufficient time to adjust their policies and practices, transitional arrangements may need to be implemented and these would be agreed with the states and territories and VET regulators. This is in addition to transition arrangements specifically stated in the draft standards, for example that the new qualifications requirements for trainers and assessors to not come into effect until 1 January 2016.

Review

The application of the new standards by VET regulators will be subject to external review processes as directed by the COAG Industry and Skills Council.

Additionally, the relevant Commonwealth state and territory departments will monitor and informally review the operation of the standards in the course of ongoing policy development advice to governments on the operation of the VET sector.

Standards for Registered Training Organisations (RTOs) 2014

PART 1 – Preliminary

Name of Standards

These Standards are the *Standards for Registered Training Organisations 2014*. These Standards form part of the VET Quality Framework, a system which ensures the integrity of nationally recognised qualifications.

RTOs are required to comply with these Standards and with the:

- *National Vocational Education and Training Regulator Act 2011* or equivalent legislation covering VET regulation in a non-referring State as the case requires
- VET Quality Framework

Note – the *National Vocational Education and Training Regulator Act 2011*, or equivalent legislation covering VET regulation in a non-referring State, provides the VET Regulator with the powers necessary to carry out its functions. Nothing in these Standards may be read as limiting or diminishing those powers.

These Standards should be read in conjunction with the:

- Standards for Training Packages
- Standards for VET Accredited Courses
- Standards for VET Regulators

Purpose

The purpose of these Standards is to:

- set out the requirements that an organisation must meet in order to be an RTO;
- ensure that training products delivered by RTOs meet the requirements of training packages or VET accredited courses, and have integrity for employment and further study; and
- ensure RTOs operate ethically with due consideration of learners' and enterprises' needs.

Structure

These Standards consist of eight Standards. Under each Standard is a set of Clauses of the Standard.

To comply with a Standard, the RTO must meet each of the Clauses. A person applying to register as a new RTO must demonstrate the capacity to meet these Standards for all of the person's intended scope of registration.

For each Standard a context statement is also included. The context does not form part of the Standard itself, and has been included to provide background information to help readers understand the Standard.

The Standards and Clauses are collectively referred to as Standards.

Definitions

The glossary at the beginning of these Standards defines certain words and expressions which have specific meaning in these Standards.

Glossary

In these Standards, unless the contrary intention appears:

Access and equity means policies and approaches aimed at ensuring that VET is responsive to the individual needs of clients whose age, gender, cultural or ethnic background, disability, sexuality, language skills, literacy or numeracy level, unemployment, imprisonment or remote location may present a barrier to access, participation and the achievement of suitable outcomes.

Accredited short course means a course accredited by the VET Regulator in accordance with the Standards for VET Accredited Courses that leads to an AQF statement of attainment.

Audit means an audit or compliance audit undertaken by the VET Regulator.

AQF certification documentation is the set of official documents that confirms that an AQF qualification or statement of attainment has been issued to an individual.

AQF qualification means an AQF qualification type endorsed in a training package or accredited in a VET accredited course.

Assessment means the process of collecting evidence and making judgements on whether competency has been achieved, to confirm that an individual can perform to the standard required in the workplace, as specified in a training package or VET accredited course.

Assessment system is a coordinated set of documented policies and procedures (including assessment materials and tools) that ensures assessments are consistent and are based on the Principles of Assessment contained in Table 1.8-1 and the Rules of Evidence contained in Table 1.8-2.

Assessors are persons who assess a learner's competence in accordance with Clauses 1.13 to 1.16.

Australian Qualifications Framework (AQF) means the framework for regulated qualifications in the Australian education and training system, as agreed by the Commonwealth, State and Territory ministerial council with responsibility for higher education.

Authenticated VET transcript has the meaning given in the *Student Identifiers Act 2014*.

Client means a learner, enterprise or organisation that uses or purchases the services provided by an RTO.

Code means the unique identifier for units of competency, skill sets, VET accredited courses, modules, AQF qualifications or training packages as required by the Standards for Training Packages and Standards for VET Accredited Courses.

Competency means the consistent application of knowledge and skill to the standard of performance required in the workplace. It embodies the ability to transfer and apply skills and knowledge to new situations and environments.

Current industry skills are the knowledge, skills and experience required by VET trainers and assessors and those who provide training and assessment under supervision to ensure that their training and assessment is based on current industry practices and meets the needs of industry.

Current industry skills may be informed by consultations with industry and may include, but is not limited to:

- a) having knowledge of and/or experience using the latest techniques and processes;
- b) possessing a high level of product knowledge;
- c) understanding and knowledge of legislation relevant to the industry and to employment and workplaces;
- d) being customer/client-oriented;
- e) possessing formal industry and training qualifications; and
- f) training content that reflects current industry practice.

Data Provision Requirements are the requirements for data provision as agreed by the Industry and Skills Council and implemented by the VET Regulator as required by its governing legislation.

Educational and support services may include, but are not limited to:

- a) pre-enrolment materials;
- b) study support and study skills programs;
- c) language, literacy and numeracy (LLN) programs or referrals to these programs;
- d) equipment, resources and/or programs to increase access for learners with disabilities and other learners in accordance with access and equity;
- e) learning resource centres;
- f) mediation services or referrals to these services;
- g) flexible scheduling and delivery of Training and Assessment;
- h) counselling services or referrals to these services;
- i) information and communications technology (ICT) support;
- j) learning materials in alternative formats, for example, in large print;
- k) learning and assessment programs contextualised to the workplace; and
- l) any other services that the RTO considers necessary to support learners to achieve competency.

Executive officer means:

- a) a person, by whatever name called and whether or not a director of the organisation, who is concerned in or takes part in the management of the RTO; or
- b) an administrator, receiver and manager, or liquidator of the organisation (other than a receiver and manager, or liquidator, appointed by a court); or
- c) if the RTO is a body corporate:
 - i. a person who, at any time during a period for which the organisation is registered, owns 15% or more of the organisation; or
 - ii. a person who, at any time during a period for which the organisation is registered, is entitled to receive 15% or more of dividends paid by the organisation; or
 - iii. the administrator of a deed of company arrangement executed by an organisation; or
 - iv. a trustee or other person administering a compromise or arrangement made between the organisation and another person or other persons.

Financial Viability Risk Assessment Requirements means the requirements made under section 158 of the *National Vocational Education and Training Regulator Act 2011* or equivalent requirements made or adopted by the VET Regulator of a non-referring State as the case requires.

Independent validation means, for the purposes of Clause 1.22, that the validation is carried out by a validator or validators who:

- a) are not employed or subcontracted by the RTO to provide training and assessment; and
- b) have no other involvement or interest in the operations of the RTO.

Industry means the bodies that have a stake in the services provided by RTOs. These can include, but are not limited to:

- a) enterprise/industry clients, e.g. employers;
- b) group training organisations;
- c) industry organisations;
- d) industry regulators;
- e) industry skills councils or similar bodies;
- f) industry training advisory bodies; and
- g) unions.

Industry and Skills Council means the Commonwealth, State and Territory ministerial council established by the Council of Australian Governments (COAG), or its successor.

Industry engagement, for the purposes of Clauses 1.5 & 1.6, may include, but is not limited to, strategies such as:

- a) partnering with local employers, regional/national businesses, relevant industry bodies and/or enterprise RTOs;
- b) involving employer nominees in industry advisory committees and/or reference groups;
- c) embedding staff within enterprises;
- d) networking in an ongoing way with industry networks, peak bodies and/or employers;
- e) developing networks of relevant employers and industry representatives to participate in assessment validation; and
- f) exchanging knowledge, staff, and/or resources with employers, networks and industry bodies.

Industry regulator means a body or organisation responsible for the regulation and/or licensing arrangements within a specific industry or occupation.

Government entity means:

- a) a Department of State of the Commonwealth; or
- b) a Department of the Parliament established under the *Parliamentary Service Act 1999* of the Commonwealth;
- c) an Executive Agency, or Statutory Agency, within the meaning of the *Public Service Act 1999* of the Commonwealth;
- d) a Department of State of a State or Territory; or

- e) an organisation that:
- (i) is not an entity; and
 - (ii) is either established by the Commonwealth, a State or a Territory (whether under a law or not) to carry on an enterprise or established for a public purpose by an Australian law; and
 - (iii) can be separately identified by reference to the nature of the activities carried on through the organisation or the location of the organisation whether or not the organisation is part of a department or branch described in paragraph (a), (b), (c) or (d) or of another organisation of the kind described in this paragraph.

High managerial agent means an employee or agent of the organisation with duties of such responsibility that his or her conduct may fairly be assumed to represent the organisation in relation to the business of providing courses.

Learner means a person being trained and/or assessed by the RTO for the purpose of issuing AQF certification documentation.

Licensed or regulated outcome means compliance with an eligibility requirement for an occupational licence or a legislative requirement to hold a particular training product in order to carry out an activity.

