

# Guidelines for the conduct of auditing services for Principal Employer Organisations in Queensland

## Stakeholder and industry relations



## **Guidelines for the conduct of auditing services for principal employer organisations in Queensland**

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An electronic version of this document is available at

<https://desbt.qld.gov.au/training/employers/peo/resources>

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# 1. Forward

An employer that employs 25 or more apprentices or trainees, and is actively attempting to place apprentices or trainees under a hosting arrangement, must be recognised as a principal employer organisation (PEO) by the Department of Employment, Small Business and Training (the department).

The purpose behind this requirement is to ensure that apprentices and trainees employed by PEOs and placed in hosting arrangements receive quality training and employment outcomes during the term of their apprenticeship or traineeship training contract.

Employers seeking recognition as a PEO, and their ongoing recognition once recognised, will need to demonstrate that they are compliant against the [Queensland Quality Standards for Principal Employer Organisations](#) and departmental requirements for PEOs.

The *Queensland Quality Standards for Principal Employer Organisations* provide the Queensland Government with a consistent basis for recognition and continued recognition of PEOs.

The *Queensland Quality Standards for Principal Employer Organisations* were developed from the *National Standards for Group Training Organisations*. These standards relate to the planning and management of apprentices, trainees and host employer arrangements, compliance with government legislation and regulation, qualified staffing of the PEO and ethical practices.

## 2. Introduction

This guide has been specifically developed for auditors and managers of audits under the framework and has been written in an informal style for this audience. The guide may also be useful to PEOs in understanding the conduct of the auditing services.

As the Queensland Quality Standards for Principal Employer Organisations were developed from the National Standards for Group Training Organisations, they should be read in conjunction with the National Standards for Group Training Organisations and the Evidence Guide to support the National Standards, which are located on the Australian Government's [Australian Apprenticeships](#) website.

### 2.1 Description of the standards

The Queensland Quality Standards for Principal Employer Organisations are based on the National Standards for Group Training Organisations.

The development of the National Standards for Group Training Organisations drew on earlier work to develop national standards for group training organisations prepared over a period of four years, and from relevant sections of the Australian Quality Training Framework (AQTF) agreed to in 2001. The AQTF was the nationally agreed quality framework for the Australian vocational education and training system at the

time. It has since been replaced by the Standards for Registered Training Organisations.

## 2.2 Key Objective

The key objective of the Queensland Quality Standards for Principal Employer Organisations is to improve the quality and breadth of training available to apprentices and trainees.

## 2.3 Internal Review

PEOs are required to complete a [self-assessment](#) against the Queensland Quality Standards by 31 December each year and to provide the department with a certification to the extent that they have completed the self-assessment and have processes in place that meet the requirements of the Queensland Quality Standards for Principal Employer Organisations.

## 2.4 Evidence

Section 2 of the [self-assessment report](#) outlines the required evidence for each standard and contains a number of suggested examples of where and how the evidence might be provided. The examples are designed to assist the PEO and the auditor to reflect on what might be appropriate evidence for a PEO to demonstrate compliance. The examples are not exhaustive nor are they prescriptive. They have been developed simply as a series of suggestions only.

The evidence that is required is evidence to demonstrate that a sub-clause of the standard has been met. It is also necessary to consider that the audit function is likely to be carried out only once every three years. An evaluation may be required to determine that as well as meeting the sub-clause, the evidence indicates that the PEO will continue to meet requirements of the sub-clause based on current information.

Given the diversification in the location, size, structure, function, industry, clientele and operations of each PEO, the evidence requirements are likely to vary between PEOs.

Evidence should be **valid** and **reliable**. Validity relates to measuring what it claims to measure, and reliability relates to the evidence not varying significantly according to time or place.

## 2.5 Audit

Audits against the Queensland Quality Standards for Principal Employer Organisations are to be undertaken by 'approved' auditors.

The department has determined that an approved auditor means an auditor that has been accredited as a "Lead Auditor" or higher by an appropriate accreditation body, either [Exemplar Global](#) or the [International Register of Certificated Auditors](#) (IRCA).

The auditor will be responsible for conducting the quality audit services and providing the department with a report as to the extent to which they believe a PEO does or does

not comply with the standards necessary to comply with the Queensland Quality Standards for Principal Employer Organisations.

