



Impact of the User Choice policy on the VET system

An independent risk assessment by KPMG
for the NTQC User Choice Working Group

November 2003

This report contains 41 pages

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Limitations of approach

The findings presented in this report are based on the views and input of various government, industry, employer, Registered Training Organisations, New Apprenticeship Centres and apprentice/trainee stakeholders (the Stakeholders) consulted through discussions and meetings, and the information and documentation provided to us by Australian National Training Authority personnel. We did not perform any procedures to verify or substantiate the statements and representations made by the Stakeholders. As such, we cannot provide warranty of completeness, accuracy or reliability in relation to the statements and representations made by Stakeholders, and the information and documentation provided by Australian National Training Authority personnel.

Disclaimer

This report has been prepared solely for the National Training Quality Council User Choice Working Group and should not be used for any other purpose or distributed to any other party without our prior written consent.

List of Acronyms

A list of key acronyms used within the Vocational Education and Training system is provided below for reference.

Acronyms used in this report

ANTA	Australian National Training Authority
ANTA MINCO	Australian National Training Authority Ministerial Council
AQTF	Australian Quality Training Framework
IAA	Industry Advisory Arrangement
ITAB	Industry Training Advisory Board
NAC	New Apprenticeships Centre
NTQC	National Training Quality Council
RTO	Registered Training Organisation
STA	State and Territory Training Authority
VET	Vocational Education and Training

Executive Summary

KPMG was commissioned by ANTA in September 2003 to undertake an independent risk assessment of the impact of the User Choice policy on the Vocational Education and Training (VET) system. A structured risk assessment process was used, based on the principles of AS/NZS 4360:1999 – Risk Management. Facilitated interviews and workshops were held with a broad range of stakeholders, including representatives from government (Commonwealth, States and Territories), industry (peak bodies and employers), Registered Training Organisations (RTOs) both public and private, New Apprenticeship Centres (NACs), and apprentices and trainees.

Key Risks Identified

The stakeholders identified a variety of potential risks relating to User Choice. These risks were analysed by stakeholder groups and were consolidated to identify similar risks or risks that were more appropriately classed as a cause or consequence of other risks. As a result of this process, six key risk areas (KRAs) were identified, as outlined below.

- *Structure and governance* - The risk that stakeholders do not understand and operate effectively in relation to the User Choice arrangements for the VET system, and that inter-jurisdictional arrangements compromise the effectiveness of a national system;
- *Funding arrangements* - The risk that User Choice funding is impacted by, or leads to, unintended market behaviour, and is not able to be directed effectively through consistent principles and practices that are transparent to all stakeholders;
- *Labour market demand* - The risk that User Choice funding does not address labour market requirements and priorities;
- *User awareness* - The risk that clients do not exercise appropriate choice through not being aware of, or having appropriate access to, the capabilities and requirements of the User Choice arrangements for the VET system;
- *Quality training outcomes* - The risk that the User Choice funded training market does not deliver uniform quality outcomes; and
- *Management information* - The risk that operational data in relation to User Choice arrangements is not adequate to enable consistent and informed decision-making by policy makers / funders / regulators (i.e. STAs, ANTA, Commonwealth).

Each key risk area has been detailed in terms of situations that may lead to the risk arising and potential consequences resulting from the risk. Typical risk indicators and controlling actions based on general risk management principles, as well as a number of specific VET focussed controls and actions, have also been suggested where appropriate.

The work undertaken in this risk assessment exercise complements and builds on the existing *Risk Management in VET – July 2003* report as prepared by the NTQC Risk Management Group. While the latter focussed on the overall VET system, this review has concentrated on the specific aspects of VET that relate to User Choice. There is however a significant overlap between the risks identified here and the twenty national key risks identified in the NTQC exercise, particularly in the area of quality training outcomes. As such, it is important that the risks relating to the application of the User Choice policy are incorporated into the NTQC framework to ensure an ongoing coordinated approach to risk management in the VET system.

Actions Proposed

Risk management strategies and actions going forward should take into account the fact that User Choice operates within an overall (VET) system that has many parts and mutual dependencies. A systemic approach is required to ensure that actions to mitigate a risk in a specific area of the system do not have unforeseen consequences in other parts of the system. Moreover, some of the risks are not restricted to the impact of User Choice, but apply more widely throughout the VET system.

As a consequence, a number of state-specific and system-wide actions are suggested, as listed below.

At the **national level**, ANTA working together with the Commonwealth and STAs should:

1. Improve system monitoring and reporting

KPIs (key performance indicators) should be reviewed to ensure that all key policy objectives relating to User Choice are being measured. Specific attention should be given to ensuring that indicators adequately capture and monitor the quality, as well as the quantity, of training provided. Systems for capturing operational data and monitoring system performance should be implemented to support both strategic management and operational decision-making regarding the application of User Choice.

2. Strengthen accountability for quality training and performance

Existing funding arrangements should have explicit links to all aspects of performance, including commencements, completions and the quality of training delivered. This should be at all levels within the VET system, that is, national funding to the States and Territories as well as the funding provided under these arrangements to RTOs, including inter-jurisdictional arrangements. User Choice processes should be reviewed to identify where quality measurement can be incorporated into operational activities and monitored through integrated quality audits. User Choice contracts should be reviewed to identify consistent and minimum levels of RTO performance required.

3. Review and standardise funding principles

STA pricing and funding models should be reviewed with the objective of developing a consistent approach that enables the delivery of high quality and value-for-money training together with the capacity to meet labour market demand. The underlying principles and any jurisdictional differences should be made transparent to all stakeholders. This supports the resourcing principles proposed in “*User Choice: Enhanced Arrangements*”. While the pricing principles will need to be sufficiently flexible to account for jurisdictional differences, there are likely to be many opportunities to learn from and apply best practices from each of the STA approaches and activities.

4. Review alignment of User Choice funds in-line with Commonwealth & STA priorities

The original modelling undertaken should be reviewed, together with any current STA models or practices, to develop and/or enhance training market modelling and analysis tools. This would help the STAs forecast labour and training demand and assess the impact of any funding and/or policy decisions.

While market modelling undertaken at the inception of User Choice is understood to have indicated a balance in supply and demand of apprenticeship training, the situation today is that demand for User Choice funding in some jurisdictions appears to exceed available supply of training and/or the funds available to stimulate adequate supply. There is significant scope for the STAs to work together with the Commonwealth, in consultation with peak employer and union organisations, to align the application of User Choice funding to States and Territories and national priorities.

5. Enhance user education and information access programs

Information services and processes for accessing these services should be reviewed to ensure that all stakeholders are provided with a consistent and easily accessible source of information about the capabilities in, and requirements of, the VET system. This further reaffirms the *User Choice Enhanced Arrangements* relating to client information and access. Whilst there will be specific jurisdictional issues to address, there are likely to be significant opportunities for common or shared systems to be established.

Consumer education programs, such as is currently underway through the NTQC’s Risk Management Group, will be critical in making clients aware of their rights and obligations, of the role and responsibilities of RTOs under the User Choice policy, and of the availability of relevant information services.

6. *Strengthen the role of New Apprenticeship Centres (NACs)*

NACs are seen as central “information hubs” in the VET system, ensuring that users are aware of, and well advocated in the execution of, User Choice. The role of NACs should continue to be monitored and reviewed for opportunities to improve user awareness and understanding of the capabilities and requirements of the VET system. It is understood that new contractual arrangements have been recently implemented which will further strengthen their role in this regard. The effectiveness of these measures should be reviewed in the next 3-6 months with specific reference to the issues raised as part of this risk assessment.

At the **State and Territory level**, each STA should:

7. *Identify residual risks*

Existing controls in each of the six key risk areas should be reviewed to determine the residual risk after individual jurisdictional risk management strategies have been assessed. Typical strategies and controls are provided in *Attachment B* but may need to be adopted in a manner that meets individual jurisdictional requirements.

8. *Develop appropriate controlling strategies / actions*

The residual risk assessments should be used to identify enhancements to existing controls or the development of new controls to mitigate the risks. The States and Territories should collaborate and share their best practices in this regard; in particular, identify where there are common requirements that could be better progressed through a national effort.

An Integrated Response

For the proposed actions to be effective in supporting the objectives of the VET system, they should be progressed as an integrated program rather than on an individual basis.

As a specific example, the risks raised relating to *structure and governance* (particularly associated with “multiple roles” and the “potential for conflicts-of-interest”) are difficult to mitigate in isolation but are anticipated to be addressed through the combined impact of all the proposed actions.

Similarly *user awareness* will be addressed through a combination of *improving system monitoring and reporting, enhanced user education and information access programs, and strengthening the role of NACs*; and *funding arrangements* will be addressed through the combination of *strengthening accountability for quality training and performance, reviewing and standardising pricing principles, and reviewing alignment of User Choice funds in-line with Commonwealth and STA priorities*.

1 Introduction and Background

KPMG was commissioned in September 2003 to undertake an independent risk assessment of the impact of the User Choice policy on the Vocational Education and Training system.

