



SKILLS FIRST

AUDIT AND REVIEW STRATEGY

## TABLE OF CONTENTS

Background .....	1
Audit and review strategy: purpose and objectives .....	2
Supporting quality in the training and TAFE system .....	2
Our audit programs .....	3
Planned audit program .....	3
Targeted audit program .....	3
How do we audit? .....	6
Our initial audits .....	6
Supplementary audits .....	6
Who will conduct the audit or review? .....	6
Your responsibilities .....	7
How can you prepare? .....	7
The audit timeline .....	8
Audit logistics .....	9
Timing .....	9
Duration .....	9
Location .....	9
Cost .....	9
Auditor's report .....	10
Feedback .....	10
Audit and review outcomes .....	10
Further information .....	11
Appendix 1: Types of audits and reviews .....	1
Appendix 2: text alternative for flow charts .....	4
Figure 1: Overview of planned audit and assurance .....	4
Figure 2: Overview of targeted audit and assurance .....	4

## Terminology

In this document:

- **'we', 'us' 'our' or 'the department'** means the Department of Jobs, Skills, Industry and Regions
- **'you'** means a training provider that holds a current VET Funding Contract
- **'Audit'** means audit, review, or investigation

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## Background

Skills First is the Victorian Government's program for subsidised vocational education and training (VET). Skills First is a commitment to a high-quality training and TAFE system that students and industry can trust, and that's aligned to industry and workforce needs.

The Department of Jobs, Skills, Industry and Regions (the department) enters VET funding contracts (the contract) with training providers to deliver vocational education and training to students under Skills First. We have a rigorous provider selection process to decide who may get a contract. This includes evaluating previous performance and demonstrated capacity to deliver quality training.

As a Skills First training provider, your contract describes the obligations and standards you must meet to receive Skills First funding.

We recognise that you're committed to delivering quality training and assessment and make your best efforts to comply with the contract. However, we have a public duty to ensure government funds are used appropriately when you deliver training to Skills First students.

This means that under the contract we can do audits, reviews, or investigations to assess whether you are meeting your obligations. This includes assurance activities to see whether your training and assessment meets our minimum quality expectations, and to investigate allegations of fraud or misuse of funds.

This audit and review strategy reflects our approach to assuring funding and quality under the contract.

## Audit and review strategy: purpose and objectives

This strategy provides information about our approach to audits and reviews. It tells you about what to expect, how best to prepare, and the possible outcomes. It guides our funding and quality assurance activities.

We take a risk-based approach to assessing training provider performance.

We monitor and manage your performance through:

- audits
- reviews
- the provider selection process
- data reporting, monitoring and analysis
- complaints management and investigations.

### Funding Assurance

This is to confirm that funds we pay you are used for the right purposes. In particular we look at the eligibility of students, how you've applied concessions or exemptions/waivers, and your evidence of student participation in training.

### Quality Assurance

This is to promote and seek assurance of the quality of your business processes and systems, pre-training reviews, and training and assessment.

## Supporting quality in the training and TAFE system

We offer a range of support services so you have the knowledge and tools to deliver quality training under contract.

These include:

- direct engagement opportunities, through workshops, visits, meetings, and surveys
- information products, such as fact sheets, templates, and forms
- funded training sessions through the VET Development Centre
- answers to your Skills Victoria Training System (SVTS) enquiries.

Read the [Skills First Quality Charter](#) for an outline of what's expected of you as a Skills First training provider.

## Our audit programs

We audit both current training providers to confirm compliance, and new training providers as part of assessing their application for a contract. We do this through two streams of activity:

- the **planned audit program**, planned through an annual risk review
- the **targeted audit program**, triggered across the year in response to an emerging issue or identified risk.

### Planned audit program

We do an annual review of the Victorian training market to inform our audit priorities. We use this to set the parameters for identifying what training providers to include in our planned audit program. We consider:

- previous audit results
- training activity data
- claims and payment history
- student and employer feedback in the annual satisfaction surveys and other information sources
- other information available to us based on the training sector and identified risks.

We assess you against these factors and give you a risk classification to develop our annual audit and assurance program. The risk is labelled as high, moderate, or low based on scoring against the risk parameters.

We mostly use this profiling to choose who we will audit under the planned program. Although we may also include a small sample of training providers assessed as low risk.