The department shall not be liable to reimburse the auditor for any expenses incurred by the auditing organisation for the provision of audit services. All such expenses shall be deemed included in the fee negotiated between the auditor and the PEO.

## 3. Roles and responsibilities

### 3.1 State Training Authority

The department has the responsibility for audits to ensure that each PEO complies with the Queensland Quality Standards for Principal Employer Organisations.

The department will review the audit report provided by the approved auditor and other issues such as operational complaints, to determine whether the PEO meets, or continues to meet, all the requirements of the Queensland Quality Standards.

### 3.2 Approved auditor

Approved auditors are required to provide the following services:

- project manage the audit
- undertake the audit service including initial contact, desktop review, site visit and follow up meetings
- document the audit observations and evidence sighted
- submit any such documents required by the department
- ensure such documents remain confidential
- provide a written report in the approved [quality audit report template](#) and recommendation(s) to the department regarding compliance for initial and/or ongoing recognition
- retain all records from the compliance audit for a period of seven (7) years.

If, for any reason, the department elects to conduct an audit or review of a PEO, a minimum of five working days' notice will be provided to the PEO.

### 3.3 Principal Employer Organisations

PEOs are required to undertake a [self-assessment](#) against the Queensland Quality Standards for Principal Employer Organisations and the associated sub clauses by 31 December of each year. Once agreement has been reached between a PEO and an approved auditor to undertake the audit (including timing and site visits), the PEO is required to provide the auditor with a copy of the self-assessment report. This self-assessment report forms the basis of the audit scope (refer to section 5 "Audit Planning").

It is the responsibility and a requirement of a PEO to provide the auditor with sufficient, valid and reliable evidence to enable the auditor to form a professional opinion on whether or not the standards have been met.

It is also the responsibility of the PEO to ensure that management and staff are made aware of the objective and scope of the audit and to provide reasonable resources to ensure an effective and efficient audit process. The cost of the auditing service

(including initial compliance audit and any rectification work undertaken involving any additional services) is to be borne by the PEO.

## 4. Audit Approach

### 4.1 Quality Audit

The audit being undertaken is that of a quality audit and is focused on a systematic and independent examination to determine whether quality activities and related results comply with the national standards, and whether these arrangements are implemented effectively and are suitable to achieve objectives.

Auditors must seek examples of evidence that illustrate sound everyday business operations and continuous improvements. Auditors must not rely on evidence or effort undertaken solely for the self-assessment review and audit.

An audit against the standards is an evidentiary process. The evidence presented will lead to a judgement about the extent of a PEO's compliance with the standards and its ability to maintain compliance in the future.

### 4.2 Timing of PEO audits

External quality audits of PEOs are to be undertaken on a three-yearly cycle.

## 5. Audit Planning

The [self-assessment report](#) completed by the PEO themselves forms the basis of the scope of the audit to be undertaken.

In planning the audit, the auditor should be conversant with good practice statements developed with reference to Australian Standard Guidelines for Auditing Quality Systems AS/NZS ISO 19011:2018 and Quality Management Systems – Requirements AS/NZS ISO 9001:2008.

In planning the audit, auditors must:

- adopt a risk management approach in undertaking the audit, based on the AS/NZS ISO 31000:2018 Risk management - Guidelines
- provide audit teams that collectively possess appropriate skills and knowledge
- audit for compliance with the Queensland Quality Standards for Principal Employer Organisations
- develop a robust audit methodology, supported by standardised working papers and feedback processes
- consider the needs of the organisation being audited and recognise that the audit process can and may
- identify opportunities for improvement above or outside the minimum standards
- ensure the PEO being audited is informed about the audit purpose, process and outcome.

## 6. Audit Conduct

At all times during the conduct of the audit, the approved auditor must make no representation that he/she acts as an agent of the department. The auditor has been

contracted by the PEO to undertake the audit services in an external professional capacity.

The audits undertaken as part of the registration of a PEO are for the limited purpose of assessing the PEO's compliance with the Queensland Quality Standards. The auditor must not provide any advice to the PEO about legal, financial or other matters not related to assessing compliance with the standards.