Project context¹

In June 2003 ANTA MINCO agreed that any further implementation of User Choice arrangements, as recommended in “*User Choice: Enhanced Arrangements*”, be considered after an independent risk assessment of the impact of User Choice and New Apprenticeship policies is completed and in the context of the next ANTA Agreement.

To enable an effective and efficient response to the MINCO decision, the independent risk assessment has been undertaken in two stages:

- Stage One - focussing on assessing the risks associated with the impact of the User Choice policy.
- Stage Two - focussing on aspects of New Apprenticeships, which is planned to be considered at a later date and build on the findings from Stage One.

Stage One is the focus of this project.

Project approach

The brief for Stage One was to undertake an independent risk assessment of the impact of the User Choice policy on the vocational education and training system, taking account of the risk management work already undertaken for the National Training Quality Council (NTQC) and additionally, paragraph 6.22 of the NSW paper to ANTA MINCO in November 2002 on “Quality in the VET System”, which states that:

‘ANTA should commission an independent risk analysis of the policies and practices supporting the New Apprenticeship system. This should include an examination of the impact of User Choice, New Apprenticeships employer incentives, training delivery and the relationship between New Apprenticeship Centres and RTOs.’

¹ Extract from ANTA Consultancy Brief – User Choice Risk Assessment (Revised)

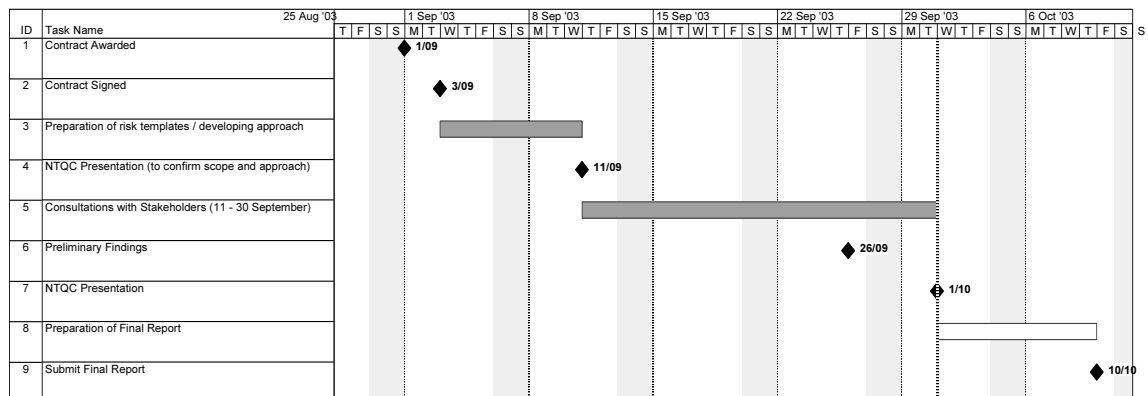
Project methodology

Project activities were conducted in accordance with accepted risk management processes (AS/NZS 4360:1999 - Risk Management), including the identification of risks from the perspective of all stakeholders. In addition, this risk assessment refers to, and considers, the findings from the work already undertaken by the NTQC's Risk Management Group as it relates to User Choice.

In identifying the risks associated with the impact of User Choice, consultations were held with the Commonwealth, State and Territory Training Authorities, and peak employer and union organisations. Additionally, a selection of New Apprenticeship Centres, Registered Training Organisations, employers, and apprentices and trainees were also consulted as a key part of the risk assessment process.

Timeframe

The timeframe for undertaking the project is presented below:



2 Stakeholder Feedback

Over eighty separate consultations were conducted across government (including the Commonwealth, States and Territories), industry, RTOs and NACs, employers, apprentices and trainees. The consultations with the RTO and employer stakeholder groups included representatives of large and small, metro and rural organisations and enterprises.

The consultations with government and industry were conducted via face-to-face interviews. RTOs and NACs were consulted through face-to-face interviews that were supplemented with focus group discussions. Consultations with employers comprised both face-to-face and telephone interviews. Apprentices and trainees were consulted using a telephone survey.

Whilst the timeframe available precluded an exhaustive consultation process, it is important to note that there was a high level of consistency in the responses from those consulted.

Within each stakeholder group, a number of common themes recurred throughout the consultations. While not all are risks specifically related to User Choice, they are considered important in the effective operation of the VET system and help provide an overall context for the later assessment of specific risks. The common themes per stakeholder group are summarised below.

Government

One of the key areas identified for attention by government was funding, particularly relating to the level of funds available and the ability to manage budgets and resources in a demand driven system. Regulation and management of the training market to strengthen market behaviour were also seen as key issues; this included dealing with over- or under-supply of training providers, and addressing inequities, whether related to geographical, financial or social differences, which limited the effective application of User Choice.

The ability to ensure quality training and performance was also highlighted, particularly with regard to on-the-job delivery pathways and the difficulty in managing and auditing RTOs that operate across multiple jurisdictions. There was also concern regarding the maturity and viability of the RTO marketplace, particularly training organisations that rely solely on public funds as a main source of revenue.

Industry

Peak employer and union organisations identified the management of jurisdictional differences in the implementation of the User Choice policy as a key issue. The lack of transparency of government decisions was also seen as a potential risk to the full engagement of employers in the VET system.

With the VET system comprising many participants, with multiple roles, a potential for conflicts-of-interest to occur was also identified. Training providers that are also operating as NACs were seen as a specific area where such conflict could arise.

Registered Training Organisations

RTOs see the creation of dual markets (that is, private versus public) as a potential risk to effective market-based competition. Private training providers identified differences in pricing and funding principles as impacting their ability to compete on a level playing field with public training providers. Public training providers identified their responsibility for addressing training needs that are difficult and/or costly as restricting their operations to more traditional apprenticeships.

Both public and private training providers perceive the complexity of the system and inconsistency of advice or information about the system as a significant risk to their effective operation.

New Apprenticeship Centres

A key risk raised by NACs was their ability to provide effective and timely information to existing and prospective clients. Their involvement in the establishment of User Choice training contracts is often after substantial relationship development has already occurred between RTOs and employers. This was seen as impacting their ability to provide early and independent information to clients and hence enable effective application of User Choice within the VET system. It was also seen as critical that any strengthening of the role of NACs needs to be matched by strategies to manage the potential for conflict of interest mentioned above.

Employers

Employers' concerns primarily related to the lack of transparency of public funding and alignment of funding with industry demand. Further, the availability and flexibility of training options was seen as an important aspect of the VET system that should not be compromised.

Associated with the complexity of the system identified by RTOs, employers also saw the high level of administrative effort as impacting the efficient delivery of training.

Apprentices/Trainees

The primary issue raised by apprentices and trainees was that many were not aware of the capabilities of the VET system, the role of User Choice within the VET system, or their rights and obligations under UC funded arrangements.

Overall, awareness of, and information about the application of, User Choice within the VET system was raised as a significant issue. All stakeholder groups identified the need for timely, consistent and accurate information to both inform clients and support operational and strategic decision-making.

3 Key Risk Areas

Stakeholders identified a variety of potential risks relating to User Choice. These risks were analysed by stakeholder group and were consolidated to identify similar risks or risks that were more appropriately classed as a cause or consequence of other risks. As a result of this process, six key risk areas (KRAs) were identified, as outlined below.

Ref #	Key risk area
A	<p><i>Structure and governance</i></p> <p>The risk that stakeholders do not understand and operate effectively in relation to the User Choice arrangements for the VET system, and that inter-jurisdictional arrangements compromise the effectiveness of a national system.</p>
B	<p><i>Funding arrangements</i></p> <p>The risk that User Choice funding is impacted by, or leads to, unintended market behaviour, and is not able to be directed effectively through consistent principles and practices that are transparent to all stakeholders</p>
C	<p><i>Labour market demand</i></p> <p>The risk that User Choice funding does not address labour market requirements and priorities</p>
D	<p><i>User awareness</i></p> <p>The risk that clients do not exercise appropriate choice through not being aware of, or having appropriate access to, the capabilities and requirements of the User Choice arrangements for the VET system</p>
E	<p><i>Quality training outcomes</i></p> <p>The risk that the User Choice funded training market does not deliver uniform quality outcomes</p>
F	<p><i>Management information</i></p> <p>The risk that operational data in relation to User Choice arrangements is not adequate to enable consistent and informed decision-making by policy makers / funders / regulators (i.e. STAs, ANTA, Commonwealth)</p>

These six key risk areas were overlaid on a structural representation of the VET system in order to further highlight their area of focus with respect to the overall VET system. This diagram is presented at *Attachment A*.

Each key risk area was further assessed in terms of situations that may lead to the risk arising and potential consequences resulting from the risk. Typical risk indicators and controlling actions based on general risk management principles, as well as a number of specific VET focussed controls and actions, have also been suggested where appropriate. These details are provided at *Attachment B*.