### Targeted audit program

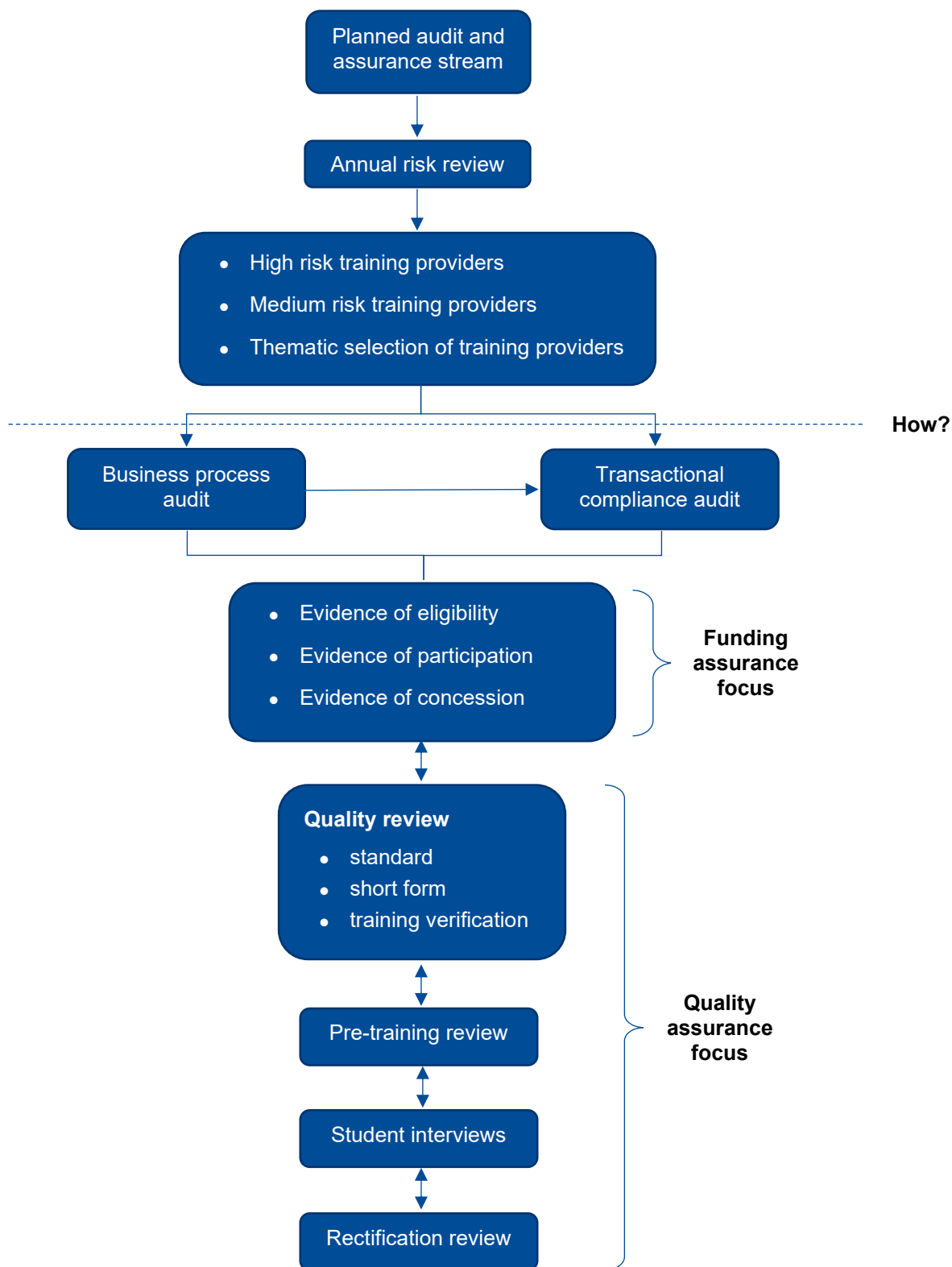
We also do targeted audit activity throughout the year. This is to get more information about changes we identify in a training provider's behaviour or in response to student complaints.

We focus on

- specific funding or quality assurance matters
- contract issues and compliance
- issues relating to the quality of training and assessment.

