



Australian Government
Australian Skills Quality Authority



ASQA ANNUAL REPORT 2017-18

ASQA
**ANNUAL
REPORT
2017-18**

Australian Skills Quality Authority Annual Report 2017-18

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Photo images with thanks to the staff and students at Sydney TAFE.

Letter of transmittal

18 September 2018
Senator the Hon Michaelia Cash
Minister for Small and Family Business, Skills and Vocational Education
Parliament House
Canberra ACT 2600

Dear Minister

I am pleased to present you with this annual report for the Australian Skills Quality Authority (ASQA), which covers the period 1 July 2017 to 30 June 2018.

ASQA, as the national vocational education and training regulator, is required under section 215 (1) of the *National Vocational Education and Training Regulator Act 2011* (NVR Act) to prepare and give to the Minister for presentation to Parliament a report relating to the performance of the regulator's functions during the year.

I advise that this report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, section 215 (1) of the NVR Act and *Resource management guide 35—Annual reports for non-corporate Commonwealth entities*, as published by the Department of Finance.

Finally, as required by the Commonwealth Fraud Control Guidelines, I certify that I am satisfied that ASQA has prepared fraud risk assessments and fraud control plans; has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes to meet ASQA's specific needs; and has taken all reasonable measures to minimise the incidence of fraud, and to investigate and recover the proceeds of fraud against the Authority.

Yours sincerely



Mark Paterson AO
Chief Commissioner
Chief Executive Officer
Australian Skills Quality Authority

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Chief Commissioner's report

This has been another busy and challenging year for the Australian Skills Quality Authority (ASQA), and for the vocational education and training (VET) sector as a whole.

Australia's VET sector has a strong local and international reputation for quality, and I am pleased to be able to report that ASQA's work during the year has contributed to maintaining and enhancing that quality.

Core regulatory activity

ASQA continues to receive and complete a high volume of applications from existing and prospective training providers. In the reporting year, ASQA received 5038 applications and completed 4939. This substantial volume of work is a significant achievement for a relatively small agency.

Also during the reporting year, ASQA officers completed 1478 audits of training providers. In line with our maturing risk-based approach to regulation, 57.1 per cent of these audits were triggered by concerns about the risk associated with a provider (rather than by the submission of an application). The outcomes of these audits show our risk-based model is working.

There was a noticeable increase in the number of adverse regulatory decisions made in 2017–18. This indicates ASQA is increasingly effective in our targeting of the small minority of providers that are not delivering training and assessment to the high quality expected in Australia's VET sector.

Increasing scrutiny on new entrants to the training market

An important regulatory initiative developed and announced during the reporting period was ASQA's enhanced scrutiny of organisations seeking to enter the training market.

Since it was established in July 2011 ASQA has, on average, received around 500 applications for initial registration each year. ASQA spends a considerable proportion of its regulatory resources on these applications and in recent years has identified concerns about the quality of applicants for initial registration.

In response, ASQA commenced trialling a range of processes that allowed us to look more closely at new applicants during the reporting year. Through this process ASQA identified the need to formally implement stronger controls on new entrants to the training market.

Substantial changes to the initial registration process were announced in May 2018, and full implementation began on 1 July 2018.

International Education Strategic Review

In August 2017 ASQA announced it would undertake the International Education Strategic Review. This strategic review focuses on international VET and English language education services delivered by ASQA-regulated providers.

Through its strategic reviews program, ASQA conducts in-depth analyses of a particular issue, sector, qualification, unit, course or method of delivery. Strategic reviews examine systemic issues that have potential to affect significant parts of the sector.

The purpose of the International Education Strategic Review is to ensure the quality of services delivered by those providers remains at a high standard, ensure students are protected, and ensure that Australia's reputation as a destination of choice for international students is enhanced. The findings of the review will be published by June 2019.

Full implementation of the student-centred audit approach

ASQA finalised the implementation of the student-centred audit approach in 2017-18. ASQA began developing this approach in 2016. This year we have fully embedded it in ASQA's systems and processes.

Under the student-centred audit approach, providers that demonstrate a higher risk profile, a poor compliance history and/or poor student outcomes are targeted through deeper-level audits. Also, providers are required to redress any impact their non-compliance may have caused to past and current students.

The approach has received strong support from the sector and other key ASQA stakeholders.