In conducting the audit, auditors must:

- encourage shared understanding in the initial and closing audit meetings
- be rigorous, balanced and fair in identifying and assessing audit evidence and diligent in maintaining the integrity of the standards
- base audit assessments on valid, current, consistent and sufficient evidence
- maintain the agreed methodology throughout the audit
- record audit findings and the basis for compliance, non-compliance and recommendations, during the audit
- maintain professional conduct in accordance with departmental requirements and professional codes of conduct
- work to establish communication and trust by being fair and diligent and promoting continuous improvement.

## 7. Managing the Audit

The functions associated with the management of the audit cover the spectrum of issues from the pre-planning phase through to the provision of the report and subsequent to the completion of the audit.

- In managing the audit, the auditors and relevant departmental officers must:
- manage confidentiality – recognising that the auditor may be handling, viewing and/or generating information that is potentially sensitive, commercial in confidence or part of the larger business entity operations outside of the PEOs activity
- manage conflicts of interest (perceived and actual). These include consultancies or financial dealings with a PEO, or its competitors, past or present employment at a PEO, or a personal or professional relationship with any staff member of a PEO. It should also be noted that while standard hospitality can be accepted from an organisation being audited, gifts should never be accepted
- liaise with the PEO to determine ways to respond to system improvements where the PEO is responsible for management, business and business process improvement
- use timely and independent procedures for dealing with complaints
- subject the total PEO audit function to continuous improvement
- maintain current and accurate information on the vocational education and training sector
- maintain professional qualifications and professional associations in quality auditing.



## 8. Continuous Improvement

Information gained throughout the conduct of the audit such as principal employer organisation demographics, areas of non-compliance, areas for improvement or significant issues arising out of the audit visit should be recorded and provided to the State Training Authority in the final report. Analysis undertaken by the State Training Authority will provide ongoing information about potential risks, feedback and areas for continuous improvement.

For example, if information shows that a significant number of principal employer organisations have compliance issues with a given standard, professional development activities, information dissemination or workshops could be used to encourage compliance and develop good practice.

## 9. Reporting Audit Findings

The department has provided a [quality audit report](#) template to be used by the auditor for summarising feedback to the department on the findings of the audit.

The quality audit report consists of two components, the quality audit report and the audit summary. These have been designed to:

- highlight any non-compliance with each standard and confirm that rectification has taken place
- summarise the most important observations, positive as well as negative, and the strengths and weaknesses of the organisation in relation to compliance with the standards, and
- detail any outstanding areas of concern, or areas for improvement in relation to compliance, that existed at either the conclusion date of the audit or as at 30 June 2003, whichever is earlier.

Prior to forwarding the quality audit report to the department, the chief executive officer of the PEO will need to sight and sign the quality audit report.

## 10. Non-compliance

The department is required to provide adequate time for making improvements and arrange for the re-assessment of a PEO in the circumstance of unsuccessful audit reports.

A PEO has fourteen days from completion of the site audit to rectify any areas of non-compliance. At the completion of the site visit (or the rectification period if applied) the auditor has seven days to complete the quality audit report and forward it to the department.

Where an auditor judges a non-compliance to be minor, a system improvement plan (strategy and timelines) may be negotiated with the PEO for any corrective action. The strategy and timeframes must be appropriate to the degree of risk. The auditor will be

responsible for submitting the system improvement plan to the department for approval.

## 10.1 Compliance audits of existing PEOs

In the event that a PEO is not compliant with the standards, the PEO is able to continue to operate, subject to an agreed timeframe.

The agreed timeframe for compliance and opportunity to appeal will depend on the nature of the non-compliance. Where a PEO is not able to meet the standards after the agreed timeframe, the department may seek to have the PEO's certificate of recognition as a PEO cancelled.

## 10.2 Ongoing recognition

A PEO is required to undertake the self-assessment process as at or by 31 December each year and to submit the self-assessment to the department by 31 January of the following year. After initial compliance is determined, a PEO is also required to undertake a quality audit at least once every three years.

It is the PEO's responsibility to ensure it meets the audit timelines for self-assessment and triennial audits.

# 11. Code of Practice

Audit organisations and personnel involved in audits are duty bound to observe a code of practice covering:

**Professional conduct:** Auditors must act in a professional and ethical manner, meeting the needs of the department, the client and protecting the rights of all parties. This includes being objective, independent, honest, constructive and diligent.

**Conflict of Interest:** Auditors must disclose actual, perceived and potential conflicts of interest, being information that may limit their capacity to make unbiased judgements.