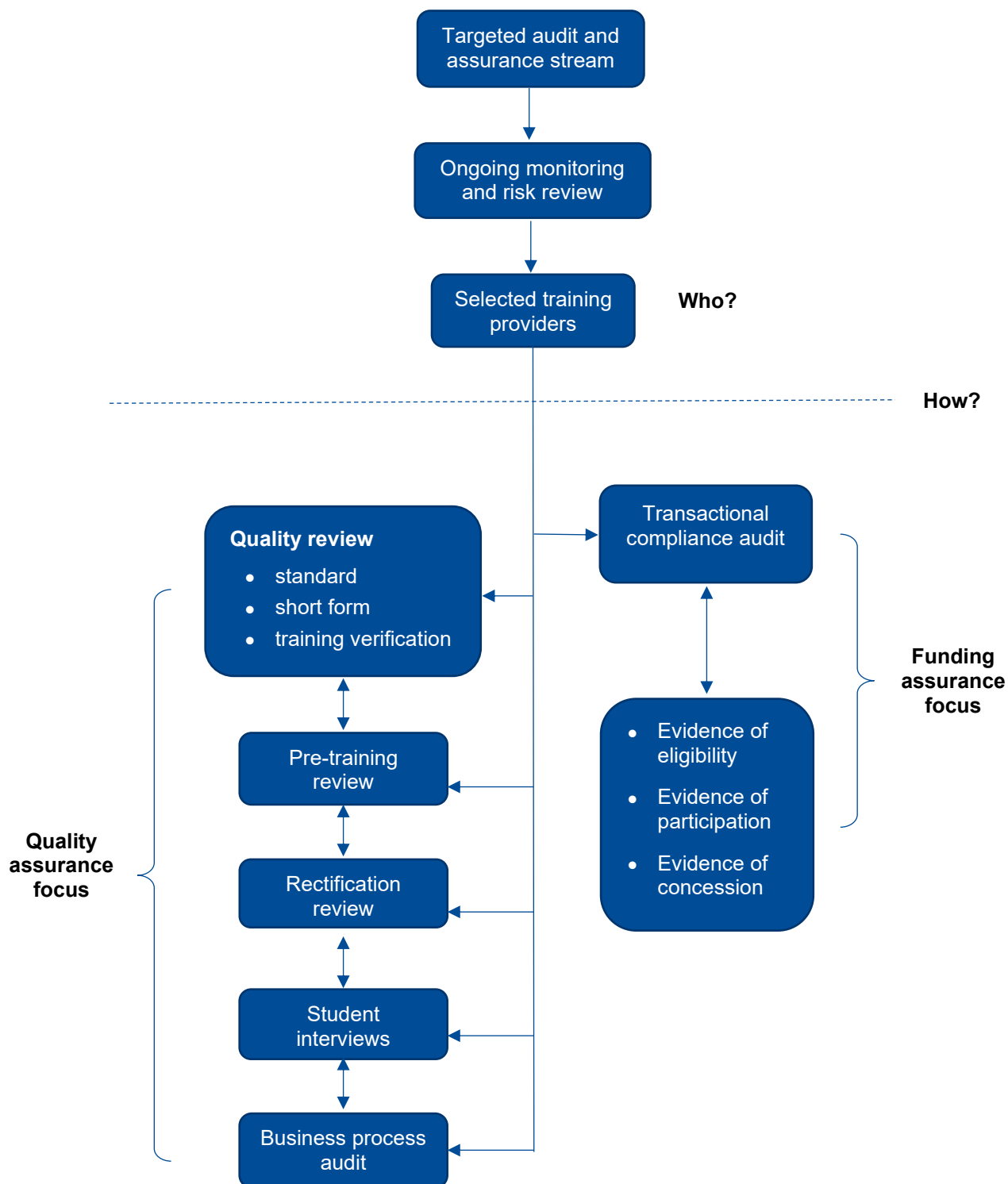
We monitor the broader VET system, including spikes in training activity, to guide our approach to targeted audit activities.

**Figure 1: Overview of planned audit and assurance**



Refer to [appendix 2](#) for the text alternative.

**Figure 2: Overview of targeted audit and assurance**



Refer to [appendix 2](#) for the text alternative.