Changes to the structure of ASQA's fees and charges

ASQA undertook public consultation in August and September 2017 on a new fees and charges structure. The proposed structure aimed to incentivise provider compliance, and received a strong positive response from providers and stakeholders. More than 80 per cent of responses received during the consultation period indicated support for the proposed fees and charges structure.

Following the consultation, ASQA reviewed the feedback and made minor adjustments to the proposed structure. The new fees and charges were implemented on 6 July 2018.

As a partial cost recovery agency, ASQA must recover some of the costs of performing regulatory activities through fees and charges.

Greater capacity supported by budget appropriation

ASQA welcomed the announcement on 8 May 2018 of an \$18.6 million increase in its budget appropriation over the next four years. These resources will allow ASQA to increase its audit activity and enhance its regulatory scrutiny on high-growth areas—including early childhood, aged care and disability, as well as delivery of training to overseas students.

The funding increase will also contribute to managing reviews of ASQA's regulatory decisions requested by registered training organisations (RTOs), particularly in the Administrative Appeals Tribunal (AAT).

ASQA will invest \$6.7 million in further modernisation of our information and communication technology systems. This will improve our capabilities to manage performance data that informs our risk-based audit model, and share information with other government bodies.

ASQA's average staffing level will also increase—from 184 positions to 199.

Looking ahead to 2018-19

ASQA has a full and challenging year ahead.

The Australian Government has indicated support for many recommendations of the review of the *National Vocational Education and Training Regulator Act 2011* (NVR Act), and ASQA has already begun work in relation to some of these recommendations.

The increase in ASQA's budget allocation will allow us to increase our regulatory scrutiny in areas that present the greatest risk to the quality of Australia's world-class VET system.

We will be fully implementing and embedding the stronger controls on market entry that were introduced on 1 July 2018.

We will also finalise the International Education Strategic Review and publish its findings.

I look forward to the positive impact these projects will have on the sector in 2018-19.

Finally, I would like to thank my fellow Commissioners, the Senior Management Group and all ASQA employees for their hard work during the year.

Mark Paterson AO

Chief Commissioner
Chief Executive Officer

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The VET sector plays a vital role in developing Australia's national workforce. Through the delivery of industry-developed training packages, the sector helps to ensure Australia has an educated and highly skilled population. Australia's VET sector has a reputation for delivering quality programs and quality outcomes. ASQA maintains the strength and reputation of the VET sector, both nationally and internationally.

ASQA is the national regulator for:

- providers that deliver VET qualifications and courses (i.e. RTOs)
- providers that deliver VET courses to overseas students
- accredited VET courses
- certain providers that deliver English Language Intensive Courses to Overseas Students (ELICOS).

As the national regulator ASQA seeks to ensure that students and employers have confidence that providers are delivering quality programs, so that:

- employers can have confidence that VET graduates have the skills and competencies that they need for employment
- students can be confident that training will be of a high standard and will meet their needs.

Regulatory approach

ASQA takes a risk-based approach to regulation that is consistent with the *Australian Government guide to regulation* and applies a range of regulatory responses proportionate to risks identified.

Taking a risk-based approach means ASQA cannot mitigate all risks, but must focus effort on the most significant risks identified. This can involve working with other regulatory, funding and policy bodies to treat risks beyond ASQA's jurisdiction that may undermine confidence in the sector or in ASQA's ability to regulate effectively.

ASQA's role and functions

ASQA's purposes, as defined in the *ASQA corporate plan 2017-18*, are:

- to protect the quality and reputation of the VET sector
- to regulate the VET sector utilising a contemporary, risk- and standards-based regulatory approach
- to facilitate access to accurate information about VET.

ASQA has the following functions under the NVR Act:

- to register an organisation as an RTO
- to accredit courses that may be offered and/or provided by RTOs
- to carry out compliance audit activities of RTOs
- to promote, and encourage the continuous improvement of, an RTO's capacity to provide a VET course or part of a VET course
- to advise and make recommendations to the Minister on matters relating to VET
- to advise and make recommendations to the Minister responsible for training for a state or territory on specific matters relating to VET in the state or territory
- to advise and make recommendations to the Ministerial Council on general matters relating to VET in all jurisdictions
- to collect, analyse, interpret and disseminate information about VET
- to publish performance information, of a kind prescribed by the *National Vocational Education and Training Regulations 2011*, relating to RTOs
- to conduct training programs relating to the regulation of RTOs and/or the accreditation of courses
- to enter into arrangements with occupational licensing bodies, other industry bodies, or both, for the purpose of ensuring compliance by RTOs with the NVR Act
- to cooperate with a regulatory authority of another country that has responsibility relating to the quality or regulation of VET for all, or part, of the country
- to develop relationships with its counterparts in other countries

