ASQA Consultation

Cost Recovery Implementation Statement

ACPET Submission

September 2017

Introduction

Established in 1992, ACPET is the national industry association for private providers of tertiary education and training. ACPET members deliver a range of vocational education and training (VET), higher education and English language programs across all States and Territories, as well as internationally.

ACPET seeks to enhance quality, choice and innovation in Australian tertiary education and training. Its members include commercial and not-for-profit entities, community groups, industry providers and enterprise-based organisations. ACPET works with governments, industries and other stakeholders to ensure tertiary education and training services are well targeted, accessible and delivered to a high standard.

Context for Submission

The recent VET environment, nationally at least, has been significantly impacted by the shortcomings identified with the failed VET FEE-HELP (VFH) program due to fundamental program design and implementation flaws.

In this environment where the sector and some students have been damaged by the VFH failings the default position of governments appears to be to add more regulation and fees and charges with the associated financial and other costs for Registered Training Organisations (RTOs), students and industry.

It is important that ASQA fees and charges balance the costs of regulation with the need to support the very best outcomes for students, industry and the Australian economy.

In its recent submission to the Review of the National VET Regulator Act 2011, ACPET argued it was important the regulatory demands don’t prevent high quality providers from meeting student needs with innovative, responsive programs that achieve strong outcomes. Or worse still, that quality providers ‘worn down’ by the increasing compliance burden cease operations. ACPET believes a new regulatory approach is warranted.

Ideally, then, it would be preferable to understand the regulatory changes arising from the Review and then structure fees and charges to support these changes. Significant adjustments to the fees and charges regime arising from the Review, coming on top of those proposed from 2018, should be avoided.

Key points

Proportion of Cost Recovery

It is noted (page 5 of the Cost Recovery Implementation Statement) that in October 2014 the Government decided that full cost recovery would not be pursued and that ASQA would be required to recover approximately 50 per cent. Notwithstanding this decision, the CRIS indicates cost recovery through the proposed arrangements will see 73 per cent cost recovery (page 22).

The quantum and proportion of cost recovery has continued to grow since the Government's decision in October 2014 (noting the 2016-17 data is not available). The CRIS indicates (page 33) that these increased revenues were a consequence of unprecedented demand for ASQA registration and compliance services. While it also indicates that changes to the industry are expected to "dampen this demand", fees and charges are still expected to grow. In an environment of dampened demand the total fees and charges are to grow and ASQA's overall costs are to be maintained, despite efficiencies referred to in the proposed schedule of fees and charges. The burden on RTOs, in absolute and proportionate terms, will increase under the proposed schedule of fees and charges.

Based on ASQA's annual estimated costs of $35.5 million, these fees will exceed the Government's 50 per cent cost recovery requirement by $8.27 million.

Recommendation:

The total fees and charges regime should be amended to ensure it complies with the Government's partial cost recovery decision.

<u>Design of cost recovery charges</u>

The proposed fees and charges regime is aligned to ASQA's move to a risk-based based regulatory approach. ACPET supports this alignment of fees and charges.

However, this shift means a greater reliance on fees and charges being extracted from audits to meet cost recovery projections. The risk is increased audit activity may be seen as a 'revenue grab' to meet these projections.

It is important that confidence in the risk-based approach is maintained. The shift to a greater reliance on audits needs to be accompanied by transparency measures that clearly demonstrate the basis for, and level of, audit activity. This should include details of the links between risk-based indicators and audit priorities and frequencies.

As part of this approach, there need to be greater efforts to ensure RTOs understand their own risk profiles so they can take proactive steps to improve their business and training delivery processes, reduce their risk profile and avoid expensive and disruptive audits. While RTOs are able to access their compliance history, the broader risk profile should be made available to them.

Recommendations:

The shift to a greater emphasis on audit fees and charges needs to be accompanied by a strong transparency regime that can validate the basis for, and level of, audit activity.

RTOs be provided details of their risk profile to better support risk identification and remedial action.

One of the learnings from recent concerns with several government skills programs, but also ASQA's own audits, is that some providers should not have been approved or passed compliance audits. Their training and assessment capability and supporting governance was inadequate. In its submission to the Review of the National VET Regulator Act 2011, ACPET argued there need to be measures to strengthen requirements in this regard. This would translate into more rigorous scrutiny of new applications, in particular.

The proposal to reduce initial application fees, if accompanied by a commensurate reduction in ASQA scrutiny, is at odds with the need to strengthen the assessment of new RTOs. It does not send the right 'signal' to prospective applicants or the sector. It would be preferable that proposed reductions in application fees be weighted towards (and incentivise) renewals by existing RTOs providing quality outcomes to students and industry.

Recommendation:

The proposed reductions in application fees be weighted towards renewals.

The proposed reduction in application fees is to be accompanied by a greater focus on revenue generated through audits. It is outlined in the CRIS (page 25) that RTOs will be advised if an audit is required with the total cost advised at completion. This approach is not appropriate.

Where there is strong evidence of the need for an audit, including the nature and scope of concerns aligned to validated risk indicators (and informed by its broader audit experience), ASQA should provide a detailed estimate of the scale of the audit activity along with expected costs and duration. This is normal business practice.

Where the final cost varies significantly, a detailed reconciliation should be provided. This would also assist ASQA in monitoring the efficiency and effectiveness of its audit regime.

Recommendation:

A detailed estimate of the expected duration and cost of compliance audits be provided to RTOs prior to their commencement.

<u>Particular fees and charges</u>

The strategy to simplify fees and charges is supported. As indicated above, the reduction in application fees should be reconsidered with the emphasis on reduced fees for renewing RTOs.

The impact of the proposed change of scope fees and charges will depend on the expected profile of these applications and extent of compliance audits. Unfortunately this profile is not provided in the CRIS.

As part of the increased transparency that should come with the proposed fees and charges regime, the risk factors that trigger a compliance audit associated with a change of scope should be explicit.

Recommendation:

As part of an improved transparency framework that should accompany the proposed fees and charges, the risk factors (and their relative impact) that trigger a change of scope compliance audit should be explicitly detailed.