## How do we audit?

We use a range of audits mechanisms to help you check you're meeting your contract requirements and to promote continuous improvement. We're not limited by the audit types and may use a wide range of other audit or assurance activities.

Refer to [appendix 1](#) for a detailed description of each type of audit and review.

### Our initial audits

Under the planned audit program, our initial audits are generally the business process audit or the transactional compliance audit:

- The **business process audit** has a dual focus on funding and quality assurance. It is designed as a 'walk-through' examination of the existence and implementation of your key business processes, tools, and systems.
- The **transactional compliance audit** focuses on funding assurance. We look at evidence in your student files and your reported training data to check your level of compliance with the contract. The transactional compliance audit is designed so we can flexibly respond to any emerging issue or risk we identify.

We might conduct a business process audit and a transactional compliance audit at the same time to maximise the information we obtain during the audit, while minimising the potential disruption to your operations.

### Supplementary audits

We may do supplementary audits if we find compliance issues in a business process audit or transactional compliance audit.

Generally, in supplementary audit activity we will look at areas of risk we've identified. We may do more than one type of supplementary audit until we're satisfied that you've adequately addressed all risks or issues.

Where we consider a finding to be significant or systemic, we may do a detailed audit focusing on the area of risk we've identified. For example, if a training provider continues to have audit findings about student eligibility, we may do a more detailed evidence of eligibility audit to look at a larger sample of transactions or student files.

## Who will conduct the audit or review?


We have a panel of auditors we've contracted to do Skills First audits and reviews.

We appointed the auditors because of their professional competence in auditing, their understanding of the contract, and knowledge of quality systems. They are experienced, flexible, and responsive. Sometimes we also engage industry and sector experts who know about key quality issues to help in the audit process.

The auditors:

- do audits in line with our requirements
- produce a report to detail their findings
- discuss their detailed findings and identified control weaknesses with you
- work with you to develop a management action plan to address the findings
- cannot discuss with you the potential outcome or actions we might take.





Our department staff may occasionally attend an audit, to gain insights into the operational and policy issues that may arise. The department staff member will only observe and not take part in the audit.

## Your responsibilities

We expect you to:

- understand and meet your contract obligations
- meet the objectives of the Skills First program
- read, and act in line with, the quality charter
- cooperate with us on compliance issues
- report accurate and timely training data
- be responsive to our questions, or auditor questions
- take a professional and continuous improvement approach to performance.

This strategy reflects these general expectations and is based on the understanding that you're committed to:

- implementing internal controls that promote and enhance training quality and compliance with the contract, including doing internal audits
- maintaining relevant evidence in accordance with the contract
- cooperating with us and our auditors by providing access to all information we reasonably need to confirm your compliance with the contract
- being professional in your approach to audits
- cooperating with auditors to develop and implement management action plans and any rectification actions we think necessary.

Audit outcomes offer you useful guidance in meeting your contract requirements and identifying areas for improvement.

## How can you prepare?

You must do an internal audit in each calendar year. Your Chief Executive Officer (CEO) must sign off on the outcomes of the internal audit.

We offer an internal audit tool. Use this to self-assess how well you're meeting your obligations under the contract. During an audit, our auditors will usually ask you for evidence you've completed the internal audit.

Doing these activities before an audit will also help you, and provide auditors with a sound platform to do the audit:

- Have your CEO, or other senior members of the organisation, available to attend the entry interview and other key meetings for the duration of the audit.
- Assign an appropriate staff member to be responsible to support the audit process. Many organisations have dedicated staff to coordinate and promote organisational quality assurance and compliance.
- Collate in a logical manner all required data and files at the site of the audit, which documents the entire student experience. This includes tracking the end-to-end training

services delivered for each student and preparing your quality assurance processes for training and assessment.

- Ensure that records in your student management system and data submission to SVTS are up to date.
- Review findings from previous audits.
- Ensure you implement, or have taken steps to implement, and document actions from any previous management action plan.
- Review any correspondence from us or the auditors about the audit.
- Be familiar with this strategy and other relevant policy and strategic documents.