- to develop key performance indicators, to be agreed by the Minister, against which the regulator's performance can be assessed each financial year
- to develop service standards that the regulator must meet in performing its functions
- any other function relating to VET that is set out in a legislative instrument made by the Minister
- such other functions as are conferred on ASQA by or under:
 - the NVR Act, or
 - the *Education Services for Overseas Students Act 2000* (ESOS Act) or any other law of the Commonwealth.

Establishment

ASQA was established on 1 July 2011 by the enactment of the NVR Act and supplementary legislation.

Before the establishment of ASQA, regulatory arrangements for VET were dispersed between eight states and territories. Section 51 (xxxvii) of the Australian Constitution permits the Commonwealth to legislate on matters referred to the Commonwealth by any state.

ASQA's establishment as the national VET regulator involved the referral of powers to the Commonwealth from all states (except Victoria and Western Australia) as set out in an intergovernmental agreement. The exercise of the Commonwealth's constitutional power provides for ASQA's operation in the Australian Capital Territory and the Northern Territory. ASQA assumed regulatory responsibility for VET from state and territory jurisdictions in phases throughout 2011-12.

Establishing legislation

ASQA was established on 1 July 2011 through the enactment of the:

- NVR Act
- *National Vocational Education and Training Regulator (Consequential Amendments) Act 2011*
- *National Vocational Education and Training Regulator (Transitional Provisions) Act 2011*.

Legislation

ASQA's regulation is supported by a comprehensive framework of legislation and standards, including the VET Quality Framework, the *Standards for VET Accredited Courses 2012* and related legislation for the providers of courses to overseas students.

ASQA monitors providers against the ESOS Act; the *National Code of Practice for Providers of Education and Training for Overseas Students 2018* (National Code); and the *ELICOS Standards 2018* (ELICOS Standards), where relevant.

The VET Quality Framework comprises the:

- *Standards for Registered Training Organisations 2015* (Standards for RTOs)
- *Fit and Proper Person Requirements 2011*
- *Financial Viability Risk Assessment Requirements 2011*
- *Data Provision Requirements 2012*
- Australian Qualifications Framework.

Commissioners

Mr Mark Paterson AO Chief Commissioner and Chief Executive Officer

Mr Mark Paterson AO commenced as a Commissioner of ASQA on 30 May 2016 and commenced as Chief Commissioner and Chief Executive Officer on 1 January 2017.

The Chief Commissioner is responsible for:

- providing the functions outlined in the NVR Act
- ensuring ASQA achieves its required outcomes under other legislative and regulatory requirements.

The Chief Commissioner also holds the role of ASQA Chief Executive Officer, with responsibilities and accountabilities for the management of people, resources, finance, audit, risk and procurement. The responsibilities

NVR Act Review, 2017-18

In 2017, the Australian Government commissioned Professor Valerie Braithwaite to conduct a review of the NVR Act. The review was part of the government's commitment to ensuring the quality of the national VET sector into the future. The review assessed the suitability of the legislative framework and its capacity to support a responsive, effective and efficient approach to regulation.

The review's final report was released on 22 June 2018. It made 23 recommendations intended to drive continuous improvement in the quality of education and training and in the protection of students' rights, both of which are integral to desirable student outcomes.

In its response to the review, the Australian Government indicated its support for several of the review's recommendations. ASQA will work with the Australian Government Department of Education and Training to progress those recommendations.

are consistent with the Australian Public Sector framework of legislation, including the *Public Service Act 1999* and the *Public Governance, Performance and Accountability Act 2013*.

Mr Paterson has extensive experience across government and industry, including experience leading government departments at both the state and federal levels. Mr Paterson is a former Secretary of the NSW Department of Trade and Investment; the Australian Government Department of Innovation, Industry, Science and Research; and the Australian Government Department of Industry, Tourism and Resources.

Ms Saxon Rice **Deputy Chief Commissioner and** **Commissioner, Risk Intelligence and Regulatory Support**

Ms Saxon Rice is responsible for overseeing ASQA's regulatory risk framework, which enables ASQA to identify and evaluate risks to the quality of VET in Australia and to effectively target resources.