Mode of delivery means the method adopted to deliver training and assessment, including online, distance, or blended methods.

Module means a group of learning outcomes in a VET accredited course where it can be established that it is not possible to develop an appropriate unit of competency.

National Register means the register maintained by the Commonwealth Department responsible for VET and referred to in section 216 of the *National Vocational Education and Training Regulator Act 2011*.

Nationally Recognised Training (NRT) Logo means the logo used nationally to signify training packages and VET accredited courses.

Operations of an RTO include training, assessment and administration and support services related to its registration, including those delivered across jurisdictions and offshore.

Person includes a body politic or corporate as well as an individual.

Professional development means activities that develop and/or maintain an individual's skills, knowledge, expertise and other characteristics as a trainer or assessor. This includes both formal and informal activities that encompass vocational competencies, currency of industry skills and knowledge and practice of vocational training, learning and assessment, including competency based training and assessment. Examples of professional development activities include:

- a) participation in courses, workshops, seminars, conferences, or formal learning programs;
- b) participation in mentoring, professional associations or other learning networks;
- c) personal development through individual research or reading of publications or other relevant information;
- d) participation in moderation or validation activities; and
- e) participation in industry release schemes.

Record means a written, printed, or electronic document providing evidence that activities have been performed.

Recognition of Prior Learning (RPL) means an assessment process that assesses the competency(s) of an individual that may have been acquired through formal, non-formal and informal learning to determine the extent to which that individual meets the requirements specified in the training package or VET accredited courses.

- a) formal learning refers to learning that takes place through a structured program of instruction and is linked to the attainment of an AQF qualification or statement of attainment (for example, a certificate, diploma or university degree);
- b) non-formal learning refers to learning that takes place through a structured program of instruction, but does not lead to the attainment of an AQF qualification or statement of attainment (for example, in house professional development programs conducted by a business); and
- c) informal learning refers to learning that results through experience of work-related, social, family, hobby or leisure activities (for example the acquisition of interpersonal skills developed through several years as a sales representative).

Registrar has the meaning given in the *Student Identifiers Act 2014*.

Registration means registration as an RTO by the VET Regulator, where that registration is then entered on the National Register.

RTO means a Registered Training Organisation.

RTO code means the registration identifier given to the RTO on the National Register.

Scope of registration means the training products for which an RTO is registered to issue AQF certification documentation. It allows the RTO to:

- a) both provide training delivery and assessment resulting in the issuance of AQF certification documentation by the RTO; or
- b) provide assessment resulting in the issuance of AQF certification documentation by the RTO.

Services mean training, assessment, related educational and support services and/or any activities related to the recruitment of prospective learners. It does not include services such as student counselling, mediation or ICT support.

Skill set means a single unit of competency or a combination of units of competency from a training package which link to a licensing or regulatory requirement, or a defined industry need.

Standards for VET Accredited Courses are the standards made under subsection 188(1) of the *National Vocational Education and Training Regulator Act 2011* or the equivalent requirements adopted by a non-referring State.

Statement of attainment means a statement issued to a person confirming that the person has satisfied the requirements of the unit/s of competency or accredited short course specified in the statement.

Statistically valid means for the purposes of these Standards, a random sample of appropriate size is selected to enable confidence that the result is sufficiently accurate to be accepted as representative of the total population of assessments being validated.

Student Identifier has the meaning given in the *Student Identifiers Act 2014*.

Third party means any party that provides services on behalf of the RTO but does not include a contract of employment between an RTO and its employee.

Trainers are persons who provide training in accordance with Clause 1.13, 1.14 and 1.16.

Training is the process used by an RTO, or a third party delivering services on its behalf, to facilitate learning and the acquisition of competencies in relation to the training product on the RTO's scope of registration.

Training and assessment strategies and practices are the approach of, and method adopted by, an RTO with respect to training and assessment designed to enable learners to meet the requirements of the training package or accredited course.

Training Package means the components of a training package endorsed by the Industry and Skills Council or its delegate in accordance with the Standards for Training Packages. The endorsed components of a Training Package are: units of competency; assessment requirements (associated with each unit of competency); qualifications; and credit arrangements. The endorsed components form part of the requirements that an RTO must meet under these Standards. A training package also consists of a non-endorsed, quality assured companion volume/s which contains industry advice to RTOs on different aspects of implementation.

Training Product means AQF qualification, skill set, unit of competency, accredited short course and module.

Unit of competency means the specification of the standards of performance required in the workplace as defined in a training package.

Validation is the quality review of the assessment process. Validation involves checking that the assessment tool/s produce/s valid, reliable, sufficient, current and authentic evidence to enable reasonable judgements to be made as to whether the requirements of the training package or VET accredited courses are met. It includes reviewing a statistically valid sample of the assessments and making recommendations for future improvements to the assessment tool, process and/or outcomes and acting upon such recommendations.

VET means vocational education and training.

VET accredited course means a course accredited by the VET regulator in accordance with the Standards for VET Accredited Courses.

VET Quality Framework comprises:

- a) the Standards for Registered Training Organisations
- b) the Australian Qualifications Framework
- c) the Fit and Proper Person Requirements
- d) the Financial Viability Risk Assessment Requirements
- e) the Data Provision Requirements

VET Regulator means:

- a) the National VET Regulator; and
- b) a body of a non-referring State that is responsible for the kinds of matters dealt with under the VET legislation for that State.

PART 2 – Training and assessment

Standard 1. The RTO's training and assessment strategies and practices are responsive to industry and learner needs and meet the requirements of training packages and VET accredited courses

Context:

Learners, employers and industry must have confidence in the integrity, currency and value of certification documents issued by RTOs, through high quality training and assessment practices that:

- *meet the requirements of training packages and VET accredited courses;*
- *is responsive to industry and learner needs; and*
- *is delivered by appropriately qualified trainers and assessors with the right support services, facilities and equipment.*

The RTO's training and assessment strategies and practices must have regard to the amount of training required for the learner to gain the competencies as specified in the relevant training package or VET accredited course. The amount of training will vary depending on the existing skills and knowledge of the learner, the mode of delivery and include any work placement arrangements.

To ensure thorough and rigorous assessment practices and results, RTOs must implement a comprehensive plan of systematic validation. RTOs must use a risk-based approach to developing the plan considering risk indicators such as the potential safety concerns to clients from an assessment outcome that is not valid, the mode of delivery, changes to training packages and/or licensing requirements.

Trainers and assessors who are involved in training and assessment delivery being considered as part of the validation process may also participate in the validation process.

There are differences in the operating characteristics and business objectives of RTOs and the evidence RTOs use to demonstrate compliance with this Standard will reflect those differences.

To be compliant with Standard 1 the RTO must meet the following:

- 1.1 The RTO's training and assessment strategies and practices, including the amount of training they provide, are consistent with the requirements of training packages and VET accredited courses and enable each learner to meet the requirements for each unit of competency or module in which they are enrolled.
- 1.2 For the purposes of Clause 1.1, the RTO determines the amount of training they provide to each learner with regard to:
 - a) the existing skills, knowledge and the experience of the learner;
 - b) the mode of delivery; and
 - c) where a full qualification is not being delivered, the number of units and/or modules being delivered as a proportion of the full qualification.
- 1.3 The RTO has, for all of its scope of registration, and consistent with its training and assessment strategies, sufficient:
 - a) trainers and assessors to deliver the training and assessment;
 - b) educational and support services to meet the needs of the learner cohort/s undertaking the training and assessment;

- c) learning resources to enable learners to meet the requirements for each unit of competency, and which are accessible to the learner regardless of location or mode of delivery; and
- d) facilities, whether physical or virtual, and equipment to accommodate and support the number of learners undertaking the training and assessment.

1.4 The RTO meets all requirements specified in the relevant training package or VET accredited course.

Industry relevance

1.5 The RTO’s training and assessment practices are relevant to the needs of industry and informed by industry engagement.

1.6 The RTO implements a range of strategies for industry engagement and systematically uses the outcome of that industry engagement to ensure the industry relevance of:

- a) its training and assessment strategies, practices and resources; and
- b) the current industry skills of its trainers and assessors.

Learner support

1.7 The RTO determines the support needs of individual learners and provides access to the educational and support services necessary for the individual learner to meet the requirements of the training product as specified in training packages or VET accredited courses.

Assessment

1.8 The RTO implements an assessment system that ensures that assessment (including Recognition of Prior Learning):

- a) complies with the assessment requirements of the relevant training package or VET accredited course; and
- b) is conducted in accordance with the Principles of Assessment contained in Table 1.8-1 and the Rules of Evidence contained in Table 1.8-2.