## The audit timeline

Timeline	Action
Before the audit	We, or our auditors, will write to you about the audit arrangements.
Day 1	The auditor will arrive at the scheduled date and time. They'll have an initial meeting with your CEO or formally nominated delegate. They'll confirm the scope and process of the audit.
During the audit	The auditor will review the evidence you provide, including your reported training activity data. The auditor may need to speak with staff, Skills First teachers, students, and employers to assess your compliance with the contract.
End of audit	A close-out meeting between the auditor and your CEO or formally nominated delegate will occur. The auditor will discuss the preliminary findings and discuss next steps.
After the audit	<p>An exit interview will occur where draft findings are discussed, and a management action plan is developed.</p> <p>The auditor will send their draft report for your acknowledgment and management comments within 5 business days of the exit interview.</p> <p>You will have 5 business days to provide the auditor with your comments. Where possible, these comments should be tailored to each specific finding. Providing contextual information may help us moderate decisions on next steps in relation to each finding.</p> <p>The auditor will provide a final report to both you and us within 1 week of receipt of your comments or the date on which your failure to respond was confirmed.</p> <p>We will then consider the report and tell you the outcome in writing. We aim to give you the outcome of your audit within 6 weeks from the date of the auditor's final report.</p>

## Audit logistics

### Timing

We do all types of audits at any time of the year.

For audits under the planned audit program, such as a business process audit or transactional compliance audit, you'll be typically contacted 2 weeks before the audit.

For supplementary and targeted audits and reviews, we'll generally contact you 2 business days before the audit. This notice period is consistent with standard practice for audit and risk management in other comparable industries and government agencies. Occasionally, we may seek to do a targeted audit with less notice, but this typically occurs only where we've identified substantial concerns.

Changes to the scheduled date for a planned audit will only be considered by the department in exceptional circumstances. The absence of the training provider CEO, management or relevant staff on the scheduled date will not be considered an exceptional circumstance. In the absence of the CEO, training providers may nominate a senior member of their organisation as an authorised delegate to attend key meetings and facilitate access to files and documents for the duration of the audit.

### Duration

The duration of an audit or review depends on a number of factors including:

- the size of your organisation
- the complexity of the issues identified
- scope and number of files to be audited or reviewed
- availability of required records and personnel
- the length of the management comments.

### Location

Audits normally take place at your premises. If you operate over multiple sites, we may focus on the location where you normally do your administration. Or, we might need to do a multi-site audit. You should tell the auditor about any multi-site considerations at the time of scheduling. The auditor will then tell you where the audit will occur.


It's written in your contract that you must allow the auditor to enter your premises to conduct audits. This is regardless of the location.

You must participate in, and assist as required, with any audits. This includes:

- giving access to suitable office space, telephones, and photocopy facilities for the duration of the visit
- making staff available to the auditor
- providing access to relevant business process and transactional documentation relating to your training services, such as enrolment records, pre-training review results, evidence of participation, statements of fees, and the like.

### Cost

We can direct you to reimburse any of our costs for doing an audit. We will generally tell you upfront how much this might cost; however, in some circumstances, this may not be possible. Our estimates are based on the standard time we take for each audit or review type.



The cost of an audit or review may vary depending on the circumstances or how much time it takes. For example, it might cost more than estimated if you can't give us access to records we need, or if you write a lot of management comments in response to the draft audit report.

## Auditor's report

At the end of each audit, the auditor will write a report that details their findings, including opportunities for improvement and any management action plan to address the findings.

The auditor will develop the management action plan with you. It will outline:

- your specific activities to address the audit or review findings and the root causes of the issues
- the name of the person or team responsible
- the agreed date for implementation.

We expect you to develop a comprehensive management action plan to address systemic issues and process weaknesses. You must update us on your progress of implementing the actions. We will also review the management action plan in future audit activities.

The auditor will give the draft report to your CEO or nominated delegate. You can provide management comments to the auditor, including comments about the findings and the management action plan. Ensure your comments are tailored to address each specific non-compliance. The auditor will review any management comments and, if necessary, provide a response to us. They will add your management comments into the report.

The auditors will give a final copy of the report to you and us. This will normally be within a week of you getting the draft report. But this depends on the complexity of the findings, size of the report, timeliness of your response, and the extent of your management comments.

## Feedback

We ask you to complete a satisfaction survey at the end of the audit. This is an opportunity for you to provide open and honest feedback on your experience. If we've audited you several times over weeks or months, we may ask you to complete the survey once, but address comments to the entire series of audits or reviews.