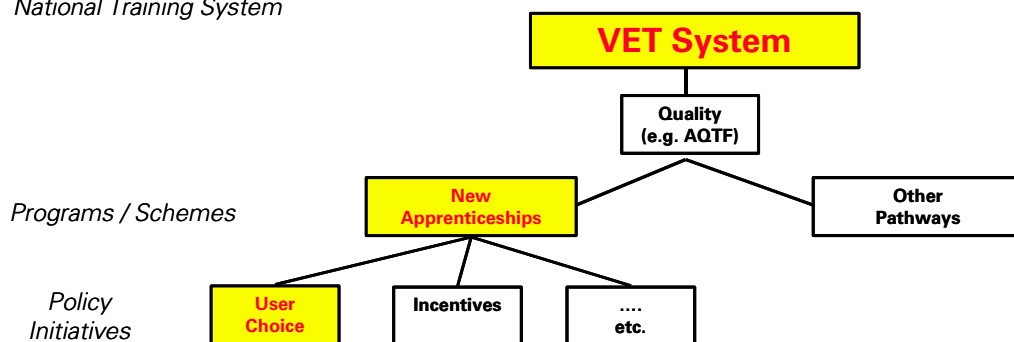
The complexity of the risk environment is highlighted by the observation that certain key risk areas have a flow-on effect to other key risk areas. For example, the structural complexity of the VET system (*Risk A - Structure & governance*) may contribute to the inability of clients / stakeholders to understand the system (*Risk D - User awareness*), which in turn may lead to poor quality training outcomes (*Risk E - Quality training outcomes*), and result in the situation where clients may disengage from the system.

4 Risk Management in VET – July 2003

The work undertaken in this risk assessment exercise complements and builds on the existing *Risk Management in VET – July 2003* report as prepared by the NTQC.

The NTQC risk management review focussed on the overall VET system, while this review has concentrated on the specific aspects of VET that relate to User Choice and New Apprenticeships. The relationships between User Choice, New Apprenticeships and the VET System are illustrated in the following diagram.

National Training System



There is a significant overlap between the risks identified in this review and the twenty national key risks identified in the NTQC exercise, particularly in the area of quality training outcomes. As such, it is important that the risks relating to the application of the User Choice policy are incorporated into the NTQC framework to ensure an ongoing coordinated approach to risk management in the VET system.

The relationship between the risks identified as part of this review and the risks identified by the NTQC risk management review is summarised below. A detailed cross-reference of the risks is provided at *Attachment C*.

Risk A – Structure and governance

This risk was identified in the *Risk Management in VET – July 2003* report in terms of the scale and complexity of regulation, the ability of training service providers to maintain quality across multiple jurisdictions and/or sites, and the ability of training service providers to manage on potentially multiple roles.

Risk B – Funding arrangements

This risk was not explicitly identified in the *Risk Management in VET – July 2003* report. However, there were a number of related risks that referred to funding incentives and key performance indicators needing a strong focus on quality as well as compliance.

Risk C – Labour market demand

This risk was also not directly identified in *Risk Management in VET – July 2003* report but there were a number of risks that referred to the ability of training packages and accredited courses to meet industry skill needs and priorities, and the ability of the VET system to cater for the full range of groups within the community.

Risk D – User awareness

This risk was identified in *Risk Management in VET – July 2003* report with particular reference to the ability of consumers to understand their rights and obligations in making training choices, and the level of engagement of industry and individuals in the VET system.

Risk E – Quality training outcomes

This risk was a strong focus of the *Risk Management in VET – July 2003* report being raised in many of the risks identified. These included the skill levels of trainers and assessors, and the level of resources available to assure quality and compliance, with consequent risks in terms of consistency and recognition of qualifications across training providers and/or jurisdictions. A high priority identified was to maintain adequate linkage of incentives to training effort and quality as well as compliance.

Ensuring the quality of training provided by on-the-job pathways (ie. not involving structured training), and indeed the quality of training provided by fully institution-based training pathways (ie. that did not involve any work-experience), were also identified as important requirements.

In terms of the training market, key areas identified were the quality of training outcomes provided through brokering and partnering arrangements amongst training service providers, the culture and quality of training outcomes in “high risk” environments and industries, as was the need to protect client interests in the event that a training service provider fails or closes.

Risk F – Management information

This risk was identified in *Risk Management in VET – July 2003* report to the extent of the ensuring alignment of current data collection to VET planning and monitoring.

5 Proposed Actions

The key risk areas detailed at *Attachment B* contain a number of controlling strategies or actions that can be adopted by individual STAs to mitigate or manage the specific risks. However, as is evident from the identified causes and consequences, these risk areas operate within a system that is complex and has many mutual dependencies.

A systemic approach is required to ensure that actions to mitigate a risk in a specific area of the system do not have unforeseen consequences in other parts of the system. Moreover, some of the risks are not restricted to the impact of User Choice on the VET system, but apply more widely throughout the VET system.

As a consequence, a number of state-specific and system-wide actions are suggested, as follows.

Action at the national level

1. Improve system monitoring and reporting

KPIs (key performance indicators) should be reviewed to ensure that all key policy objectives relating to User Choice are being measured. Specific attention should be given to ensuring that indicators adequately capture and monitor the quality, as well as the quantity, of training provided. Systems for capturing operational data and monitoring system performance should be implemented to support both strategic management and operational decision-making regarding the application of User Choice.

2. Strengthen accountability for quality training and performance

Existing funding arrangements should have explicit links to all aspects of performance, including commencements, completions and the quality of training delivered. This should be at all levels within the VET system, that is, national funding to the States and Territories as well as the funding provided under these arrangements to RTOs, including inter-jurisdictional arrangements. User Choice processes should be reviewed to identify where quality measurement can be incorporated into operational activities and monitored through integrated quality audits. User Choice contracts should be reviewed to identify consistent and minimum levels of RTO performance required.

3. Review and standardise funding principles

STA pricing and funding models should be reviewed with the objective of developing a consistent approach that enables the delivery of high quality and value-for-money training together with the capacity to meet labour market demand. The underlying principles and any jurisdictional differences should be made transparent to all stakeholders. This supports the resourcing principles proposed in “*User Choice: Enhanced Arrangements*”. While the pricing principles will need to be sufficiently flexible to account for jurisdictional differences, there are likely to be many opportunities to learn from and apply best practices from each of the STA approaches and activities.

4. Review alignment of User Choice funds in-line with Commonwealth and STA priorities

While market modeling undertaken at the inception of User Choice is understood to have indicated a balance in supply and demand of apprenticeship training, the situation today is that demand for User Choice funding appears to exceed available supply of training and/or the funds available to stimulate adequate supply. Contributing factors appear to have been the opening up of eligibility for User Choice training, an active stimulation of demand through growing training provider marketplace, and shifts in the labour demand.

Each State and Territory is addressing its need to “manage the market” through a variety of measures, including the analysis and forecasting of labour market demand in order to better prioritise and/or cap the flow of User Choice funds. There is a significant scope for the STAs to work together with the Commonwealth, in consultation with peak employer and union organisations, to align the application of User Choice funding to States and Territories and national priorities.

In particular, the original modelling undertaken should be reviewed, together with any current STA models or practices, to develop and/or enhance training market modelling and analysis tools. This would help the STAs forecast labour and training demand and assess the impact of any funding and/or policy decisions.

5. Enhance user education and information access programs

Information services and processes for accessing these services should be reviewed to ensure that all stakeholders are provided with a consistent and easily accessible source of information about the capabilities and requirements of the VET system. This further reaffirms the *User Choice Enhanced Arrangements* relating to client information and access. While there will be specific jurisdictional issues to address, there are likely to be significant opportunities for common or shared systems to be established; the current e-business National VET portal (training.com.au) is a typical example.

Consumer education programs, such as currently underway through a working group of the NTQC, will be critical in making clients aware of their rights and obligations, of the role and responsibilities of RTOs under the User Choice policy, and of the availability of relevant information services.

6. Strengthen the role of New Apprenticeship Centres (NACs)

There was strong feedback from all stakeholders that NACs were central “information hubs” in the VET system, important in ensuring that users were aware of, and were well advocated in the execution of, User Choice. NACs were, however, often restricted in undertaking this role by being introduced late in the User Choice process, following the “marketing” sections of the training marketplace into contract formation.

The role of NACs should continue to be monitored and reviewed for opportunities to improve user awareness and understanding of the capabilities and requirements of the VET system.

It is understood that new contractual arrangements have been recently implemented and may address many of these concerns. It will be important that the effectiveness of these measures be reviewed in the next 3-6 months with specific reference to the issues raised as part of this risk assessment.

Action at the State / Territory level

7. Identify residual risks

Existing controls in each of the six key risk areas should be reviewed to determine the residual risk after individual jurisdictional risk management strategies have been assessed. Typical strategies and controls are provided in *Attachment B* but may need to be adopted in a manner that meets individual jurisdictional requirements.

8. Develop appropriate controlling strategies / actions

The residual risk assessments should be used to identify enhancements to existing controls or the development of new controls to mitigate the risks. The States and Territories should collaborate and share their best practices in this regard; in particular, to identify where there are common requirements that could be better addressed through a national effort.