Table 1.8-1: Principles of Assessment

Fairness	<p>The individual learner’s needs are considered in the assessment process. Where appropriate, reasonable adjustments are applied by the RTO to take into account the individual learner’s needs.</p> <p>The RTO informs the learner about the assessment process, and provides the learner with the opportunity to challenge the result of the assessment and be reassessed if necessary.</p>
Flexibility	<p>Assessment is flexible to the individual learner by:</p> <ul style="list-style-type: none"> • reflecting the learner’s needs; • assessing competencies held by the learner no matter how or where they have been acquired; and • drawing from a range of assessment methods and using those that are appropriate to the context, the unit of competency and associated assessment requirements, and the individual.
Validity	<p>Any assessment decision of the RTO is justified, based on the evidence of performance of the individual learner.</p> <p>Validity requires:</p> <ul style="list-style-type: none"> • assessment against the unit(s) of competency and the associated assessment

Fairness	<p>The individual learner's needs are considered in the assessment process.</p> <p>Where appropriate, reasonable adjustments are applied by the RTO to take into account the individual learner's needs.</p> <p>The RTO informs the learner about the assessment process, and provides the learner with the opportunity to challenge the result of the assessment and be reassessed if necessary.</p>
	<p>requirements covers the broad range of skills and knowledge that are essential to competent performance;</p> <ul style="list-style-type: none"> • assessment of knowledge and skills is integrated with their practical application; • assessment to be based on evidence that demonstrates that a learner could demonstrate these skills and knowledge in other similar situations; and • judgement of competence is based on evidence of learner performance that is aligned to the unit(s) of competency and associated assessment requirements.
Reliability	Evidence presented for assessment is consistently interpreted and assessment results are comparable irrespective of the assessor conducting the assessment.

Table 1.8-2: Rules of Evidence

Validity	The assessor is assured that the learner has the skills, knowledge and attributes as described in the module or unit of competency and associated assessment requirements
Sufficiency	The assessor is assured that the quality, quantity and relevance of the assessment evidence enables a judgement to be made of a learner's competency.
Authenticity	The assessor is assured that the evidence presented for assessment is the learner's own work.
Currency	The assessor is assured that the assessment evidence demonstrates current competency. This requires the assessment evidence to be from the present or the very recent past.

1.9 The RTO implements a plan for ongoing systematic validation of assessment practices and judgements that includes for each training product on the RTO's scope of registration:

- a) when assessment validation will occur;
- b) which training products will be the focus of the validation;
- c) who will lead and participate in validation activities;
- d) how the outcomes of these activities will be documented and acted upon.

1.10 For the purposes of Clause 1.9, each training product is validated at least once every 5 years, with at least 50% of products validated within the first three years of each 5 year cycle, taking into account the relative risks of all of the training products on the RTO's scope of registration, including those risks identified by the VET regulator.

1.11 For the purposes of Clause 1.9, systematic validation of an RTO's assessment practices and judgements is undertaken by one or more persons who are not directly involved in the particular instance of delivery and assessment of the training product being validated, and who collectively have:

- a) vocational competencies and current industry skills relevant to the assessment being validated;
- b) current knowledge and skills in vocational teaching and learning; and
- c) the training and assessment qualification or assessor skill set referred to in Item 1 or 3 of Schedule 1.

Industry experts may be involved in validation to ensure there is the combination of expertise set out in (a) to (c) above.

1.12 The RTO offers recognition of prior learning to individual learners.

Trainers and assessors

1.13. In addition to the requirements specified in Clause 1.14 and Clause 1.15, the RTO's training and assessment is delivered only by persons who have:

- a) vocational competencies at least to the level being delivered and assessed;
- b) current industry skills directly relevant to the training and assessment being provided; and
- c) current knowledge and skills in vocational training and learning that informs their training and assessment.

Industry experts may also be involved in the assessment judgement, working alongside the trainer and/or assessor to conduct the assessment.

1.14. The RTO's training and assessment is delivered only by persons who have:

- a) prior to 1 January 2016, the training and assessment qualification specified in Item 1 or Item 2 of Schedule 1, or demonstrated equivalence of competencies; and
- b) from 1 January 2016, the training and assessment qualification specified in Item 1 or Item 2 of Schedule 1.

1.15. Where a person conducts assessment only, the RTO ensures that the person has:

- a) prior to 1 January 2016, the training and assessment qualification specified in Item 1 or Item 2 or Item 3 of Schedule 1, or demonstrated equivalence of competencies; and
- b) from 1 January 2016, Item 1 or Item 2 or Item 3 of Schedule 1.

1.16. The RTO ensures that all trainers and assessors undertake professional development in the fields of the knowledge and practice of vocational training, learning and assessment including competency based training and assessment.

Individuals working under the supervision of a trainer

1.17. Where the RTO, in delivering training and assessment, engages an individual who is not a trainer or assessor, the individual works under the supervision of a trainer and does not determine assessment outcomes.

1.18. The RTO ensures that any individual working under the supervision of a trainer under Clause 1.17:

- a) holds the skill set defined in Item 4 of Schedule 1 or, prior to 1 January 2016, is able to demonstrate equivalence of competencies;
- b) has vocational competencies at least to the level being delivered and assessed; and

- c) has current industry skills directly relevant to the training and assessment being provided.

1.19. Where the RTO engages an individual under Clause 1.17, it ensures that the training and assessment complies with Standard 1.

1.20. Without limiting Clauses 1.17 - 1.19, the RTO:

- a) determines and puts in place:
 - i. the level of the supervision required; and
 - ii. any requirements, conditions or restrictions considered necessary on the individual's involvement in the provision of training and collection of assessment evidence; and
- b) ensures that trainers providing supervision monitor and are accountable for all training provision and collection of assessment evidence by the individual under their supervision.

Delivery of the training and assessment qualifications for trainers and assessors

1.21. To deliver any AQF qualification or assessor skill set from the Training and Education Training Package (or its successor) the RTO must ensure all trainers and assessors delivering the training and assessment:

- a) hold the training and assessment qualification at least to the level being delivered; or
- b) prior to 1 January 2016, have demonstrated equivalence of competencies.

1.22. From 1 January 2016, to deliver any AQF qualification or assessor skill set from the Training and Education Training Package (or its successor), the RTO must have undergone an independent validation of its assessment system, tools, processes and outcomes in accordance with the requirements contained in Schedule 2 (and the definitions of **independent validation** and **validation**).

Transition of training products

1.23. Subject to Clause 1.24 and unless otherwise approved by the VET Regulator, the RTO ensures that:

- a) where a training product on its scope of registration is superseded, all learners' training and assessment is completed and the relevant AQF certification documentation is issued or learners are transferred into its replacement, within a period of one year from the date the replacement training product was released on the National Register;
- b) where an AQF qualification is no longer current and has not been superseded, all learners' training and assessment is completed and the relevant AQF certification documentation issued within a period of two years from the date the AQF qualification was removed or deleted from the National Register;
- c) where a skill set, unit of competency, accredited short course or module is no longer current and has not been superseded, all learners' training and assessment is completed and the relevant AQF certification documentation issued within a period of one year from the date the skill set, unit of competency, accredited short course or module was removed or deleted from the National Register; and
- d) a new learner does not commence training and assessment in a training product that has been removed or deleted from the National Register.

- 1.24. The requirements specified in Clause 1.23 a) do not apply where a training package requires the delivery of a superseded unit of competency.

Standard 2. The operations of the RTO are quality assured.

Context:

The RTO is ultimately responsible for ensuring quality training and assessment within their organisation and scope of registration, regardless of any third party arrangements where training and/or assessment is delivered on their behalf. This includes where the RTO subcontracts the delivery of services to a third party and the third party further subcontracts the delivery of services, but the AQF certification documentation will be issued by the RTO. The RTO must have a written agreement with any party that delivers services on its behalf.

The RTO is responsible for developing, implementing, monitoring and evaluating quality training and assessment strategies and practices that meet training package and VET accredited course requirements.

Evaluating information about performance and using such information to inform quality assurance of services and improve training and assessment is sound business and educational practice. The information used to evaluate RTO performance must be relevant to the operating characteristics and business objectives of the RTO and will vary from one RTO to another.

To be compliant with Standard 2 the RTO must meet the following:

- 2.1 The RTO ensures it complies with these Standards at all times, including where services are being delivered on its behalf. This applies to all operations of an RTO within its scope of registration.
- 2.2 The RTO:
- a) systematically monitors the RTO's training and assessment strategies and practices to ensure ongoing compliance with Standard 1; and
 - b) systematically evaluates and uses the outcomes of the evaluations to continually improve the RTO's training and assessment strategies and practices. Evaluation information includes but is not limited to quality/performance indicator data collected under Clause 7.5, validation outcomes, client, trainer and assessor feedback and complaints and appeals.
- 2.3 The RTO ensures that where services are provided on its behalf by a third party the provision of those services is the subject of a written agreement.
- 2.4 The RTO has sufficient strategies and resources to systematically monitor any services delivered on its behalf, and uses these to ensure that the services delivered comply with these Standards at all times.