We're committed to ensuring our audit and assurance program is effective and fair. We administer the satisfaction survey, independently of our auditors, so you can give feedback on all elements of the audit. If you want to raise a concern that can't be addressed through the satisfaction survey or with the auditor, contact us with an SVTS enquiry.

## Audit and review outcomes

We may find relatively minor non-compliance that is easily addressed with corrective actions and business improvement processes. Sometimes we identify more significant non-compliances.

When we take compliance action under the contract, it will be proportionate to the risk and impact of the issue and based on a range of potential steps. If there is limited or low risk non-compliance, we will help you avoid future non-compliance by getting you to develop a management action plan with the auditor.

Where non-compliance is systemic or of a significant nature, we may:

- take back funds we've paid you
- do further audit, review or investigation activities
- apply penalties that are written in your contract.

A small number of training providers may seek to gain a benefit or advantage to which they are not entitled to or deliberately exploit the Skills First program. Our response in these situations will be appropriate and proportionate. We have an obligation to identify potentially fraudulent activities and to deal with this behaviour according to the law. If necessary, we will refer matters for criminal prosecution.

We will also consider your management comments in the audit reports. Where further clarification is needed, we will seek additional information. We will tell you about any action we take.

When we assess your audit outcomes, we consider remediation and intervention actions that include:

<b>We undertake:</b>	<b>where we:</b>
<b>Advisory actions</b>	<ul style="list-style-type: none"> <li>• clearly explain the issue</li> <li>• seek more information</li> <li>• document and agree a management action plan with you</li> <li>• identify opportunities for improvement to help you maintain your contractual performance and deliver quality training and assessment</li> </ul>
<b>Investigative activities</b>	<ul style="list-style-type: none"> <li>• seek further information and hold meetings</li> <li>• monitor training activity data</li> <li>• review any complaints received and other information available</li> <li>• do further audit or review activity</li> <li>• undertake forensic investigation</li> <li>• include you in a subsequent year's audit and assurance program</li> </ul>
<b>Enforcement actions</b>	<ul style="list-style-type: none"> <li>• meet with you to review findings and discuss implications</li> <li>• make a change to funded scope</li> <li>• take back funds we've already paid you, or withhold or prevent future payments</li> <li>• consider suspending or terminating a contract, where we've identified significant non-compliance</li> <li>• refer to a law enforcement agency or legal body</li> <li>• notify the relevant regulator of any quality issues</li> <li>• consider penalties or a monetary amount where allowed under the contract</li> </ul>

## Further information

Send us an SVTS enquiry, with 'Audit and Review' in the subject line.

## Appendix 1: Types of audits and reviews



**Business process audit** - this has a dual focus on funding and quality assurance. The business process audit is designed as a “walk-through” examination of your key business processes, tools, and systems with particular reference to the delivery of quality training and assessment.

The processes, tools and systems that we look at in the business process audit relate to the funding assurance requirements of the contract and include:

- student enrolment processes (including processes for assessing eligibility)
- fees and concession information (including student invoices)
- keeping evidence of student participation.

The processes, tools, and systems we look at in the business process audit to determine your ability to deliver quality training services include:

- training and assessment strategies
- pre-training reviews
- program delivery including training plans, learning materials and facilities,
- teacher competency and professional development
- course review processes, including monitoring feedback, industry consultation and third-party arrangements.

You can use outcomes from the business process audit to identify possible root causes and opportunities to improve your key business systems and ultimately your performance. If we identify significant weaknesses in processes and systems, we may do further funding or quality assurance activity such as a transactional compliance audit, a pre-training review audit, or a targeted quality review.



**Transactional compliance audit** - this has a focus on funding assurance. We look at evidence in your student files and your reported training data to check your level of compliance with the contract.

We examine and test records in detail in areas, such as student eligibility, fees and concessions, and training participation. We look at a random selection of student files.

If we identify a significant proportion of non-compliance, we may do further audit activity. Where we assess that you are in a higher risk category, we may do the business process audit and the transactional compliance audit at the same time.



**Evidence of eligibility audit** - we look at whether you have evidence that students you’ve enrolled and claimed funding for meet our eligibility criteria. If we find you’ve claimed funds for ineligible students, we may require that you re-pay us. If we find non-compliance in this audit type, we may do further assurance or enforcement activity (such as a quality review or investigation) and may also consider it when deciding if we offer you contracts in future.