An Integrated Response

For the proposed actions to be effective in supporting the objectives the VET system, they should be progressed as an integrated program rather than on an individual basis.

As a specific example, many of the risks relating to *structure and governance (Risk A)*, particularly the issues raised regarding “multiple roles” and the “potential for conflict-of-interest”, are difficult to mitigate in isolation but are anticipated to be addressed through the combined impact of all the proposed actions.

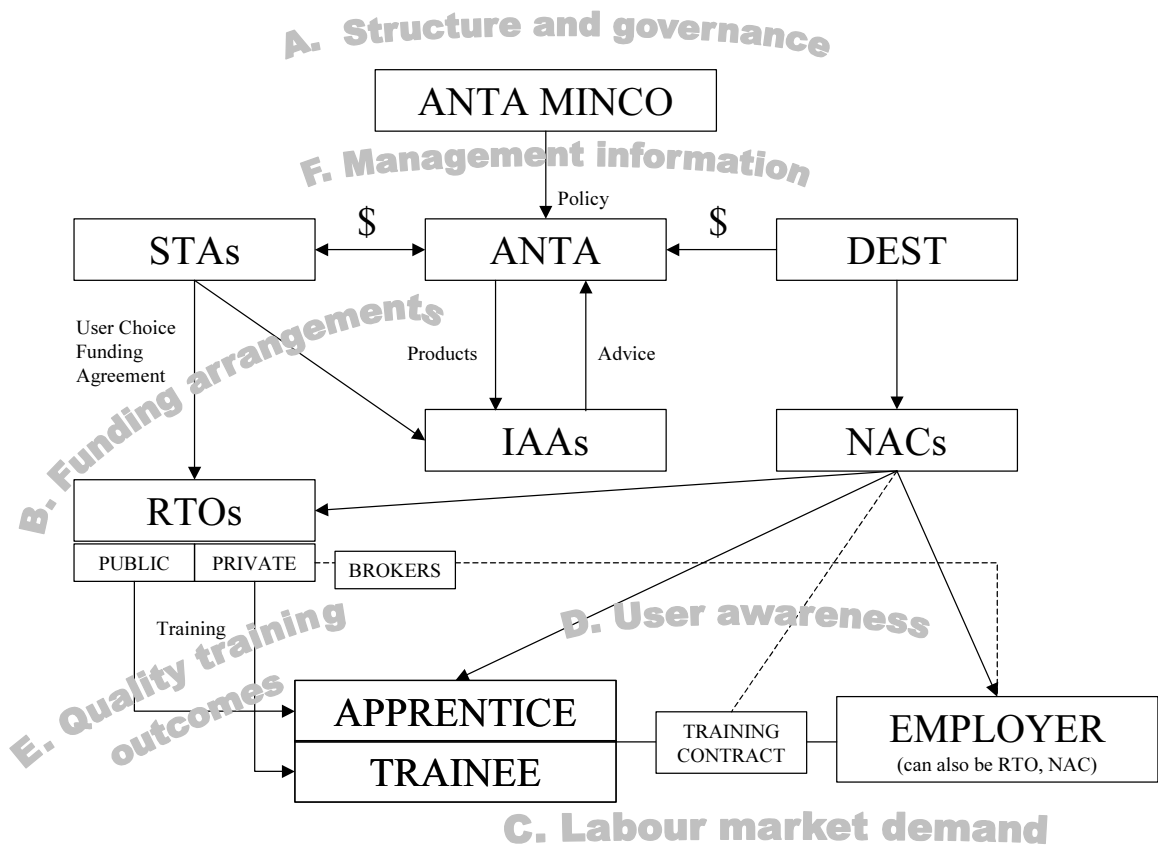
Similarly *user awareness (Risk D)* will be addressed through a combination of *improving system monitoring and reporting (Action 1)*, *enhanced user education and information access programs (Action 5)*, and *strengthening the role of NACs (Action 6)*; and *funding arrangements (Risk B)* will be addressed through the combination of *strengthening accountability for quality training and performance (Action 2)*, *reviewing and standardising pricing principles (Action 3)*, and *reviewing alignment of User Choice funds in-line with Commonwealth and STA priorities (Action 4)*.

The following table outlines the expected impacts of the proposed actions on the key risk areas.

	A	B	C	D	E	F
Actions addressing Key Risk Areas	Structure and governance	Funding arrangements	Labour market demand	User awareness	Quality training outcomes	Management information
National Level						
1. <i>Improve system monitoring and reporting</i>	✓			✓	✓	✓
2. <i>Strengthen accountability for quality training and performance</i>	✓	✓			✓	
3. <i>Review and standardise pricing principles</i>	✓	✓	✓			
4. <i>Review alignment of UC funds in-line with Commonwealth and STA priorities</i>	✓	✓	✓			
5. <i>Enhance user education and information access programs</i>	✓			✓		✓
6. <i>Strengthen the role of NACs</i>	✓			✓		
State and Territories Level						
7. <i>Identify residual risks</i>	✓	✓	✓	✓	✓	✓
8. <i>Develop controlling strategies / actions</i>	✓	✓	✓	✓	✓	✓

A Representation of VET system with key risk areas highlighted

(Note: This diagram summarises key linkages between various stakeholders in the VET system relevant to this risk assessment exercise, and as such, should be viewed in this context. It is not intended to be an exhaustive account of all VET stakeholders and their linkages.)

