



Australian Government

Australian Skills Quality Authority

# REPORT

## **2015-16 Cost Recovery Implementation Statement**

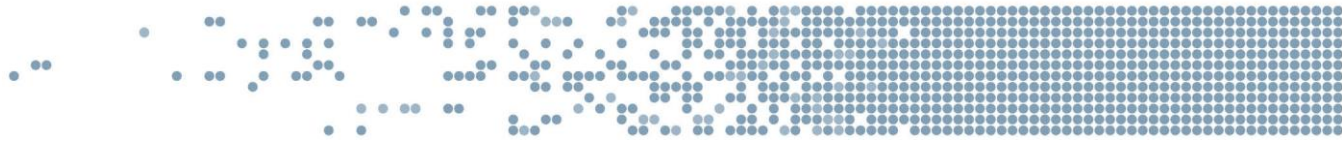
**National vocational education and training regulator  
fees and charges for registration of training organisations,  
accreditation of courses and associated services**



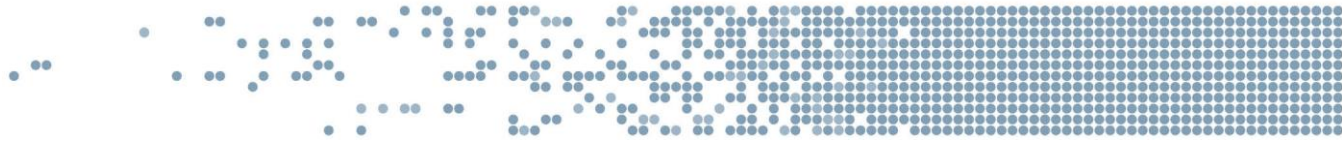


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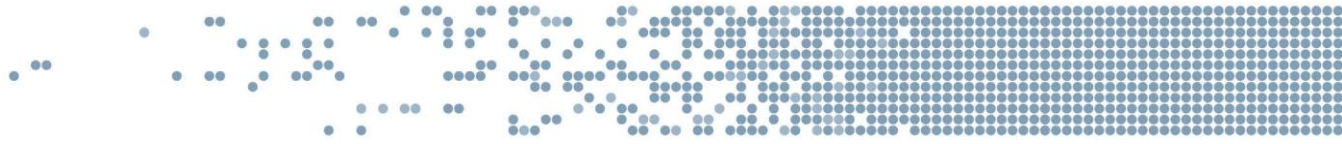


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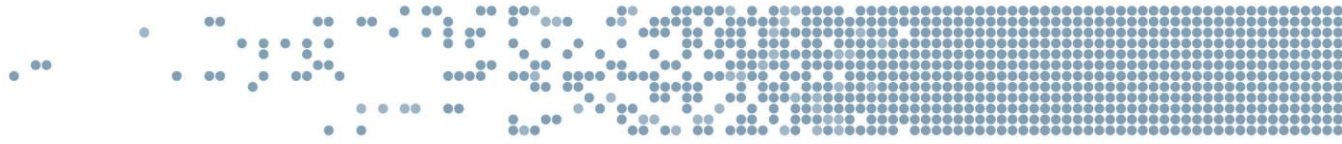
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## Abbreviations, acronyms, and terminology

accreditation	The formal recognition of a course by the Australian Skills Quality Authority (ASQA), in accordance with the <i>Standards for VET Regulators 2011</i> and the <i>Standards for VET Accredited Courses 2012</i> .
accredited VET courses	An accredited VET (Vocational Education and Training) course is: <ul style="list-style-type: none"><li>• a structured sequence of training developed to meet training needs that are not addressed by existing training packages</li><li>• a course accredited by the national VET regulator or by a delegated body of the national VET regulator, and</li><li>• a course that has been assessed by ASQA as compliant with the <i>Standards for VET Accredited Courses 2012</i> and the Australian Qualifications Framework (AQF).</li></ul>
AQF	Australian Qualifications Framework. The national policy for regulated qualifications in the Australian education and training system.  The AQF incorporates the quality assured qualifications from each education and training sector into a single comprehensive national qualifications framework.
ASQA	Australian Skills Quality Authority (ASQA), the national regulator for Australia's vocational education and training sector.
ASQAnet	ASQA's online application and registration management system for vocational education and training providers.  ASQAnet is also ASQA's internal business system for managing and maintaining application, registration and regulatory processes, decisions, activity and information.  ASQAnet allows you to submit applications, pay fees, and track the progress of your applications online.
change of scope	Making changes to a provider's scope of registration. 'Changes of scope' include: <ul style="list-style-type: none"><li>• adding or removing courses</li><li>• making changes to the duration of a Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) course</li><li>• changing the mode of delivery*</li><li>• changing student tuition fees (CRICOS)</li><li>• changing student capacity (CRICOS), or</li><li>• adding or removing a delivery site (CRICOS).</li></ul> <p>* This change must be requested using a Notification of material change form.</p> <p>At the time of registration, a provider is approved with a defined scope of registration, the specific qualifications or units of competency the provider is allowed to deliver. This scope is listed on the national register, <a href="http://training.gov.au">training.gov.au</a>. In accordance with section 32 of the NVETR Act, a provider can apply to ASQA to have its scope (i.e. qualifications/courses, enrolment capacity, delivery sites, mode of delivery, and student tuition fees) changed.</p>



Charges Act	<i>National Vocational Education and Training Regulator (Charges) Act 2012</i>
COAG	Council of Australian Governments.
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students. An online database of courses and educational institutions or providers in Australia that are registered to offer courses to overseas students with student visas.  'CRICOS providers' are registered on CRICOS and can offer courses to overseas student with student visas.
CRIS	cost recovery implementation statement. A document prepared for significant cost recovery arrangements to demonstrate compliance with the Australian Government Cost Recovery Guidelines.
CRG	Australian Government Cost Recovery Guidelines.
delivery site	permanent training site, owned or leased by a provider.
ELICOS	English Language Intensive Courses for Overseas Students. English language programs for students who require English language training before commencing formal studies in Australia.
ESOS	Education Services for Overseas Students
NCVER	National Centre for Vocational Education Research
NVR	national VET regulator
NVETR Act	<i>National Vocational Education and Training Regulator Act 2011</i>
pre-market	Involves the four licensing and approval processes (i.e. initial registration, renewal, amendment/change, and cancellation).
post-market	Involves the monitoring and compliance activities based on risk intelligence (i.e. compliance audits, strategic reviews, complaint audits and investigations), education and awareness, and enforcement.
provider	May refer to: <ul style="list-style-type: none"><li>• a registered training organisation (RTO), or</li><li>• an RTO that is also registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) to deliver to overseas students (referred to as a CRICOS provider), or</li><li>• an organisation that is registered on the CRICOS and delivers English Language Intensive Courses for Overseas Students (ELICOS) (these providers are subject to the same fees as other CRICOS providers).</li></ul>
qualification	Includes training package qualifications, VET accredited courses and programs (including ELICOS).
reconsideration	ASQA internal reconsideration of a reviewable decision. Only 'reviewable decisions' (as specified in section 199 of the <i>National Vocational Education and Training Regulator Act 2011</i> ) can be reconsidered.
referral of powers	Transfer of regulatory authority (under state legislation) from state governments to the Australian Government.





risk assessment	An assessment of a registered training organisation (or applicant) conducted by ASQA to identify, analyse, evaluate and treat risks of it breaching its regulatory obligations under the VET Quality Framework.
RTO	registered training organisation.
scope of registration	The particular services and products that a provider is registered to provide.
TAC	Training Accreditation Council, the VET regulator in Western Australia.
TEQSA	Tertiary Education Quality and Standards Agency.
training package	Training packages specify the skills and knowledge required to perform effectively in the workplace. They are developed by Industry Skills Councils (ISCs) to meet the training needs of an industry, or a group of industries.
VET	vocational education and training.
VET Quality Framework	<p>A set of standards and conditions used by ASQA to assess whether a registered training organisation meets the requirements for registration.</p> <p>The VET Quality Framework comprises:</p> <ul style="list-style-type: none"><li>• the <i>Standards for Registered Training Organisations 2015</i></li><li>• the Fit and Proper Person Requirements</li><li>• the Financial Viability Risk Assessment Requirements</li><li>• the Data Provision Requirements, and</li><li>• the Australian Qualifications Framework.</li></ul>
VRQA	Victorian Registration and Qualifications Authority, the VET regulator in Victoria.

## Audit terminology

registration audit	<p>The systematic and documented process used to assess a provider's compliance with the relevant standards. A registration audit may be triggered by an application for:</p> <ul style="list-style-type: none"><li>• initial RTO or CRICOS registration</li><li>• renewal of RTO or CRICOS registration, or</li><li>• a change to the scope of RTO or CRICOS registration.</li></ul> <p>The cost of a registration audit is included in the relevant application assessment fee.</p>
compliance audit	<p>A compliance audit is conducted proactively by ASQA to assess an RTO's ongoing compliance with the standards required for registration. Compliance audits are scheduled at ASQA's discretion.</p> <p>ASQA has the authority to undertake compliance audits of RTOs outside Australia. The cost of ASQA undertaking a compliance audit is chargeable to the RTO. Compliance audits are also conducted of CRICOS providers; however, no ASQA charges apply to these audits which are currently cost recovered through the ESOS Annual Registration Charge that the Department of Education and Training issue.</p>



# 1. Introduction

## 1.1 Purpose

This CRIS provides information on how ASQA implements cost recovery for regulation of the VET sector. It also reports financial and non-financial performance information for the regulation of the VET sector and contains financial forecasts for 2015-16 and three forward years. ASQA will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

This 2015-16 Cost Recovery Implementation Statement (CRIS) provides an outline of the fees and charges that the Australian Skills Quality Authority (ASQA) will implement from July 2015. The purpose of this CRIS is to demonstrate that ASQA's cost recovery arrangements comply with the Australian Government Cost Recovery Guidelines (CRGs).

ASQA undertakes cost recovery for a range of regulatory activities. These activities are described in this CRIS and the associated fees or charges are detailed.

ASQA's fees and charges apply to three key stakeholder groups:

- Registered Training Organisations (RTOs)
- Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) providers—including those that deliver English Language Intensive Courses for Overseas Students (ELICOS), and
- Vocational Education and Training (VET) accredited course owners.

Following the release of the 2014 CRGs, which outlined a revised framework for cost recovery, ASQA has reviewed its 2013-14 CRIS, and developed this CRIS to comply with the new cost recovery framework.

## 1.2 Background

The Commonwealth of Australian Governments' (commonly known as COAG) agreed to ASQA's establishment (as a cost-recovery agency) [in December 2009](#). The Australian Government formally established ASQA's budget in the [2010-11 Budget](#), as part of a broader budget measure. ASQA receives budget appropriations from the Australian Government, and cost recovery revenue is returned to the Australian Government's Consolidated Revenue Fund (i.e. to offset budget funding). In 2011-12, ASQA's first year of operation, ASQA's funding was \$24.6m. This increased to [\\$34.9m in 2012-13](#) to allow ASQA to undertake its full range of activities, as provided for under the *National Vocational Education and Training Regulator Act 2011* (the NVR Act). The increase in funding has enabled ASQA to undertake additional proactive regulatory activities to ensure that national regulation is consistent and risk-based.

These activities include:

- national industry engagement program, through which ASQA collaborates with stakeholders to identify areas of high risk training delivery
- national program of regulatory data collection and analysis, which enables the development of a risk profile of each provider
- strategic industry reviews to proactively assess high-risk training sectors
- collaboration with the Tertiary Education Quality and Standards Agency (TEQSA) to streamline regulatory services to multi-sector providers, such as universities that provide VET courses, and
- acting upon new regulatory powers delegated by the Australian Government on 1 July 2012 to ensure CRICOS provider compliance with the ESOS Act.





The 2014-15 budget is \$35.1m (baseline), plus an additional \$3.4m of new policy funding to implement the VET reforms (\$8.4m over four years). The VET reforms have several components:

- revising application processes to approve without an application or charge new qualifications deemed equivalent to an earlier version of that qualification;
- delegating the authority to change their scope of registration (without an application or charge) to certain high-quality providers;
- implementing a data analytics capability that enables ASQA to better process regulatory data and industry intelligence in order to identify provider, product and sector-wide risks;
- revising ASQA's risk model and regulatory approach, including enhancing the Authority's investigations capability;
- enhancing guidance and information to help providers understand and comply with their regulatory obligations;
- removing the requirement to undergo a financial viability assessment from the registration renewal process, except in the case of high risk providers;
- implementing the *Standards for RTOs 2015*—revised Standards that reduce ambiguity and provide additional capacity for ASQA to take decisive action against poor quality providers and associated entities; and
- streamlining the NVETR and ESOS Acts to reduce regulatory overlap and improve consistency.

ASQA's initial fees and charges applied from 1 July 2011. The development of ASQA's original fees and charges necessarily predated the commencement of ASQA's regulatory activities. ASQA's original fees and charges were therefore based on estimates of the costs of national regulation. A commitment was made to review cost recovery arrangements in 2012–13 once a full year of financial and activity data had been obtained. This review was completed in the 2013-14.

In October 2014, the Australian Government amended the previous decision on cost recovery for ASQA as part of a suite of VET Regulatory Reforms. The Government decided that ASQA would not progress to full cost recovery and would now be required to cost recover approximately 50 per cent (i.e. partial cost recovery). This decision was announced in the [2014–15 Portfolio Additional Estimates Statements](#) released in February 2015 and is reflected in the [2015–16 Portfolio Budget Statements](#).

The 2015-16 CRIS provides ASQA with the opportunity to report to stakeholders on its prior year's cost recovery performance. This document details how ASQA sets fees and charges and details the costs of the range of regulatory and corporate activities through which ASQA performs its regulatory functions. Stakeholder feedback on ASQA's performance is sought through a variety of means including compliance audit feedback and the annual surveys of providers and key industry and government stakeholders. This feedback was also considered as part of this 2015-16 cost recovery review.