Standard 3. The RTO issues, maintains and accepts AQF certification documentation in accordance with these Standards and provides access to learner records.

Context:

To maintain the integrity and national recognition of training products, AQF certification must be consistent in presentation and RTOs must accept the certification issued by other RTOs. This is the purpose of nationally agreed requirements about the nature of certification content and presentation and maintenance. Learner needs should be met through timely issuance of AQF certification documentation and access to their records.

RTOs are not obliged to issue any certification that would be entirely comprised of units or modules completed at another RTO or RTOs.

To be compliant with Standard 3 the RTO must meet the following:

- 3.1 The RTO issues AQF certification documentation only to a learner whom it has assessed as meeting the requirements of the training product as specified in the relevant training package or VET accredited course.
- 3.2 All AQF certification documentation issued by an RTO meets the requirements of Schedule 5.
- 3.3 AQF certification documentation is issued to a learner within 30 calendar days of the learner being assessed as meeting the requirements of the training product if the training program in which the learner is enrolled is complete, and providing all agreed fees the learner owes to the RTO have been paid.
- 3.4 Records of learner AQF certification documentation are maintained by the RTO in accordance with the requirements of Schedule 5 and are accessible to current and past learners.
- 3.5 The RTO accepts and provides credit to learners for units of competency and/or modules (unless licensing or regulatory requirements prevent this) where these are evidenced by:
 - a) AQF certification documentation issued by any other RTO or AQF authorised issuing organisation; or
 - b) authenticated VET transcripts issued by the Registrar.
- 3.6 The RTO meets the requirements of the Student Identifier scheme, including:
 - a) verifying with the Registrar, a Student Identifier provided to it by an individual before using that Student Identifier for any purpose;
 - b) ensuring that it will not issue AQF certification documentation to an individual without being in receipt of a verified Student Identifier for that individual, unless an exemption applies under the *Student Identifiers Act 2014*;
 - c) ensuring that where an exemption described in Clause 3.6 (b) applies, it will inform the student prior to either the completion of the enrolment or commencement of training and assessment (whichever occurs first) that the results of the training will not be accessible through the Commonwealth and will not appear on any authenticated VET transcript prepared by the Registrar; and
 - d) ensuring the security of Student Identifiers and all related documentation under its control, including information stored in its student management systems.

Part 3: Obligations to learners and clients

Standard 4. Accurate and accessible information about an RTO, its services and performance is available to inform prospective and current learners and clients.

Context:

The RTO is ultimately responsible for ensuring transparent and accurate information about RTO services and performance is accessible to prospective and current learners and clients of the RTO, regardless of any arrangements to have this information distributed on behalf of the RTO.

Transparent and accurate information about RTO services and performance enables prospective and current learners and clients to make informed decisions regarding their training and/or assessment needs.

The information about RTO services and performance provided by the RTO must be relevant to and reflect the needs of the client which will vary from RTO to RTO.

To be compliant with Standard 4 the RTO must meet the following:

- 4.1 Information, whether disseminated directly by the RTO or on its behalf, is both accurate and factual, and:
- a) accurately represents the services it provides and the training products on its scope of registration;
 - b) includes its RTO Code;
 - c) refers to another person or organisation in its marketing material only if the consent of that person or organisation has been obtained;
 - d) uses the NRT Logo only in accordance with the conditions of use specified in Schedule 4;
 - e) makes clear where a third party is recruiting prospective learners for the RTO on its behalf ;
 - f) distinguishes where it is delivering training and assessment on behalf of another RTO or where training and assessment is being delivered on its behalf by a third party;
 - g) distinguishes between nationally recognised training and assessment leading to the issuance of AQF certification documentation from any other training or assessment delivered by the RTO;
 - h) includes the code and title of any training product, as published on the National Register, referred to in that information;
 - i) only advertises or markets a non-current training product while it remains on the RTO's scope of registration;
 - j) only advertises or markets that a training product it delivers will enable learners to obtain a licensed or regulated outcome where this has been confirmed by the industry regulator in the jurisdiction in which it is being advertised;

- k) includes details about any VET FEE-HELP, government funded subsidy or other financial support arrangements associated with the RTO's provision of training and assessment; and
- l) does not guarantee that:
 - i. a learner will successfully complete a training product on its scope of registration; or
 - ii. a training product can be completed in a manner which does not meet the requirements of Clause 1.1 and 1.2; or
 - iii. a learner will obtain a particular employment outcome where this is outside the control of the RTO.

Standard 5. Each learner is properly informed and protected.

Context:

In order to ensure that learners are adequately informed about the services they are to receive, their rights and obligations, and the RTO's responsibilities under these Standards, the RTO must provide learners with information prior to commencement of services including any third party arrangements affecting the delivery of training and/or assessment. This is to occur regardless of the manner in which the learner has been engaged, and whether the learner was initially engaged by the RTO itself or a third party.

The RTO is to provide or make readily available information to the learner that outlines the services the RTO will provide the learner, along with the rights and obligations of the learner and the RTO.

The RTO may provide information to the learner through one or more documents, for example an enrolment form, policy, employment contract or agreement, induction handbook or documented practice, training plan or training contract.

To be compliant with Standard 5 the RTO must meet the following:

- 5.1 Prior to enrolment or the commencement of training and assessment, whichever comes first, the RTO provides advice to the prospective learner about the training product appropriate to meeting the learner's needs, taking into account the individual's existing skills and competencies.
- 5.2 Prior to enrolment or the commencement of training and assessment, whichever comes first, the RTO provides, in print or through referral to an electronic copy, current and accurate information that enables the learner to make informed decisions about undertaking training with the RTO and at a minimum includes the following content:
 - a) the code, title and currency of the training product to which the learner is to be enrolled, as published on the National Register;
 - b) the training and assessment, and related educational and support services the RTO will provide to the learner including the:
 - i. estimated duration;
 - ii. expected locations at which it will be provided;
 - iii. expected modes of delivery;

- iv. name and contact details of any third party that will provide training and/or assessment, and related educational and support services to the learner on the RTO's behalf; and
 - v. any work placement arrangements.
- c) the RTO's obligations to the learner, including that the RTO is responsible for the quality of the training and assessment in compliance with these Standards, and for the issuance of the AQF certification documentation.
- d) the learner's rights, including:
- i. details of the RTO's complaints and appeals process required by Standard 6; and
 - ii. if the RTO, or a third party delivering training and assessment on its behalf, closes or ceases to deliver any part of the training product that the learner is enrolled in;
- e) the learner's obligations:
- i. in relation to the repayment of any debt to be incurred under the VET FEE-HELP scheme arising from the provision of services;
 - ii. any requirements the RTO requires the learner to meet to enter and successfully complete their chosen training product; and
 - iii. any materials and equipment that the learner must provide; and
- f) information on the implications for the learner of government training entitlements and subsidy arrangements in relation to the delivery of the services.

5.3 Where the RTO collects fees from the individual learner, either directly or through a third party, the RTO provides or directs the learner to information prior to enrolment or the commencement of training and assessment, whichever comes first, specifying:

- a) all relevant fee information including:
 - i. fees that must be paid to the RTO; and
 - ii. payment terms and conditions including deposits and refunds;
- b) the learner's rights as a consumer, including but not limited to any statutory cooling-off period, if one applies;
- c) the learner's right to obtain a refund for services not provided by the RTO in the event the:
 - i. arrangement is terminated early; or
 - ii. the RTO fails to provide the agreed services.

5.4 Where there are any changes to agreed services, the RTO advises the learner as soon as practicable, including in relation to any new third party arrangements or a change in ownership or changes to existing third party arrangements.

Standard 6. Complaints and appeals are recorded, acknowledged and dealt with fairly, efficiently and effectively.

Context:

RTOs must implement a transparent complaints and appeals policy that enables learners and clients to be informed of and to understand their rights and the RTO's responsibilities under the Standards.

Enterprise RTOs and volunteer associations that do not charge fees for the training and/or assessment and only provide training to employees or members, are not required to maintain a separate complaints and appeals policy in relation to their training and assessment. These organisations must ensure, however, that their organisation's complaints policy is sufficiently broad to cover the activities as an RTO.