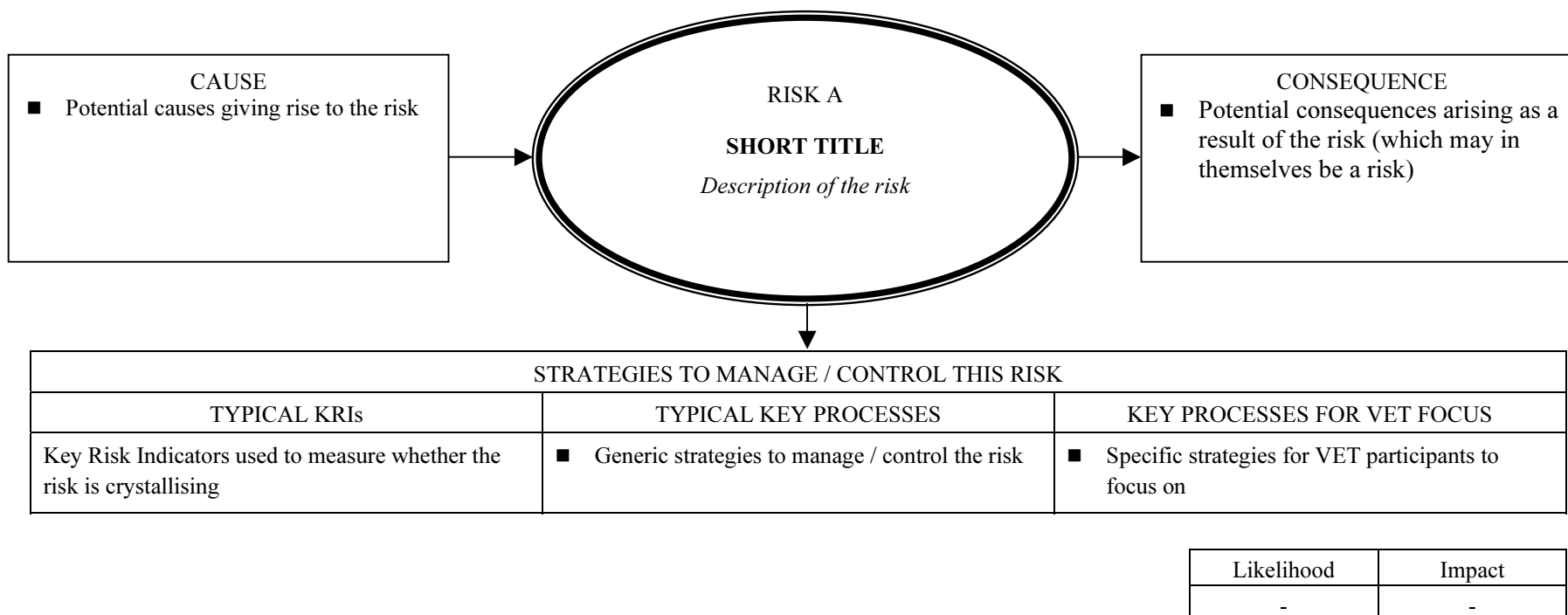


B Strategies to manage / control the identified key risk areas

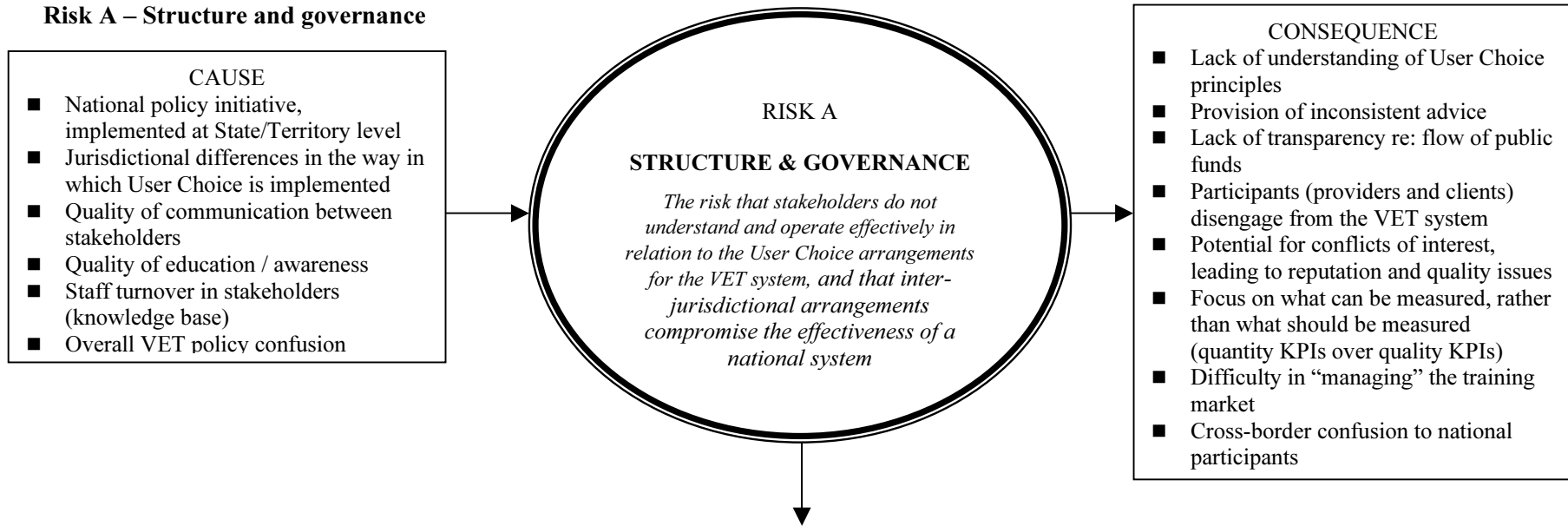
Presented on the following pages is a detailed description of each risk, including:

- a description of the potential *cause* of the risk
- a description of potential *consequences* arising as a result of the risk
- indicative *KRIs (Key Risk Indicators)* that can be used to measure whether the risk is crystallising
- generic *strategies* to manage / control the risk
- gross likelihood and impact ratings (i.e. before risk treatment actions), as defined in section D.1, D.2 and D.3.

This information is presented in the following format:



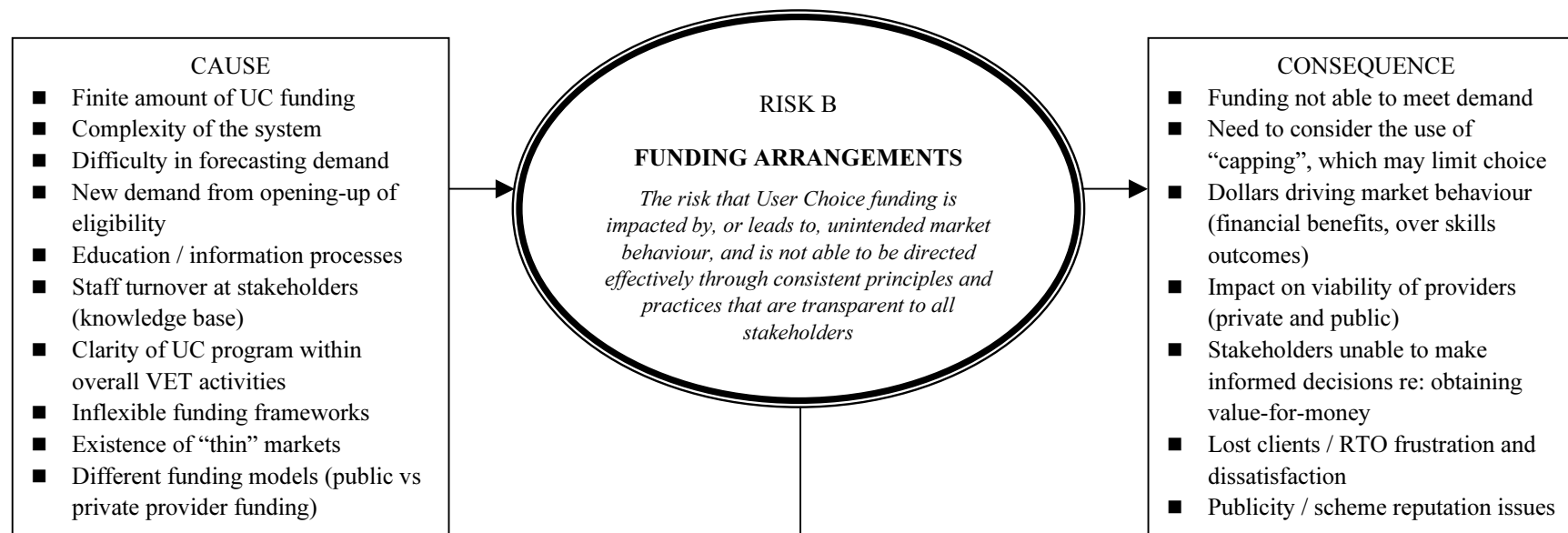
Risk A – Structure and governance



STRATEGIES TO MANAGE / CONTROL THIS RISK		
TYPICAL KRIs	TYPICAL KEY PROCESSES	KEY PROCESSES FOR VET FOCUS
<ul style="list-style-type: none"> ■ Complaint levels / Satisfaction ratings ■ Number of potential conflicts of interest ■ Number of stakeholders with multiple roles ■ Delivery / Administration cost ratios <ul style="list-style-type: none"> ➢ % ANTA funds for administration ➢ % total funds for administration ➢ Cycle times and re-work ■ Number and type of jurisdictional differences in interpretation & implementation of User Choice principles 	<ul style="list-style-type: none"> ■ Stakeholder education ■ Management information on funding usage / costs of administration ■ Feedback mechanism ■ Organisation Chart & responsibility reviews ■ Monitoring of the interpretation and implementation of policy / principles 	<ul style="list-style-type: none"> ■ Stakeholder education ■ Monitoring of the interpretation and implementation of User Choice in each jurisdiction

Likelihood	Impact
Almost certain	Moderate

Risk B – Funding arrangements



STRATEGIES TO MANAGE / CONTROL THIS RISK		
TYPICAL KRIs	TYPICAL KEY PROCESSES	KEY PROCESSES FOR VET FOCUS
<ul style="list-style-type: none"> ■ Actual vs budget spend ■ Funding growth (funding demand) ■ Training delivered (outcomes, participant numbers, provider mix, delivery method, etc) 	<ul style="list-style-type: none"> ■ Demand forecasting ■ Stakeholder education and communication ■ Pricing model reviews ■ Funding / delivery measurement and reporting 	<ul style="list-style-type: none"> ■ Pricing model reviews (across jurisdictions) ■ Funding / delivery measurement and reporting

Likelihood	Impact
Almost certain	Moderate

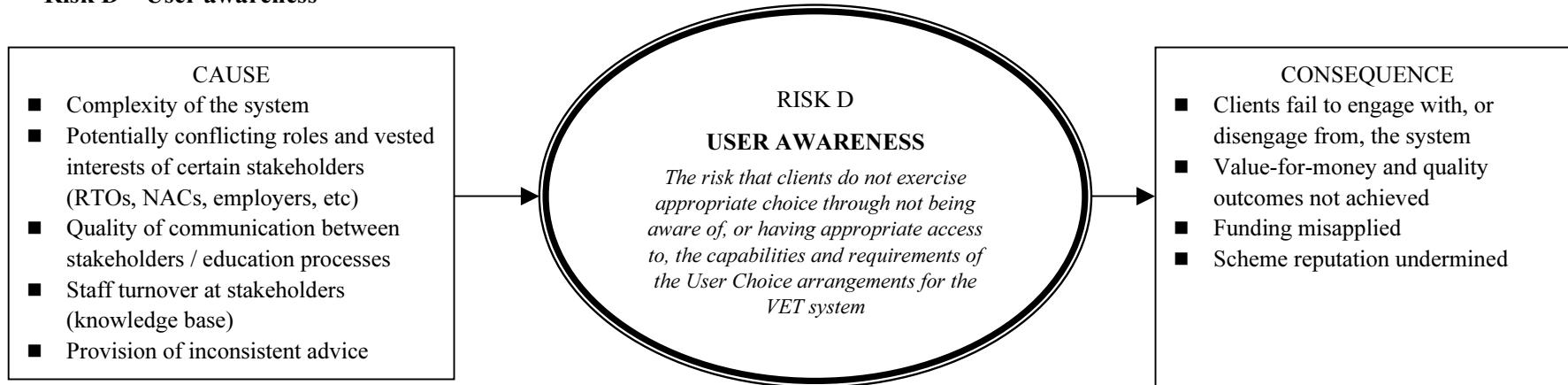
Risk C – Labour market demand



STRATEGIES TO MANAGE / CONTROL THIS RISK		
TYPICAL KRIs	TYPICAL KEY PROCESSES	KEY PROCESSES FOR VET FOCUS
<ul style="list-style-type: none"> ■ Demand fulfilment statistics ■ Apprentice vs trainee ratios (changes) <ul style="list-style-type: none"> ➢ Overall ➢ By skill category ■ Employer feedback ■ Placement rates post-training 	<ul style="list-style-type: none"> ■ Demand forecasting (economic modelling) ■ Management information on delivery of training ■ Management information on funding usage ■ Employment data monitoring ■ Feedback mechanism 	<ul style="list-style-type: none"> ■ Demand forecasting (economic modelling) ■ Management information on funding usage

