

2021 SKILLS FIRST VET FUNDING CONTRACT

GUIDE TO FINANCIAL ASSESSMENT OF TRAINING PROVIDERS

Table of Contents

Background and Scope	3
Part A – Mandatory Requirements – Financial Documentation	4
Part B – Assessment Process and Criteria	5

BACKGROUND AND SCOPE

INTRODUCTION

As part of the 2021 *Skills First* contracting process, training providers are required to provide financial documentation to the Department of Education and Training (the Department) for an independent financial assessment in order to be considered for a 2021 VET Funding Contract, unless exempt as set out in this document.

The offer of a 2021 VET Funding Contract is conditional upon the Department being satisfied with the results of the independent financial assessment.

The financial documentation to be provided to the independent financial assessor must meet certain mandatory requirements. These mandatory requirements are detailed in **Part A** of this document. If the financial documentation meets these mandatory requirements, the independent financial assessor will conduct a detailed analysis of the training provider's financial information and other publicly available data to determine the probability that the training provider will default on payments to its creditors in the next 12 months.

If the probability is above the threshold considered acceptable by the Department, the training provider is deemed to have failed the financial assessment and will not be eligible to be contracted for a 2021 VET Funding Contract.

EXEMPTIONS FROM THE FINANCIAL ASSESSMENT PROCESS

The following types of training providers are exempt from the financial assessment process in its entirety:

- Victorian Government owned TAFE Institutes and Dual Sector TAFE Institutes;
- Training providers whose legal entity is a Victorian Government Department or other Victorian Government-owned entities (including those owned by local councils); and
- Victorian Government Schools.

EXEMPTIONS FROM UTILISING AN ASIC REGISTERED AUDITOR

Learn Local training providers must provide audited financial statements but are **exempt** from the requirement for the auditor to be an Australian Securities and Investments Commission (ASIC) registered auditor. This is the only exemption to the use of an ASIC registered auditor.

FEE TO COVER COST OF FINANCIAL ASSESSMENT

The Department will pay the fees of the independent financial assessment on behalf of training providers.

NOMINATED INDEPENDENT FINANCIAL ASSESSOR

Corporate Scorecard is the Department's nominated independent financial assessor for the 2021 *Skills First* contracting process.

Requests to submit the required documentation and any other information will be sent by Corporate Scorecard via email to training providers holding a 2018-19 VET Funding Contract (extended to 31 December 2020) except for those training providers specifically exempted from the financial assessment process (refer above). The email will be from Skillsfirst2021@equifax.com and will be sent shortly after this Guide is published on the SVTS. The email will provide details of how to submit the required information.

DUE DATE OF MANDATORY DOCUMENTS

To achieve a reasonable balance between maximising time for training providers to assemble their financial documentation and the Department's need to adequately consider the independent financial assessment outcomes, training providers must submit the necessary documents to the nominated email address of Corporate Scorecard up to and including **5:00pm (AEDT) Friday, 16 October 2020**.

Documents received after this date will not be considered.

PART A – Mandatory Requirements – Financial Documentation

FINANCIAL DOCUMENTATION TO BE SUBMITTED TO THE INDEPENDENT FINANCIAL ASSESSOR

As a minimum, three full and consecutive years of the most recently audited financial statements (including notes to the financial statements and the independent auditors report) for the legal entity making the application (which encompasses the training provider).

Note: Please refer to the section below titled **Audited Financial Statement Requirements** in this document to ensure full compliance.

AUDITED FINANCIAL STATEMENT REQUIREMENTS

The audited financial statements provided to the independent financial assessor must meet all the following requirements.

- The audited financial statements must relate to the legal entity (which encompasses the training provider) that is making the Expression of Interest application.
- In instances where a training provider is seeking to use and submit audited financial statements that relate to a Parent entity, a copy of the Deed of Cross Guarantee between the two entities, together with proof of registration of the Deed with ASIC, must be provided.
- If the legal entity has a financial year ending 30 June, its most recently completed financial year is deemed to be the year ended 30 June 2020. If the legal entity has a financial year ending 31 December, it is deemed to be 31 December 2019.
- Each audited financial statement must be for a distinct 12-month period and each must be accompanied by a distinct and separate independent audit report.
- The independent auditors report must be “Unqualified” with the exception of a specific qualification on completeness of income for fund raising activities (as is sometimes the case for not-for-profit organisations in regular receipt of donations).
 - An “Emphasis of Matter” is not to be considered a “Qualification” for the purpose of this requirement.
 - An “Unqualified” audit opinion will have words that state, or are to the effect, that the financial statements presents fairly and/or gives a true and fair view.
- This report is to be issued by a person who is a “Registered Auditor” with ASIC. ASIC registration can be verified at <https://connectonline.asic.gov.au/RegistrySearch/faces/landing/ProfessionalRegisters.jspx>

Note: The only exemption to the use of an ASIC Registered Auditor is for Learn Local training providers.

FAILURE TO SUPPLY ALL REQUIRED DOCUMENTS

Failure to comply with any of the requirements mentioned in this document will result in the training provider being assessed as having not met the financial assessment requirements and therefore being unsuccessful in its submission.

OTHER REASONABLE INFORMATION (IF APPLICABLE)

The Department or its independent financial assessor may also request other reasonable information separately during this process (if applicable).

PART B – Assessment Process and Criteria

ASSESSMENT PROCESS UNDERTAKEN BY THE INDEPENDENT FINANCIAL ASSESSOR

After the training provider has provided the necessary financial documentation, the first process undertaken by the independent financial assessor is to determine whether the financial documentation meets all of the mandatory requirements identified in this document.

If the documentation does not meet all the requirements, the training provider will be assessed as having been unsuccessful in its submission. If the financial documentation meets all requirements, the independent financial assessor will complete the **Probability of Default** assessment.

PROBABILITY OF DEFAULT ASSESSMENT

The independent financial assessor will use the financial documentation and other information (if applicable) provided by the training provider along with other publicly available data to complete a detailed analysis to determine the probability that the training provider will default on payments to its creditors in the next 12 months.

If the probability of default is above the threshold considered acceptable by the Department, the training provider is deemed to have failed the financial assessment. The Department will be guided by the independent financial assessor in determining the appropriate threshold for this assessment.

DUE DILIGENCE CHECK

In addition, the independent financial assessor will conduct due diligence checks, and create profiles of ownership and relevant persons structures for each training provider.

These profiles will assist the Department in understanding training provider ownership structures. Credit checks of Directors/Committee Members/Executives/Relevant Persons of the training provider may also be undertaken to determine if there has been a history of debt recovery court actions and/or insolvency proceedings.

The training provider may be deemed to have failed the financial assessment based on findings of this due diligence check.