Subject to Clause 6.6, to be compliant with Standard 6 the RTO must meet the following:

- 6.1 The RTO has a complaints policy to manage and respond to allegations involving the conduct of:
 - a) the RTO, its trainers, assessors or other staff;
 - b) a third party providing services on the RTO's behalf, its trainers, assessors or other staff; or
 - c) a learner of the RTO.
- 6.2 The RTO has an appeals policy to manage requests for a review of decisions, including assessment decisions, made by the RTO or a third party providing services on the RTO's behalf.
- 6.3 The RTO's complaints policy and appeals policy:
 - a) ensure the principles of natural justice and procedural fairness are adopted at every stage of the complaint and appeal process
 - b) are publicly available;
 - c) set out the procedure for making a complaint or requesting an appeal;
 - d) ensure complaints and requests for an appeal are acknowledged in writing and finalised as soon as practicable; and
 - e) provide for review by an appropriate party independent of the RTO and the complainant or appellant, at the request of the individual making the complaint or appeal, if the processes fail to resolve the complaint or appeal.
- 6.4 Where the RTO considers more than 60 calendar days are required to process and finalise the complaint or appeal, the RTO:
 - a) informs the complainant or appellant in writing, including reasons why more than 60 calendar days are required; and
 - b) regularly updates the complainant or appellant on the progress of the matter.
- 6.5 The RTO:
 - a) securely maintains records of all complaints and appeals and their outcomes; and
 - b) identifies potential causes of complaints and appeals and takes appropriate corrective action to eliminate or mitigate the likelihood of reoccurrence.
- 6.6 Where the RTO is an employer or a volunteer organisation whose learners solely consist of its employees or members, does not charge fees for the training and/or assessment, and does not have in place a specific complaints and appeals policy in accordance with Clauses 6.1 & 6.2, the organisation has a complaints and appeals policy which is sufficiently broad to cover the services provided by the RTO.

PART 4 – RTO governance and administration

Standard 7. The RTO has effective governance and administration arrangements in place.

Context:

Business viability is critical to the ongoing sustainability of an RTO and the investment it makes in its services. If RTOs are not viable, then this negatively impacts on the quality of its training and assessment outcomes and on learners.

Operational and financial business standards therefore provide important protective measures for the learner and RTOs, as well as acting as a disincentive for underprepared organisations to enter the market.

The factors determining the viability of an RTO are dependent upon the business objectives and operating characteristics of the RTO. For example, the factors determining the business viability of an enterprise RTO embedded within a major Australian business may be different to those impacting upon a private provider or a publically-owned TAFE Institute.

To be compliant with Standard 7 the RTO must meet the following:

7.1 The RTO ensures that its executive officers or high managerial agent:

- a) are vested with sufficient authority to ensure the RTO complies with the RTO Standards at all times; and
- b) meet each of the relevant criteria specified in the Fit and Proper Person Requirements in Schedule 3.

7.2 The RTO satisfies the Financial Viability Risk Assessment Requirements.

7.3 Where the RTO requires, either directly or through a third party, a prospective or current learner to prepay fees in excess of a total of \$1500 (being the threshold prepaid fee amount), the RTO must meet the requirements set out in the Requirements for Fee Protection in Schedule 6.

7.4 The RTO holds public liability insurance that covers the scope of its operations throughout its registration period.

7.5 The RTO provides accurate and current information as required by the Data Provision Requirements as updated from time to time.

Standard 8. The RTO cooperates with the VET Regulator and is legally compliant at all times.

Context:

RTOs need to comply with the requirements of the RTO Standards as well as other relevant Commonwealth, State and Territory legislation. This is critical if RTOs are to deliver training products that have integrity and which fulfil their obligations to their clients.

It is important that third party arrangements are documented and transparent to facilitate the Regulator's knowledge that such arrangements exist. This will enable them to factor this into the risk profile they apply when enforcing compliance with the Standards and to review, in the context of RTO audits, the terms of the third party arrangements and the effectiveness of the arrangements in facilitating compliance with these Standards.

To be compliant with Standard 8 the RTO must meet the following:

8.1 The RTO cooperates with the VET Regulator:

- a) by providing accurate and truthful responses to information requests from the VET Regulator relevant to the RTO's registration;
- b) in the conduct of audits and the monitoring of its operations;
- c) by providing quality/performance indicator data;
- d) by providing information about substantial changes to its operations or any event that would significantly affect the RTO's ability to comply with these standards within 90 calendar days of the change occurring;
- e) by providing information about significant changes to its ownership within 90 calendar days of the change occurring; and
- f) in the retention, archiving, retrieval and transfer of records.

8.2 The RTO ensures that any third party delivering services on its behalf is required under written agreement to cooperate with the VET Regulator:

- a) by providing accurate and factual responses to information requests from the VET Regulator relevant to the delivery of services; and
- b) in the conduct of audits and the monitoring of its operations.

8.3 The RTO notifies the Regulator:

- a) of any written agreement entered into under Clause 2.3 for the delivery of services on its behalf within 30 calendar days of that agreement being entered into or prior to the obligations under the agreement taking effect, whichever occurs first; and
- b) within 30 calendar days of the agreement coming to an end.

8.4 The RTO provides an annual declaration on compliance with these Standards to the VET Regulator and in particular whether it:

- a) currently meets the requirements of the Standards across all its scope of registration and has met the requirements of the Standards for all AQF certification documentation it has issued in the previous 12 months; and
- b) has training and assessment strategies and practices in place that ensure that all current and prospective learners will be trained and assessed in accordance with the requirements of the Standards.

8.5 The RTO complies with Commonwealth, State and Territory legislation and regulatory requirements relevant to its operations.

8.6 The RTO ensures its staff and clients are informed of any changes to legislative and regulatory requirements that affect the services delivered.

Schedule 1

Item	Relevant Standard	AQF Qualification or Unit of Competency
1	1.14 1.15	TAE40110 Certificate IV in Training and Assessment or its successor.
2	1.14 1.15	A diploma or higher level qualification in adult education.
3	1.15	TAESS00001 Assessor Skill Set or its successor.
4	1.18	a) TAESS00007 Enterprise Trainer – Presenting Skill Set or its successor; or b) TAESS00008 Enterprise Trainer – Mentoring Skill Set or its successor; or c) TAESS00003 - Enterprise Trainer and Assessor Skill Set or its successor

Schedule 2

Independent validation requirements for RTOs delivering training and assessment qualifications or assessor skill sets from the Training and Education Training Package (or its successor)

For the purposes of Clause 1.22, the requirements for independent validation will apply as follows:

- a) For an RTO applying to extend its scope of registration to include the delivery and assessment of an AQF qualification or assessor skill set from the Training and Education Training Package (or its successor), validation is of:
 - i. the RTO's assessment tools, processes and outcomes in relation to other AQF qualifications and/or units of competency on its scope of registration, as directed by the VET Regulator; and
 - ii. the assessment system to be adopted in the delivery of the training and assessment qualification or assessor skill set.
- b) For an RTO where its scope of registration includes the delivery and assessment of an AQF qualification or assessor skill set from the Training and Education Training Package (or its successor), validation is of:
 - i. the assessment system for delivery of the training and assessment qualification or assessor skill set; and
 - ii. the RTO's assessment tools, processes and outcomes in relation to the training and assessment qualification or assessor skill set.

For the purposes of Clause 1.22, independent validation of AQF qualifications or the assessor skill set from the Training and Education Training Package (or its successor) must be conducted by one or more persons who collectively have:

- a) current knowledge and skills in vocational teaching and learning; and
- b) the training and assessment qualification or assessor skill set at least to the level being validated.

Schedule 3

Fit and Proper Person Requirements

Criteria for suitability

In assessing whether a person meets the Fit and Proper Person Requirements, the VET Regulator will have regard to the following considerations:

- a) whether the person has been convicted of an offence against a law of the Commonwealth or a State or Territory of Australia, or of another country, and if so, the seriousness of the offence and the time elapsed since the conviction was recorded;
- b) whether the person has ever been an executive officer or high managerial agent of an RTO at a time that the RTO had its registration on the National Register cancelled or suspended by its VET Regulator for having breached a condition imposed on its Registration;
- c) whether the person has ever been an executive officer or high managerial agent of an RTO at a time that the RTO was determined to have breached a condition of its registration under the *Education Services for Overseas Students Act 2000* or the *Tertiary Education Quality and Standards Agency Act 2011*;
- d) whether the person has ever become bankrupt, applied to take the benefit of a law for the benefit of bankrupt or insolvent debtors, compounded with his or her creditors or assigned his or her remuneration for the benefit of creditors, and if so, the time elapsed since this event occurred;
- e) whether the person has ever been disqualified from managing corporations under Part 2D.6 of the *Corporations Act 2001*, and if so, whether the disqualification remains in place;
- f) whether the person was involved in the business of delivering courses or other services on behalf of a person that was the subject of regulatory action described in points b) or c) above, and if so, the relevance of the person's involvement;
- g) whether the person has ever provided a VET Regulator with false or misleading information or made a false or misleading statement to a VET Regulator, and if so, whether it is reasonable to assume that the person knew that the statement made or information provided to the VET Regulator was false or misleading;
- h) whether the person has ever been determined not to be a fit and proper person as prescribed under any law of the Commonwealth or of a State or Territory of Australia, and if so, whether that determination remains in place;
- i) whether the public is likely to have confidence in the person's suitability to be involved in an organisation that provides, assesses or issues nationally recognised qualifications;
- j) whether the person has ever been an executive officer or high managerial agent of an RTO at a time that the RTO was determined to have breached a government training contract; and
- k) any other relevant matter.

