

# REPORT

## Regulating offshore delivery of VET: ASQA's 2015 pilot audit program



**Australian Government**

**Australian Skills Quality Authority**

## Executive summary

International education is estimated to represent Australia's third largest export industry. While the majority of Australia's international vocational education and training (VET) delivery is to international students based in Australia, the volume of VET delivery to offshore students has grown significantly over the past decade.

Offshore delivery of VET introduces risks to the Australian VET system, both nationally and internationally. This includes the risk of poor-quality VET impacting the reputations of Australian VET providers, Australian VET qualifications and the Australian VET system as a whole.

ASQA is the national regulator for Australia's VET sector and is empowered to audit the offshore operations of registered training organisations. This is consistent with ASQA's objective to enhance Australia's reputation for vocational education and training nationally and internationally.

In 2015, ASQA conducted an offshore audit pilot in order to test the quality of offshore VET, trial the offshore audit process and develop an effective offshore regulatory strategy. The pilot involved site audits of four public providers at a range of locations in China, following negotiation with Chinese authorities.

The pilot demonstrated that the providers in the sample were meeting their regulatory obligations and the expectations of offshore stakeholders. The pilot identified key characteristics and strengths and weakness of offshore VET that will help inform further offshore regulatory activity.

ASQA will extend its offshore regulatory strategy in 2016. This will include regulatory scrutiny of both public and private VET providers and will be conducted in China and Hong Kong.

## Introduction

Deloitte Access Economics (2015<sup>1</sup>) estimated the value of international offshore income to be around \$434 million in 2014; this includes \$53 million from offshore VET. While the majority of VET delivery to international students is in Australia, a significant proportion of this delivery is provided offshore. It is estimated that around one quarter of international students are now located offshore. International students access VET through a broad range of provider types, including higher education providers/universities, public providers/TAFEs, private providers, schools, enterprise and community providers.<sup>2</sup>

## Offshore VET delivery

Offshore VET provision involves the delivery of a course of study that leads to a formal VET award. The course of study may be undertaken through a range of modes including online or distance delivery.

Training and assessment may be provided partly or fully outside Australia by either a registered training organisation (RTO) or through collaboration between an RTO and one or more third parties.

In 2014, TAFEs enrolled 24,135 offshore students and 3250 offshore students studied with private and enterprise providers. Data suggests public and private training providers operate differently in international VET. Offshore international delivery has been largely by TAFE institutes, with private providers' international students more likely to attend training in Australia<sup>3</sup>.

Offshore delivery is an opportunity for Australian providers to grow their markets and to expand the scope of their operations. This presents both opportunities and risks for individual providers and the VET system more broadly. Commercial opportunities are balanced by both financial and reputational risks.

Reputational risks are generally related to the quality of program delivery. This includes the risk of training and assessment not reflecting the requirements of Australian industry as described by training packages. Training and assessment that does not meet the requirements of training packages may have no value for students seeking employment in Australia and may be seen as a 'second-class' qualification. These risks may affect students, individual providers and the Australian VET system as a whole.

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<sup>1</sup> Deloitte Access Economics (2015). *The value of international education to Australia*. Canberra: Department of Education and Training.

<sup>2</sup> ASQA (2014) *Strategy for the regulation of offshore delivery of vocational education and training by Australian registered training organisations*. Melbourne: Australian Skills Quality Authority.

<sup>3</sup> National Centre for Vocational Education Research (NCVER), VOCSTATS (2015). Retrieved from <http://www.ncver.edu.au/resources/vocstats.html> (17/06/2016). Data were originally collected by registered training organisations around Australia.

Note: The NCVER is not responsible for the correct extraction, analysis or interpretation of the data presented herein.

## ASQA's role in regulating offshore VET delivery

ASQA is the national regulator for Australia's VET sector and is empowered to audit the offshore operations of RTOs. This power is consistent with the objects of the *National Vocational Education and Training Regulator Act 2011*, which include enhancing Australia's reputation for vocational education and training nationally and internationally.