It should be noted that over the coming years, a number of key regulatory and operational changes that will affect ASQA's cost recovery are likely to come into effect. These include:

- ending of 'legacy fee' arrangements as those providers registered by one of the former state or territory regulators seek re-registration by ASQA and thereby become subject to ASQA's fees;
- implementation of ASQA's new business information system which will improve the efficiency of ASQA's regulatory processes, offer providers additional capacity to manage their registration and track their applications, and enhance ASQA's fee collection and invoicing processes;
- continued roll-out of delegations to high quality providers resulting in fewer applications over time; and
- extension of the maximum registration period from five to seven years for RTOs.



It is anticipated that these changes will necessitate a wide-ranging review of ASQA's fees and charges in 2016-17 financial year.

## 1.3 Australian Government Cost Recovery Policy

The Australian Government released a revised version of the CRGs in July 2014. These must be applied by all non-corporate Commonwealth entities and by selected corporate Commonwealth entities as defined under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The Government's cost recovery policy provides that, where appropriate, non-government recipients of specific government activities should be charged some or all of the efficient costs of those activities. The cost recovery policy promotes consistent, transparent and accountable charging for government activities and supports the proper use of public resources<sup>1</sup>.

Government entities should aim to minimise cost recovery charges through the efficient implementation of cost recovery activities, in the context of the specific policy outcomes and legislation. The cost recovery framework is underpinned by three principles that must be applied across all stages of the cost recovery process:

- efficiency and effectiveness;
- transparency and accountability; and
- stakeholder engagement<sup>2</sup>.

For each cost recovered activity, the responsible government entity must:

- have policy approval from the Australian Government to cost recover;
- have statutory authority to charge;
- ensure alignment between expenses and revenue;
- maintain up to date publicly available documentation and reporting<sup>3</sup>.

## 1.4 Legal requirements for the imposition of fees and charges

### 1.4.1 Authority under the NVETR Act

The authority for ASQA to charge fees is provided in section 232 of the NVETR Act. Further detail regarding the different fees and how they can be applied is outlined in the following sections of the NVETR Act.

#### **RTO registration fees:**

- Paragraph 16(3)(b) registration application fee;
- Subsection 17(4) registration assessment fee;
- Paragraph 18(c)(iv) registration charge;
- Subsection 31(2) renewal of registration application fee; and
- Paragraph 32(2)(b) change of scope of registration application fee.

#### **Course accreditation fees:**

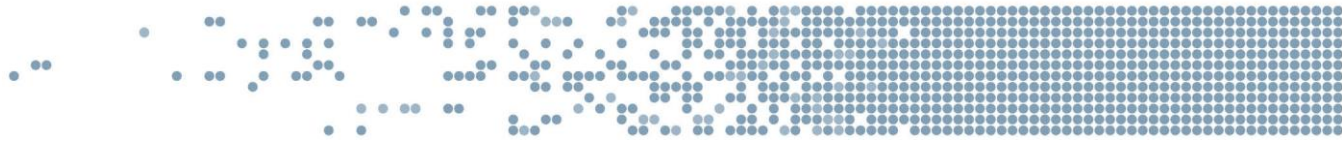
- Paragraph 43(2)(b) course accreditation application fee;

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<sup>1</sup> Paragraph 10, CRGs.

<sup>2</sup> Paragraph 15, CRGs.

<sup>3</sup> Paragraph 16, CRGs.



- Subsection 50(2) renewal of accreditation application fee;
- Subparagraph 51(3)(b)(ii) amending a vet accredited course application fee; and
- Subparagraph 52(4)(b)(ii) cancelling accreditation - application fee.

**Other fees:**

- Paragraph 41(4)(b) request for reassessment fee;
- Paragraph 200(3)(c) reconsideration of a decision fee; and
- Subsections 232(1) and 232(2) fees for goods and services relating—and provided—to RTOs and VET course accreditation (other than already specified).

### **1.4.2 Designated authority under the ESOS Act**

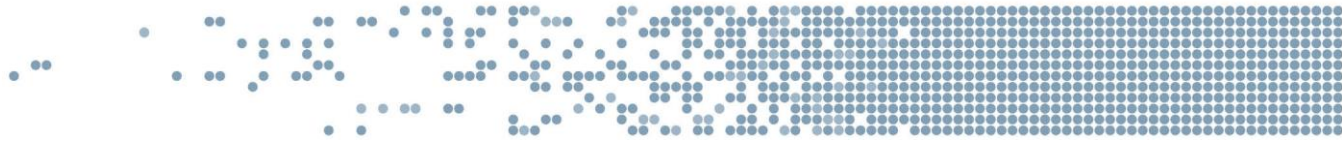
Subsection 157(1) of the NVETR Act identifies the national VET regulator's functions. Paragraph (q) of this section includes other functions conferred on the regulator by or under the ESOS Act. From 1 July 2012, ASQA became a delegate of the Minister and the Secretary for registration and enforcement functions under the ESOS Act as outlined in delegations that the Department and Minister issued under that Act in June 2012. ASQA is also a Designated Authority under the ESOS Act, in accordance with the *ESOS (Designated Authority) Determination 2012 (No. 1)*.

CRICOS providers are providers registered under the ESOS Act and listed on the Commonwealth Register of Institutions and Courses for Overseas Students (includes RTOs providing VET courses to overseas students studying in Australia and other organisations providing English Language Intensive Courses to Overseas Students - ELICOS). These fees are distinct from charges administered by the Department of Education and Training. ASQA's cost recovery authority to charge fees to CRICOS providers is under the same legislative provisions as for RTOs, i.e. section 232 of the NVETR Act, in conjunction with section 157, as indicated above.

### **1.4.3 Authority under the Charges Act**

The authority for ASQA to impose charges is provided in sections 7–12 of the *National Vocational Education and Training Regulator (Charges) Act 2012* (the Charges Act). Further details regarding the different charges and how they can be applied are outlined in the following sections of the Charges Act:

- Part 1A: National VET Regulator annual registration charge;
- sections 7–9: charge for compliance audit (including travel expenses); and
- sections 10–12: charge for the investigation of a complaint about an NVR registered training organisation.



## 2. Description of Cost Recovered Activities

### 2.1 Overview

A high-level illustration of ASQA's business model is shown in Figure 1. ASQA has a single cost recovery activity, which is regulation of the VET sector. There are three client or output groups:

- RTOs;
- CRICOS providers; and
- accredited VET course owners.

Each output group contains specific outputs for each fee and charge (e.g. registration fees include lodgement and assessment fees for initial, renewal and change of scope applications).

The regulatory activities performed by ASQA can be classified into two processes:

- pre-market; and
- post-market.

The pre-market process includes four licensing and approval sub-processes:

- initial registration;
- renewal of registration;
- amendment/change to scope of registration; and
- cancellation of registration.

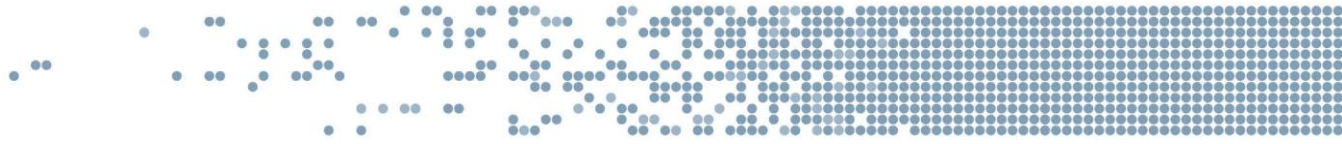
The regulatory activities performed for each licensing and approval sub-process range from completeness checks through to completion of the registration. All approval decisions may be subject to review, through either a reconsideration or reassessment process.

The post-market process includes a number of regulatory activities including:

- compliance audits;
- strategic reviews
- complaint audits and investigations;
- education and awareness; and
- enforcement.

Risk intelligence informs the targeting of monitoring and compliance activities.

ASQA also performs the full range of corporate support functions required for an independent agency as well as a number of regulatory support functions that are specific to ASQA's business requirements.



**Figure 1 ASQA’s business model**

Pre-market activities					
RTO		CRICOS		Course accreditation	
Initial registration		Renewal	Amendment		Cancellation
Completeness check	Fit & Proper Persons & financial viability	Assessment / evaluation	Registration audits	Complete registration process	Reconsiderations / reassessments evidence reviews

Post-market				
Monitoring and compliance			Education & awareness	Enforcement
Risk intelligence				
Compliance audits—post initial & special	Strategic reviews	Complaints—audits & investigations		

Regulatory support functions						
Student records	Regulatory policy & legislation	Communications & Infoline	Business improvement	Review of decisions (e.g. AAT)	External stakeholder engagement	Industry engagement

Corporate support functions									
Information management	Finance	HR	IT	Procurement & contract management	Corporate governance	Ministerial & parliamentary services	Property	Legal advice	Quality Management System





## 2.2 Fees and Charges

A summary of the business processes associated with each fee and charge is provided in Table 1. All fees and charges are based on partial cost recovery.

**Table 1 Business Processes performed for each fee/charge**

Fee/Charge	Business processes	Notes
<b>RTO registration</b>		<ul style="list-style-type: none"> <li>Total fees payable for initial RTO registration or renewal of RTO registration are capped at \$50,000</li> <li>All fees are payable at the time of application and may be refunded if ASQA has not yet commenced work on the application</li> <li>Providers are subject to a data entry fee if an application is not submitted online via ASQAnet. The fee reflects the administrative cost of ASQA doing the data entry.</li> </ul>
Initial RTO registration <ul style="list-style-type: none"> <li>application lodgement fee</li> </ul>	<ul style="list-style-type: none"> <li>receive and register application</li> <li>check application for completeness and rectify if required.</li> </ul>	
Initial RTO registration <ul style="list-style-type: none"> <li>application assessment fee</li> </ul>	<ul style="list-style-type: none"> <li>assess the application for compliance with the VET Quality Framework</li> <li>complete a comprehensive risk assessment for the organisation (i.e. risk assessment, fit and proper, and financial viability)</li> <li>schedule, plan and conduct a registration audit (mandatory)</li> <li>process application decision and notify applicant</li> <li>issue provider registration certificate.</li> </ul>	<ul style="list-style-type: none"> <li>The application assessment fee covers the cost of a registration audit which is conducted when the application is assessed.</li> <li>It includes up to four qualifications, 20 units of competency and 2 sites (an additional fee is charged for each additional qualification, unit and site up to a capped limit)<sup>4</sup>.</li> <li>The assessment fee may be refunded in full if the application is withdrawn or rejected during the completeness check, including if it fails the financial viability check.</li> </ul>
Renewal of RTO registration <ul style="list-style-type: none"> <li>application lodgement fee</li> </ul>	<ul style="list-style-type: none"> <li>same activities as for initial RTO registration—application lodgement (above).</li> </ul>	
Renewal of RTO registration	<ul style="list-style-type: none"> <li>assess application for compliance with the VET Quality Framework</li> </ul>	<ul style="list-style-type: none"> <li>In most cases this assessment will include an audit at one or more of an RTO's</li> </ul>

<sup>4</sup> The application assessment fee includes up to 10 qualifications (increased from 4 in the 2013 CRIS), 20 units of competency and two sites (an additional fee is charged for each additional qualification, unit and site up to a capped limit). It is now payable at the time of application along with the application lodgement fee (change was introduced in the 2013 CRIS). It covers the cost of a registration audit which may be conducted when the application is assessed. The fee may be refunded in full if the application is withdrawn or rejected during the completeness check.

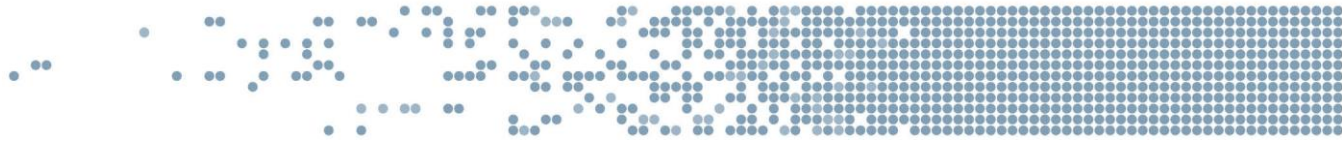




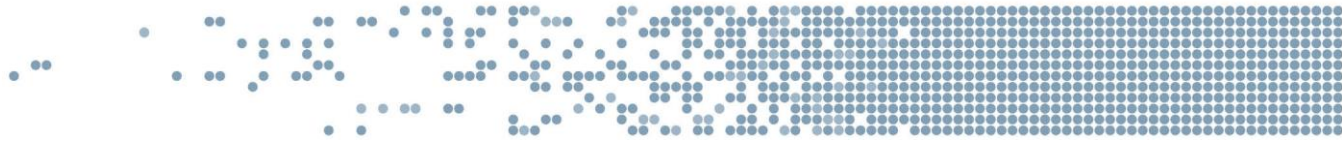
Fee/Charge	Business processes	Notes
<ul style="list-style-type: none"> <li>application assessment fee</li> </ul>	<ul style="list-style-type: none"> <li>schedule, plan and conduct a registration audit, if required</li> <li>review risk rating of the organisation (i.e. risk assessment, fit and proper, and financial viability)</li> <li>process application decision and notify applicant</li> <li>issue provider registration certificate.</li> </ul>	<p>nominated venues.</p> <ul style="list-style-type: none"> <li>The assessment fee may be refunded in full if the application is withdrawn or rejected during the completeness check.</li> </ul>
<p>Change to scope of RTO registration</p> <ul style="list-style-type: none"> <li>application fee</li> </ul>	<ul style="list-style-type: none"> <li>receive and register application</li> <li>check application for completeness and rectify if required</li> <li>assess application for compliance with the VET Quality Framework</li> <li>schedule, plan and conduct a registration audit, if required</li> <li>process application decision and notify applicant.</li> </ul>	<ul style="list-style-type: none"> <li>ASQA adds updated training package products to the scope of registration for an RTO without requiring an application or fee.</li> <li>There are no fees required to remove items from a provider's scope of registration. However, an application must be submitted.</li> <li>Where the Training Package qualification, VET accredited course or unit of competency is deemed to be 'not equivalent', the addition to scope fee applies.</li> </ul>
<p>Annual RTO registration<sup>5</sup></p> <ul style="list-style-type: none"> <li>charge</li> </ul>	<ul style="list-style-type: none"> <li>maintain provider records including processing of applications with no associated fee (i.e. material changes, reductions in provider scope, and transition to new equivalent scope) and maintenance of ASQAnet</li> <li>education and awareness (e.g. provide information to providers via the ASQA Info line, utilising risk and compliance staff expertise, maintenance of the ASQA website and delivery of provider information sessions)</li> </ul>	<ul style="list-style-type: none"> <li>The annual RTO registration charge is structured with charge brackets based on active qualifications on a provider's scope of registration. Superseded items are excluded from the charge calculation from July 2015 onwards.</li> <li>It is payable on 1 July each financial year for that year of registration.</li> <li>For providers that have their initial registration application approved part way through a financial year, the charge will be applied on a pro-rata basis.</li> <li>Where a provider's registration ends during a billing period (i.e. registration is withdrawn, cancelled or expired due to non-renewal), a pro-rata charge applies for the number of whole months of registration and any excess charge that has been paid is refundable, upon request.</li> <li>For RTOs that transitioned to ASQA but have not yet had their registration renewed by ASQA, the registration arrangements originally set by the relevant state/territory regulator still applies (i.e. legacy annual fee—invoiced by ASQA).</li> </ul>