Likelihood	Impact
Likely	Major

Risk D – User awareness



STRATEGIES TO MANAGE / CONTROL THIS RISK		
TYPICAL KRIs	TYPICAL KEY PROCESSES	KEY PROCESSES FOR VET FOCUS
<ul style="list-style-type: none"> ■ Client feedback <ul style="list-style-type: none"> ➢ At time of entry ➢ At time of exit ■ Stage when NACs are consulted (up-front or at back end) 	<ul style="list-style-type: none"> ■ Education and communication <ul style="list-style-type: none"> ➢ Providers (RTOs) ➢ Employers ➢ Schools (pre – traineeship / apprenticeship) ➢ NACs ■ Feedback mechanism ■ Provision of consistent point of contact for advice 	<ul style="list-style-type: none"> ■ Provision of consistent point of contact for advice (e.g. ‘Case Manager’ role within STA)

Likelihood	Impact
Almost certain	Moderate

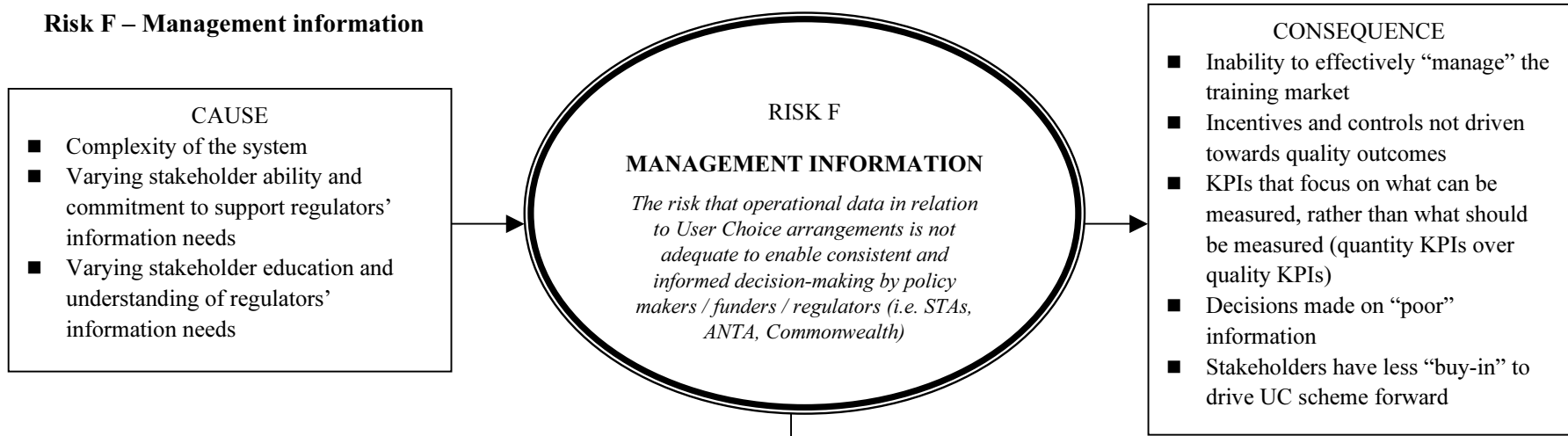
Risk E – Quality training outcomes



STRATEGIES TO MANAGE / CONTROL THIS RISK		
TYPICAL KRIs	TYPICAL KEY PROCESSES	KEY PROCESSES FOR VET FOCUS
<ul style="list-style-type: none"> ■ Customer complaints ■ Completion rates and competency outcomes ■ Quality audit results ■ Trainee mobility ■ Qualification recognition and portability ■ Training outcomes / Investment ratio ■ Change in RTO profile over time (e.g. public vs private, size, location, training areas) 	<ul style="list-style-type: none"> ■ Feedback mechanisms ■ Quality audit program ■ Training outcome measurement (performance) ■ Independent assessment of skill level outcome ■ Registration process for providers (RTOs) ■ Linking funding to performance 	<ul style="list-style-type: none"> ■ Integrated quality audit processes ■ Linking funding to performance

Likelihood	Impact
Moderate	Major

Risk F – Management information



STRATEGIES TO MANAGE / CONTROL THIS RISK		
TYPICAL KRIs	TYPICAL KEY PROCESSES	KEY PROCESSES FOR VET FOCUS
<ul style="list-style-type: none"> ■ Number of information requests met on time ■ Acquittal reporting ■ Number of ad-hoc information requests ■ Appropriate mix of lead and lag KPIs (e.g. to allow early identification of funding commitment at time of Training Contract rather than when funding claim is made) 	<ul style="list-style-type: none"> ■ Information management activities ■ Education and communication ■ Review of / streamlining of information ■ Decision Support Systems ■ Identification of appropriate KPIs ■ Reporting of contract commitments <ul style="list-style-type: none"> ➢ User Choice funding contract (STA-RTO) ➢ Training Contract (Employer-Trainee-NAC) 	<ul style="list-style-type: none"> ■ Information management activities ■ Identification of appropriate KPIs

Likelihood	Impact
Likely	Major

C Building on the existing work of the NTQC

The six key risk areas identified in respect of the impact of the User Choice policy on the VET system overlap with, and reinforce, the twenty national key risks² identified by the NTQC as follows:

Risk A – Structure and governance

The risk that stakeholders do not understand and operate effectively in relation to the User Choice arrangements for the VET system, and that inter-jurisdictional arrangements compromise the effectiveness of a national system.

Similar risk areas identified in the report titled *Risk Management in VET – July 2003*

- *The risk that the scale and complexity of regulation in the system drives a focus on compliance at the expense of quality outcomes (Risk #9)*
- *The risk that training service providers fail to maintain quality and consistency particularly when services are delivered across multiple sites, jurisdictions, or off shore (Risk #14)*
- *The risk that training service providers don't manage their conflict of interest in performing multiple roles [e.g. GTOs, NACs, RTOs, ITABs] (Risk #17)*

Risk B – Funding arrangements

The risk that User Choice funding causes unintended market behaviour and is not directed effectively through consistent principles and practices that are transparent to all stakeholders

Similar risk areas identified in the report titled *Risk Management in VET – July 2003*

- *The risk that employers and RTOs do not meet all their training obligations because incentives are not adequately linked to training effort and quality (Risk #2)*

² As documented in *Risk Management in VET – July 2003*, a report to the National Training Quality Council from the NTQC Risk Management Group

Risk C- Labour market demand

The risk that User Choice funding does not address labour market requirements and priorities

Similar risk areas identified in the report titled *Risk Management in VET – July 2003*

- *The risk that Training Packages and accredited courses do not meet industry skill needs (Risk #10)*
- *The risk that the VET system is not adequately catering for the full range of groups within the community, particularly equity groups (Risk #11)*
- *The risk that training outcomes are not meeting industry skill needs and priorities (Risk #15)*

Risk D – User awareness

The risk that clients do not exercise appropriate choice through not being aware of, or having appropriate access to, the capabilities and requirements of the User Choice arrangements for the VET system

Similar risk areas identified in the report titled *Risk Management in VET – July 2003*

- *The risk that consumers do not understand their rights and obligations in making training choices (Risk #8)*
- *The risk that industry and individuals do not engage in the VET system (Risk #16)*

Risk E – Quality training outcomes

The risk that the User Choice funded training market does not deliver uniform quality outcomes

Similar risk areas identified in the report titled *Risk Management in VET – July 2003*

- *The risk that fully on-the-job pathways (not involving structured training) deliver poor quality outcomes (Risk #1)*
- *The risk that employers and RTOs do not meet all their training obligations because incentives are not adequately linked to training effort and quality (Risk #2)*
- *The risk that trainers and assessors are not adequately skilled and qualified (Risk #3)*

- *The risk that resources for regulation and quality assurance do not keep pace with growth in the training system (Risk #4)*
- *The risk that brokering and partnering arrangements reduce the quality of training outcomes (Risk #5)*
- *The risk that the qualification is poorly valued where there is a substantial inconsistency in training effort for the same qualification and for different qualifications at the same AQF level (Risk #6)*
- *The risk that State and Territory registering bodies fail to maintain quality and consistency in registration and audit of RTOs (Risk #7)*
- *The risk that the scale and complexity of regulation in the system drives a focus on compliance at the expense of quality outcomes (Risk #9)*
- *The risk that fully institution-based pathways (not involving work-based experience) deliver poor quality outcomes (Risk #12)*
- *The risk that learning and assessment strategies (including RPL), resources and outcomes do not meet client needs (Risk #13)*
- *The risk that training service providers fail to maintain quality and consistency particularly when services are delivered across multiple sites, jurisdictions, or off shore (Risk #14)*
- *The risk that poor training outcomes will occur in “high risk” environments and industries (Risk #18)*
- *The risk that client interests are not protected when training service providers fail or close (Risk #19)*

Risk F – Management information

The risk that operational data in relation to User Choice arrangements is not adequate to enable consistent and informed decision-making by policy makers / funders / regulators (i.e. STAs, ANTA, Commonwealth)

Similar risk areas identified in the report titled *Risk Management in VET – July 2003*

- *The risk that there is poor alignment of current data collection to VET planning and monitoring (Risk #20)*

D Project methodology endorsed by NTQC

Presented below is an extract of the project methodology contained in the “*Impact of the User Choice Policy on the VET system – Risk assessment briefing pack*” as approved by the NTQC User Choice Working Group.

