

TRAINING ACCREDITATION COUNCIL

RISK FRAMEWORK

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1. INTRODUCTION

1.1 Background

The Training Accreditation Council (TAC) is an independent statutory body responsible for the registration and quality assurance of training providers delivering vocational education and training (VET) services to domestic students in Western Australia or in both Western Australia and Victoria.

TAC operates within an agreed national VET regulatory framework defined in the following instruments:

- Australian Qualifications Framework (AQF);
- Australian Quality Training Framework (AQTF) Standards for Accredited Courses;
- Data Provision Requirements;
- *Financial Viability Risk Assessment Requirements 2012*;
- Fit and Proper Person Requirements as outlined in the *Standards for RTOs*;
- *Standards for Registered Training Organisations (RTOs) 2015*;
- Standards for Training Packages; and
- *Standards for VET Regulators 2015*.

1.2 VET sector reforms

The introduction of recent VET reforms has set the tone for an improved, more targeted approach to the quality assurance of providers within the VET sector. Key changes include greater clarity of regulatory requirements through the introduction of the *Standards for Registered Training Organisations (RTOs) 2015* and *Standards for VET Regulators 2015*.

The *Standards for VET Regulators 2015* states their purpose is to ensure "...the integrity of nationally recognised training by regulating RTOs...using a risk-based approach that is consistent, effective, proportional, responsive and transparent" (p4). The approach described in the Standards enables VET regulators to recognise the different level of risk posed by different providers, enabling regulators to deal more effectively with poor quality in the sector and to improve confidence of VET outcomes.

Increased flexibility resulting from the changes to the RTO and VET regulator standards has enabled enhancements to the TAC's existing mechanisms to identify, analyse and apply appropriate and proportionate risk strategies and regulatory responses.

1.3 TAC approach

Quality VET outcomes are fundamental to the development of a skilled workforce. As a regulator, the TAC's primary role is to assure the quality of training services delivered in the VET sector in Western Australia through the effective regulation of providers and accredited courses.

To achieve this, the TAC has adopted a risk management approach in which regulatory responses are risk based, evidence based, targeted and proportionate. This enables a focus on RTOs or sectors deemed to pose the highest risk to quality outcomes, while allowing those with a history of consistent compliance to operate with reduced regulatory scrutiny.

TAC will direct its focus and resources to RTOs that are considered higher risk and on systemic issues identified across the sector. This will be achieved through the use of data analysis tools and information gained through a variety of sources.

1.4 A shared responsibility

TAC is committed to responding to State based priorities and risks in a timely manner. TAC manages risks through its role in assuring the quality of VET outcomes for students, industry and the wider community.

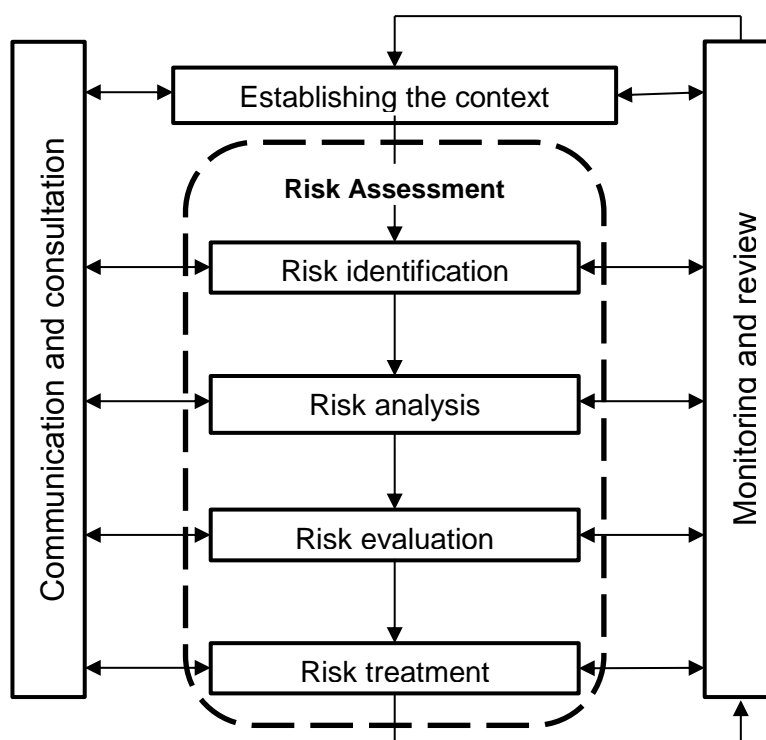
A key feature of the TAC approach is engagement and collaboration with various VET stakeholders who share the responsibility of assuring quality VET outcomes. TAC regularly seeks input from stakeholders to inform its regulatory activities and priorities. Engagement activities range from formalised arrangements such as Memoranda of Understanding, to scheduled and ad hoc engagement and collaboration activities. Key stakeholders include:

- **State Training Authority** – responsible for VET public funding policy;
- **Council of Australian Governments (COAG) Industry and Skills Council** – responsible for VET policy and standards;
- **Training product developers** – responsible for working with industry so that training packages and accredited courses meet industry needs;
- **Industry and Industry Regulators** – responsible for working with training product developers to ensure training products meet industry and industry regulatory requirements. These groups also provide government and VET Regulators with intelligence about issues impacting on quality VET outcomes. In some cases industry and industry regulators apply their own quality assurance mechanisms that operate in parallel to areas across TAC's jurisdiction;
- **RTOs** – responsible for meeting the prescribed requirements of training products, VET Standards and legislation to ensure quality training and assessment practices and outcomes; and
- **VET Regulators** – responsible for ensuring RTOs comply with the requirements of training products, VET Standards and relevant legislation. VET Regulators collaborate to ensure national consistency of regulatory approach.

2. TAC RISK FRAMEWORK

The TAC Risk Framework describes the key features of its risk-based approach to regulation and how it identifies and evaluates risks to the quality of VET delivery. The framework has been designed in accordance with the international standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.

An overview of the TAC Risk Framework is illustrated below:



2.1 Underpinning principles

Key principles underpinning the TAC risk approach include:

- **Evidence-based** – Risk analysis and regulation is informed by intelligence obtained from a range of sources, including outcomes of complaints; engagement with industry, including industry regulators; cooperation with other VET regulators and state and national education and training agencies; and the outcomes of the TAC’s targeted monitoring and strategic audit activity.
- **Responsive** – Data and intelligence informing risk analysis and evaluation is regularly reviewed, ensuring early detection of changes in provider and systemic risk and timely regulatory responses.
- **Adaptable** – TAC’s risk intelligence gathering systems enable consideration of a range of risks. New risks emerging from changes to industry or VET policy can be readily factored into risk analysis.
- **Targeted, proportionate and timely** – RTO risk profiles and systemic risk issues determine the intensity and timing of TAC’s regulatory responses, with increased regulatory focus on areas of poor performance and reduced regulatory burden on RTOs that consistently demonstrate compliance.

3. HOW TAC MANAGES AND RESPONDS TO RISK

Emphasis on the collection of data from a range of sources will focus resources on those organisations or sectors which are deemed to pose the highest risk to quality outcomes. Two levels of risk inform TAC's regulatory responses:

- **Provider risk** is risk that relates to an individual RTO. It is often the result of decisions and actions an RTO takes that if left unmanaged, could impact negatively on training outcomes for students, industry or the community.
- **Systemic risk** is risk pertaining to a group of RTOs, specific industry areas or Standards, or the VET sector as a whole. The impact of this type of risk is often significant and far-reaching, and could potentially be detrimental to training and employment outcomes for graduates and on the reputation of VET.

TAC's risk approach involves the analysis of data across a range of risk factors to identify provider and systemic risks. Specific areas of actual or potential risk are analysed and appropriate risk responses are formulated.

3.1 Sources of intelligence

Consideration of risk is drawn from a broad range of sources. This intelligence and evidence based approach means that regulatory actions will be more informed and proportionate. Data sources include:

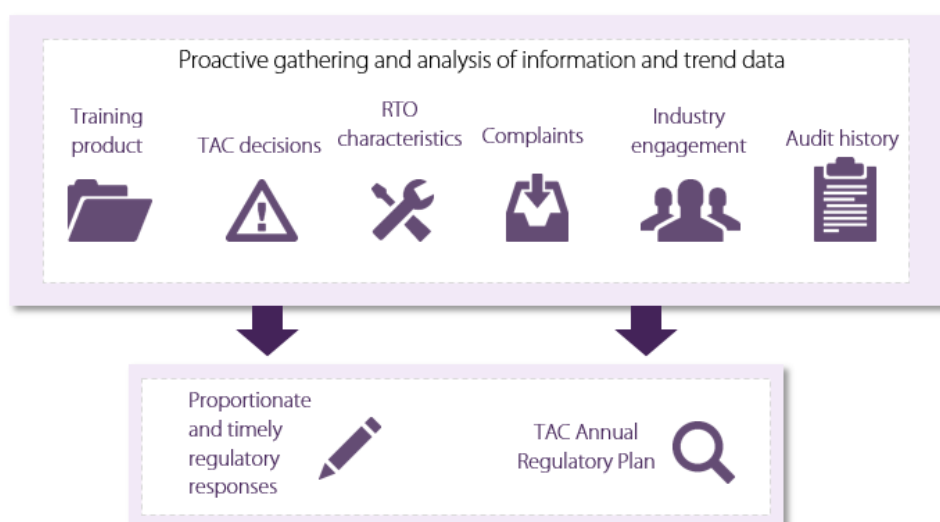
- **Complaints** – outcomes of complaints investigations and analysis of related data.
- **Engagement with industry** – advice and intelligence obtained through engagement with industry; collaboration with stakeholders such as state and national education and training agencies, other VET regulators and industry regulators.
- **Training product risk assessment** – consideration of training products which pose higher risks, such as training products from the Training and Education (TAE) Training Package or training products leading to licences.
- **Regulatory and assurance activities** – data from a range of compliance monitoring activities as outlined in the TAC Annual Regulatory Strategy.
- **Total VET Activity** – National Centre for Vocational Education Research's (NCVER) national VET data collection.
- **Media reports** – outcomes of investigations into print and social media reports.

3.2 Provider risk identification

A provider's risk profile is variable and influenced by a range of risk factors that may include:

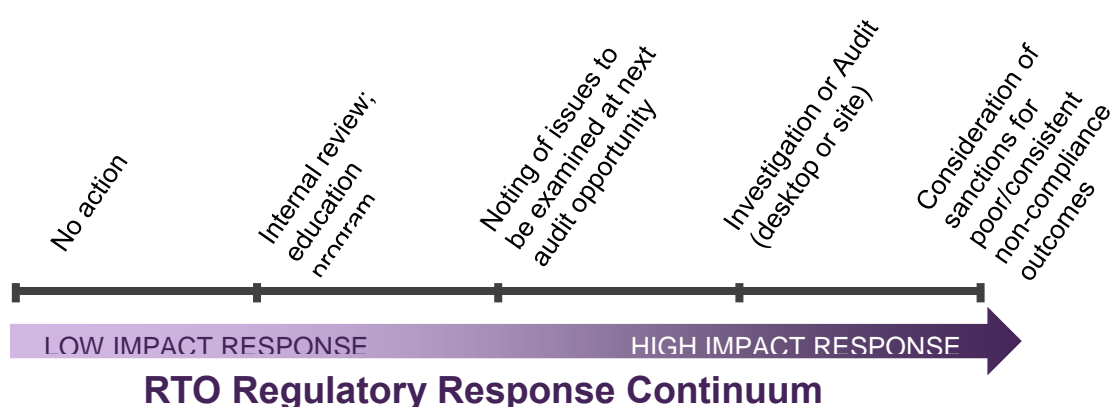
- RTO's specific characteristics;
- overall history of compliance, including areas of reoccurring non-compliance;
- sanctions imposed by TAC;
- nature and frequency of verified complaints;
- delivery of specific high risk training products;
- interstate or overseas delivery;
- modes of delivery, including online, VET in Schools or apprenticeship programs;
- delivery involving third party arrangements; and
- significant changes to RTO operations.

In identifying risk, TAC considers the likelihood and potential adverse consequence on the quality of VET outcomes on students, industry and the community and, more broadly, the impact on the reputation of VET in Australia.



3.3 Responses to provider risk

The nature and scope of the TAC's regulatory responses to provider risk will vary according to the nature and severity of the potential consequences. The range and escalation of potential responses to provider risk is illustrated in the regulatory response continuum diagram below.