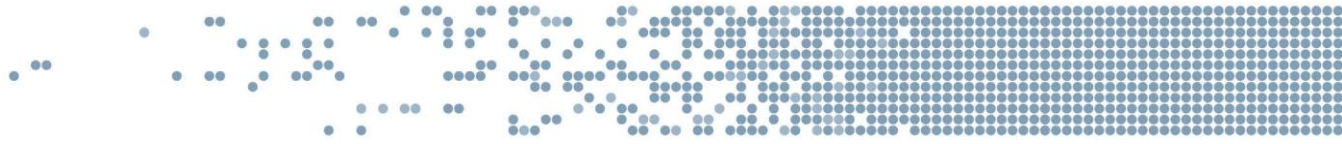
Fee/Charge	Business processes	Notes
Compliance audit of an RTO <ul style="list-style-type: none"> <li>• charge</li> </ul>	<ul style="list-style-type: none"> <li>• assess provider for ongoing compliance with the VET Quality Framework</li> <li>• schedule, plan and conduct a compliance audit</li> <li>• process audit decision and notify the RTO.</li> </ul>	<ul style="list-style-type: none"> <li>• The charge for a compliance audit is based on the time spent preparing for and conducting the audit, completing follow up work and travel to and from the audit site.</li> <li>• If an RTO delivers training and issues AQF qualifications in countries other than Australia, ASQA will monitor that provision and may decide to include offshore sites in a compliance audit. This will be factored into the charge of the audit.</li> <li>• ASQA does not have the legislative authority to charge CRICOS providers for the cost of a compliance audit.</li> </ul>
Investigation of a complaint about an RTO <ul style="list-style-type: none"> <li>• charge</li> </ul>	<ul style="list-style-type: none"> <li>• receive and register complaint</li> <li>• conduct investigation</li> <li>• undertake necessary actions.</li> </ul>	<ul style="list-style-type: none"> <li>• ASQA investigates complaints received alleging that providers have breached or are breaching compliance obligations. If a complaint about an RTO is substantiated, the RTO will be charged for the cost of the investigation, plus ASQA official travel costs.</li> <li>• If the investigation is conducted outside Australia in whole or in part, any reasonable expenses incurred by ASQA relating to the investigation or part of the investigation will also be charged if the complaint is substantiated.</li> <li>• No charge is applied where the complaint is not fully substantiated.</li> <li>• The charge for investigating a complaint which is substantiated is separate from the charge associated with the conduct of a compliance audit. If a compliance audit is undertaken based on a complaint, there are separate charges for that regulatory activity.</li> <li>• ASQA does not have the legislative authority to charge CRICOS providers for the cost of a complaints investigation.</li> </ul>
<b>CRICOS registration activity</b>		<ul style="list-style-type: none"> <li>• The fees and charges administered by ASQA for CRICOS providers are distinct from those administered by the Department of Education or TEQSA.</li> </ul>
Initial CRICOS registration <ul style="list-style-type: none"> <li>• application lodgement fee</li> </ul>	<ul style="list-style-type: none"> <li>• receive and register application</li> <li>• check application for completeness and rectify if required</li> </ul>	<ul style="list-style-type: none"> <li>• Fees may be paid at the time of submitting the application. Alternatively, if requested ASQA can issue an invoice.</li> <li>• Total fees payable for Initial CRICOS registration or Renewal of CRICOS registration are capped at \$50,000</li> </ul>



Fee/Charge	Business processes	Notes
Initial CRICOS registration <ul style="list-style-type: none"> <li>application assessment fee</li> </ul>	<ul style="list-style-type: none"> <li>assess application for compliance with the relevant CRICOS standards.</li> <li>schedule, plan and conduct a registration audit</li> <li>develop a risk rating for the organisation (i.e. risk assessment, fit and proper, and financial viability)</li> <li>liaise with Department of Education regarding provider registration</li> <li>process application decision and notify applicant</li> <li>issue provider registration certificate.</li> </ul>	<ul style="list-style-type: none"> <li>If application is withdrawn, fees may be refunded if ASQA has not yet commenced work on the application.</li> <li>A registration audit is conducted for all initial registration applications and the assessment fee covers the full cost of a registration audit being conducted.</li> <li>The assessment fee may be refunded in full if the application is withdrawn or rejected during the completeness check, including if it fails the financial viability check.</li> </ul>
Renewal of CRICOS registration <ul style="list-style-type: none"> <li>application lodgement fee</li> </ul>	<ul style="list-style-type: none"> <li>same activity as for initial CRICOS registration—application lodgement (above).</li> </ul>	
Renewal of CRICOS registration <ul style="list-style-type: none"> <li>application assessment fee</li> </ul>	<ul style="list-style-type: none"> <li>assess application for compliance with the relevant CRICOS standards</li> <li>schedule, plan and conduct a registration audit, if required</li> <li>review risk rating of the organisation (i.e. risk assessment, fit and proper, and financial viability)</li> <li>liaise with Department of Education regarding provider registration</li> <li>process application decision and notify applicant</li> <li>issue provider registration certificate.</li> </ul>	<ul style="list-style-type: none"> <li>The application assessment fee includes up to four qualifications, 20 units of competency and 2 sites (an additional fee is charged for each additional qualification, unit and site up to a capped limit)<sup>6</sup>.</li> <li>Fees are payable at the time of application along with the application lodgement fee.</li> <li>It covers the cost of a registration audit which may be conducted when the application is assessed.</li> <li>The assessment fee may be refunded in full if the application is withdrawn or rejected during the completeness check.</li> </ul>
Change to scope of CRICOS registration <ul style="list-style-type: none"> <li>application fee</li> </ul>	<ul style="list-style-type: none"> <li>receive and register application</li> <li>check application for completeness and rectify if required</li> <li>enter data if application has not been submitted via ASQAnet</li> <li>assess application for compliance with the VET Quality Framework</li> <li>schedule, plan and conduct a registration audit, if required</li> <li>process application decision and</li> </ul>	<ul style="list-style-type: none"> <li>Fees are payable at the time of application.</li> <li>Fees may be refunded if ASQA has not yet commenced work on the application.</li> </ul>



Fee/Charge	Business processes	Notes
Annual CRICOS registration <ul style="list-style-type: none"> <li>charge</li> </ul>	notify applicant. <ul style="list-style-type: none"> <li>maintain provider records including processing of applications with no associated charge (i.e. material changes and reductions in provider scope)</li> <li>education and awareness (e.g. provide information to providers via the ASQA Info line, utilising risk and compliance staff expertise, maintenance of the ASQA website and delivery of provider information sessions)</li> </ul>	<ul style="list-style-type: none"> <li>ASQA will issue an invoice for Annual CRICOS registration charge.</li> <li>ASQA has a bracketed charge structure determined by the number of qualifications on a provider's scope of registration.</li> <li>The tier a provider occupies defines the annual CRICOS registration charge to be paid.</li> </ul>
<b>VET course accreditation activity</b>		<ul style="list-style-type: none"> <li>The amount of fees to be paid is calculated by the number of courses on the application.</li> <li>Fees are payable at the time of application.</li> <li>Fees may be refunded if ASQA has not yet commenced work on the application.</li> </ul>
Initial VET course accreditation <ul style="list-style-type: none"> <li>application fee</li> </ul>	<ul style="list-style-type: none"> <li>receive and register application</li> <li>check application for completeness and rectify if required</li> <li>assess application for compliance with the Standards for VET Accredited Courses 2012 and the Australian Qualifications Framework</li> <li>process application decision and notify applicant.</li> </ul>	
Renewal of VET course accreditation <ul style="list-style-type: none"> <li>application fee</li> </ul>	<ul style="list-style-type: none"> <li>Same activities as for initial VET course accreditation (above).</li> </ul>	
Amendment to a VET accredited course <ul style="list-style-type: none"> <li>application fee</li> </ul>	<ul style="list-style-type: none"> <li>receive and register the application</li> <li>check application for completeness and rectify if required</li> <li>assess application</li> <li>process application decision and notify applicant.</li> </ul>	
<b>Fee/Charge</b>	<b>Activity</b>	<b>Notes</b>
<b>Other activities</b>		
Reassessment of an ASQA	<ul style="list-style-type: none"> <li>receive and register the application</li> </ul>	<ul style="list-style-type: none"> <li>The fee for seeking a reconsideration</li> </ul>



Fee/Charge	Business processes	Notes
position and reconsideration of an ASQA decision <ul style="list-style-type: none"> <li>application fee</li> </ul>	<ul style="list-style-type: none"> <li>review ASQA records and any submitted evidence</li> <li>process application decision and notify applicant.</li> </ul>	of an ASQA decision is to be paid by the applicant on application. <ul style="list-style-type: none"> <li>Fees may only be refunded if ASQA has not yet commenced work on the application.</li> </ul>
Obtaining a copy of a student record <ul style="list-style-type: none"> <li>application fee</li> </ul>	<ul style="list-style-type: none"> <li>receive and register the application</li> <li>locate, print and send copy of student record if available.</li> </ul>	<ul style="list-style-type: none"> <li>ASQA will invoice the student after issuing a certified copy of a student's records.</li> </ul>

## 2.3 Calculation of Fees and Charges

The price for each individual fee and charge is calculated by:

- identifying the tasks required to complete each regulatory activity;
- estimating the time involved to complete each activity in person hours;
- determining the full cost per hour; and
- multiplying the number of hours by the cost per hour.

Fees and charges may be fixed or variable or may include both fixed and variable components:

- fixed fees/charges (such as registration fees) are based on the average length of time spent on a regulatory activity; and
- variable fees/charges (such as audit charges) are based on the actual time spent on a regulatory activity.

The registration fees for applications that may vary in size include both

- fixed base fee, which recovers the cost of essential application processing tasks (these tasks apply to all applications, whether they are small or large); and
- variable tiered fee, which recovers additional costs for additional items included in an application (these fees reflect the amount of time required to process more complex applications, such as those where the applicant has applied for a large number of qualifications).

This approach reflects the economies of scale that arise for larger applications.

Charges are intended to ensure that additional costs for compliance audits and substantiated complaints investigations are only applied to the appropriate providers. Specifically, those providers about which ASQA has received or developed intelligence that raises concerns about quality of education they are delivering. Charges are structured to reflect the level of activity involved and an hourly rate is applied. This rate is authorised under the Charges Act. Charges are calculated based on the time taken to complete the compliance activity, unlike fees, which are dependent on the scope of the application (i.e. the number of qualifications, units of competency, delivery sites or other aspects of the application being assessed). A fixed hourly rate is a more appropriate mechanism to attribute costs for charge-based activity, as the amount of the charge will reflect the regulatory effort involved.

ASQA has authority under the Charges Act to recover the costs and expenses incurred in conducting a compliance audit or complaints investigation. This includes reasonable domestic and overseas travel costs—referred to as ‘ASQA official domestic and international travel policy based on lowest practical fare of the day’. These are defined as ‘reasonably incurred airfares and such other travel expenses which may be reasonably incurred, including but not limited to accommodation, car rental and meals’.





## 2.4 Payment of Fees and Charges

RTO application fees (application lodgement and application assessment fees) are to be paid upfront at the time of submission. This ensures that applicants have a clear understanding of the full cost of the application. The exception to this requirement is applications not lodged via ASQAnet: in this case ASQA will issue an invoice (including the applicable data entry fees). Refunds are available for part or all of an assessment fee if ASQA has not commenced work on the application.

As CRICOS providers are not currently able to lodge applications online, the fees and charges may be paid either at the time of application or from an issued invoice. In 2016, ASQA will be implementing updates to its current business systems. These updates will introduce more consistent payment options for RTOs and CRICOS providers.





### 3. Cost Model

The cost model is designed to capture all the costs associated with ASQA’s regulatory activity and allocate these to the individual fees and charges, in order to align costs with prices. The cost allocation methodology is based on an industry standard approach. The input data for the model includes volume, financial, staffing numbers (full-time equivalent - FTE<sup>6</sup>), and cost driver data.

The cost objects of the model are:

- output groups;
- outputs/individual fees and charges; and
- processes.

Figure 2 provides a high-level summary of the cost allocation methodology, which is based on four key steps:

- i. Obtain source data.
- ii. Attribute costs from indirect cost centres<sup>7</sup> to direct cost centres.
- iii. Attribute the full cost of direct cost centres using cost-driver data to activities and outputs (refer to Table 2 below). The output cost is then divided by the estimated number of transactions to determine the unit cost.
- iv. Compare revenue, expenses, prices and unit costs.

The key objective is to align the price for each fee and charge to the unit cost and to achieve the budgeted level of cost recovery.