Introduction and objective

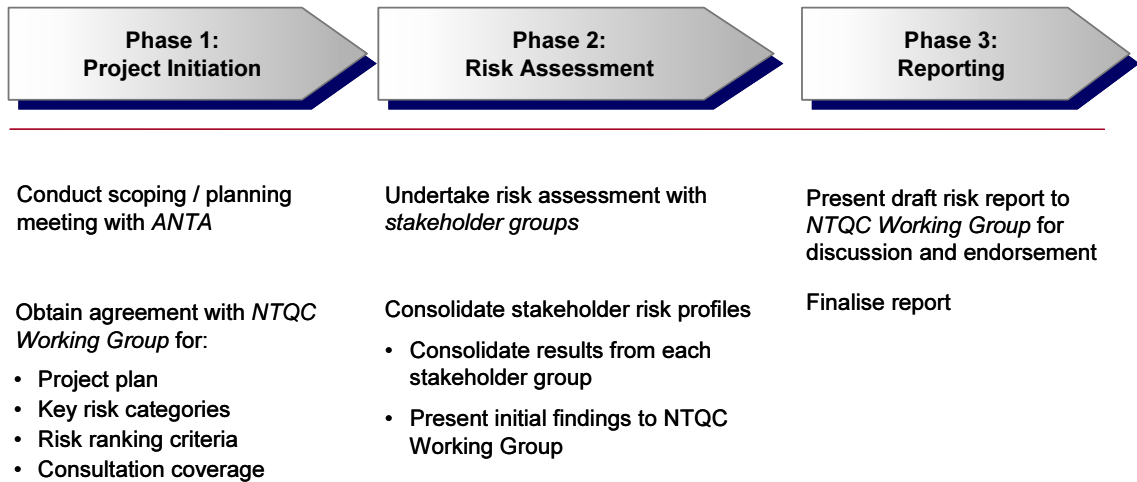
The objective of this risk assessment exercise was to identify and consolidate the *key risks associated with the impact of the User Choice policy on the VET system*. A structured risk assessment process was used, based on the principles of AS/NZS 4360:1999 – Risk Management. Facilitated interviews and workshops were held with a broad range of stakeholders, including representatives from:

- Government (Commonwealth, State and Territories)
- Industry (Peak Bodies and Employers)
- Providers (public and private Registered Training Organisations - RTOs, and New Apprenticeship Centres - NACs)
- Apprentices / Trainees.

(refer to *Attachment E* for a detailed breakdown of stakeholder groups and consultations)

Methodology and approach

The approach adopted for this risk assessment exercise is outlined in the following diagram:



What is meant by risk?

For the purpose of this risk assessment exercise, the term “risk” refers to the threat that an event or action (whether it actually happens or not) will adversely affect the VET system in achieving its objectives.

The definition is deliberately broad to enable consideration of the key risks associated with the impact of the User Choice policy initiative on the success of the VET system.

The strategic objectives of the VET system

As identified in “*the National Strategy for Vocational Education and Training 1998-2003*” the five objectives of the Vocational Education and Training system are:

- Equipping Australians for the world of work;
- Enhancing mobility in the labour market;
- Achieving equitable outcomes in vocational education and training;
- Increasing investment in training; and
- Maximising the value of public vocational education and training expenditure.

However, it was noted that the new Strategy of VET 2004 - 2010 has been agreed to in principle by the ANTA Ministerial Council, which identifies four objectives for 2004 – 2010, being that:

- Industry will have a highly skilled workforce to support strong performance in the global economy;
- Employers and individuals will be at the centre of vocational education and training;
- Communities and regions will be strengthened economically and socially through learning and employment; and
- Indigenous Australians will have skills for viable jobs and their learning culture will be shared.

The User Choice policy plays a key role in achieving these objectives through the New Apprenticeship scheme, ensuring that individuals and enterprises have maximum choice and flexibility in learning pathways and in the use of vocational education and training products and services.

Based on the advice of the NTQC User Choice Working Group, risks were assessed on how they impacted the ability of the VET system to achieve the following strategic objectives:

- Industry will have a highly skilled workforce to support strong performance in the global economy;
- Employers and individuals will be at the centre of vocational education and training;
- Communities and regions will be strengthened economically and socially through learning and employment; and
- Maximising the value of public vocational education and training expenditure.

D.1 Risk rating criteria - impact tables (by stakeholder group)

Separate impact tables were developed for each stakeholder group. The impact categories described below provide an example of the types of impact that may affect the stakeholder. This list is not exhaustive, but was used as a means to highlight key impacts on the stakeholder. An indicative rating scale was given to each type of impact so that a consistent approach was used when ranking the risks.

Determination of Impact Rating Government					
Impact Category	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Reputation of VET Sector	Letters to local press.	Series of articles in local press.	Extended negative local media coverage.	Short-term State-wide negative media coverage.	Extensive negative State-wide / National media coverage.
Management effort	An event, the impact of which can be absorbed through normal activity.	An event, the consequences of which can be absorbed but management effort is required to minimise the impact.	A significant event which can be managed under normal circumstances.	A critical event, which, with proper management, can be endured. May involve some changes in management.	An event so severe in nature it leads to a change in the management structure of the organisation.
Political	No ministerial inquiries; no recognition on political landscape.	Limited amount of ministerial interest; minimal interest at a political level.	In depth ministerial inquiry, reporting and follow up; recognition at the political level.	Debate and discussion at a parliamentary level; parliamentary reporting.	Potential impact on ministerial portfolio.
Demand on funding	Funds adequate to cover basic New Apprenticeships demands.	Minor re-allocation of funding required to meet demand. E.g. < 5%	Moderate re-allocation of funding required to meet demand. E.g. 5-15%	Major re-allocation of funding required to meet demand. E.g. 15+%	No options / alternative sources of funding available to meet demand.
Quality	Acceptable level of quality with room for improvement.	Isolated issue of quality identified requiring attention.	Isolated issue requiring immediate attention.	Systemic issue impacting either process <i>or</i> outcome.	Systemic issue impacting both process <i>and</i> outcome.
Skills Outcomes	Identified skills outcomes have been met for most categories.	Most identified skills outcomes have been met for most categories.	A number of identified skills outcomes have not been met for some categories.	Identified skills outcomes have not been met for a number of categories.	Identified skills outcomes have not been met for all categories.

Determination of Impact Rating Providers and Brokers					
Impact Impact Category	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Funding	Adequate level of available funding and/or not dependent on public funding for operation.	Minor inadequate level of available funding and/or minimal dependency on public funding for operation.	Some inadequate level of available funding and/or some dependency on public funding for operation.	Significantly inadequate level of available funding and/or significant dependency on public funding for operation.	Totally inadequate level of available funding and/or total dependency on public funding for operation.
Reputation	Minimal complaints about service delivery.	Some complaints but can be managed under normal operations.	Complaints leading to some damage to credibility but can be recovered with some management effort.	Damage to credibility that can be recovered with management effort but some changes in management structure.	Irreparable damage to credibility. Changes in management structure.
Regulation (RTO)	Break down in processes identified and rectified within correction period. No interruption to operations.	Minor breaches. Minimal interruption to operations. Situation rectified within correction period.	Breach identified requiring notification to Regulatory body providing action plan to correct in correction period.	Regulatory body notifies of breach. Notice served for correction.	Deregistered as a training provider.
Regulation (NAC)	Break down in processes identified and rectified within correction period. No interruption to operations.	Minor breaches. Situation rectified within correction period.	Breach identified requiring action plan to correct in correction period.	Government notifies of breach. Notice served for correction.	Contract withdrawn.
Quality	Insignificant number of training delivery complaints issued (<1%). No rejections of trained / qualified trainees based on skill gap.	Minor number of training delivery complaints issued (between 1% and 3%). No rejections of trained / qualified trainees based on skill gap.	Moderate number of training delivery complaints issued (between 3% and 5%). Some rejections of trained / qualified trainees based on skill gap.	High number of training delivery complaints issued (between 5% - 10%). Too many rejections of trained / qualified trainees based on skill gap.	Unacceptable number of training delivery complaints issued (>10%). High number of rejections of trained / qualified trainees based on skill gap.
Skills Outcomes	Identified skills outcomes have been met for most categories.	Most identified skills outcomes have been met for most categories.	A number of identified skills outcomes have not been met for some categories.	Identified skills outcomes have not been met for a number of categories.	Identified skills outcomes have not been met for all categories.