The Commissioner has oversight of the industry engagement process, which builds relationships and gathers intelligence from industry, regulators and peak bodies. ASQA's legal and regulatory support functions also report to the Commissioner.

Ms Rice has extensive experience across the VET and employment services sectors, as well as the public policy process. Ms Rice was

Assistant Minister for Technical and Further Education in the Queensland Government from 2012 to 2015, and Chair of the then Ministerial Industry Commission responsible for industry engagement. Ms Rice is a former Director of Global Business Development for an Australian employment services company. Ms Rice has served in a range of Senate Committee Secretariats, and as a member of the Administrative Appeals Tribunal.

Ms Rice holds a Bachelor of Economics (Social Science) from the University of Sydney and a Masters in International Law from the Australian National University. She commenced as a Commissioner of ASQA on 16 April 2018.

Dr Irene Ioannakis **Commissioner, Regulatory Operations**

Dr Ioannakis is responsible for overseeing ASQA's regulatory operations, which enable ASQA to ensure that Australian VET providers are delivering high-quality training outcomes, leading to VET graduates having the appropriate skills and competencies to support the demands of the Australian labour market.

As Commissioner, Regulatory Operations, Dr Ioannakis has led the work of ASQA's national network of regulatory operations teams. She has also overseen a range of strategic projects to improve ASQA's regulatory activity and ensure that this work is conducted efficiently, professionally, ethically and consistently.

Dr Ioannakis has extensive experience in the disciplines of VET, secondary and tertiary education and human resources management. Dr Ioannakis' most recent position was Chief Executive Officer of Ioannakis and Associates, her own consultancy business. Previously, Dr Ioannakis was employed by Chevron as the Australian Business Unit Manager—Organisational Capability

and Development and, prior to that role, Dr Ioannakis was the inaugural Director of the GE Oil and Gas Skills Development Centre.

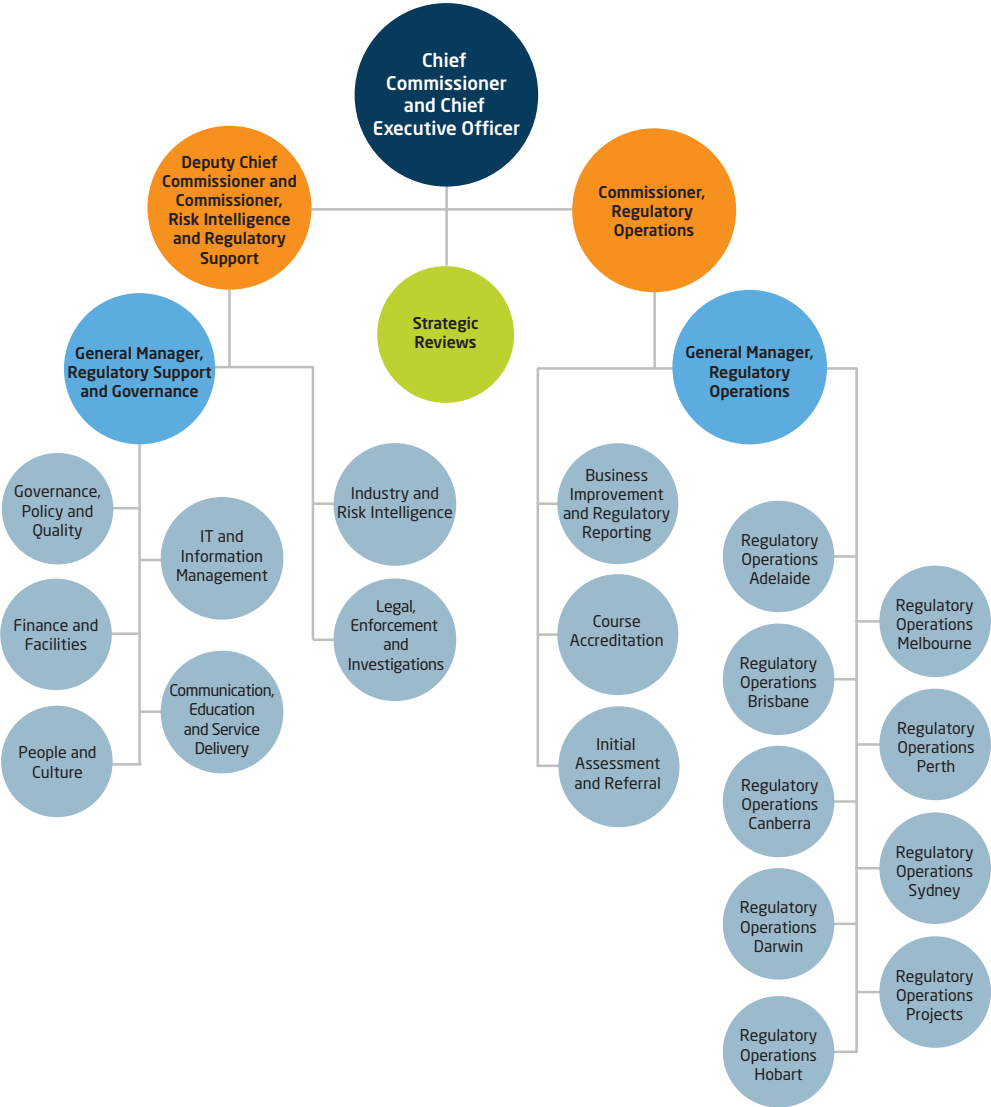
Dr Ioannakis is the former Managing Director responsible for expanding the Caterpillar Institute (now the WesTrac Institute), an RTO specialising in the heavy vehicle mechanical trade area. During this phase of her career, Dr Ioannakis was promoted to Executive General Manager—Human Resources. She also served as the Director—Safety, Education and Training at the Chamber of Minerals and Energy of Western Australia, was a member of the Training Accreditation Council (TAC) in Western Australia for almost 18 years, and served on the Curtin Business School of Management Advisory Board. Dr Ioannakis is currently Fellow of the Australian Institute of Management (FAIM).