**Figure 2 - Cost allocation methodology**



- Process 1: Enter Metadata
- Process 2: Enter Financial Data
- Process 3: Enter Staff Data
- Process 4: Create Staff Effort Templates and capture effort
- Process 5: Enter Volume Data

- Process 6: Allocate Corporate Overheads
- Process 7: Allocate Specific Overheads

- Process 8: Summarise detailed to Cost Pool level
- Process 9: Allocate Cost Pool/Cost Center to Activities
- Process 10: Sum by Team
- Process 11: Cost per Unit

<sup>6</sup> Full-time equivalent staffing is full-time staff plus part-time staff counted as a decimal based on the proportion of full-time hours worked

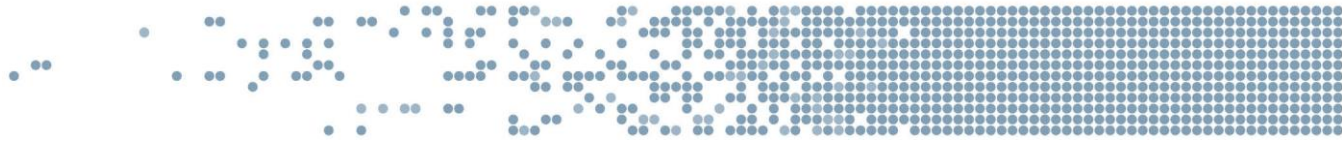
<sup>7</sup> Indirect Cost Centres include, for example, corporate overheads, which consist of the Chief Commissioner and corporate functions such as human resources, information technology and finance. Corporate overheads are allocated to direct business units using FTE) as the cost driver.



Table 2 provides an illustration of the mapping of activities and outputs to direct cost centres.

**Table 2 - Mapping table of cost centres to business processes and fees**

<b>Business process</b>	<b>Fee</b>	<b>Compliance team</b>	<b>Risk team</b>
Completeness check	Lodgement fee	N	Y
Financial viability assessment	Initial assessment fee	N	Y
Fit and Proper Person check	Initial assessment fee	N	Y
Risk assessment	Initial assessment fee	N	Y
Registration audit	Initial assessment fee	Y	N
Finalisation and notification to applicant of decision	Initial assessment fee	Y	Y



## 4. Cost Recovery Risk Assessment (CRRA)

Key issues in the operating environment for a cost recovery agency include:

- complexity: structure, processes and implementation of the cost recovery activities (e.g. number of outputs, design of the fees and charges, involvement of a third party, multiple items of legislation, and level of change);
- materiality: value of the cost recovery activities (i.e. revenue collected and individual fees and charges); and
- sensitivity: level of interest from key stakeholders in the cost recovery activities.

In 2014-15, ASQA is now into its fourth year as the national regulator of Australia's VET sector and currently regulates over 80 per cent of providers in Australia. The remaining 20% of VET providers are regulated by the remaining state regulators of the VET sector-Victoria's Victorian Registration and Qualifications Authority (VRQA) and WA's Training Accreditation Council (TAC). ASQA assumed regulatory responsibility from the other state and territory governments. In addition to ASQA, some VET providers are also regulated by:

- the Department of Education and Training-regulation of school-based English language courses
- TEQSA-regulation of tertiary education providers.

During the past four years, there has been significant growth (from \$26.6m to \$41.6m) in the level of total expenditure and significant movement in the budgeted cost recovery levels (from \$11.4 to \$24.1m and back to \$20.2m based on approximately 50 per cent level) set by the Australian Government. As part of the program of VET Regulatory Reforms, ASQA is currently implementing a number of changes to legislation (such as harmonisation of the NVETR and ESOS Acts), policy (delegations to process changes to scope) and business systems and processes (removing the financial viability assessment process from renewal applications). These reforms are designed to streamline regulatory processes and reduce the costs of compliance for providers. While there has been a substantial amount of change to VET sector regulation in the past few years, the level of change is expected to reduce in the medium term. It is expected that a more stable environment will be established by the end of the 2016 calendar year.

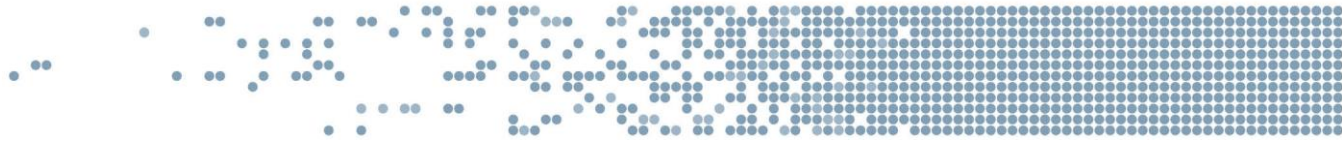
There is a high level of interest from key stakeholders in the regulation of the VET sector and the management of the cost recovery arrangements.

In accordance with the CRGs, ASQA has undertaken a CRRA, which involves a point in time assessment of risk. The CRRA for ASQA for 2015-16 is rated at 'Medium'. This result is based on an assessment of a number of key components including:

- low risk rating for the level of change in the cost recovery arrangements in the 2015-16 CRIS;
- medium risk for the level of cost recovery revenue<sup>8</sup>;
- low risk for the level of change for cost recovery activities;
- medium risk for the complexity in the cost recovery arrangements (i.e. both fees and charges);
- low risk for the level of change in legislative arrangements (i.e. no legislative change proposed in 2015-16);
- low risk for the level of complexity of working with other government entities to deliver the regulatory functions (i.e. none involved);
- medium risk for the level of impact of cost recovery on payers (i.e. more significant impact on smaller providers which have less capacity to absorb these additional costs), and
- low risk for consultation with stakeholders, as there are no changes for 2015-16.

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<sup>8</sup> The Minister has set a target of 50% partial cost recovery which equates to approximately \$20m.



## 5. Financial Analysis

### 5.1 Operating Results

A trend analysis of the actual operating performance of ASQA from 2011–12 and the forward estimates as reported in ASQA’s published budget estimates is shown in Table 3. ASQA reported a \$5.7m operating surplus in 2011–12. This was largely due to delays in taking over regulatory responsibility from state and territory governments, and in establishing all regulatory functions and activity levels. The actual operating result for the last two years and the budgeted result for the current year and the forward estimates are small operating deficits<sup>9</sup>.

Total expenditure increased from \$21.0m in 2011–12 to \$41.7m in 2015-16. This increase is due to a number of factors, including:

- expanding the scope of regulatory services provided;
- assuming responsibilities for other state jurisdictions; and
- implementing VET reforms (\$8.6m over three years).

The level of expenditure is forecast to reduce in the forward estimates as funding for the VET reforms lapses and the budget appropriation is reduced in real terms. This reduction is due to the impact of ongoing efficiency dividends and recognises the operational efficiencies that are expected to be achieved from investment in new systems and processes.

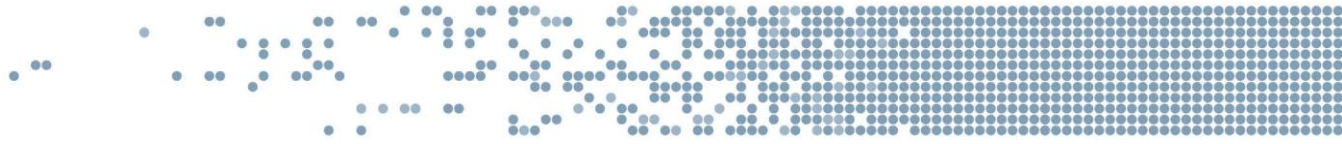
It is important to note that ASQA is funded by budget appropriations and the revenue collected from fees and charges is returned to consolidated revenue.

**Table 3 Operating results**

Financial Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Departmental expenses</b>	<b>Actual \$'000</b>	<b>Actual \$'000</b>	<b>Actual \$'000</b>	<b>Budget \$'000</b>	<b>Budget \$'000</b>	<b>Budget \$'000</b>	<b>Budget \$'000</b>
Employee	11,195	19,889	22,283	23,169	22,896	21,693	21,086
Supplier	8,362	11,935	10,381	11,978	11,134	12,018	12,850
Depreciation	1,467	2,257	3,166	3,811	4,450	3,230	3,184
<b>Total departmental expenses</b>	<b>21,024</b>	<b>34,081</b>	<b>35,830</b>	<b>38,958</b>	<b>38,480</b>	<b>36,941</b>	<b>37,120</b>
<b>Departmental revenue</b>							
Appropriation	26,565	32,795	35,547	35,147	34,030	33,711	33,936
Own source revenue	166	208	153	1,500	-	-	-
<b>Total departmental revenue</b>	<b>26,731</b>	<b>33,003</b>	<b>35,700</b>	<b>36,647</b>	<b>34,030</b>	<b>33,711</b>	<b>33,936</b>
<b>Ongoing operating result</b>	<b>5,707</b>	<b>(1,078)</b>	<b>(130)</b>	<b>(2,311)</b>	<b>(4,450)</b>	<b>(3,230)</b>	<b>(3,184)</b>

#### VET Reform Project

<sup>9</sup> The budget appropriations do not include funding for depreciation as ASQA receives a separate capital budget appropriation (i.e. ASQA is expected to generate operating deficits equivalent to the depreciation expense).



Financial Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Expenses	-	-	-	3,439	3,213	1,795	116
Appropriation	-	-	-	3,439	3,213	1,795	116
<b>Net VET Reform result</b>	-	-	-	-	-	-	-
Total expenditure including VET Reform	21,024	34,081	35,830	42,397	41,693	38,736	37,236
Total appropriation including VET Reform	26,731	33,003	35,700	40,086	37,243	35,506	34,052
<b>ASQA departmental &amp; VET Reform</b>	<b>5,707</b>	<b>(1,078)</b>	<b>(130)</b>	<b>(2,311)</b>	<b>(4,450)</b>	<b>(3,230)</b>	<b>(3,184)</b>

## 5.2 Cost Structure

This section provides the following alternative view of ASQA's cost structure, including:

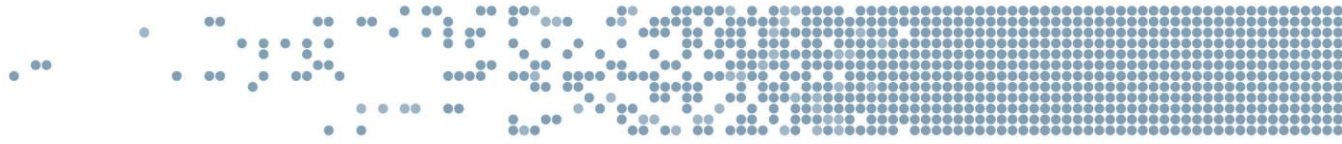
- input;
- process; and
- output.

### 5.2.1 Input Costs

A breakdown of the total expenditure (direct and indirect) by all business units is provided in Table 4. Indirect costs account for 50 per cent of ASQA's total operating costs. Corporate costs include corporate services (such as ICT infrastructure and SAP ERP) purchased from the Department of Education and Training and Department of Employment Shared Services Centre under a Memorandum of Understanding (MOU).

**Table 4 Cost by all business units**

Team or Project	2014-15 Budget \$'000	2015-16 Budget \$'000	Percentage Direct Cost	2014-15 Indirect Costs	2015-16 Indirect Costs
Executive	2,104	2,005	66%	712	712
Corporate	13,151	13,411	0%	13,151	13,151
Property	2,827	3,097	0%	2,827	2,827
Risk	2,306	2,184	100%	-	-
Compliance	8,720	8,620	100%	-	-
Course Accreditation	723	706	100%	-	-
Business Improvement	138	140	0%	138	138
Strategic Review	1,129	1,150	100%	-	-
Industry Engagement	690	682	100%	-	-
Investigation & Legal	2,204	2,048	95%	110	110
Complaints Team	1,321	1,300	100%	-	-
Corporate Communications	897	820	50%	448	448
Service Delivery	1,011	993	100%	-	-
NIMBUS	1,738	1,324	0%	1,738	1,738
<b>Total</b>	<b>38,958</b>	<b>38,480</b>		<b>19,124</b>	<b>19,124</b>
Percentage of indirect costs				49%	50%



Team or Project	2014-15 Budget \$'000	2015-16 Budget \$'000	Percentage Direct Cost	2014-15 Indirect Costs	2015-16 Indirect Costs
VET Reform	3,439	3,213	0%	-	-
<b>Grand Total</b>	<b>42,397</b>	<b>41,693</b>			

A breakdown of the total expenditure by each direct business unit is shown in Table 5. All corporate support costs (i.e. indirect costs) have been attributed to each direct business unit using a number of cost drivers (i.e. fully loaded costs).

**Table 5 Cost by direct business units**

Business Unit	2014-15 Budget \$'000	2015-16 Budget \$'000
Complaints Team	2,905	2,890
Compliance Team	19,304	19,180
Course Accreditation Team	1,564	1,550
Strategic Review	2,088	2,113
Industry Engagement	1,353	1,342
Investigation & Legal	3,434	3,287
Risk Team	4,710	4,587
Corporate Communications	1,049	1,007
Service Delivery	2,552	2,523
Operating Expenditure	<b>38,958</b>	<b>38,480</b>
Projects - VET	3,439	3,213
<b>Total Expenses</b>	<b>42,397</b>	<b>41,693</b>

### 5.2.2 Process Costs

A cost breakdown by business unit, for the registration process, for RTO and CRICOS providers is provided in Table 6. The Compliance Team accounts for 76 per cent of the total cost and the Risk Team accounts for 23 per cent.

**Table 6A Cost of the registration process for RTO and CRICOS providers 2014-15**

ASQA Business Unit	RTO 2014-15 Budget \$'000	CRICOS 2014-15 Budget \$'000	Total 2014-15 Budget \$'000	RTO 2014-15 Budget % Cont.	CRICOS 2014-15 Budget % Cont.	Total 2014-15 Budget % Cont.
Compliance Team	10,176	1,983	12,159	77%	68%	76%
Course Accreditation Team	-	156	156	0%	5%	1%
Risk Team	2,918	708	3,626	22%	24%	23%
Service Delivery	38	64	102	0%	2%	1%
<b>Total</b>	<b>13,132</b>	<b>2,911</b>	<b>16,043</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>





**Table 6B Cost of the registration process for RTO and CRICOS providers 2015-16**

ASQA Business Unit	RTO 2015-16 Budget \$'000	CRICOS 2015-16 Budget \$'000	Total 2015-16 Budget \$'000	RTO 2015-16 Budget % Cont.	CRICOS 2015-16 Budget % Cont.	Total 2014-15 Budget % Cont.
Compliance Team	10,114	1,970	12,084	78%	68%	76%
Course Accreditation Team	-	155	155	0%	5%	1%
Risk Team	2,843	689	3,532	22%	24%	22%
Service Delivery	38	63	101	0%	2%	1%
<b>Total</b>	<b>12,995</b>	<b>2,877</b>	<b>15,872</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Course Accreditation Team accounts for 94 per cent of the cost of the registration process for course accreditation. The remaining 6 per cent is provided by the Service Delivery Team, which assists with application processing.