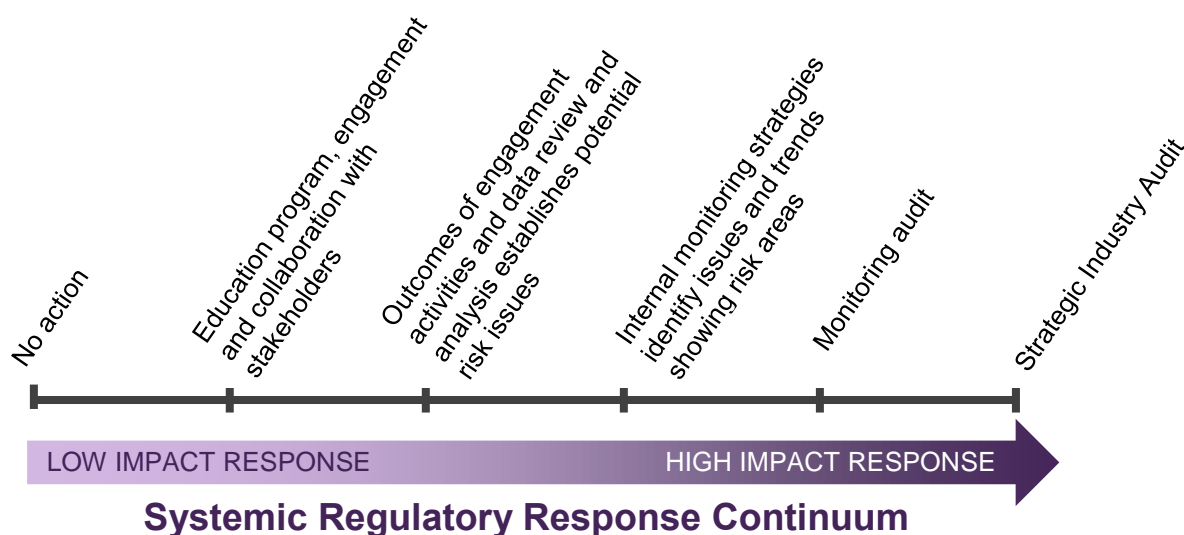
3.4 Systemic risk identification

Systemic risk is also influenced by a range of risk factors, some of which are about identifying trends relating to non-compliance with specific RTO Standards or training products, or with emerging issues in particular industry sectors. Factors that may determine systemic risk include:

- changes to assessment arrangements for training products;
- impacts of state and national VET policy and program changes;
- changes in the labour market and their impact on VET delivery; and
- trends in non-compliance with RTO Standards, training products or industry sectors.

3.5 Responses to systemic risk

The nature and scope of regulatory responses to systemic risk will also vary according to the nature and severity of the potential consequences. The range and escalation of responses to systemic risk is illustrated in the regulatory response continuum diagram below.



3.6 Risk treatment

The identification of risk in itself may not warrant increased regulatory scrutiny. TAC analyses the likelihood of the risk occurring and the consequence/s, should the risk eventuate.

The table below provides examples of the sources of provider and system level risk and the potential consequences for stakeholders which may inform TAC regulatory responses.

Likelihood of risk based on...	Consequences...
<ul style="list-style-type: none"> – provider past performance – complaints – intelligence, e.g. media – industry concerns – trends arising from data analysis 	<ul style="list-style-type: none"> – impact on students – impact on industry (e.g. licensed or regulated industries) – safety considerations (e.g. high risk work) – impact on public funds – impact on reputation of VET

Having completed the analysis and identified risk, TAC evaluates and prioritises those risks that require a regulatory response. Some identified risk will require immediate attention due to the likelihood of the risk and consequence/s should they eventuate. Risks will also be considered and managed as part of TAC's annual regulatory planning process.

TAC's risk-based approach to regulation means that the type of regulatory response will be proportionate to the provider's performance and issues identified through system level monitoring. The higher the potential impact of the RTO's behaviour on risks to learners or industry and the higher the system level risk, the more severe the regulatory response. Similarly, the lower the RTO's compliance risk and the lower the system level risk, the lower the severity of TAC's regulatory response.

Provided below are example scenarios of provider behaviours and the potential regulatory responses based on the analysis of the likely risk impacts of those behaviours.

