

## Governance

Good governance is at the core of any successful business. It is essential for a company or organisation to achieve its objectives and drive improvement, as well as maintain legal and ethical standing in the eyes of its students, industry, regulators and the wider community.

Governance is not simply a concern for government and big business, but for every organisation of any shape or size. Well governed businesses are more sustainable, attract more investment, and in the long term are more competitive.

### The Foundations of Governance

Good governance doesn't simply happen, it's an intentional, ongoing and continual process of focusing the organisation on achieving its goals ethically and with integrity. Organisations whether public or private will often establish frameworks to guide what they do. Most frameworks have multiple elements that are underpinned by four governance foundations.

**Transparency:** being clear and unambiguous about the organisation's structure, operations and performance, both externally and internally.

**Accountability:** ensuring that there is clarity of decision-making within the organisation, with processes in place to ensure that the right people have the right authority in the organisation to make effective and efficient decisions, and are held accountable for their actions.

**Stewardship:** ensuring that management and staff recognise that the organisation is managed for the benefit of its members/clients, taking reasonable account of the interests of other stakeholders.

**Integrity:** developing and maintaining a culture committed to ethical behaviour and compliance with the law.

### The Benefits of Good Governance

There are many benefits to good governance including:



**Increased trust:** When stakeholders feel able to rely upon the information provided by organisations this leads to increased levels of trust and the ability to develop stronger, longstanding relationships with their stakeholders.



**Enhanced sustainability:** Good governance helps to quickly identify and resolve any systemic issues thus reducing the likelihood of costly impact for the organisation. This helps to safeguard its reputation and future.



**Encouraging positive behaviours:** Having clear policies and processes and a governing body who take an interest and responsibility for such matters can help to prevent future failures whilst setting the organisation's cultural expectations.



**Lower cost of capital:** An organisation that is seen to be stable, reliable and able to mitigate potential risks may access government funding and programs more readily than those with weak or no governance systems.



**Minimise waste, risks, corruption and mismanagement:** Strong governance practices usually increase levels of transparency, trust and integrity, all of which create an environment conducive to reducing risks, opportunities for corruption and any source of mismanagement.

## Governance and Regulation

Governance is intimately linked with regulation. Regulation are the rules made by a government or other authority to control the way something is done or the way people behave. This is typically about protecting individuals, and in the VET sector, this is about protecting the student, enhancing the quality of training and assessment and ensuring integrity of the VET system. Governance is how the organisation operates to ensure that it meets its obligations, one of which is complying with any relevant regulation.

RTOs must meet legislative requirements to maintain their registration. Within the VET sector, this is the *Standards for Registered Training Organisations (RTOs) 2015*. The Standards for RTOs (Part 4 RTO Governance and administration) include two Standards that are focused on governance. They are:

- **Standard 7** The RTO has effective governance and administration arrangements in place.
- **Standard 8** The RTO cooperates with the VET Regulator and is legally compliant at all times.

These Standards provide a focus on outcomes that are considered to be high risk to the quality and management of training and assessment and thus require oversight. In reality, every Standard has outcomes that when not met, pose a risk to the quality of training and assessment and client services, and therefore also require governance from the RTO.

The management of risk is critical for all RTOs, and it is important to remember that risk is not all negative. Risk is about planning, about identifying opportunities for the business in an activity and mitigating any negative consequences.

## Quality Management Systems

A Quality Management System (QMS) is a tool used by organisations to help drive the achievement of organisational outcomes and govern operations. It provides guidance to staff about what to do, how to do it and who is responsible for specific functions. The following points should be considered by RTOs as they design and implement their QMS.

## **General Principles**

- The QMS is defined and documented and ensures clear descriptions of the accountability of roles and responsibilities in relation to the RTO's operations.
- The QMS includes processes related to the RTO's operations to ensure effective implementation of all business functions.
- The QMS also encompasses the structure of the RTO and the way the RTO is resourced to achieve its objectives.

## **Monitoring and Review**

- A review of the QMS is undertaken at least annually to evaluate the system's continuing suitability and effectiveness.
- The review is comprehensive and robust to identify strengths and weaknesses in the QMS and its implementation, including identification of opportunities to improve the effectiveness and efficiency.
- The review takes into consideration a range of evidence from a variety of sources gained through monitoring activities, including internal and external feedback.

## **Managing Staff Competence**

- The RTO ensures competent personnel perform the RTO's functions.
- The RTO maintains the ongoing competence and performance of staff and ensures personnel are aware of the relevance and importance of their activities and how they contribute to meeting the RTO's objectives and obligations.

## **Accountability and Transparency**

- The RTO ensures accountability and transparency by ensuring quality management processes and decisions are consistently applied.
- The RTO ensures decisions are evidence-based and are consistent with the principles of natural justice and procedural fairness.
- The RTO ensures quality training and assessment outcomes are achieved and manages transition arrangements so as not to disadvantage students.
- The RTO ensures that only accurate and authorised information regarding the RTO's products and services is made public.

## **Reporting Obligations**

- The RTO reports regularly and within set timeframes to the Council including annually in relation to the RTO's compliance with the Standards for RTOs, and on request.
- The RTO meets all mandatory reporting obligations in relation to its operations as an RTO.

## **Managing Documents and Records**

- The RTO ensures documents and records relating to its RTO operations are effectively controlled and maintained.
- The RTO has a documented procedure that is consistently implemented and defines the controls for approval, review and updating, version control, distribution of and access to documents.

It is important to remember that the type of governance system implemented by RTOs is not prescribed under the Standards. RTOs should consider business type, size, scale and scope to determine an appropriate governance system that makes sense to the organisation and be easily accessible and understood by all staff.