**Evidence of concession audit** - we look at whether you have the evidence of a student's concession entitlement to support your claim for a fee concession contribution payment. If we find you've claimed the fee concession contribution payment for students who weren't entitled to a concession, we may require you to re-pay us.



**Evidence of participation audit** - we look at whether you have the required evidence of participation that aligns with your claims for payment. If we find non-compliance, we may require you to re-pay us. Or, we may do further assurance or enforcement activity (such as a quality review or investigation) and may consider the findings when deciding whether to offer you a contract in the future.



**Pre-training review audit** - this looks at whether you have a business process to assess and decide whether proposed training is suitable and appropriate for each student. For a sample of students, it also looks at whether you've considered required aspects of a pre-training review and documented your decision. If we find you haven't complied, we may require you to pay us a monetary amount (penalty).



**Quality review** - this looks at the extent to which you are delivering quality training and assessment services that align with the contract. The review typically looks at a similar range of items and aspects of your services as those examined in the business process audit, but with more focus on specific elements and in greater depth.

A short form quality review follows a similar methodology but reviews a smaller sample size. Auditors may inspect facilities and observe training and/or assessment taking place in the classroom or other training locations. Students and trainers also participate in interviews with auditors about their overall experience of training and assessment at the training provider.

It is important to note that the purpose of the quality review is primarily for quality assurance under the contract. It is independent of the regulatory functions of ASQA or the VRQA and is not in any way intended to duplicate those functions. The findings of quality reviews help inform us whether a training provider is meeting its minimum expected performance requirements under the contract to provide quality training. In some instances, the findings may lead to further assurance and enforcement activity (e.g., evidence of eligibility, evidence of participation or pre-training review audits or investigation) and may be taken into account when considering future contractual arrangements.



**Rectification review** - this looks at whether you have addressed the issues identified in previous audits or reviews. Our auditors review whether you've satisfactorily completed the implementation status of actions outlined in a management action plan. Rectification reviews are particularly relevant to business process audit and transactional compliance audit where auditors would have worked with you to develop a management action plan to address any weaknesses or instances of risk based on specific actions, responsibilities, and timelines.



**Other types of audits, reviews, and assurance** - we have flexibility under the contract to design and do targeted audits and reviews to investigate specific issues. This may include a combination of the above audit and review types, as well as student interviews, training verifications or requesting student files. We may also do re-contracting quality assurance reviews as part of our provider selection process.



## Appendix 2: text alternative for flow charts

### Figure 1: Overview of planned audit and assurance

This flowchart describes the department's process for delivering the planned audit and assurance program.

It outlines how the department chooses which training providers are in the planned program and the types of audit and assurance activity that may occur, depending on the outcome of the initial audit.

The planned audit and assurance stream starts with an annual risk review.

The annual risk review establishes the training providers in the planned audit and assurance program. These are high-risk training providers, medium-risk training providers, and a thematic selection of training providers. These training providers may be subject to both a business process audit and a transactional compliance audit.

The business process audit and a transactional compliance audit may lead to further assurance activity with either a focus on funding assurance or quality assurance.

The funding assurance stream audits are evidence of eligibility, evidence of participation, and evidence of concession.

The quality assurance stream reviews are quality review, pre-training review, student interviews, and/or rectification review.

Quality reviews can be standard or short form and may include a training verification.

End of flow chart.

### Figure 2: Overview of targeted audit and assurance

This flowchart describes the department's process for targeted audit and assurance activity.

It outlines how the department determines which training providers will be subject to targeted audit and assurance activity. It describes what type of audit or review will occur, depending on whether the department is seeking quality or funding assurance from the training provider.

The targeted audit and assurance stream starts with the ongoing monitoring and review of training providers.

The targeted program has two streams: either a focus on funding assurance or a focus on quality assurance.

The funding assurance stream audits begin with a transactional compliance audit. Further funding assurance audits, such as. evidence of eligibility, evidence of participation, and/or evidence of concession may also take place.

The quality assurance stream reviews are business process audit, quality review, pre-training review, student interviews, and/or rectification review.

Quality reviews can be standard or short form and may include a training verification.

End of flow chart.