Impact of Risk	RTO Behaviour	Regulatory Response
Negligible	<ul style="list-style-type: none"> RTO consistently complies with regulatory obligations <p>Identified risks are <i>unlikely to have any impact</i> on learners or industry</p>	TAC will provide RTO with opportunity to address non-compliance.
	<ul style="list-style-type: none"> RTO demonstrates compliance most of the time, but occasionally fails to comply with regulatory requirements RTO is able to rectify non-compliances only after a number of opportunities are provided <p>Identified risks are likely to have a <i>minor impact</i> on learners or industry and RTO has strategies in place to address them.</p>	<p>TAC will investigate the non-compliance and provide opportunity for rectification. This may include an audit of the RTO.</p> <p>TAC may note areas of non-compliance for verification of ongoing compliance at the next audit opportunity.</p>
Moderate	<ul style="list-style-type: none"> RTO consistently demonstrates non-compliance and has a history of poor performance RTO is unable to rectify non-compliances after several opportunities are provided RTO does not provide information when requested and is uncooperative with TAC <p>Identified risks are likely to have a <i>moderate impact</i> on learners or industry and RTO is unable to put strategies in place to address them.</p>	<p>TAC will investigate the non-compliance and provide opportunity for rectification. This may include an audit of the RTO.</p> <p>TAC may note areas of non-compliance for verification of ongoing compliance at the next audit opportunity.</p> <p>Depending on the potential consequences of the risk, TAC may:</p> <ul style="list-style-type: none"> suspend or vary the RTO's registration OR place conditions on the RTO's registration
Significant	<ul style="list-style-type: none"> RTO consistently demonstrates non-compliance and has a history of poor performance RTO is unable to rectify non-compliances after several opportunities are provided RTO does not provide information when requested and is uncooperative with TAC <p>Identified risks are likely to have a <i>significant impact</i> on learners or industry and RTO is unable to put strategies in place to address them.</p>	<p>TAC will investigate the non-compliance and provide opportunity for rectification. This may include an audit of the RTO.</p> <p>Depending on the potential consequences of the risk, TAC may:</p> <ul style="list-style-type: none"> suspend the RTO's registration OR cancel the RTO's registration

4. EDUCATION PROGRAM

Experience has shown that provision of appropriate tools and education is an important regulatory strategy to encourage and promote compliance. TAC is committed to an education program that builds capability and understanding of RTOs and their staff to meet their obligations in regard to the Standards. TAC's educative strategies aim to provide specialised professional development opportunities that deliver practical information to support business improvement and compliance practices. Strategies include:

- updates and additions to TAC Fact Sheets and User Guides;
- use of webinars to provide readily available information sessions for prospective RTOs; and
- presentation of professional development opportunities, including workshops for RTOs on specific topics linked to the Standards.

5. COMPLIANCE RECOGNITION PROGRAM

The Council has a strong commitment to reducing the regulatory burden for providers that consistently demonstrate compliance with the requirements for RTOs in WA. The Compliance Recognition (CR) Program introduced in 2015 is designed to acknowledge eligible providers by removing the application and fee requirements for amendments to scope of registration. Participation in the CR Program is by Council invitation and is for a period of up to five (5) years.

6. COMMUNICATION

TAC's regulatory decisions are informed by the analysis of data, the knowledge and expertise of staff and the intelligence gained through engagement with stakeholders. TAC communicates the outcomes of its regulatory activities through a range of published reports, including:

- the Annual Regulatory Strategy, which sets out the regulatory and educative priorities that TAC has agreed to focus on in the following 12 months. The document outlines the regulatory strategies to be deployed to investigate and address any provider and systemic risks;
- the TAC Annual Report, which reports on the outcomes and highlights of TAC's activities for the previous year;
- the Snapshot of Activities, which provides six-monthly data on regulatory activities and characteristics of TAC regulated RTOs;
- Strategic industry and monitoring audits, which report on the findings and recommendations of specific audit strategies; and
- annual stakeholder surveys, which seek feedback on TAC's performance in its regulatory role and offer suggestions for improvement in audit and education strategies.

TAC may share regulatory decisions based on the outcomes of risk assessments with other government agencies as part of established protocols for sharing information regarding the quality of VET with other regulators and State and Australian education and training agencies.

TAC is required to publish its regulatory decisions about RTOs in line with current requirements for transparency. Regulatory decisions will be published on the TAC website and on the National VET register only after the appeals process has been completed.

7. MONITORING AND REVIEW

TAC monitors and reviews the systems and processes used to identify and determine provider and systemic risk to ensure that they remain effective and support TAC's quality assurance role. Strategies to evaluate the effectiveness of the Risk Framework include:

- ongoing evaluation of risk factors to determine their reliability as indicators of actual and potential risks
- sampling strategies to moderate and determine appropriateness of risk profiles and ensure that any changes to risk are being appropriately noted and factored into revised profiles
- ongoing consultation with key stakeholders to obtain feedback on effectiveness of regulatory activity
- an annual evaluation of the Risk Framework and continuous improvement process.

The outcomes of monitoring and review activities will inform enhancements to TAC's regulatory approach.