Dr Ioannakis holds a Doctorate of Philosophy and a Bachelor of Education from Curtin University of Technology and a Master of Education from Edith Cowan University. She commenced as a Commissioner of ASQA on 11 September 2017.

Organisation structure

Figure 1 shows ASQA's national organisation structure, as at 30 June 2018. Some of the functions shown are performed in multiple ASQA offices across Australia.

Figure 1: ASQA's national organisational structure



Outcome and program structure

ASQA's outcome and program structure for 2017-18 is set out in the 2017-18 Portfolio Budget Statements for the Education and Training portfolio. Table 1 summarises Program 1.1, which is associated with Outcome 1.

This table includes: the program objective, a summary of how the program is delivered, and how the program relates to ASQA's purposes.

Table 1: Summary of Program 1.1 (associated with Outcome 1)

Outcome 1: Contribute to a high quality vocational education and training sector, including through streamlined and nationally consistent regulation of training providers and courses, and the communication of advice to the sector on improvements to the quality of vocational education and training.

Program 1.1: Regulation and Advice

Objective	To assure the quality of VET outcomes through national regulation and the communication of advice on vocational education and training.
Delivery	<p>The mechanisms through which Program 1.1 will be delivered are:</p> <ul style="list-style-type: none"> • applying a risk-based and standards-based regulatory approach to the VET sector • taking regulatory action where necessary to remove poor-quality providers from the sector • making ASQA's Regulatory Strategy and Regulatory Risk Framework publicly available • undertaking communications campaigns to address identified issues and providing stakeholders with timely and accurate advice.
Purposes	<p>Program 1.1 contributes to ASQA's purposes which are to:</p> <ul style="list-style-type: none"> • protect the quality and reputation of the VET sector • regulate the VET sector utilising a contemporary, risk- and standards-based regulatory approach • facilitate access to accurate information about VET.

Performance information for 1.1 Regulation and Advice

Year	Performance criteria	Targets
2017-18	<p>ASQA undertakes audits of providers.</p> <p>Measuring achievement against criterion: ASQA will provide trend analysis as well as a qualitative evaluation of its audit activity in its annual report for 2017-18.</p>	<p>Application of risk-based regulation demonstrated by percentage of non-application-based audits to application-based audits.</p> <p>Target: 30% non-application-based audits</p>
	<p>Stakeholders indicate they believe ASQA is improving the quality of VET outcomes in Australia.</p> <p>Measuring achievement against criterion: ASQA will conduct a survey to assess provider satisfaction.</p>	<p>Providers and stakeholders indicate they are satisfied with ASQA's engagement with the regulated community.</p> <p>Target: 70% positive feedback from providers and stakeholders (excellent or good in annual survey)</p>
2018-19 and beyond	As per 2017-18	As per 2017-18