Determination of Impact Rating Industry (peak bodies and employers)					
Impact Category	Insignificant	Minor	Moderate	Major	Catastrophic
	1	2	3	4	5
Source of funds	Adequate level of available funding and/or not total dependency on public funding for operation.	Minor inadequate level of available funding and/or minimal dependency on public funding for operation.	Some inadequate level of available funding and/or some dependency on public funding for operation.	Significantly inadequate level of available funding and/or significant dependency on public funding for operation.	Totally inadequate level of available funding and/or total dependency on public funding for operation.
Reputation	Minimal complaints about service delivery.	Some complaints but can be managed under normal operations.	Complaints leading to some damage to credibility but can be recovered with some management effort.	Damage to credibility that can be recovered with management effort but some changes in management structure.	Irreparable damage to credibility. Changes in management structure.
Management effort	Adequate information on User Choice available with some effort involved to negotiate training contracts under User Choice arrangements.	Essential information on User Choice available with some effort involved to negotiate training contracts under User Choice arrangements.	Most information on User Choice available with moderate management effort involved to negotiate training contracts under User Choice arrangements.	Limited information on User Choice available with major management effort involved. Apprentices rejected and / or accepted based on limited knowledge of User Choice arrangements.	No information on User Choice available. Major effort by management to receive information. Industry / employers do not encourage new apprentices.
Quality - Integrity of qualifications (Input)	Insignificant differences between same qualifications from different training offices / States. No impact on adequate skill level expected by industry / employers.	Minor differences between same qualifications from different training offices / States. No impact on adequate skill level expected by industry / employers.	Some differences between same qualifications from different training offices / States. Some impact on adequate skill level expected by industry / employers.	Major differences between same qualifications from different training offices / States. Rejection on qualification by industry / employers.	Differences between same qualifications from different training offices / States major so that re-training / qualification is necessary to accept qualification by industry / employer.
Quality - Skill outcome (Output)	Insignificant occurrences of skill outcome not achieved (<1%).	Minor occurrences of skill outcome not achieved (between 1% and 2%).	Moderate occurrences of skill outcome not achieved (between 2% and 4%).	An alerting number of occurrences of skill outcome not achieved (between 4% and 10%).	An unacceptable number of occurrences of skill outcome not achieved (>10%)
Flexibility of choice	Multiple choices in providers qualifications and modes are available.	Reasonable choices in providers qualifications and modes are available.	Some choices in providers qualifications and modes are available.	Limited choices in providers qualifications and modes are available.	No choice in providers qualifications and modes are available.

Determination of Impact Rating Apprentices / Trainees					
Impact	Insignificant	Minor	Moderate	Major	Catastrophic
Impact Category	1	2	3	4	5
Skill outcome	My qualifications are high demand.	My skills are adequate requiring minimal supervision.	My skills are adequate but requiring additional support to meet acceptable standard.	I require re-training.	My qualifications are not achieved or acceptable.
Employment Outcome	My training has assisted me to gain employment.	My training has assisted me to possibly gain employment.	My training has not assisted me to gain employment.	My training has not at all assisted me to gain employment.	My training has not at all assisted me to gain employment and is unlikely to in the future.
Understanding of choice	I understand and have adequate information on what choices and what options are available to make an informed decision	I understand what choices and options are available but lack the finer details.	I understand part of what choices and what options are available but still need more information.	I have some idea of what choices and what options are available.	I have no idea of what choices and what options are available.
Flexibility of Choice / Capacity of system	I have multiple choices in providers, qualifications, modes.	I have reasonable choices in providers, qualifications, modes.	I have some choices in providers, qualifications, modes.	I have very limited choices in providers, qualifications, modes.	I have no choices in providers, qualifications, modes.
Reputation	The qualification/training has a decent reputation.	The qualification/training has sometimes been criticised.	The qualification/training has some criticisms.	The qualification/training has no credibility in the workforce.	The qualification/training has a bad reputation.

D.2 Risk rating criteria - likelihood rating

How likely is it that the VET system will be exposed to a specific risk considering factors such as:

- Anticipated frequency;
- The external environment;
- The procedures, tools, skills currently in place;
- Staff commitment, morale, attitude; and
- History of previous events.

Likelihood rating		
The number of times within a specified period which a risk may occur either as a consequence of business operations or through failure of operating systems, policies or procedures.		
Rating	Description	Occurrence
Almost certain	Expected to occur in most circumstances	Multiple times per month
Likely	Will probably occur in most circumstances	Once per month
Moderate	Might occur within a specific time period	Once every 3 - 6 months
Unlikely	Could occur during a specified time period	Once every 6 –12 months
Rare	May only occur in exceptional circumstances	Once every 12 or more months

D.3 Risk rating table

Having considered the impact and likelihood of each risk, an overall risk rating was determined in accordance with international risk management standards. In terms of risk scoring, those risks which have a higher frequency (likelihood of occurrence) and will have significant impact on the VET system will have a higher priority rating than those with a lower frequency and minor impact.

		Impact				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood	Almost Certain	High	High	Extreme	Extreme	Extreme
	Likely	Moderate	High	High	Extreme	Extreme
	Moderate	Low	Moderate	High	Extreme	Extreme
	Unlikely	Low	Low	Moderate	High	Extreme
	Rare	Low	Low	Moderate	High	High

E Stakeholder consultations

The following tables and figures outline the range and breadth of consultations conducted. Table E.1 summarises the consultations by stakeholder group; Figure E.1 outlines the geographical spread of these consultations; and Figure E.2 indicates the size and region type of the RTO and employer stakeholders consulted.

Table E.1—Consultation with stakeholders by stakeholder group

Stakeholder group	Number
Government	8
Industry	8
Registered Training Organisation (RTO)	20
New Apprenticeship Centre (NAC)	7
Employer	21
Apprentice / Trainee	18

Figure E.1—Consultation with stakeholders by geographical location

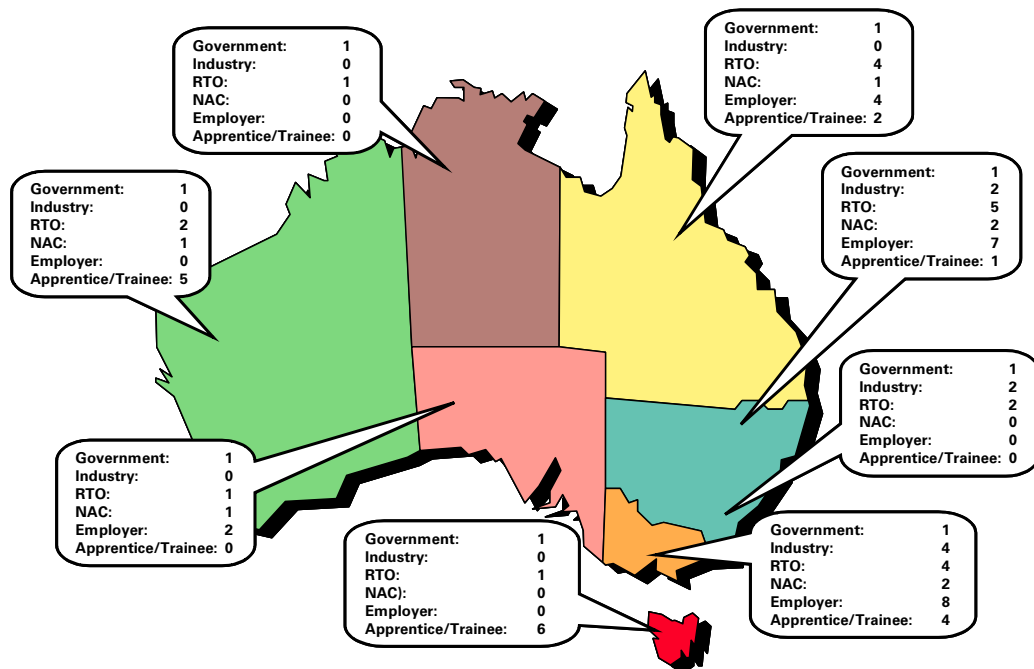


Figure E.2—Consultations with stakeholders by size³ and region type

Apprentice / Trainee		Employer	
Metro		Metro	
■ Small	3	■ Small	4
■ Large	6	■ Large	13
Rural		Rural	
■ Small	7	■ Small	5
■ Large	2	■ Large	9

RTO	
Private	
■ Metro	6
■ Rural	9
Public	
■ Metro	6
■ Rural	0

Note: some employers & RTOs operate in both Metro and Rural locations

³ For the purpose of this review, a *large employer* is one who is currently responsible for the training needs of more than 100 apprentices / trainees.