

July – August 2013



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

CONSULTATION PROPOSAL

ITO Recognition: quality assurance
criteria

Introduction

NZQA is seeking feedback from industry training organisations (ITOs) on draft quality assurance criteria for ITO recognition.

The need for the proposed criteria was identified in the Industry Training Review (2012), which recommended that NZQA has a more formal role in the quality assurance of ITOs.

This consultation paper also explains how the quality assurance criteria fit within the evaluative quality assurance framework for ITOs, and seeks feedback on the compliance monitoring system, and proposed incentives and sanctions.

NZQA's mandate to set the new criteria

NZQA's new responsibility to establish quality assurance criteria for ITO recognition will be enabled through amendments to the Industry Training Act that are planned for late 2013. Government's timeline for this legislative change is outlined in the Cabinet paper *Increasing the number of apprenticeships in New Zealand and improving the quality of industry training*.¹

In the interest of consistency with other quality assurance processes, the proposed legislation changes are likely to make the new quality assurance criteria into NZQA rules, which are part of the statutory framework for training and education². Further information about NZQA rules is available at <http://www.nzqa.govt.nz/about-us/our-role/legislation/nzqa-rules/>

Development process

The proposed criteria were developed with advice from a small ITO working group, and a second draft was 'road-tested' with NZQA's ITO Advisory Forum in June 2013. Consultation feedback from ITOs will inform the finalised criteria, which will be approved by the NZQA Board and reported to the Minister by the end of September 2013. Like the other aspects of changes to industry training following the Industry Training Review, the new criteria will ideally be in place for implementation from January 2014, although this is naturally dependent on the legislation change (see above).

Proposed quality assurance criteria for recognition

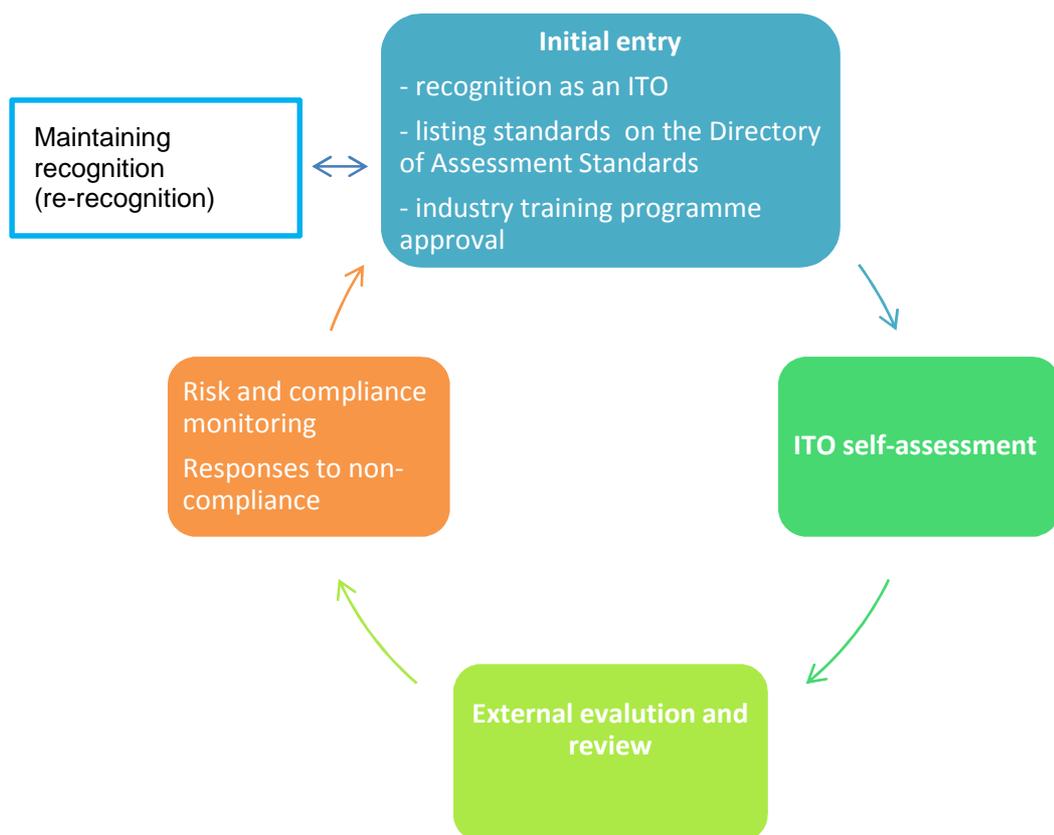
The proposed ITO quality assurance criteria outlined in this consultation document are designed to be an integral part of the evaluative quality assurance framework for ITOs, which comprises four components:

1. initial entry to the training and education system through ITO recognition, industry training programme approval, and quality assurance of ITO-developed standards and qualifications
2. self-assessment of quality and performance by the ITO itself
3. periodic external evaluation and review (EER) by NZQA
4. monitoring of risk and compliance, and/or consequences of non-compliance with recognition requirements.

The **diagram** below illustrates the evaluative quality assurance framework, as it applies to an ITO.

¹ The Cabinet paper is available at <http://www.minedu.govt.nz/NZEducation/EducationPolicies/TertiaryEducation/PolicyAndStrategy/ReviewIndustryTraining/FinalDecisionsIndustryTrainingCabPaper.aspx>

² Under section 253 of the Education Act 1989



The evaluative quality assurance framework applied to an ITO

Initial entry - recognition of an ITO

Under the Industry Training Act 1992, ITOs are recognised by the Minister for Tertiary Education, Skills and Employment, on advice from NZQA and the Tertiary Education Commission (TEC). This will not change. What will change is that NZQA’s expectations for quality will be set out more clearly and in more detail than currently in the proposed quality assurance criteria for ITO recognition, which are presented in the **table** overleaf.

Avoiding duplication with the TEC

The responsibilities of NZQA and the TEC will be clearly separate.

The TEC will continue to provide advice to the Minister on funding and performance matters. NZQA’s advice to the Minister will focus on the quality of ITOs’ standard-setting and arrangements for training.

In light of NZQA’s new role, the TEC and NZQA are re-examining the recognition and re-recognition processes for ITOs. It is expected that TEC’s processes will be defined in relation to an ITO’s overall governance and management capability for financial management, compliance with the funding rules and conditions relating to specific funds, accuracy of trainee records and reporting.

The TEC and NZQA are committed to working together to ensure the focus and purpose of each organisation’s criteria and activity in relation to recognition and maintaining recognition are clear, and minimise duplication (for example each agency has a legitimate interest in the ITO’s governance and industry links, but from a different perspective). The TEC is keenly interested in the results of this consultation and there is a consultation question to directly address this issue.

Proposed draft quality assurance criteria for ITO recognition

The proposed criteria for ITO recognition incorporate a high level description of structural components that an ITO must have in place, to enable it to demonstrate its quality and capability at the time of recognition, and to maintain recognition. The criteria are linked to the statutory functions of an ITO, focusing on the necessary organisation-wide capabilities for an ITO to adequately set skills standards for industry, and develop and maintain arrangements for industry training.

The criteria are intended to address a level above the ITO’s individual training products and services, which NZQA quality assures through industry training programme approval, approving standards for listing on the Directory of Assessment Standards, and listing ITO-developed qualifications on the New Zealand Qualifications Framework.

The proposed ITO quality assurance criteria and processes will have two key dimensions. NZQA will apply the criteria when:

- providing advice to the Minister on any new body that is seeking recognition as an ITO. This dimension relates to entry into the system, it is a ‘promise’ of future activity
- seeking assurance that an ITO is maintaining its capability, by realising the levels of quality ‘promised’ at initial recognition. Maintaining recognition (‘re-recognition’) equates to an on-going demonstration of quality and value to trainees, industry and government. Hence, the proposals include draft criteria for maintaining recognition.

Proposed draft criteria	Proposed scope of application
<i>Purpose</i>	The ITO has a clearly defined and suitable purpose in respect to its statutory functions.
<i>Governance structure</i>	The ITO has a suitable governance structure in terms of representation of the industry or industries for which the ITO seeks to be recognised.
<i>Governing members</i>	Each governing member is a fit and proper person in terms of: <ul style="list-style-type: none"> • experience in governance or management • whether the person is prohibited from being a director or promoter of, or from being concerned or taking part in the management of, a company under any of sections 382, 383, 385, and 386A of the Companies Act 1993 • whether the person was adjudicated bankrupt under the Insolvency Act 2006 or the Insolvency Act 1967 • whether the person has been convicted of any offence involving fraud, violence, or dishonesty, or any offence under the Education Act 1989.
<i>Governance</i>	The governance of the ITO is effective in ensuring it achieves its purpose and functions.
<i>Business, financial and quality management</i>	The ITO has adequate capability in business and financial management. The ITO has in place a comprehensive quality management system covering: <ul style="list-style-type: none"> • governance, business and financial management, including decision-making, risk identification and delegations