Annual performance statement

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Purpose 3—Facilitate access to accurate information about VET	44

Statement of preparation

I, Mark Paterson, as the accountable authority of the Australian Skills Quality Authority (ASQA), present the 2017-18 annual performance statements of ASQA, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

ASQA's purposes

ASQA's purposes, as described in the *ASQA corporate plan 2017-18*, are:

- to protect the quality and reputation of the VET sector
- to regulate the VET sector utilising a contemporary, risk-based and standards-based regulatory approach
- to facilitate access to accurate information about VET.

ASQA's performance framework in 2017-18

The performance framework against which ASQA reports in each annual report is summarised in Figure 2.

For each of ASQA's purposes, as set out in the Portfolio Budget Statements and described in the *ASQA corporate plan 2017-18*, there are range of performance criteria, which include individual key performance indicators (KPIs). ASQA reports against these purposes, criteria and KPIs in this annual performance statement.

This performance framework only covers part of the regulator's broad range of activity during 2017-18 and as such, a contextual statement is provided in the 'performance overview' on page 16. ASQA also has additional reporting requirements set out in the *National Vocational Education and Training Regulator Act 2011* (NVR Act), which are outside the scope of this annual performance statement and are published in this report in Appendix 1.

Figure 2: ASQA performance metrics as set out in the *ASQA corporate plan 2017-18*

Purpose 1—Protect the quality and reputation of the VET sector

Manage provider registration and change applications

- KPI 1** ASQA protects the quality of VET by refusing entry to the sector or rejecting renewal applications from existing providers that do not meet the requirements for registration
- KPI 2** ASQA's response times to initial registration applications, renewals and change submissions are within the targeted timeframe

Respond to concerns about providers

- KPI 3** ASQA undertakes audits of providers
- KPI 4** ASQA regulatory processes are timely
- KPI 5** Trends in provider compliance

PBS performance criteria: ASQA undertakes audits of providers.

Measuring achievement against criterion: ASQA will provide trend analysis as well as a qualitative evaluation of its audit activity in its Annual Report for 2017–18.

Take decisive action

- KPI 6** ASQA uses a range of appropriate regulatory tools, proportionate to the seriousness of breaches (number of written directions made; number of civil penalty actions and infringement notices issued; number of suspensions; number of cancellations)
- KPI 7** ASQA applies appropriate and proportional sanctions for non-compliant organisations within its jurisdiction

Strengthen regulation

- KPI 8** ASQA progresses strategies to strengthen regulation

ASQA's contribution to quality

- KPI 9** Stakeholders indicate they believe ASQA is improving the quality of VET outcomes in Australia

PBS performance criteria: Stakeholders indicate they believe ASQA is improving the quality of VET outcomes in Australia.

Measuring achievement against criterion: ASQA will conduct a survey to assess provider satisfaction.

Note: PBS = Portfolio Budget Statements

Purpose 2—Regulate the VET sector utilising a contemporary risk- and standards-based regulatory approach

Publish/communicate the regulatory risk framework

KPI 10 ASQA's implementation of the regulatory risk framework is published and effectively communicated

Identify risks in the sector

KPI 11 ASQA's annual environmental scanning activities inform the authority's regulatory strategy

KPI 12 ASQA announces its regulatory strategy annually

KPI 13 ASQA addresses priority risks

Undertake strategic reviews

KPI 14 ASQA undertakes strategic reviews of identified risk areas

Risk-based regulation

KPI 15 ASQA moves to a risk-based model of regulation

PBS target: Application of risk-based regulation demonstrated by percentage of non-application-based audits to application-based audits.

Measuring performance against target: 30 per cent non-application-based audits.

Note: PBS = Portfolio Budget Statements

Purpose 3—Facilitate access to accurate information about VET

Provider information sessions

KPI 16 Providers are satisfied with the following elements of ASQA's information sessions: range of topics covered; timeliness of information; usefulness of information; accuracy and clarity of information; knowledge of presenters

ASQA Info Line

KPI 17 Providers are satisfied with the following aspects of ASQA's Info Line (calls): speed of answering calls; completeness of answers provided; knowledge of staff answering; courtesy of staff answering

KPI 18 Providers are satisfied with the following aspects of ASQA's Info Line (email): speed of answering emails; completeness of answers provided; knowledge of staff answering; courtesy of staff answering

ASQA website

KPI 19 Providers are satisfied with the following aspects of ASQA's website: navigation; search function; information/content; clarity of information; accuracy of information; currency of information

ASQA engagement

KPI 20 Providers and stakeholders indicate they are satisfied with ASQA's engagement with the regulated community

PBS target: Providers and stakeholders indicate they are satisfied with ASQA's engagement with the regulated community.