Offshore delivery presents a challenge to ASQA due to the range of risks it poses to students, individual providers and the Australian VET system as a whole.

Offshore governments and regulators are also concerned that the quality of training and assessment by overseas training organisations is of the highest quality and that this training benefits their students and their labour markets. The Chinese Ministry of Education recently announced greater scrutiny of Sino-foreign joint programs, to ensure that they are delivered in areas of skills shortage, are of high quality and are not rolled out indiscriminately across large numbers of Chinese partners and provinces.

## ASQA's approach to regulating offshore delivery

In 2014, ASQA released its *Strategy for the regulation of offshore delivery of vocational education and training by Australian registered organisations 2014–2016*, which seeks to manage the risks posed by offshore VET delivery. The strategy identified the need to conduct a pilot of offshore audits, in order to trial the audit processes and to inform future regulatory policy and activity in relation to the offshore delivery of VET.

### The pilot audit

ASQA piloted an initial audit program of offshore activity in China in 2015. This pilot audit program aimed to:

- gather information about the quality of offshore training
- positively influence provider behavior and regulation, and
- better understand the challenges faced by providers in relation to offshore delivery and quality assurance.

The pilot was conducted in three stages.

## Stage one—preparing the audit

This stage involved identifying where the audits would be conducted and negotiating permission and processes for conducting the audits. Data on offshore delivery identified China and its special administrative regions of Hong Kong and Macau as the major market for offshore delivery of Australian VET qualifications<sup>4</sup>.

The pilot recognised that conducting regulatory processes in another country is a sensitive process that requires the full cooperation of the relevant in-country regulators. In 2015, ASQA negotiated a formal memorandum of understanding with the China Education Association for International Exchange (CEAIE) to enhance collaboration between the organisations. ASQA invited the Chinese Ministry of Education and/or CEAIE observers to participate in the process.

## Stage two—conducting the site audits

The pilot was conducted with four public providers from New South Wales and Victoria. They were selected from a sample of providers that delivered in China. In all cases, the Australian Qualifications Framework (AQF) qualification formed part of a larger program with components delivered by the Chinese partner.

ASQA designed an audit process to focus on key clauses from the *Standards for Registered Training Organisations (RTOs) 2015* (the Standards) that were considered to be highest risk. The audits focused solely on the RTOs' responsibilities for compliance, including their responsibility to manage the partnership to ensure compliance with the Standards. The qualifications reviewed were agreed with the CEAIE and are listed in Table 1.

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<sup>4</sup> This project was implemented prior to the collection of the first set of 'Total VET Activity' data; as such, future strategies to examine offshore delivery will benefit from a more complete data set.

**Table 1: Qualifications audited**

Institute	Qualification	Mode of delivery	Number of enrolments
Institute A	TLI60210 Advanced Diploma of Deployment and Logistics	Face to face, work placement	54
Institute B	NAT10082 Certificate III in Advanced English	Face to face	15
Institute C	BSB41107/BSB41115 Certificate IV in International Trade	Face to face	144
	BSB50807 / BSB50815 Diploma of International Business	Face to face	
	FNS50210 / FNS50215 Diploma of Accounting	Face to face	
Institute D	BSB50807 Diploma of International Business	Face to face	82
	BSB60407 Advanced Diploma of Management	Face to face	

The audit process involved:

- interviewing trainers, assessors and students
- reviewing facilities against training package requirements, and
- analysing documentation relevant to training and assessment, certification and access to records; marketing and information provided to students; complaints; and managing the partnership.

### Stage three—report on findings

The findings of the audit were discussed with each of the RTOs and their delivery partners. Each RTO was able to rectify any issues identified and each demonstrated improved practice.

ASQA also debriefed with representatives of the Chinese regulator on the outcomes of the audit process. This established a positive platform for future audit programs and engagement with the Chinese authorities.

