

Vocational Education and Training Act 1996

Ministerial Guideline

Financial Viability Assessment Guidelines for the Registration of Training Providers 2017

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Vocational Education and Training Act 1996

Financial Viability Assessment Guidelines for the Registration of Training Providers 2017

Issued by the Minister for Education and Training under section 13 of the *Vocational Education and Training Act 1996*.

1. Citation

These are the *Financial Viability Assessment Guidelines for the Registration of Training Providers 2017*.

2. Commencement

These guidelines apply on and from the day of endorsement by the Minister.

3. Guidelines

The guidelines set in the Schedule below apply to and in relation to the registration of training providers by the Training Accreditation Council.

SCHEDULE

Section 1 Definitions

Clause 1 Definitions

In these guidelines, unless the contrary intention appears:

Act means the *Vocational Education and Training Act 1996*.

Financially viable means the ability of an organisation to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow growth while delivering quality training and assessment services and outcomes.

Financial viability risk is the assessed financial performance, operations, and capacity of an organisation as an ongoing concern to deliver quality training and assessment services and outcomes for the duration of its registration, and the potential of it losing this capacity.

TAC means the Training Accreditation Council.

An **independent qualified auditor** is:

- a) the Auditor-General of a State, of the Australian Capital Territory or of the Northern Territory; or
- b) a person registered as a company auditor or a public accountant under a law in force in a State, the Australian Capital Territory or the Northern Territory; or
- c) a member of the Institute of Chartered Accountants in Australia, or of the Australian Society of Certified Practising Accountants.

Note: For the purpose of this Ministerial Guideline, a qualified auditor will be considered to be independent from the entity it is auditing if the qualified auditor meets the independence requirements specified in Part 2M.4, Division 3, of the *Corporations Act 2001* as though the qualified auditor is an individual qualified auditor or an audit company and the body corporate seeking approval as a VET provider is the audited body under that Act.

Section 2 Context and intent of these requirements

Clause 2 Intent

The TAC must require a TAC registered training organisation to demonstrate its financial viability at any point in time, upon request.

The assessment of an organisation's financial viability risk is directed at evaluating the likelihood of its business continuity, and its capacity to achieve quality outcomes. In particular, the assessment informs a judgement about whether the organisation has the financial resources necessary to:

- a) acquire the requisite assets and physical resources to deliver all qualifications on its scope of registration
- b) employ sufficient appropriately qualified staff to cover the courses for which it takes enrolments
- c) provide appropriate levels of student services to students
- d) remain in business to ensure that each student can achieve completion
- e) meet the above requirements, even in an unsure environment.

Section 3 Financial viability risk assessment requirements

Clause 3 Obligation to submit to assessment at initial registration

- 1) The TAC must require an organisation seeking registration with the TAC to submit to an assessment of financial viability risk by a qualified independent financial auditor nominated by the TAC, as part of the assessment of the application for registration.
- 2) The assessment will include an assessment of the source and reliability of the evidence supporting the assumptions underlying the projections.
- 3) The obligation to submit to the assessment referred to in (1) applies also to parent organisations, affiliated companies or organisations that have a vested interest in the organisation.

Clause 4 Obligation to submit to assessment at any time

- 1) The TAC must require a TAC registered training organisation to submit to an assessment of financial viability risk by a qualified independent financial auditor nominated by the TAC at other times during the registration period if it determines that it is appropriate.
- 2) The obligation to submit to the assessment referred to in (1) also applies to parent organisations, affiliated companies or organisations that have a vested interest in the organisation.

Clause 5 TAC may waive requirement where risk is considered low

- 1) Where the TAC considers the financial viability risk of an organisation is low, it may waive the requirement for a financial viability risk assessment.

Section 4 Form and content of financial viability risk assessment

Clause 6 Assessment to be in required form

The TAC must require financial data and information to be submitted to the qualified independent financial auditor nominated by the TAC in a format that is in accordance with Australian Accounting Standards.

Clause 7 Assessment to be against common indicators

The assessment of financial viability risk will be undertaken by assessing common indicators of financial performance and position. These may include but are not limited to the following indicators:

- a) Liquidity- including current ratio and cash flow assessments
- b) Solvency - including debt to assets assessment, debt to equity assessment
- c) Economic Dependency - for example, reliance upon government funded training, or reliance on a particular cohort of students (e.g. overseas students)
- d) Revenue, profit and cash flow
- e) Commercial risk
- f) Audit opinion
- g) Contingencies
- h) Compliance with all of its statutory obligations (for example: GST, taxation, superannuation, Companies Code)
- i) Compliance with accounting standards
- j) Accounting policies - impact of the organisation's accounting policies on its financial risk.

Clause 8 Reviews to have regard to Standards

Independent reviews of financial projections will have regard to the Australian Audit and Assurance Standards, *AUS 804 The Audit of Prospective Financial Information* and *ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

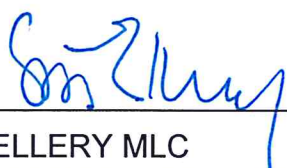
Clause 9 Information to be assessed

Information that could be used to assess the common indicators in Clause 9 and to make a determination about financial viability risk may include, but not be limited to:

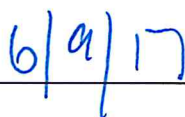
- a) Independent reviews of financial projections including underlying assumptions
- b) Business planning including forecast income streams and forecast expenditure
- c) Assets and liabilities
- d) Financial statements audited by an independent qualified auditor
- e) Financial records for the previous 12 months, including profit and loss, balance sheets
- f) Cash flow and bank accounts
- g) Short term budgets and forecasts, including assumptions
- h) Information on current and projected student enrolments, including assumptions
- i) Tax records
- j) Information about current debts and debtors, credits and creditors, loans and repayment
- k) Plans, and information on any legal disputes
- l) Inter-company dealings, transfers, ownerships and loans
- m) Contingent liabilities
- n) Ultimate ownership details
- o) Post reporting activities (includes activities that relate to the period after accounts have been audited that would have a material impact on the organisation's operations, viability or ownership).

Clause 10 Assessment to consider size and scope of operations

In managing the financial viability risk of an organisation, the TAC may take into consideration the size and scope of its operations.



**SUE ELLERY MLC
MINISTER FOR EDUCATION AND TRAINING**



Date