**Confidentiality and Intellectual Property:** Auditors must not disclose any information relating to an audit or activities of the PEO being audited except where they are reporting to the department, or under applicable law, or where authorised in writing by the PEO and the department. In addition, auditors must take reasonable steps to protect intellectual property ownership and any commercial in confidence information or material obtained during the course of the audit.

**Informed and client focused:** Auditors accept a responsibility of being informed about the Queensland Quality Standards for Principal Employer Organisations, the framework surrounding the standards, knowledge of the business of PEOs, and relevant sections of the [Further Education and Training Act 2014](#). In addition, auditors must ensure that the organisation being audited is clear about the basis and process of the audit and their role and rights within that process.

**Accountability:** Auditors must act in a way that will not prejudice the reputation of the department, nor the audit process generally and must fully co-operate with any subsequent inquiries into the audit process or outcomes.

# 12. Conflict of Interest

The auditor is required to lodge a [conflict of Interest declaration form](#) with the department, if it is considered that the auditor or a member of the audit team may be

involved in a conflict of interest situation, or if formal clarification is required on whether or not a conflict exists.

The conflict of interest may be one that benefits, or disadvantages the relevant organisation, and may include personal and professional relationships.

Examples of conflict of interest that should be declared include:

- auditors providing a consulting service to a PEO concerning the development and implementation of its quality system or training programs
- delivery of other services for the PEO
- financial interest in the PEO.

Following receipt of the declaration, the department will determine if a conflict exists, and where it does, how it can be appropriately managed.

### **13. Deed of Confidentiality Declaration – Approved Auditor**

The auditor must ensure that a [Deed of confidentiality declaration](#) is completed prior to conducting any audits.

### **14. Auditor Skills Profile**

The [Auditor skills profile](#) outlines the range of skills, knowledge, attitudes and behaviours required for the conduct of quality audits against the Queensland Quality Standards for Principal Employer Organisations.

Given variations in the management and application of the audit function and process, and variations in individual skill level and experience in roles and responsibilities, the skills described in the Auditor skills profile may not be held by one person or at one level.

Essentially the skills profile covers:

- the requirements of AS/NZS ISO 19011:2011 Guidelines for auditing management systems
- an understanding of AS/NZS ISO 9001:2008 Quality Management Systems requirements
- additional information relating to the operations of PEOs in Queensland

### **15. Principal Employer Auditors' Checklist**

In order to assist the understanding and management of the audit process, the department has developed a [Principal employer auditor's checklist](#) for use by the lead

auditor. A copy of the checklist must be returned, along with the quality audit report to the department on the completion of each audit.

## 16. Audit Evaluation Form

To provide an opportunity for continuous improvement, the auditor is required to provide the PEO representative with the [audit evaluation form](#) at the closing meeting and encourage the PEO to complete and submit the evaluation form to the department.

## 17. Observers

An observer may include a senior representative from the department or relevant regional office. At the discretion of the principal employer organisation, observers may attend the opening and closing meetings of the site audit, and any other component of the audit. However, this excludes situations where the auditor is meeting with apprentices and/or trainees as part of the audit. In these circumstances, a regional observer must be invited by the auditor to participate.

A regional observer may advise the auditor in matters relating to the employment and training of apprentices and trainees and how they apply in a group training organisation.

As part of the preparation for each audit, auditors are required to confirm with the principal employer organisation's Chief Executive Officer on whether or not, the PEO consents to the attendance of a senior regional representative from the department at the opening and closing meetings, or at other components of the audit.

If agreed by the PEO, the auditor is required to contact and inform the relevant Director – Training, or nominee of the impending audit if a regional observer from the department is to attend the audit. The Director – Training, or nominee will advise the auditor of the contact details of the regional observer assigned to the audit.

Where a principal employer organisation declines regional representation, the auditor must still contact the relevant Director – Training, or nominee to advise them of the impending audit. An auditor can also contact the Director – Training, or nominee at any time to obtain information on group training, and apprenticeships and traineeships.

Where an observer attends an audit, the auditor is responsible for ensuring that a [Deed of confidentiality declaration](#) - observer is completed by the observer and has been forwarded to the departmental contact officer prior to conducting the audit.

The current contact list for PEOs can be found at:

<https://desbt.qld.gov.au/training/employers/peo/register>

The Director – Training, or nominee can be contacted by telephone on 1800 210 210.