The Compliance Team accounts for 99 per cent of the cost of the compliance monitoring process for RTOs and 97 per cent for CRICOS. The remainder is provided by the Industry Engagement Team.

A breakdown of the costs of the complaints process is shown in Table 7. The Complaints Team accounts for 51 per cent of the cost of the complaints process; Investigations and Legal for 37 per cent (investigation of complaints and appeal processes); and the remainder is accounted for by the Compliance Team (complaints audits) and Industry Engagement (stakeholder consultation).

**Table 7A Cost of the complaints process 2014-15**

ASQA Business Unit	RTO 2014-15 Budget \$'000	CRICOS 2014-15 Budget \$'000	Total 2014-15 Budget \$'000	RTO 2014-15 Budget % Cont.	CRICOS 2014-15 Budget % Cont.
Complaints Team	2,686	219	2,905	52%	50%
Compliance Team	282	28	310	5%	6%
Industry Engagement	27	27	54	1%	6%
Investigation & Legal	2,188	165	2,353	42%	38%
<b>Total</b>	<b>5,183</b>	<b>440</b>	<b>5,623</b>	<b>100%</b>	<b>100%</b>

**Table 7B Cost of the complaints process 2015-16**

ASQA Business Unit	RTO 2015-16 Budget \$'000	CRICOS 2015-16 Budget \$'000	Total 2015-16 Budget \$'000	RTO 2015-16 Budget % Cont.	CRICOS 2015-16 Budget % Cont.
Complaints Team	2,672	218	2,890	53%	51%
Compliance Team	281	28	309	4%	6%
Industry Engagement	27	27	54	1%	6%
Investigation & Legal	2,094	158	2,252	41%	37%
<b>Total</b>	<b>5,074</b>	<b>431</b>	<b>5,505</b>	<b>100%</b>	<b>100%</b>



A breakdown of the cost, by business unit, of all other-post market processes is provided in Table 8. Post-market processes include:

- responding to enquiries
- Administrative Appeals Tribunal (AAT) hearings
- processing notifications for changes to registration details
- education and awareness
- stakeholder management, and
- enforcement and investigation.

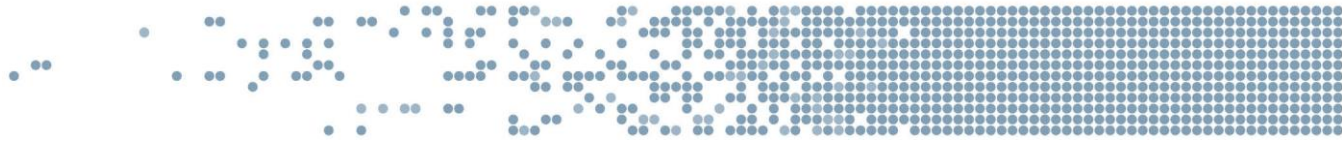
The total cost of post-market processes has decreased from \$9.9m in 2014-15 to \$9.8m in 2015-16. This is a reflection of the impact of the registration streamlining strategy. This decrease also reflects ASQA's transition to a more risk based approach, which utilises the available enforcement options and has a greater focus on education and awareness.

**Table 8A Cost of other post-market processes 2014-15**

ASQA Business Unit	RTO 2014-15 Budget \$'000	CRICOS 2014-15 Budget \$'000	Total 2014-15 Budget \$'000	RTO 2014-15 Budget % Cont.	CRICOS 2014-15 Budget % Cont.
Compliance Team	1,055	3	1,058	11.7%	0.3%
Service Delivery	2,122	242	2,365	23.6%	24.7%
Risk Team	680	404	1,084	7.6%	41.2%
Industry Engagement	1,101	144	1,245	12.2%	14.7%
Strategic Review	2,088	-	2,088	23.2%	0.0%
Investigation & Legal	1,005	76	1,081	11.2%	7.7%
Corporate Communications	936	112	1,049	10.4%	11.4%
<b>Total</b>	<b>8,988</b>	<b>981</b>	<b>9,969</b>	<b>100%</b>	<b>100%</b>

**Table 8B Cost of other post-market processes 2015-16**

ASQA Business Unit	RTO 2015-16 Budget \$'000	CRICOS 2015-16 Budget \$'000	Total 2015-16 Budget \$'000	RTO 2015-16 Budget % Cont.	CRICOS 2015-16 Budget % Cont.
Compliance Team	1,048	3	1,051	11.8%	0.3%
Service Delivery	2,099	240	2,338	23.6%	25.0%
Risk Team	661	393	1,054	7.5%	41.0%
Industry Engagement	1,092	143	1,235	12.3%	14.9%
Strategic Review	2,113	-	2,113	23.8%	0.0%
Investigation & Legal	962	73	1,035	10.8%	7.6%
Corporate Communications	899	108	1,007	10.1%	11.2%
<b>Total</b>	<b>8,874</b>	<b>959</b>	<b>9,833</b>	<b>100%</b>	<b>100%</b>



### 5.2.3 Output Costs

#### Overview

The output structure is based on three levels:

##### *Level 1:*

- RTO;
- CRICOS; and
- Course accreditation.

##### *Level 2:*

- pre-market and post-market for both RTOs and CRICOS providers, including:
  - pre-market: registration (i.e. initial, renewal, changes and reconsiderations/reassessments); and
  - post-market: compliance audits, complaints, strategic reviews, education and awareness and enforcement and investigation;
- pre-market and post-market for course accreditation, including:
  - pre-market: accreditation, amendment, and cancellation; and
  - post-market (i.e. monitoring).

##### *Level 3:*

- individual fees and charges.

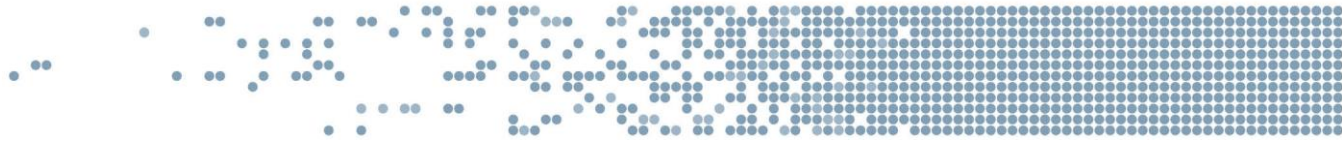
The operating expenditure budget for 2015-16 is \$38.480m, which is the amount stated in the 2015-16 Portfolio Budget Papers, and excludes one off funding for VET Regulatory Reform. This budget comprises:

- \$31.9m or 83% for RTO;
- \$5.1m or 13% for CRICOS; and
- \$1.5m or 4% for Course Accreditation.

#### **RTO**

A breakdown of the \$31.9m budgeted cost for the regulation of RTOs is provided in Table 9. This includes:

- pre-market \$12.9m (registration); and
- post-market \$18.9m (compliance monitoring, \$4.9m; complaints, \$5.1m; and other post-market processes, \$8.8m).



**Table 9 Total costs—RTO**

ASQA business unit	2015-16 Registration Budget \$'000	2015-16 Compliance Monitoring Budget \$'000	2015-16 Complaints Budget \$'000	2015-16 Other Budget \$'000	2015-16 Total Budget \$'000
Complaints Team	-	-	2,672	-	2,672
Compliance Team	10,114	4,964	281	1,048	16,406
Strategic Review	-	-	-	2,113	2,113
Industry Engagement	-	27	27	1,092	1,146
Investigation & Legal	-	-	2,094	962	3,057
Risk Team	2,843	-	-	661	3,504
Corporate Communications	-	-	-	899	899
Projects	-	-	-	-	-
Service Delivery	38	-	-	2,099	2,136
<b>Total</b>	<b>12,995</b>	<b>4,990</b>	<b>5,074</b>	<b>8,874</b>	<b>31,933</b>

A further cost breakdown of pre-market (registration) for RTOs is shown in Table 10. This table provides detail on the processes performed and the business units responsible for completing the work.

Of the \$12.9m total, \$8.3m relates to assessment of applications for initial registration/to renew registration, \$3.6m to assessment of change of scope applications, and \$1.0m to evidence reviews.

**Table 10 RTO pre-market (registration)**

ASQA business unit / process performed	2015-16 Initial/Renewal Budget \$'000	2015-16 Budget FTE	2015-16 Changes Budget \$'000	2015-16 Budget FTE	2015-16 Evidence Reviews Budget \$'000	2015-16 Budget FTE	2015-16 Total Budget \$'000	2015-16 Budget FTE
Lodgement Fee	598	2.1	377	0.9	-	-	975	3
Check Application Complete	590	2.1	137	0.0	-	-	727	2
Risk Team	590	2.1	137	0.0	-	-	727	2
Enter Data into ASQA Systems	8	0.0	240	0.9	-	-	248	1
Risk Team	-	-	236	0.9	-	-	236	1
Service Delivery	8	0.0	4	0.0	-	-	13	0
Assessment Fee	7,755	27.8	3,281	12.0	-	-	11,037	40
Perform Provider Risk Assessment	932	3.1	948	3.3	-	-	1,880	6
Risk Team	932	3.1	948	3.3	-	-	1,880	6
Complete Registration Audit	6,823	24.8	2,333	8.6	-	-	9,156	33
Compliance Team	6,823	24.8	2,333	8.6	-	-	9,156	33
Reconsiderations & Reassessments	-	-	-	-	983	3.5	983	3
Evidence Review	-	-	-	-	983	3.5	983	3
Compliance Team	-	-	-	-	958	3.4	958	3
Service Delivery	-	-	-	-	25	0.1	25	0
<b>Total</b>	<b>8,354</b>	<b>29.9</b>	<b>3,658</b>	<b>12.9</b>	<b>983</b>	<b>3.5</b>	<b>12,995</b>	<b>46</b>

## CRICOS

A further breakdown of the \$5.1m budgeted cost for the regulation of CRICOS providers is provided in Table 11. This includes pre-market \$2.8m (registration); and post-market \$2.2m (compliance monitoring \$0.8m, complaints \$0.4m and other post-market processes \$1.0m).

**Table 11 Total Costs - CRICOS**

ASQA business unit	2015-16 Registration Budget \$'000	2015-16 Compliance Monitoring Budget \$'000	2015-16 Complaints Budget \$'000	2015-16 Other Budget \$'000	2015-16 Total Budget \$'000
Complaints Team	-	-	218	-	218
Compliance Team	1,970	773	28	3	2,774
Course Accreditation Team	155	-	-	-	155
Industry Engagement	-	27	27	143	196
Investigation & Legal	-	-	158	73	230
Risk Team	689	-	-	393	1,082
Corporate Communications	-	-	-	108	108
Service Delivery	63	-	-	240	303
<b>Total</b>	<b>2,877</b>	<b>800</b>	<b>431</b>	<b>959</b>	<b>5,067</b>

A further cost breakdown of pre market (registration) for CRICOS providers is provided in Table 12. This table provides detail on the process performed and the business unit responsible for completing the work. Of the \$2.8m, \$1.8m relates to initial assessments/renewals and \$1m to changes.

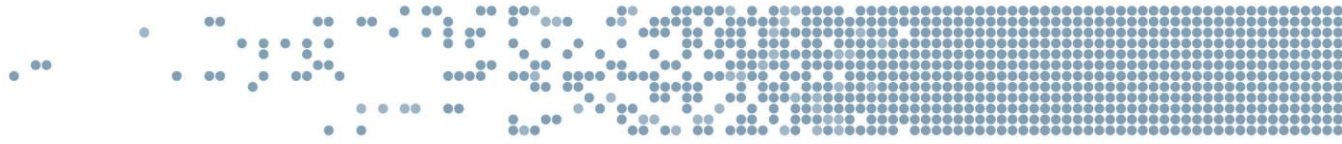
**Table 12 Pre market registration—CRICOS**

CRICOS Registration	2015-16 Initial/Renewal Budget \$'000	2015-16 Budget FTE	2015-16 Changes Budget \$'000	2015-16 Budget FTE	2015-16 Total Budget \$'000	2015-16 Budget FTE
Lodgement Fee	141	0.3	161	0.6	302	1.0
Check Application Complete	99	0.3	30	0.1	129	0.4
Risk Team	99	0.3	30	0.1	129	0.4
Enter Data into ASQA Systems	42	-	131	0.5	173	0.5
Risk Team	-	-	110	0.4	110	0.4
Service Delivery	42	-	21	0.1	63	0.1
Assessment Fee	1,665	6.0	910	3.3	2,575	9.3
Perform Provider Risk Assessment	193	0.6	257	0.9	450	1.6
Risk Team	193	0.6	257	0.9	450	1.6
Complete Registration Audit	1,472	5.3	653	2.4	2,125	7.7
Course Accreditation Team	155	0.5	-	-	155	0.5
Compliance Team	1,317	4.8	653	2.4	1,970	7.2
<b>Total</b>	<b>1,806</b>	<b>6.3</b>	<b>1,071</b>	<b>3.9</b>	<b>2,877</b>	<b>10.2</b>

### Course accreditation

The \$1.5m budgeted cost for Course Accreditation includes as below (and is further dissection in Table 18, on page 37):

- pre-market \$1.1m (accreditation \$1.0m and \$0.1m amendments); and
- post-market \$0.4m.



## 5.3 Financial Performance

### 5.3.1 Revenue Analysis

A trend analysis of the actual revenue collected from fees and charges from 2011–12 is provided in Table 13. The forward estimates reflect the budget as reported in the 2015-16 Portfolio Additional Estimates Statements of the Department of Education and Training.

In 2011–12, ASQA recovered \$7.1m from a budgeted level of \$11.4m; in 2013–14, this increased to \$19.6m from a level of \$24.1m. In 2014-15, ASQA expects to recover \$20.1m, with the amount recovered expected to fall to \$18.0m in 2017-18 in line with Governments decision that ASQA now cost recover approximately 50 per cent as opposed to becoming a full cost recovery agency.