## Findings—Characteristics of overseas VET delivery

The audits identified the following characteristics of overseas VET delivery:

**Students:** Students in the programs were aged 18 to 25 years and had completed secondary school. Their parents were important in selecting programs and encouraging their students to be involved. The main reason for students' involvement in the Australian VET programs was to get work in China after completing their qualification. The students often expected to work for a business that operated internationally. They felt that the opportunity to experience training in English was a particular attraction of the Australian VET programs. Demonstrating English language competence was seen to be an advantage that would impress future employers. The students acknowledged that they would like to study in Australia, but they felt that this would not be affordable for them.

**Partnerships:** Partnerships were generally formed with tertiary education providers. There were four broad models of delivery. The key differences between the models were:

- the extent to which delivery was conducted by the local trainers and assessors, and
- whether the RTO managed assessment and certification.

The RTO managed overall quality assurance and compliance in each case.

**Program resources:** The Australian RTO provided the resources for the overseas VET programs. This assisted quality assurance, particularly for delivery in English. However, some students wanted more contact with native English speakers to improve their proficiency in English. Chinese trainers and assessors benefited from contact with Australian trainers and assessors and in some cases undertook visits to Australia. This provided them with an understanding of Australian industry and its expectations for skills and knowledge.

In one case, the partner organisation provided facilities that mirrored those of a workplace. This assisted the workplace authenticity of the programs provided.

Contextualising knowledge and skills: Delivery in each program included international examples to assist students' understanding. However, the Australian industry and regulatory requirements needed to be strengthened in some programs.

## Strengths of the offshore programs

Strengths of the programs were observed in relation to the compliance requirements of the Standards and included:

- Strong commitment from the partner organisations—partner organisations demonstrated strong commitment to providing quality training and assessment services to students. The partner organisations were very interested in the outcome of the audit process and were extremely cooperative.
- Resourcing—one partner built dedicated facilities that mirrored a workplace

- Industry consultation—in each of the programs, significant industry consultation was evident, particularly through industry participation in program planning and validation activities, and engagement in program delivery. Internships with a local employer were a feature of one program.
- Support for trainers and assessors—trainers and assessors in the partner organisations received considerable support to ensure that they understood the Australian requirements and received professional development in training and assessment.

### Opportunities for improvement

Each of the RTOs audited demonstrated compliance with the standards by the end of the audit process. During the audit, opportunities for improvement were identified. The issues identified were similar to those that are commonly found in audits of on-shore delivery. Issues identified included:

- Record keeping—ensuring that auditors had access to translated records of student achievement; and of trainer and assessor qualifications, experience, industry experience and professional development
- Assessment tools—ensuring these satisfied the principles of assessment and rules of evidence
- Partnership agreements—ensuring that partnership agreements specified the requirements for complying with the Standards
- Satisfying local cultural values—without compromising compliance with the Standards.

### What next?

Following the successful conclusion of the pilot, ASQA is continuing its offshore regulatory strategy in 2016. ASQA intends to conduct further audits in China and to extend the audits to China's special administrative region of Hong Kong.

The future audit program will include a mix of public and private training providers delivering offshore.

### Conclusion

The audit pilot provided ASQA with an improved understanding of offshore delivery and the risks to regulation.

In summary, the pilot:

- validated that offshore delivery is meeting the standards and expectations of the regulator and the offshore community
- improved understanding of the different regulatory approaches that operate in other countries

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- provided a model for conducting future audits offshore that will ensure that audit processes:
    - > manage the technical aspects of offshore delivery, and
    - > build the cultural understanding of ASQA's audit staff
  - improved understanding of challenges to RTOs operating offshore programs and the implications for their ongoing compliance, and
  - developed closer collaboration with offshore regulatory bodies, which will contribute to building trust between organisations and strengthening relationships to assist future audit activities.

The pilot also confirmed the need to continue offshore audits as part of ASQA's regulatory strategy.