	<ul style="list-style-type: none"> • data collection and processes for organisational self-assessment • appointing and managing staff • procurement of resources • managing assessment processes, including internal moderation, processes for tracking progress, and confirming and reporting learner results • standard-setting • qualification development • selecting and maintaining learning and assessment resources • developing industry training programmes • developing and maintaining arrangements for training • administering and managing training • retaining records of learner training and assessment • national external moderation • industry and stakeholder engagement and consultation • monitoring and supporting trainees • establishing and maintaining relationships with relevant education organisations and/or direct access employer participants • contracting and sub-contracting arrangements.
<i>Support and links to industry</i>	The ITO has appropriate and adequate support from, and links to, the specific industry or industries for which the ITO seeks to be recognised including industry contribution, and industry involvement in the standard setting function.
<i>Standard-setting, programme and qualifications development</i>	<p>The ITO has appropriate systems, processes and relationships to identify employers, industry and/or sector workforce needs.</p> <p>The ITO has the education development capability to interpret workforce needs in order to develop suitable standards, programmes and qualifications.</p> <p>The ITO has appropriate processes for engagement with stakeholders in setting standards, and developing programmes and qualifications.</p>
<i>Staff, equipment and resources</i>	<p>The ITO has suitable premises, resources and equipment in particular to meet the needs of workplace assessors and provide learner support.</p> <p>The ITO has sufficient, capable staff to adequately carry out its functions.</p>
<i>Arrangements for training</i>	The ITO has suitable systems, processes, and employer and industry relationships, to establish and maintain arrangements for the provision of industry training in the industry or industries for which it seeks to be recognised.
<i>Administering and managing training</i>	<p>The ITO has appropriate systems and processes to administer and manage programmes of training, including:</p> <ul style="list-style-type: none"> • suitable contractual relationships with any other education

	<p>organisations that sub-contract all or part of the industry training programme</p> <ul style="list-style-type: none"> • suitable apprenticeship and/or training agreements.
<i>Assessment and moderation</i>	The ITO has robust processes for assessment of learner achievement and internal and national external moderation of results.
<i>Trainee support and management</i>	<p>The ITO provides effective learner support and has mechanisms for obtaining learners' feedback on the quality of the support it provides.</p> <p>The ITO has mechanisms to monitor and provide feedback to learners on their progress.</p>
Criteria to maintain recognition	
Proposed draft criteria	Proposed scope of application
A recognised ITO must:	
<i>Maintaining capability</i>	<p>Continue to meet the recognition criteria.</p> <p>Follow and implement the content of its quality management system.</p>
<i>Quality assurance</i>	<p>Participate in quality assurance, which consists of carrying out self-assessment, providing information for compliance monitoring by NZQA, and participating in external evaluation and review that is conducted by NZQA in accordance with the <i>NZQA Rules for External Evaluation and Review 2013</i></p> <ul style="list-style-type: none"> - and, where its statements of confidence are below Confident, agree with NZQA an improvement plan aimed at achieving levels of Confident or above, and a plan for meeting any applicable NZQA sanctions.

Self-assessment and EER

The approach to the new criteria strongly links front-end and on-going quality assurance with organisational self-assessment and external evaluation and review. Self-assessment and EER, which are the primary mechanism through which an ITO demonstrates its continued quality and performance, have a central and essential place 'at the heart' of the quality assurance framework. EER seeks to independently validate what TEOs know for themselves through their self-assessment.

NZQA's evaluative approach has a practical focus on the outcomes of training and the key processes that contribute to those outcomes. Outcomes relate to (such matters as) graduates gaining useful and meaningful skills and knowledge for employment in industry, and completing training and qualifications, and the ITO meeting industry needs for qualified and skilled people. Key contributing processes are the things understood through research, experience and/or systems modelling work, to contribute to valued outcomes.