Schedule 4

Conditions of Use of NRT Logo

The Nationally Recognised Training (NRT) Logo is a distinguishable mark of quality for promoting and certifying national vocational education and training leading to AQF certification documentation. The NRT Logo is a registered trade mark.

The following describes a range of situations and conditions for using the NRT Logo.

Advertisements and promotional information in any medium (print, television, radio, banners, internet, etc)

1. RTOs registered by any VET Regulator may use the NRT Logo to promote nationally recognised training provided that training is within the RTO's scope of registration.
2. Impressions must not be created that may lead an observer to conclude the NRT Logo applies to all training provided by the RTO, if this is not the case. The NRT Logo cannot be used by an RTO where the training is accredited, but is outside the scope of registration of the RTO. Where training is being promoted and does not meet the requirements stipulated in the VET Quality Framework or is outside the RTO's scope of registration, it must be made clear the NRT Logo is not associated with that training.
3. Use of the NRT Logo is only permitted where there is a direct relationship to an AQF qualification and/or unit of competency as specified within training packages or VET accredited courses.

Student information (brochures, course handbooks, prospectuses, etc)

4. When an RTO is promoting the training it offers and wishes to use the NRT Logo, its promotional material such as brochures, handbooks and prospectuses must clearly distinguish between nationally recognised training within the scope of registration and that which is not nationally recognised.

Corporate stationery, business cards, buildings, training resources and marketing products

5. The NRT Logo must not be used on products such as corporate stationery, business cards, building signage, mouse pads, pens, satchels, packaging around products nor learning resources supporting training.

Certificates, Statements of Attainment and other testamurs

6. The NRT Logo must be depicted on all AQF certification documentation issued by the RTO. These can only be issued by an RTO when the qualification and/or unit of competency are within the RTO's scope of registration. The NRT Logo must not be depicted on other testamurs or transcripts of results.

Schedule 5

Application of the AQF Qualifications Issuance Policy within the VET Sector

RTOs must meet the requirements of the AQF for issuing AQF qualifications and statements of attainment, in addition to the following requirements.

Issuing AQF Qualifications

1. RTOs must include the following information on the testamur, in addition to the requirements of the AQF Qualifications Issuance Policy:
 - a) the name, RTO code and logo of the issuing organisation;
 - b) the code and title of the awarded AQF qualification; and
 - c) the NRT Logo in accordance with the current conditions of use contained in Schedule 4.
2. The following elements are to be included on the testamur as applicable:
 - a) the State / Territory Training Authority logo (only where use of the logo is directed by State / Territory Training Authorities, e.g. within User Choice contracts);
 - b) the industry descriptor, e.g. Engineering;
 - c) the occupational or functional stream, in brackets, e.g. (Fabrication);
 - d) where relevant, the words, 'achieved through Australian Apprenticeship arrangements'; and
 - e) where relevant, the words, 'these units/modules have been delivered and assessed in <insert language> followed by a listing of the relevant units/modules.
3. RTOs must not include the learner's Student Identifier on the testamur consistent with the Student Identifiers Act 2014.
4. RTOs will:
 - a) retain registers of AQF qualifications they are authorised to issue and of all AQF qualifications issued;
 - b) retain records of AQF certification documentation issued for a period of 30 years; and
 - c) provide reports of Records of qualifications issued to its VET Regulator on a regular basis as determined by the VET Regulator.

Issuing Statements of Attainment

5. RTOs must include the following information on a statement of attainment:
 - a) the name, RTO Code and logo of the issuing organisation;
 - b) a list of units of competency (or modules where no units of competency exist) showing their full title and the national code for each unit of competency;
 - c) the authorised signatory;
 - d) the NRT Logo;
 - e) the issuing organisation's seal, corporate identifier or unique watermark;
 - f) the words 'A statement of attainment is issued by a Registered Training Organisation when an individual has completed one or more accredited units';

6. The following elements are to be included on the statement of attainment as applicable:
 - a) the State/Territory Training Authority logo (only where use of the logo is directed by State/ Territory Training Authorities);
 - b) the words 'These competencies form part of [code and title of qualification(s)/course(s)]';
 - c) the words, 'These competencies were attained in completion of [code] course in [full title]'; and
 - d) where relevant, the words, 'these units / modules have been delivered and assessed in <insert language>' followed by a listing of the relevant units/modules.
7. RTOs must not include the learner's Student Identifier on the statement of attainment consistent with the Student Identifiers Act 2014.
8. RTOs will:
 - a) maintain registers of all statements of attainments issued;
 - b) retain records of statements of attainment issued for a period of 30 years; and
 - c) provide reports of its records of statements of attainment issued to its VET Regulator on a regular basis, as determined by the VET Regulator.

Schedule 6

Requirements for protecting fees prepaid by individual learners, or prospective learners, for services

These requirements do not override obligations and requirements of the *Education Services for Overseas Students Act 2000* (Cth).

Type of RTO	Requirement
Government Entity or an Australian university	<p>The RTO implements a policy addressing learner fee protection arrangements. This policy details how, if the RTO is unable to provide services for which the learner has prepaid, the learner will:</p> <p>be placed into an equivalent course such that:</p> <ul style="list-style-type: none">– the new location is suitable to the learner; and– the learner receives the full services for which they have prepaid at no additional cost to the learner; or <p>be paid a refund of any prepaid fees for services yet to be delivered above the threshold prepaid fee amount.</p>

Type of RTO	Requirement
All other RTOs	<p>The RTO addresses learner fee protection by implementing one or more of the following arrangements:</p> <ol style="list-style-type: none"> 1. The RTO holds an unconditional financial guarantee from a bank operating in Australia where: <ol style="list-style-type: none"> a) the guarantee is for an amount no less than the total amount of prepaid fees held by the RTO in excess of the threshold prepaid fee amount for each learner for services to be provided by the RTO to those learners; and b) all establishment and ongoing maintenance costs for the bank guarantee are met by the RTO. 2. The RTO holds current membership of a Tuition Assurance Scheme approved by its VET Regulator which, if the RTO is unable to provide services for which the learner has prepaid, must ensure: <ul style="list-style-type: none"> • the learner will be placed into an equivalent course such that: <ul style="list-style-type: none"> – the new location is geographically close to where the learner had been enrolled; and – the learner receives the full services for which they have prepaid at no additional cost to the learner; or • if an equivalent course cannot be found, the learner is paid a refund of any prepaid fees for services yet to be delivered above the threshold prepaid fee amount. 3. Any other fee protection measure approved by the VET Regulator.

Standards for VET Regulators 2014

PART 1 – Preliminary

Name of Standards

These Standards are the *Standards for VET Regulators 2014*. These Standards should be read in conjunction with the:

- VET Quality Framework
- Standards for Registered Training Organisations
- Standards for Training Packages
- Standards for VET Accredited Courses

Purpose

The purpose of these Standards is to ensure:

- the integrity of nationally recognised training by regulating RTOs and VET accredited courses using a risk-based approach that is consistent, effective, proportional, responsive and transparent;
- consistency in the VET Regulator's implementation and interpretation of the RTO Standards and Standards for VET Accredited Courses; and
- the accountability and transparency of the VET Regulator in undertaking its regulatory functions.

Context:

The Standards require a risk-based approach to the regulation of RTOs that is informed by assessments of RTO compliance with the RTO Standards on an ongoing basis. This risk management approach enables VET Regulators to more actively and regularly apply strategies to reduce the regulatory burden for high-performing RTOs with a history of strong compliance and to increase regulatory action for those RTOs considered as higher risk. This is achieved through regulatory strategies that can include:

- an active and dynamic risk assessment process that is based on compliance history, performance data, outcomes of complaints against RTOs, and industry and learner intelligence;*
- varying the type and regularity of audits, based on risk assessments;*
- recognising and not duplicating the decisions of other relevant regulators; and*
- delegating regulatory powers to low-risk RTOs, such as the ability to amend their scope of registration.*

Regulation must be sufficient to assure the quality outcomes of the RTO Standards and the Standards for VET Accredited Courses, with VET Regulators using the strength of their regulatory tools to deter non-compliance. The regulatory approach should engender self-evaluation and improvement within RTOs in a way that makes regulation valued for what it contributes to RTOs, industry stakeholders and learners.

Structure

These Standards consist of six Standards. Under each Standard is a set of Clauses. To comply with a Standard, the VET Regulator must meet each Clause.

Definitions

The glossary at the beginning of these Standards defines certain words and expressions which have specific meaning in these Standards.

Glossary

In these Standards, unless the contrary intention appears:

Accredited short course means a course accredited by the VET Regulator in accordance with the Standards for VET Accredited Courses that leads to an AQF statement of attainment.

AQF qualifications means an AQF qualification type endorsed in a training package or accredited in a VET accredited course.

Audit means an audit or compliance audit undertaken by the VET Regulator

Auditor means a person who conducts an audit or compliance audit on behalf of the VET Regulator.