In 2015-16 and future years, ASQA will continue to operate on a partial cost recovery basis—Government policy is for recovery of approximately 50 per cent of ASQA’s overall costs through fees and charges. This policy reflects full cost recovery in terms of ASQA’s legislative ability to cost recover in 2015-16.

**Table 13 Cost recovery revenue**

Item	2011–12 Actual \$'000	2012–13 Actual \$'000	2013–14 Actual \$'000	2014–15 Budget \$'000	2015–16 Budget \$'000	2016–17 Budget \$'000	2017-18 Budget \$'000
Fees	7,155	12,074	19,568	20,083	19,349	18,624	17,863
Charges	–	–	64	70	70	70	70
<b>Total</b>	<b>7,155</b>	<b>12,074</b>	<b>19,632</b>	<b>20,153</b>	<b>19,419</b>	<b>18,694</b>	<b>17,933</b>

### 5.3.2 Revenue and Expense by Output

#### RTO

An estimate of the revenue and expenses for 2015-16 for RTOs is shown in Table 14. ASQA estimates that revenue from fees and charges will cover 50 per cent of its expenses (63 per cent of the pre-market and 42 per cent of the post-market).

**Table 14 Revenue and expenses—RTO**

Item	Registration \$'000	Post Market \$'000	Total \$'000
Budgeted Expenses	12,995	18,939	31,933
Estimated Revenue	6,542	10,766	17,308
<b>Estimated Recovery</b>	<b>50%</b>	<b>57%</b>	<b>54%</b>

A further breakdown of the revenue, expenses and level of cost recovery for each fee and charge for RTOs is shown in Table 15.





**Table 15 Revenue and expenses for RTO fees and charges**

Fee or Charge	Revenue	Expenses	Variance
RTO initial application	2,352	3,064	712
RTO renewal application	2,714	5,289	2,575
RTO change applications, reconsiderations & reassessments	1,476	4,641	3,165
<b>RTO registration</b>	<b>6,542</b>	<b>12,995</b>	<b>6,452</b>
RTO total post market <sup>10</sup>	10,766	18,939	8,173
<b>RTO total</b>	<b>17,308</b>	<b>31,933</b>	<b>14,625</b>

**CRICOS**

An estimate of ASQA’s 2014–15 revenue and expenses for CRICOS providers is provided in Table 16, which shows that ASQA’s revenue from fees and charges recovers 60 per cent of the expenses (60 per cent of the pre-market and 60 per cent of the post-market). The Department of Education and Training recover a further estimated \$1.24m for functions that transferred to ASQA from 1 July 2012. (For details of the Department’s cost recovery, refer to the Department’s CRIS.) For ASQA regulated CRICOS providers, the total Australian Government cost recovery is therefore \$4.252m, which is 85% cost recovery of the associated ASQA costs.

**Table 16 Revenue and expenses—CRICOS**

Item	Registration	Post Market
Budgeted Expenses	2,877	2,190
Estimated Revenue	1,126	1,554
<b>Estimated Recovery</b>	<b>39%</b>	<b>71%</b>

A further breakdown of the revenue, expenses and level of cost recovery for each fee and charge for CRICOS providers is provided in Table 17.

**Table 17 Revenue and expenses for CRICOS fees and charges**

Fee or charge	Revenue	Expenses	Variance \$
CRICOS initial application	302	313	11
CRICOS renewal application	251	1,338	1,087
CRICOS change & ELICOS applications	572	1,226	654
<b>CRICOS registration</b>	<b>1,126</b>	<b>2,877</b>	<b>1,751</b>
CRICOS total post market	1,554	2,190	636
<b>CRICOS total</b>	<b>2,680</b>	<b>5,067</b>	<b>2,387</b>

**Course accreditation**

Course accreditation only has pre-market revenue and as such the costs of post-market activities are recouped through pre-market fees. An estimate of the revenue from 2014–15 fees and charges for course accreditation is provided in Table 18. ASQA expects to recover 83 per cent of course accreditation expenses in 2014–15.

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Table 18 Revenue and expenses for course accreditation fees and charges

Fee or Charge	Revenue	Expenses	Variance \$
Initial VET course accreditation	347	406	171
Renewal of VET course accreditation	520	609	204
Amendment to a VET accredited course	12	78	66
Cancellation of a VET accredited course	-	-	-
No fee for certain amendments	-	-	0
<b>Pre-market</b>	<b>879</b>	<b>1,092</b>	<b>213</b>
No fee for post- market monitoring	-	388	388
<b>Course accreditation total</b>	<b>879</b>	<b>1,479</b>	<b>601</b>

### 5.3.3 Unit Cost and Price Analysis

Further analysis of the unit cost and price for each fee and charge is shown in tables 19 – 21.

Table 19 Unit cost and price—RTO

Fee or charge	Volume	Cost per item	Fee
RTO initial registration application	258	\$11,080	\$9,300
RTO renewal of registration application	436	\$12,313	\$8,150
Change of scope application fee	1,751	\$2,088	\$920
RTO reconsideration fee	50	\$19,238	\$1,000
RTO reassessment fee	2	\$10,514	\$1,000
RTO compliance monitoring audit charge	5,473	\$914	n/a
RTO complaint investigation charge	85	\$28,237	n/a
Student records fee	60	\$4,354	\$60

Notes:

The RTO compliance monitoring charge and RTO complaint investigation charge are both based on a variable rate of \$250 per hour.

It is not possible to compare the annual registration charges to the unit cost due to the tiered arrangements (i.e. different rate based on the number of qualifications).

In some instances an initial application is withdrawn before assessment, hence the lodgement volume is greater than the assessment volume and no total volume is provided.

NSW providers are not required to pay the renewal assessment fees for their first renewal application, in comparing revenue in table 19 & 15 this will result in a significant difference in revenue estimates.

Change of scope fees vary depending on the change requested (change to qualifications, site, and units of competency)

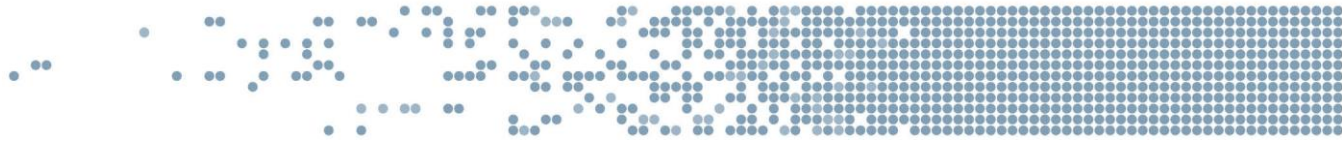
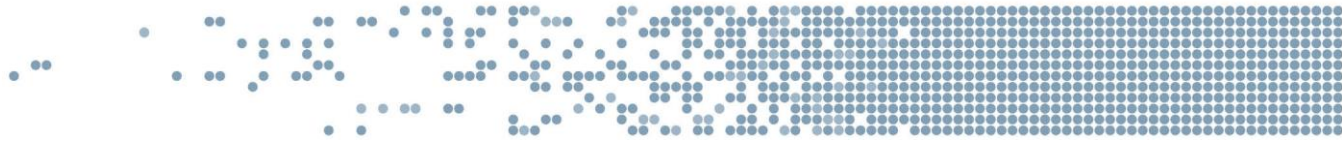


Table 20 Unit cost and price—CRICOS

Fee or Charge	Volume	Cost per item	Fee
CRICOS initial application	31	\$8,915	\$8,000
CRICOS renewal application	36	\$34,275	7,000
Change of scope application fee	409	\$2,620	\$1,400
CRICOS assessment fee	65	\$2,385	-
CRICOS compliance monitoring audit charge	679	\$1,230	-
CRICOS complaint investigation charge	85	\$2,025	-

Table 21 Unit cost and price—course accreditation

Fee or Charge	Volume	Cost per item	Fee
Process application to accredit a course	107	\$9,440	\$8,070
Process application to amend a course	15	\$15,231	\$2,290
Process application to amend a course other	15	\$15,231	-



## 6. Performance

### 6.1 Overview

ASQA has calculated that the operating revenues of the total VET sector would be in the order of \$10.6 billion<sup>11</sup>. The cost of ASQA performing its regulatory role amounts to approximately 0.4 per cent of the estimated total economic value of the sector. The Australian Government's decision not to move to full cost recovery represents a major decision to reduce the cost of regulation to RTOs, CRICOS and ELICOS providers and course owners.

As at 30 June 2014, there were 4,664 RTOs in Australia. ASQA was the regulator of 3,938 (84 per cent) of these providers. Since ASQA's commencement, approximately half of ASQA-regulated providers have been subject to at least one audit activity and have received a risk rating. Given that ASQA did not fully take over from the previous regulators until 29 June 2012, it will not be until 29 June 2017 that ASQA will have regulated providers for a full registration cycle (a full registration cycle is five years<sup>12</sup>).

With the introduction of VET Reforms from 1 July 2014, ASQA formally commenced moving from a 'transaction-based' regulatory approach, where most regulatory action is triggered by applications, towards more proactive, intelligence-based regulation, in which regulatory scrutiny is increasingly driven by assessment of risk. Over the 2013-2015 period, the proportion of ASQA RTOs ranked as high risk has been around 10%.

In the first three years of operation, ASQA suspended 85 providers, cancelled registration for 71 providers, issued 334 notices of intention to cancel registration and applied 94 other administrative sanctions. This sanction-related activity is likely to increase, at least in the near-term, as ASQA moves towards more proactive, intelligence-based regulation.

Since ASQA's commencement, ASQA has reduced the average application processing time, increased the number of applications finalised per processing officer, and increased the proportion of applications approved. The results of stakeholder surveys with students, employers and providers have all been very positive.

ASQA's performance against key performance indicators set out in the strategic and operation plans is set out each year in its annual report. ASQA is currently finalising the performance information required for the Corporate Plan under the PGPA Act and the Regulator Performance Framework developed by Prime Minister and Cabinet. It is expected that the current performance information will be further enhanced to provide greater transparency on performance. The performance information will be monitored on an ongoing basis.

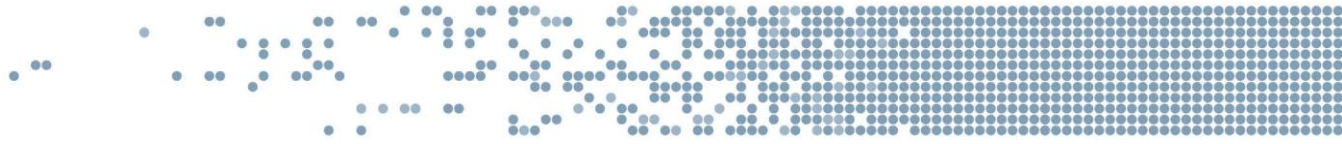
This sections details ASQA's performance for 2013–14 in relation to:

- processing applications;
- audit activity;
- regulatory decisions; and
- stakeholder relationships.

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<sup>11</sup> The estimate is based on the following reports, which are the most recent published editions: (i) 2013 "Financial Information" report of the National Centre for Vocational Education Research (page 5) states that total Public Sector VET revenue in 2013 was \$8.519m; the Australian Bureau of Statistics 2012 Year Book states that 74% of VET students are engaged with government providers. 100% of students are thereby estimated as relating to \$11.5b revenue. In comparison, ASQA's budgeted expenses for 2015-16 are \$41.7m; which is 0.4% of the \$11.5b.

<sup>12</sup> The registration cycle for RTOs has increased to seven years as of April 2015.



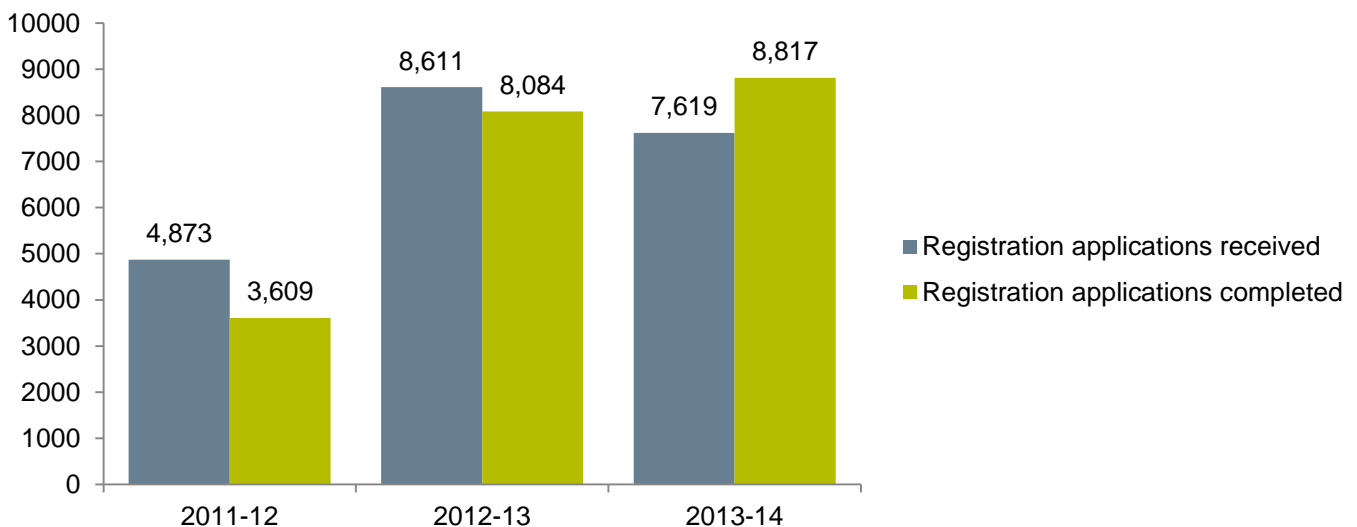
## 6.2 Processing Applications

During 2013–14, ASQA has reduced the average application processing time (e.g. change of scope for RTOs has been reduced from 26 days to 17 days and from 54 to 48 days for CRICOS). Figure 3, below, reflects the impact of this improvement in processing times. ASQA 2014–15 statistics reveal that ASQA now processes 76 per cent of applications within two months of receipt. Initial registration applications are typically processed in seven to nine months. The *ASQA Provider Survey 2014* captures the average providers' ratings of ASQA's timeliness in completing application types (i.e. 1.0 is equivalent to 'very poor' and 5.0 is 'excellent'). For example, the average rating of ASQA's timeliness in completing 'Applications to change scope of RTO registration' has improved significantly, from 3.1 in 2012–13 to 4.0 in 2013–14.