The proposed quality assurance criteria for ITOs build on previous systems-modelling work that NZQA undertook with ITOs, in 2010, to develop quality indicators for ITO self-assessment and external evaluation and review. This work identified drivers of quality for industry training and links between these drivers – see diagram in **Appendix 1**, which was developed together with ITOs in 2010.

Compliance monitoring and consequences

Once it is recognised, an ITO has to maintain recognition by continuing to meet the initial recognition criteria. NZQA has a role to monitor compliance. Compliance monitoring does not examine outcomes in the same intensive way as self-assessment and EER. Instead, monitoring helps to manage risk to the ITO, and the sector as a whole, by adding to the overall picture of how an ITO is meeting the recognition criteria. EER remains the principal validation mechanism.

NZQA is proposing to monitor ITO risk and compliance through requiring the ITO to submit a statutory attestation that it is continuing to meet the recognition criteria and other applicable legislation and rules. The attestation would be in the year of the ITO's EER, prior to the scoping stage. NZQA would visit a 10% sample of ITOs to validate the information, prior to the scoping stage of the EER, at no cost to the ITO.

Further details about the proposed ITO attestation process are outlined in a wider consultation (with the entire non-university tertiary education sector) on aligning attestations with EER; see <http://www.nzqa.govt.nz/about-us/consultations-and-reviews/proposed-amendments-eer-rules-2013-and-pte-registration-rules-2013/> In particular, please note the separate *Draft IIT Compliance Attestation Documentation*.

Responses to non-compliance

NZQA responds to instances of non-compliance, which may be identified through risk and compliance monitoring, EER, information from other government agencies, or a complaint. NZQA's usual approach when it has compliance concerns is to initiate an investigation to determine whether the concerns are warranted. NZQA will always contact an ITO that is being investigated, and is open to the ITO's explanation of any apparent non-compliance. If the investigation is triggered by a complaint, NZQA follows its formal complaints process that is outlined on the NZQA website at <http://www.nzqa.govt.nz/about-us/make-a-complaint/>.

NZQA has enforcement powers that enable a more thorough investigation of non-university tertiary education organisations. Under section 254A of the Education Act 1989, NZQA has the power to obtain information from an ITO through a written notice to the ITO's Chief Executive. NZQA can also obtain information about an ITO from the Secretary of Education (the head of the Ministry of Education). Cabinet has agreed that sanctions will be available where quality is in question.³ For example, conditions could be placed on ITO recognition if the ITO failed to comply. In extreme circumstances, the Minister could make an ITO's recognition status provisional or cancel it altogether.

Incentives and sanctions

Some ITOs have asked NZQA to establish a system of incentives and sanctions for ITOs. Development of an incentives and sanctions policy for ITOs was delayed pending the outcome of the Industry Training Review. Considering its new, more formal role in ITO recognition, NZQA is now seeking feedback on proposals for ITO incentives and sanctions.

Current incentives and sanctions policy

NZQA's current incentives and sanctions policy for non-university tertiary education providers was introduced in 2010. On the basis of EER results, NZQA allocates tertiary providers into one of four 'Categories' for the purposes of applying incentives and sanctions. Where NZQA is:

- Highly Confident in education performance and Confident or above in self-assessment (Category 1), NZQA applies incentives

³ See page 17 of the Cabinet paper available at <http://www.minedu.govt.nz/NZEducation/EducationPolicies/TertiaryEducation/PolicyAndStrategy/ReviewIndustryTraining/FinalDecisionsIndustryTrainingCabPaper.aspx>

- Confident in educational performance and Confident in self-assessment (Category 2), NZQA applies standard treatment ('business-as-usual')
- Not yet Confident in educational performance and/or self-assessment (Category 3), NZQA *may* apply sanctions
- Not Confident in educational performance and/or self-assessment (Category 4), NZQA *does* apply sanctions.

Valued outcomes for ITOs are obviously different from those for providers, being focussed primarily on the value of training to industry stakeholders. In addition, 'ITO performance', not 'educational performance', is validated through EER.

NZQA's incentives and sanctions policy is a form of 'responsive regulation', which acknowledges that the majority of organisations voluntarily comply with regulations. A regulator, such as NZQA, needs to select enforcement strategies that are best suited to client behavior⁴. For the majority, effective regulation comes through providing information, persuasion and incentivising improvement. There is also evidence that treating everyone in an identical way can result in over-policing the compliant majority and diverting attention from any deliberate transgressors. Instead, the regulator can group clients (such as ITOs) according to past performance and evidence of willingness to comply.