Australian Qualification Framework (AQF) means the framework for regulated qualifications in the Australian education and training system, as agreed by the Commonwealth, State and Territory ministerial council with responsibility for higher education.

Course accreditation assessor means a person who assesses a course accreditation application on behalf of the VET Regulator for compliance with the Standards for VET Accredited Courses.

Delegate means an entity authorised by the VET Regulator to perform any of the Regulator's functions and powers.

Independent means, for the purposes of Clause 1.5, that the validation is carried out by a validator or validators who:

- a) are not employed or subcontracted by the RTO to provide training and assessment; and
- b) have no other involvement or interest in the operations of the RTO.

Industry means the bodies that have a stake in the services provided by RTOs. These can include, but are not limited to:

- a) enterprise/industry clients, e.g. employers;
- b) group training organisations
- c) industry organisations;
- d) industry regulators
- e) industry skills councils or similar bodies;
- f) industry training advisory bodies; and
- g) unions.

Industry and Skills Council means the Commonwealth, State and Territory ministerial council, or its successor, established by the Council of Australian Governments (COAG).

Industry regulator means a body or organisation responsible for the regulation and/or licensing arrangements within a specific industry or occupation.

Minister means the Commonwealth Minister who has responsibility for VET, or in the case of a non-referring state, the Minister who has responsibility for VET in that state.

National Register means the register maintained by the Commonwealth Department responsible for VET, and referred to in section 216 of the *National Vocational Education and Training Regulator Act 2011*.

Person includes a body politic or corporate as well as an individual.

Registration means registration as an RTO by the VET Regulator, where that registration is then entered on the National Register.

Risk means the potential for exposure to poor quality outcomes for VET stakeholders if an RTO does not comply with its regulatory obligations.

Risk-based approach means that the VET Regulator's overall regulatory approach and its decisions about regulatory actions are informed through consideration of the likelihood of, and potential for adverse consequence caused by, non-compliance with the VET Quality Framework, the Standards for RTOs or the Standards for VET Accredited Courses.

Risk assessment framework means the guidelines made under section 190 of the *National Vocational Education and Training Regulator Act 2011* or the equivalent guidelines made or adopted by the VET Regulator of a non-referring State as the case requires.

RTO means a Registered Training Organisation.

Service standards means a documented policy which sets out the organisation's commitment to dealing with the public, including principles for the provision of good service, complaints and appeals processes, target timeframes for complaints resolution and contact details.

Standards for VET Accredited Courses are the standards made under subsection 188(1) of the *National Vocational Education and Training Regulator Act 2011* or the equivalent requirements adopted by a non-referring State.

Statistically valid means for the purpose of these Standards, a random sample of appropriate size is selected to enable confidence that the result is sufficiently accurate to be accepted as representative of the total population of assessments being validated.

Training product means AQF qualification, skill set, unit of competency, accredited short course and module.

Validation is the quality review of the assessment process. Validation involves checking that the assessment tool/s produce/d valid, reliable, sufficient, current and authentic evidence to enable reasonable judgements to be made as to whether the requirements of the training package or VET accredited courses are met. It includes reviewing a statistically valid sample of the assessments and making recommendations for future improvements to the assessment tool, process and/or outcomes and acting upon such recommendations.

VET stakeholders include Commonwealth, state and territory ministers and their agencies responsible for VET, RTOs, other VET regulators, accredited course owners, learners and industry.

VET means vocational education and training.

VET accredited course means a course accredited by the VET regulator in accordance with the Standards for VET Accredited Courses.

VET Quality Framework comprises:

- a) the Standards for Registered Training Organisations
- b) the Australian Qualifications Framework
- c) the Fit and Proper Person Requirements
- d) the Financial Viability Risk Assessment Requirements
- e) the Data Provision Requirements

VET Regulator means:

- a) the National VET Regulator; and
- b) a body of a non-referring State that is responsible for the kinds of matters dealt with under the VET legislation for that State.

PART 2 – Regulator Standards

Standard 1. The VET Regulator effectively and efficiently regulates RTOs.

Context:

The quality of the regulation of RTOs is crucial to ensuring the credibility of the VET system. This is achieved through effective and efficient processes and practices that are fair, risk-based, transparent, responsive, consistent, and meet legislative requirements. In addition to using a risk-based approach the VET Regulator has:

*robust and transparent decision making processes;
auditors who meet national competency requirements; and
procedures and practices in place to promote consistency in auditor judgements.*

To be compliant with Standard 1 the VET Regulator must meet the following:

- 1.1 The VET Regulator only grants registration or renews registration where it has determined that the person complies with the Standards for RTOs.
- 1.2 The VET Regulator conducts an audit of the RTO within two years of the RTO first being registered.
- 1.3 In enforcing the Standards for RTOs, the VET Regulator:
 - a) adopts a risk-based approach to regulation consistent with the risk assessment framework;
 - b) encourages RTOs to improve their performance;
 - c) ensures that its actions taken to mitigate risk of, or respond to, non-compliance are responsive and proportionate; and
 - d) makes publically available information about how it assesses risk and arrives at risk ratings.
- 1.4 The VET Regulator provides general education and guidance materials to RTOs to assist them to comply with the Standards for RTOs.
- 1.5 The VET Regulator only grants an application to add any AQF qualification or assessor skill set from the Training and Education Training Package (or its successor) to the RTO's scope of registration, if an RTO has:
 - a) held registration for at least two years continuously at the time of adding the qualification and/or skill set to scope; and
 - b) from 1 January 2016, undergone an independent validation of its assessment system, tools, processes and outcomes in accordance with the requirements contained in the Standards for RTOs.
- 1.6 The VET Regulator ensures that:
 - a) an RTO's scope of registration is not extended while instances of non-compliance remain outstanding unless action to address all relevant non-compliance is being progressed to the satisfaction of the VET Regulator;
 - b) subject to Clause 1.7, where a training product is superseded, the VET Regulator removes the training product from the RTO's current scope of registration one year from the date the replacement training product was released on the National Register;
 - c) where an AQF qualification is no longer current and is not superseded, the VET Regulator removes the qualification from the RTO's current scope of

registration two years from the date the qualification was removed or deleted from the National Register; and

- d) where a skill set, unit of competency, accredited short course or module is no longer current and has not been superseded, the VET Regulator removes the skill set, unit of competency, accredited short course or module from the RTO's current scope of registration one year from the date the skill set, unit of competency, accredited short course or module was removed or deleted from the National Register.

1.7 The requirements specified in Clause b) do not apply where a training package requires delivery of a superseded unit of competency.

1.8 The VET Regulator implements a risk-based approach to managing changes to RTO ownership or management, and publishes clear information about its processes and requirements.

1.9 The VET Regulator ensures that its auditors:

- a) adopt contemporary best practice auditing approaches; and
- b) exercise their judgement in a manner which maximises consistent interpretation of the Standards for RTOs, audit practice and findings across audits; and
- c) from 1 January 2016, meet the national competency requirements for auditors specified in Schedule 1.

1.10 The VET Regulator makes decisions in a manner consistent with the principles of natural justice and procedural fairness.

1.11 In conducting industry reviews and projects, the VET Regulator engages with other regulators as appropriate, including industry regulators, and with industry.

Standard 2. Courses are accredited in accordance with the Standards for VET Accredited Courses.

Context:

It is important that courses are accredited in a way that maintains the integrity of AQF qualifications. This is achieved through ensuring that decision making about accreditation is robust and fair and that course accreditation assessors meet national competency requirements.

The accreditation of courses needs to comply with the national Standards for VET Accredited Courses; and development processes must involve consultation with industry stakeholders where they are relevant to industry regulation and occupational licensing.

To be compliant with Standard 2 the VET Regulator must meet the following:

2.1 The VET Regulator only accredits courses that comply with the Standards for VET Accredited Courses.

2.2 The VET Regulator:

- a) provides advice to training package developing bodies on gaps in training packages identified as a result of its course accreditation activities; and
- b) accredits courses that have been designed to meet a licensed or regulated outcome only if the accreditation application is supported by the relevant industry regulator(s).

2.3 The VET Regulator ensures that its course accreditation assessors:

- a) exercise their judgment in a manner which maximises consistent interpretation of the Standards for VET Accredited Courses, and the consistency of their assessment practice and outcomes; and
 - b) from 1 January 2016, meet the national competency requirements for course accreditation assessors specified in Schedule 1.
- 2.4 The VET Regulator makes decisions about accreditation that are consistent with the principles of natural justice and procedural fairness.
- 2.5 The VET Regulator provides general education and guidance materials to course owners to assist them to comply with the Standards for VET Accredited Courses.

Standard 3. The VET Regulator communicates effectively and implements a transparent complaints process to enhance regulatory practices and outcomes.