The number of applications ASQA has received and completed (in each financial year) is shown in Figure 3.

In the first year of operation (2011–12), ASQA completed 74.1 per cent of applications received. In 2012–13, ASQA completed the equivalent of 93.9 per cent of the applications received, and in 2013–14 ASQA finalised 8,817 applications, compared to the 7,619 received (that is, the applications completed included some from the previous years' backlog).

**Figure 3 Applications received and completed by ASQA (2011–12 to 2013–14)**



In 2013–14, 85 per cent of applications received were for change of scope, nine per cent were applications to renew registration, three per cent were applications to establish a new provider and three per cent were applications to withdraw registration.

The number of approved and rejected applications for registration (initial and renewal) for the first three years of ASQA's operation is shown in Figure 4.

In 2013–14, ASQA approved 286 applications for initial registration and rejected 44 applications—an approval rate of 87.8 per cent, whereas only 68.6 per cent of applications were approved in 2011–12.

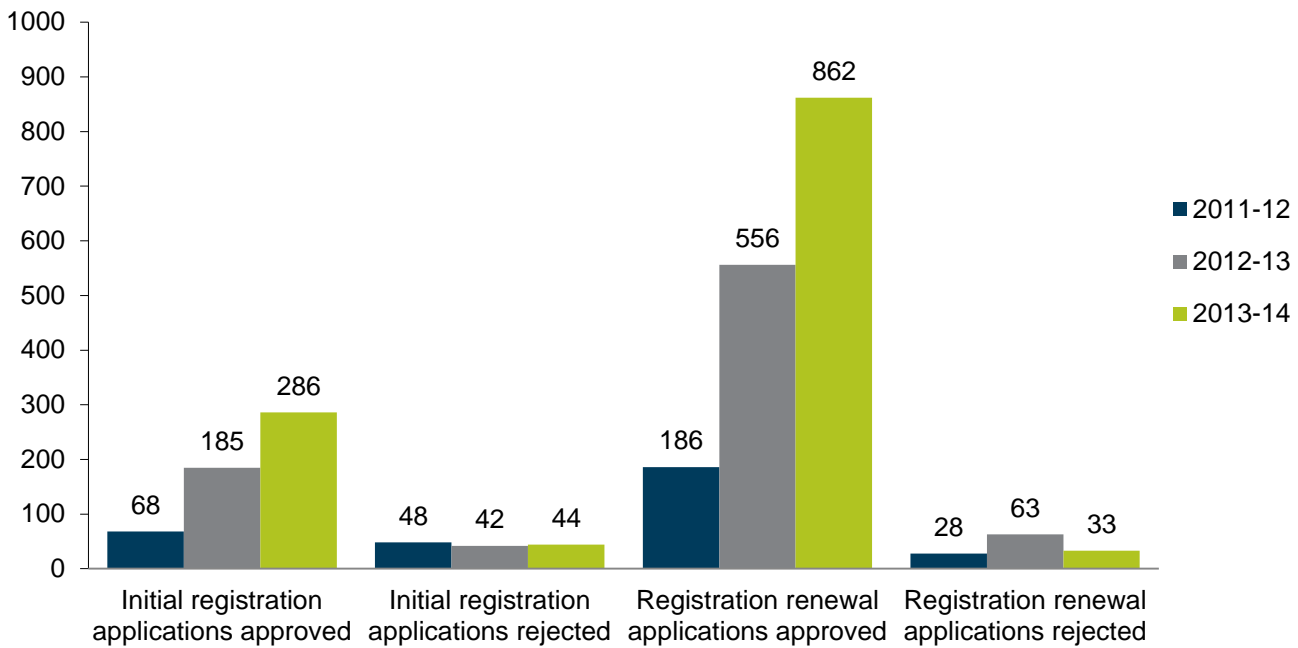
Of the applications to renew registration, ASQA approved 862, rejected 33, and 55 were withdrawn—that is 96.5 per cent of applications were approved (in 2011–12, the approval rate was 87.9 per cent).





In addition, ASQA finalised 7,216 applications to change provider registration during the reporting year. Of these, 6,958 were approved, 103 were rejected, and 155 were withdrawn by the applicant. These applications had an approval rate of 98.6 per cent in 2013–14, compared to 96.1 per cent in 2011–12).

**Figure 4 Applications for registration approved and rejected by ASQA 2011–12, 2012–13, 2013–14**



### 6.2.1 Course Accreditation

In total, ASQA completed applications to accredit 130 courses in 2013–14, including:

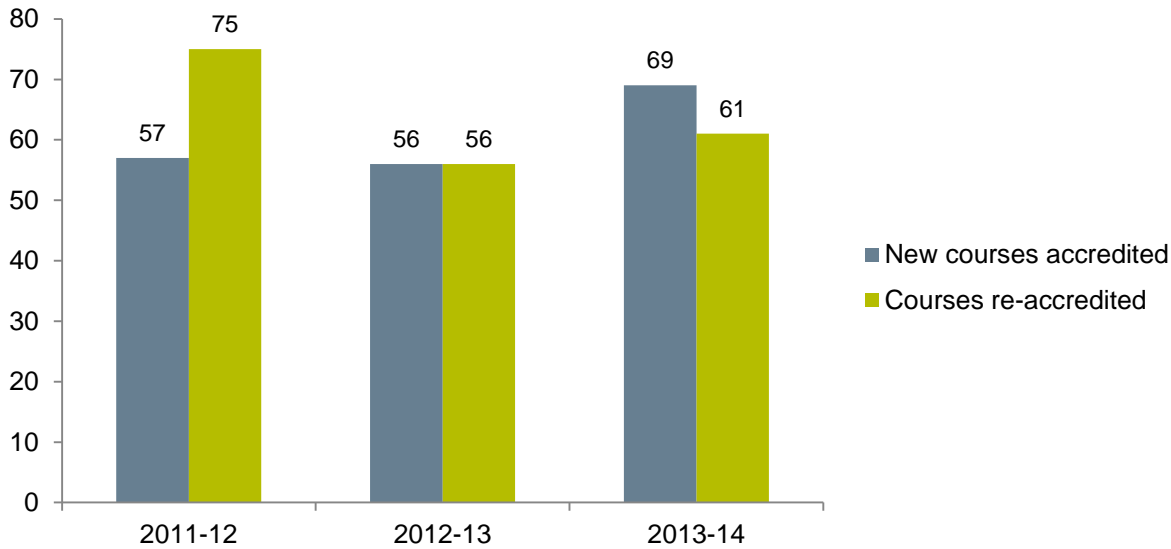
- 69 applications to accredit a new course; and
- 61 applications to renew the accreditation of a course.

This equates to an increase of 16 per cent from 2012–13 (in which 112 courses were accredited).

Courses accredited since ASQA commenced operation in 2011 are shown in Figure 5.



**Figure 5 Courses accredited by ASQA, 2011–12, 2012–13, 2013–14**



As in previous years, the majority of applications that ASQA received during 2013–14 to accredit a course were also approved during the year.

- ASQA approved 69 of the 81 applications to accredit a new course (85 per cent);
- ASQA approved 61 of the 73 applications to renew accreditation of a course (83.5 per cent); and
- ASQA approved 34 of the 36 applications to amend an accredited course (94.4 per cent).

### 6.2.2 Audit Activity

ASQA undertakes two distinct types of audit:

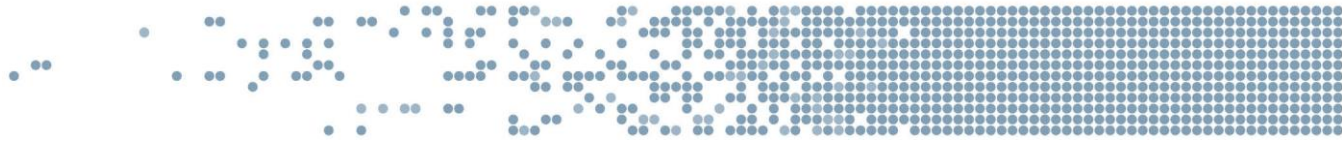
- registration audits (which assess whether an application submitted to ASQA complies with the relevant standards); and
- compliance audits (which assess the provider’s delivery of quality training and assessment services and outcomes; may be conducted at any time; and may be triggered by risk assessment, risk intelligence and/or complaints).

In ASQA’s first two years of operations, 90 per cent of audit activity was instigated as the result of an application. This reduced to less than 80 per cent in 2013–14 and is forecast to reduce further as ASQA continues to transition from application-based to risk-based regulation.

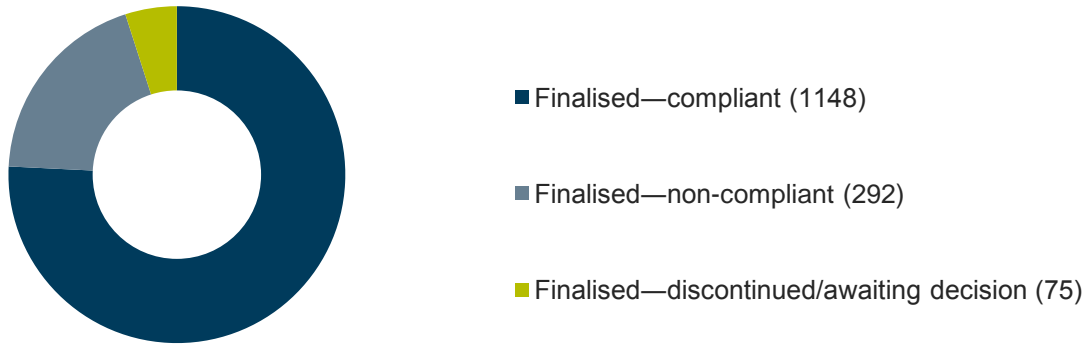
ASQA finalised<sup>13</sup> 1,515 audits of providers during 2013–2014, which represents an 11.1 per cent increase from 2012–13.

In the same period, ASQA finalised 411 compliance audits, which represents an increase of 74.9 per cent from 2012–13. The outcomes of finalised audits for 2013–14 are illustrated in Figure 6.

<sup>13</sup> An audit is finalised when a regulatory decision is made by a Commissioner or delegate, or if the audit has been discontinued or is awaiting a decision by an ASQA Commissioner.



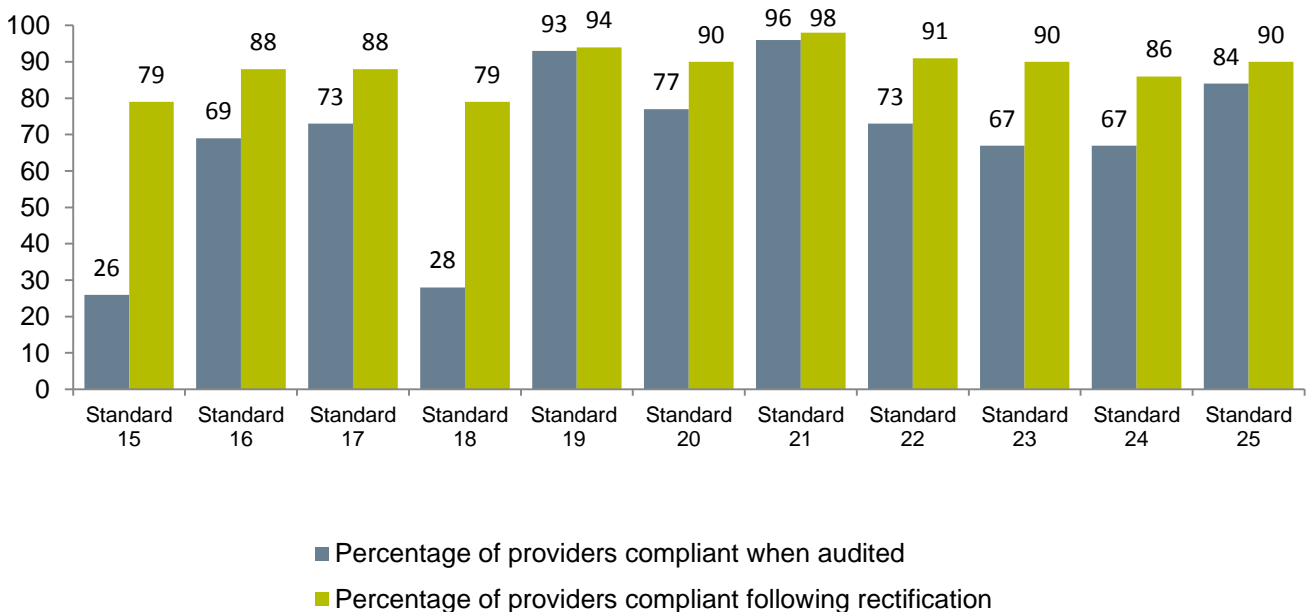
**Figure 6 Outcomes of all audits finalised in 2013–14**

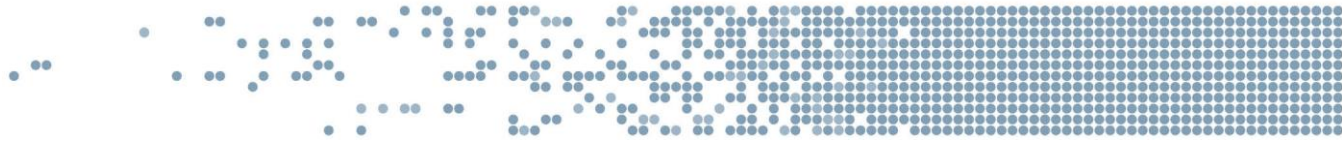


The levels of provider compliance with each standard—before and after the submission of rectification evidence—are shown in Figure 7. (If non-compliance is found at audit, the provider has an opportunity of 20 working days to take action to rectify this non-compliance and to submit evidence of this rectification to ASQA. ASQA will then make a decision about whether the provider is compliant or remains non-compliant. 80 per cent of providers are able to achieve compliance during the 20-day rectification period.)