Scrutiny and sanctions are then focused where they are most needed. Meaningful incentives help to drive improvement, as clients strive to be included in eligibility criteria. The highest performers enjoy greater operational freedom and reduced compliance costs. Incentives do not normally apply to business-as-usual levels of performance and quality.

Possible incentives and sanctions policy for ITOs

NZQA could allocate ITOs into groups for the purpose of applying incentives and sanctions. EER results would be a significant factor in deciding an ITO Category, although risk and compliance information would be taken into account. Any incentives and sanctions for ITOs would be enabled through appropriate NZQA rules and would be introduced in 2014, along with the new recognition criteria.

Possible incentive

A possible incentive for high performing ITOs is to reduce NZQA information requirements. This incentive could be reserved for ITOs with Highly Confident EER results and no compliance monitoring issues. For example, NZQA could waive the attestation validation visits that are outlined above, in the same way that certain attestation documents are waived for private training establishments in 'Provider Category One'.

Possible sanction

A possible sanction on the poorest performers, such as ITOs with Not Confident EER results, is that NZQA could recommend to the Minister that there would be provisional recognition of an ITO for a limited time, after which the ITO would need to demonstrate improved quality.

Possible increased scrutiny

NZQA could increase its level of scrutiny and assistance directed at ITOs that are below Confident, in two ways:

- ITOs with EER results below Confident could be required to undertake improvement actions, have a clear plan for improving performance and compliance with any applicable sanctions, and implement that plan. NZQA Sector Relationship Managers could provide advice on implementation of the improvement plan.

⁴ See Ayres and Braithwaite, (1992) & Braithwaite, (2001) who have tested this type of 'responsive regulation' theory with empirical research.

- Increased scrutiny for ITOs with EER results below Confident would logically mean shorter intervals between EERs. ITOs with Highly Confident and Confident EER results would remain at current five-yearly frequency levels. However, ITOs with Not Yet Confident results could be visited every two years and ITOs with Not Confident results could be given a year before the next EER.

Further incentives and sanctions

Any further incentives and sanctions relating to ITO industry programme approval, listing ITO-developed standards on the Directory of Assessment Standards, and consents to assess standards are not encompassed within this paper. This would require changes to relevant NZQA rules, and will be considered as the new ITO quality assurance criteria are implemented in 2014.

Fees

NZQA is able to charge fees for quality assurance services, under section 254 of the Education Act 1989. A new body applying for recognition would be charged a standard NZQA fee of \$150 per hour, GST exclusive.

For existing ITOs, NZQA is already able to (and does) charge a fee for EER and industry training programme approval. NZQA will not charge for the validation visits outlined in the compliance monitoring section above, but would be able to charge for site visits investigating indications of serious non-compliance.

Feedback to NZQA

Please provide feedback using the online consultation questionnaire that is available from NZQA's website at: <http://www.nzqa.govt.nz/about-us/consultations-and-reviews/>

The closing date for feedback is **23 August 2013**.

In your response, you are asked to identify whether your feedback represents your personal view or the view of an organisation you represent

Alternatively, you can email responses to the consultation questions below to: itocriteria@nzqa.govt.nz.

If you are sending your submission as an attachment to an email, please send it as a Microsoft Word document, rather than as a PDF document.

Respondents can also post feedback to: *Consultation: ITO Criteria*
Quality Assurance Division (DCE Advisory Unit)
 NZQA
 PO Box 160
 Wellington 6140