Context:

Transparent regulation, based on communication and advice to RTOs and other VET stakeholders, will not only improve understanding of expectations and regulatory decisions, but will also establish an environment of review and improvement in RTO training and assessment and compliance with the Standards for RTOs.

Stakeholders need to be able to pass on reports of non-compliance to a VET Regulator in confidence and be assured that their report will be used to drive better compliance. Where their report includes a matter where the VET Regulator is specifically empowered to remedy a problem for them, they can expect prompt action and are entitled to feedback on the results of that action.

VET stakeholders and VET Regulators benefit from robust mechanisms to allow stakeholders to complain about a VET Regulator's regulatory practices. Stakeholders can expect their complaint to be addressed promptly and to be informed of the results.

To be compliant with Standard 3 the VET Regulator must meet the following:

- 3.1 The VET Regulator establishes and maintains effective communication arrangements with other VET Regulators and relevant VET stakeholders.
- 3.2 The VET Regulator communicates clear and accurate information and advice to relevant VET stakeholders on:
 - a) regulatory requirements, decisions and practice, including publishing, once all review periods have expired, information about decisions to impose a sanction on an RTO and the reasons for imposing the sanction;
 - b) emerging risks in the sector and patterns of non-compliance; and
 - c) cooperative arrangements between VET Regulators that promote consistency of practice and interpretation of the Standards for RTOs and the Standards for VET Accredited Courses.
- 3.3 The VET Regulator ensures that the information kept in the National Register is current as it relates to information within the VET Regulator's scope of responsibility.
- 3.4 The VET Regulator ensures that data on qualifications cancelled or issued by the VET Regulator, is provided to the National Centre for Vocational Education Research for inclusion in the national VET data collection.
- 3.5 The VET Regulator implements a policy to manage and respond to reports of an RTO's non-compliance with the Standards for RTOs which:
 - a) is publically available;

- b) sets out the procedure for making such a report;
- c) explains how such reports are used in supporting compliance efforts of the VET Regulator;
- d) explains the circumstances in which it is appropriate for the VET Regulator to inform the provider of the report about its progress, and if so, how this would happen;
- e) ensures that these reports are processed in accordance with the principles of natural justice and procedural fairness;
- f) requires the VET Regulator to maintain records of all reports about RTOs and their conclusion; and
- g) requires the VET Regulator to report on its handling of these reports to its Minister at least on a quarterly basis.

3.6 The VET Regulator implements a policy to manage and respond to stakeholder complaints about its regulatory practices which:

- a) is publicly available;
- b) sets out the procedure for making a complaint;
- c) includes target timeframes for acknowledging and finalising complaints which are set and monitored by the VET Regulator;
- d) provides information about how, if applicable, the complainant will be informed about the progress and conclusion of the complaint;
- e) ensures that complaints are processed in accordance with the principles of natural justice and procedural fairness;
- f) requires that if the VET Regulator considers more than 90 days will be required to finalise the complaint, the VET Regulator will inform the complainant in writing, including reasons why more than 90 days is required; and
- g) requires the VET Regulator to maintain records of all complaints about its regulatory services and their conclusion.

3.7 The VET Regulator:

- a) uses the information gathered from complaints about RTOs to inform its risk-based approach to regulation; and
- b) identifies potential causes of complaints about its regulatory practices and takes appropriate corrective and/or preventative action to eliminate or mitigate the likelihood of reoccurrence.

Standard 4. The VET Regulator reports to and responds to requests from the Industry and Skills Council or its delegate.

Context:

VET Regulators are required to report to the Industry and Skills Council or its delegate against the VET Regulator Standards and respond to their requests. Reporting against the Standards plays an important role in improving the quality of regulation by ensuring regular reviews of regulator performance and of their implementation and interpretation of the Standards for RTOs and the Standards for VET Accredited Courses.

To be compliant with Standard 4 the VET Regulator must meet the following:

- 4.1 The VET Regulator reports according to guidelines issued by the Industry and Skills Council or its delegate on its compliance with these Standards, the operations of the VET Quality Framework, and the Standards for Accredited Courses.
- 4.2 The VET Regulator responds to requests by the Industry and Skills Council or its delegate for information regarding the operation of these Standards, the VET Quality Framework, the Standards for Accredited Courses and any related regulatory matters.

Standard 5. The VET Regulator evaluates and improves its regulatory performance and ensures that its delegates comply with the VET Regulator Standards.

Context:

VET Regulators provide leadership by demonstrating their commitment to evaluating and improving their regulatory practice through a range of improvement strategies. This also ensures that any delegates of VET Regulators comply with these Standards.

To be compliant with Standard 5 the VET Regulator must meet the following:

- 5.1 The VET Regulator manages its registration and accreditation functions through a defined and documented quality system that is regularly reviewed to ensure its continuing suitability and effectiveness.
- 5.2 The VET Regulator reviews and improves the way it regulates RTOs and accredits courses, using evidence from sources that include, but are not limited to:
- a) internal reviews of its regulatory practices, moderation practices and decisions;
 - b) its findings and decisions arising from audits of RTOs;
 - c) reviews of appeals against its regulatory decisions;
 - d) its findings from complaints against RTOs;
 - e) its findings from complaints about its regulatory activities;
 - f) information gained from:
 - i. data and feedback from VET stakeholders; and
 - ii. the outcomes of strategic reviews; and
 - g) information gained from the external review process referred to in Clause 0.
- 5.3 The VET Regulator participates in an external review process as directed by the Industry and Skills Council or its delegate.
- 5.4 The VET Regulator ensures that its delegates comply with these Standards.

Standard 6. The VET Regulator must be effectively and efficiently managed.

Context:

To ensure that the business operations of VET Regulators are efficient and effective, they must have robust management and administrative systems in place. VET Regulators can lead by example by ensuring their business processes are transparent, and reviewed and improved.

To be compliant with Standard 6 the VET Regulator must meet the following:

- 6.1 The regulatory practices and administrative services of the VET Regulator are efficient and effective.
- 6.2 The VET Regulator has service standards it must meet to perform its functions which:
 - a) take account of good practice service standards in developing and updating those service standards; and
 - b) are publicly available.
- 6.3 The VET Regulator has a code of practice that its auditors and course accreditation assessors must meet in performing their functions which:
 - a) takes account of good practice auditing and course accreditation approaches; and
 - b) is publicly available.
- 6.4 The VET Regulator regularly reviews its efficiency and performance against its service standards and adjusts internal management to ensure those standards are consistently met.

Schedule 1 – Competency Requirements

AUDITORS

The VET Regulator must ensure that each auditor holds at a minimum the following qualifications or equivalent competencies as determined by the VET Regulator:

- TAE40110 Certificate IV in Training and Assessment (or its successor); and
- BSB51607 Diploma of Quality Auditing (or its successor).

In undertaking the above qualifications, the auditor must complete the following units of competency, or have equivalent competencies as determined by the VET Regulator:

from the Business Services Training Package (or its successor):

- BSBAUD402B Participate in a quality audit (or its successor);
- BSBAUD501B Initiate a quality audit (or its successor);
- BSBAUD503B Lead a quality audit (or its successor); and
- BSBAUD504B Report on a quality audit (or its successor)

from the Training and Education Training Package (or its successor):

- TAEASS502B Design and develop assessment tools (or its successor);
- TAEDES501A Design and develop learning strategies (or its successor); and
- TAEASS503A Lead assessment validation processes (or its successor)

An audit team may comprise a lead auditor and one or more auditors, and include technical advisers when required, who provide specific knowledge or expertise to the audit team. Technical advisers must operate under the direction of an auditor. Any technical adviser involved in an audit is not required to comply with the minimum competency requirements specified for auditors above.

COURSE ACCREDITATION ASSESSORS

The VET Regulator must ensure that each application for a VET accredited course is considered by a course accreditation assessor who holds at a minimum the following qualification or equivalent competencies as determined by the VET Regulator:

- TAE40110 Certificate IV in Training and Assessment (or its successor); and
- BSB51607 Diploma of Quality Auditing (or its successor)

In undertaking the above qualifications, the course accreditation assessor must complete the following units of competency, or have equivalent competencies as determined by the VET Regulator:

- TAEDES402A Use training packages and accredited courses to meet client needs (or its successor)
- TAEDES504A Research and develop units of competency (or its successor)

Appendix C: Average Annual Regulatory Costs

Average Annual Regulatory Costs (from Business as usual)

Change in costs (\$million)	Business	Community Organisations	Individuals	Total change in cost
Total by Sector	-3.91	-0.34	2.27	-1.97
Cost offset (\$million)	Business	Community Organisations	Individuals	Total by Source
Agency	-	-	-	-
Within portfolio	-	-	-	-
Outside portfolio	-	-	-	-
Total by Sector	-	-	-	-

Are all new costs offset?

- yes, costs are offset (see below)
 no, costs are not offset
 deregulatory, no offsets required

Total (Change in costs - Cost offset) (\$million) -1.97