When audited, almost 75 per cent of existing providers were unable to demonstrate compliance with Standard 15. (the standard from the 2012 standards related to quality training and assessment – subsequently replaced by Standard 1 of the Standards for Registered Training Organisations 2015). Even after the submission of rectification evidence, 21 per cent of providers remain unable to demonstrate compliance with this Standard. The high level of non-compliance with Standard 15 is a concern for ASQA, as Standard 15 governs training and assessment—the core business of a registered training organisation and the most critical Standard for ensuring the delivery of quality outcomes.

**Figure 7 Levels of compliance, by standard, found at audits of existing RTOs, 1 July 2013 to 30 June 2014**





Across the first three years of operation, ASQA has found that most providers are **not fully compliant** with all the standards when audited. On average, ASQA has found that 20 per cent of providers are fully compliant with all the Standards at audit. In the remaining 80 per cent of cases, ASQA has found **at least one non-compliance issue**. However, these non-compliances range from minor concerns through to very serious concerns about the quality of training and assessment. Of those providers not fully compliant when audited:

- 77 per cent are able to achieve full compliance after submitting rectification evidence; and
- 23 per cent remain not compliant.

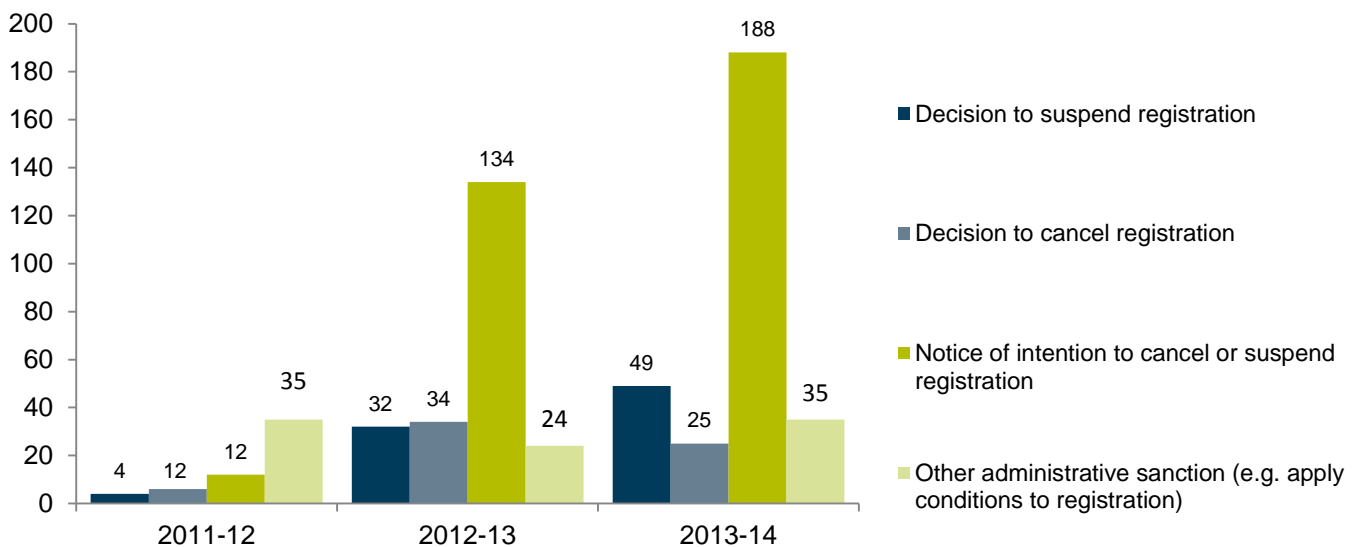
### 6.2.3 Regulatory decisions

During 2013–14, ASQA made 297 decisions to apply sanctions, cancel or suspend registration, or notify a provider of intention to cancel/suspend registration:

- 25 decisions to cancel registration;
- 49 decisions to suspend registration;
- 188 written notices of intention to cancel/suspend registration; and
- 35 other administrative sanctions.

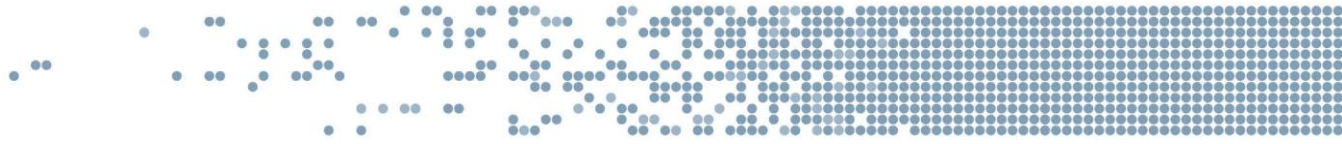
This is an increase of 33 per cent compared with 2012–13, during which 223 such decisions were made. A detailed comparison of these decisions in the first three years of ASQA’s operation is shown in Figure 8.

**Figure 8** Number of providers to which written directions, conditions, sanctions, offences or civil penalties were applied, by year, 2011–12, 2012–13, 2013–14



There was a 33 per cent increase between 2012–13 and 2013–14 in the number of decisions made relating to the cancellation or suspension of provider registration, or to the application of other sanctions. The consistent increase in activity in this area over the past three years reflects both:

- the increased number of applications completed during the reporting year, and
- ASQA’s increasing focus on proactively targeting providers that do not meet the required standards (e.g. through targeted compliance audits).



#### 6.2.4 Stakeholder Relationships

The NCVET *Student Outcomes Survey 2013* is an annual survey of students (in the publicly funded sector only) who completed their VET during 2012. In 2013, 87.3 per cent of graduates were satisfied with the overall quality of their training.

The NCVET *Employers' use and views of the VET system 2013* provides information on employers' use and views of the VET system. In 2013, 83.1 per cent of employers were satisfied with nationally recognised training.

ASQA's VET sector *Stakeholder Survey 2013–14* showed that stakeholder satisfaction with ASQA's regulatory work and perception of ASQA's performance of its statutory function remained generally positive. Stakeholders continued to show high levels of satisfaction with ASQA's communication channels (website, Info line, fact sheets) and ASQA's employees. A number of areas of ASQA's operations recorded slight decreases in satisfaction in 2013–14, indicating that ASQA needs to communicate more effectively about certain aspects of how it undertakes its regulatory activities.





## 7. Stakeholder Engagement

ASQA is part of a complex environment of stakeholders that interact to deliver regulatory arrangements for the VET sector. Stakeholders include regulated providers; industry peak bodies; Australian, state and territory governments; students; and employers.

Stakeholder consultation is a key component of the update of the CRIS. The objectives of the CRIS stakeholder consultation process include:

- keep stakeholders fully informed of the cost recovery arrangements and any proposed changes;
- provide stakeholders with opportunities for involvement and to provide input; and
- consider and respond to stakeholder feedback.

ASQA recognises that stakeholder engagement is an important cost recovery principle, however, given there is no change to fees and charges in 2015-16. ASQA in consultation with the Department of Finance, considers there is no particular value in public consultation at this time.

In the absence of broad consultation, ASQA has advised the Provider Roundtable (comprising peak organisations representing RTOs) of ASQA's intention not to change the fees and charges in 2015-16. It was also noted that ASQA will be undertaking a thorough review of fees and charges for the 2016-17 year and will consult broadly with the industry sector.



## 8. Changes to RTO Fees and Charges

As part of the VET Regulatory Reforms, ASQA is currently implementing a number of changes to regulatory arrangements in order to streamline processes and reduce the cost of compliance for regulated entities. ASQA is also developing new business systems and processes to improve the level of operational efficiency.

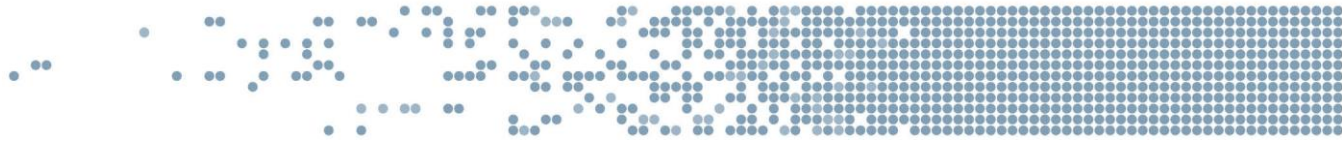
Given the high level of change already underway, ASQA is not proposing to introduce any changes to the current cost recovery arrangements in 2015–16. However, it is proposing to introduce changes in several phases over the next two to three years:

Possible changes after 2015–16 include:

- clearly define the activities that will be cost recovered to achieve the partial cost recovery target of 50%<sup>14</sup>;
- simplifying the pricing structure and standardising fees where applicable;
- introducing risk-based categories for annual registration and replacing the current tiered arrangements (which are based on the number of qualifications);
- replacing the use of hourly rates for charges with standard costs for specific types of audits and complaint investigations; and
- improving the alignment of prices and costs with individual fees and charges.

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<sup>14</sup> The partial cost recovery target of 50% is currently based on recovering 50% of total expenditure across all fees and charges.



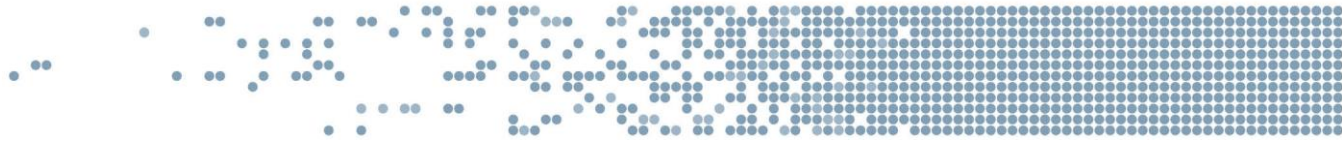
## 9. Ongoing Monitoring

ASQA will conduct an annual review of its cost recovery arrangements, which will take into account relevant Australian Government policy on cost recovery and any required benchmarking with other regulatory organisations. The annual review will be largely based on the financial and operational data generated from the cost model, which provides a high level of transparency about the cost structure and compares the cost and price for each fee and charge. The Executive will also review monthly financial and performance reports and commission independent reviews to provide assurance on the appropriateness of the cost recovery arrangements.

Monitoring will consist of gathering and analysing information on:

- regulatory activities, processes and associated costs;
- volume of activity (i.e. actual and forecast);
- efficiency of operations (i.e. level of staffing for each process and productivity (e.g. number of transactions per person));
- effectiveness of operations (i.e. performance against targets)
- revenue raised through fees and charges and revenue forecasts;
- financial modelling of alternative scenarios; and
- relevant stakeholder feedback on the cost recovery arrangements.

ASQA will report on cost recovery in the notes of financial statements. This information will be published in ASQA's annual report and the portfolio budget statements, as consistent with the Financial Reporting Rules for Financial Reporting.



## 10. Conclusion

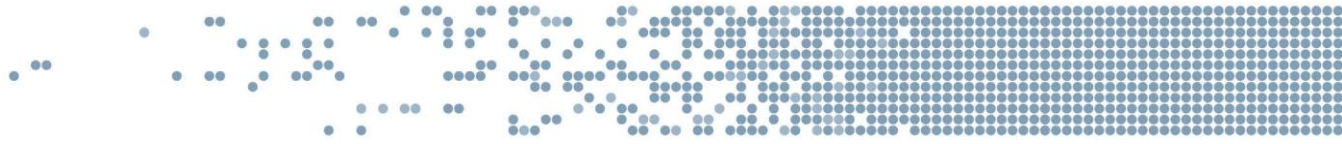
Effective VET regulation delivers better quality training outcomes for students, employers and the national economy. It also enhances the reputation of the VET sector, both in Australia and internationally. ASQA has established an effective track record as the national regulator since commencing operations in 2011 and is continually improving performance.

This 2015 CRIS outlines ASQA's fees and charges for implementation from July 2015 and demonstrates compliance with the CRGs.

Key principles include:

- charging is consistent with the government decision for ASQA to operate on a partial cost-recovery basis;
- fees and charges are applied to a narrow and identifiable group of regulated entities that pay for the commercial advantage they receive, both from registration and accreditation, and from belonging to a high—quality regulated market; and
- fees and charges reflect the actual cost of conducting regulatory activities.

ASQA is currently recovering the budgeted level of approximately 50 per cent of its costs through cost recovery arrangements in 2014-15 and is forecast to maintain this level of performance in 2015–16. ASQA will consider options to improve the cost recovery arrangements on a phased basis from 2016–17, after it has completed implementing the significant changes associated with the VET Regulatory Reform agenda.



## 11. Key Dates and Events

### Review in 2015-16

In line with ASQA's implementation of VET reforms through the 2014-15 financial year and into 2015-16, ASQA plans to conduct a full review during 2015-16, potentially resulting in revised fees and cost recovery arrangements from 2016-17.

### Portfolio Review in 2018-19

In 2018-19, as part of the Education and Training Portfolio, ASQA will participate in a broader user charging regulatory review<sup>15</sup>, as follows:

Under the CRGs, Departments of State are to conduct periodic reviews of all existing and potential charging activities within their portfolios at least every five years, in accordance with the published schedule of portfolio charging reviews or at other times agreed by the Finance Minister.

A portfolio charging review looks at a broader range of charges than just cost recovery. It is an opportunity to:

- assess the extent of charging activities across the portfolio;
- compare and analyse different charging activities;
- evaluate the performance of cost recovered activities;
- identify charging potential for new and existing activities;
- identify opportunities to amend or discontinue cost recovered and other charging activities; and
- assess the effectiveness of stakeholder engagement strategies and opportunities for improvement.

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<sup>15</sup> Source: <http://www.finance.gov.au/resource-management/cost-recover/portfolio-charging-review-template/>





## 12. ASQA CRIS Approval and Change Register

<b>Date</b>	<b>CRIS Change</b>	<b>Approver</b>	<b>Basis for change</b>
29 June 2015	Certification of the CRIS	Accountable Authority	Compliance with the Australian Cost Recovery Guidelines 2014
2 September 2015	Approval for the CRIS release	Assistant Minister for Education and Training	Compliance with the Australian Cost Recovery Guidelines 2014
3 July 2017	Minor Editorial	ASQA CFO	Update the reference to annual fee with annual charge reflecting the amended legislation.