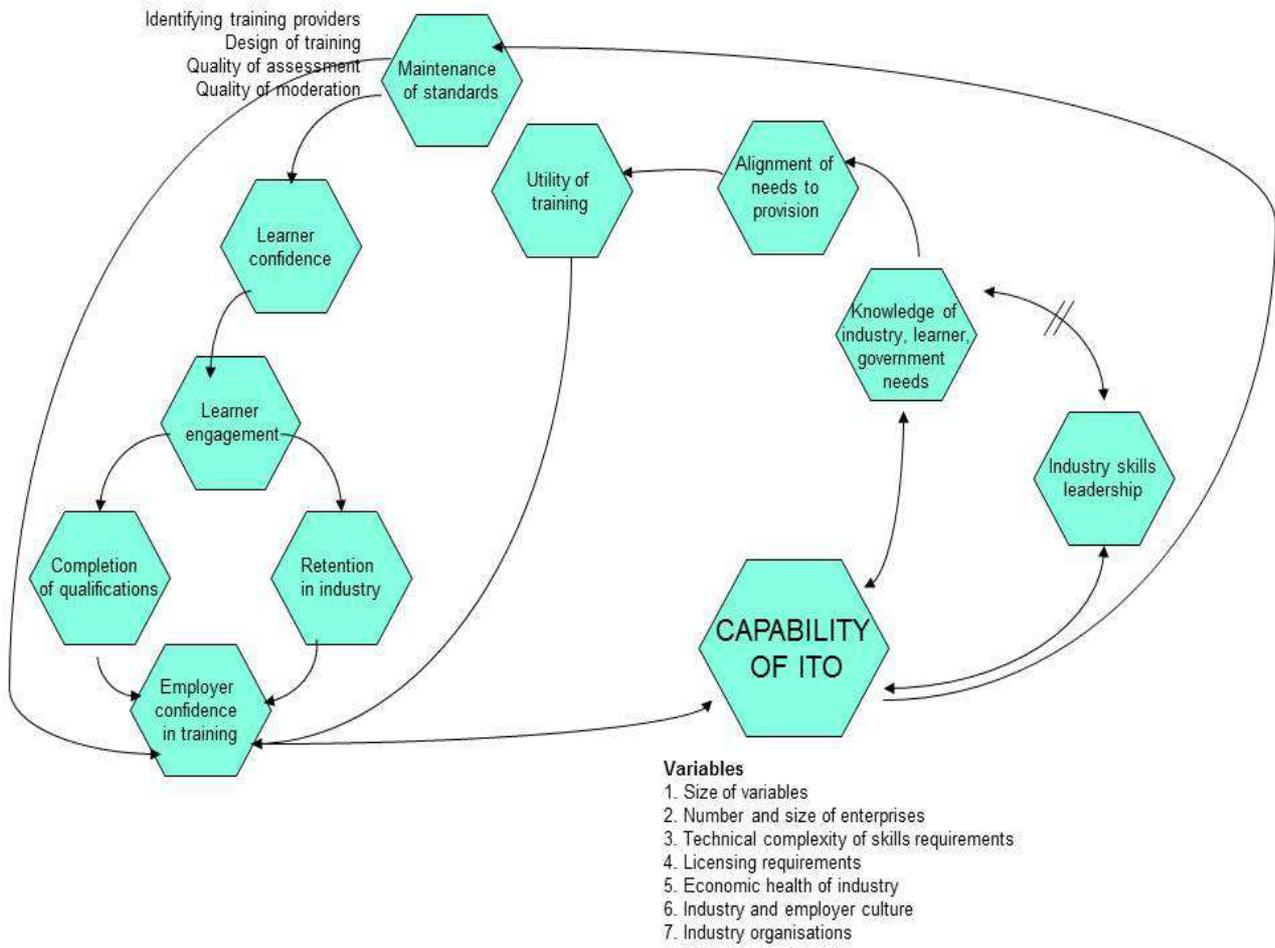
NZQA intends to meet with representatives of ITOs and the Industry Training Federation to gather further feedback, in early August 2013. NZQA will liaise with the Industry Training Federation to schedule this meeting.

ITO Recognition Criteria - Consultation questions

1. Are the proposed quality assurance criteria for ITO recognition complete and comprehensive?
2. Are there additional criteria you think should be included?

3. If you answered 'Yes' above, please indicate what those criteria are.
4. If you suggested additional criteria, please explain your reasoning.
5. Are any of the criteria not needed?
6. If you answered 'Yes' to the previous question, please identify which criteria are not needed.
7. If you identified criteria as not needed, please explain your reasoning.
8. Please suggest ways for NZQA and TEC to avoid duplication of activities relating to ITO recognition, particularly in their on-going monitoring of ITOs.
9. What, in your opinion, are the key elements of a robust NZQA system to monitor compliance with the quality assurance criteria and hence maintain recognition as an ITO?
10. What is your opinion of the proposed incentives and sanctions policy for ITOs?
11. Can you suggest possible other incentives and/or sanctions that could be applied?
12. Please note any other comments you have on any aspect of the proposals.

Drivers of quality in industry training



(NZQA, 2010)