Measuring target: ASQA will conduct a survey to assess provider satisfaction.

Note: PBS = Portfolio Budget Statements

Performance overview

As the national regulator for VET, ASQA's regulatory work includes ongoing core business processes as well as the progression of strategic projects.

Much of this activity is described in the 'Results against performance criteria' section that is provided for each of ASQA's three purposes in this annual performance statement. However, this overview section provides additional context in terms of ASQA's activity during the reporting year.

Key trends in ASQA's core regulatory work during 2017-18

ASQA continues to handle a high volume of registration-related work and applications. Individuals and organisations apply to ASQA for registration to deliver VET and/or Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) courses, and to add new courses to their scope of registration. During 2017-18 ASQA continued to receive and complete high numbers of applications: 5038 applications were received and 4939 applications were completed.¹ As one of ASQA's basic functions, the handling of applications is discussed in more detail in the 'Results against performance criteria' section, under KPIs 1 to 5.

Applications from individuals and organisations seeking to enter the market for the first time continued to require a substantial part of ASQA's regulatory effort. The *ASQA regulatory strategy 2017-18* identified the need to implement stronger controls on new training providers seeking to enter the market. During the reporting period ASQA developed and announced new arrangements for these applicants. The responses to KPIs 1, 12 and 13 discuss this development and its impacts in more detail.

Non-application-based audits make up a significant proportion of ASQA's audit activity. Since its establishment in 2011, ASQA has been evolving its approach to regulation, refining and enhancing its risk focus. ASQA manages risk on two levels: operational (provider risk) and strategic (systemic risk).

In managing provider risk, ASQA seeks to effectively target its audit activity to those providers that are most likely to demonstrate non-compliance with the conditions of registration, by conducting compliance audits. These are audits that are triggered by concerns about the risk associated with a provider, rather than by the submission of an application. During the reporting year, 57.1 per cent of ASQA audit activities were non-application-based, significantly exceeding the target of 30 per cent. Trends in audit activity are discussed in responses to KPIs 3, 5 and 15.

Adverse regulatory decisions are increasing in number. Growth in the number of adverse regulatory decisions made by ASQA is attributable to the maturing of ASQA's risk-based regulatory approach (which better focuses ASQA's regulatory resources toward those providers posing the greatest risk to the quality of the VET sector). In addition, ASQA has made more adverse decisions in relation to providers that fail to meet mandatory conditions of registration (data reporting and fee payment). This is discussed in the responses to KPIs 6 and 7.

Other areas of regulatory effort

ASQA also undertakes significant amounts of activity—requiring substantial regulatory resources—in areas that are not specifically addressed in this annual performance statement.

¹ Noting that applications may be received in one reporting year and completed in another.

In 2017–18, this activity has included:

Managing provider closures: The closure of RTOs, either voluntarily or involuntarily (through cancellation by ASQA or insolvency) increased substantially in 2017–18. When a closing provider is particularly large or closes rapidly, the level of activity necessary to support students effectively has contributed to pressure on all elements of the VET system, including ASQA. ASQA undertook significant work to support students in the wake of provider closures in 2017–18. In its submission to the review of the NVR Act, ASQA supported reforms to reduce the impact of provider closures on students.

Data monitoring and collection: ASQA has specific tasks in relation to:

- monitoring Total VET Activity (TVA) data
- working with the National Centre for Vocational Education Research (NCVER) to ensure TVA data meets relevant standards
- monitoring the now mandatory annual declaration on compliance
- undertaking additional regulatory analysis
- providing information to the Australian Government Department of Education and Training (DET) to support their assessment of providers seeking VSL approval.

Using complaints and reports about providers to inform regulatory activity:

ASQA does not have a consumer protection function under the NVR Act. Rather, consumer protection for VET students is the domain of relevant state and territory consumer organisations. However, ASQA does accept complaints and intelligence reports about providers from students and other interested parties. Complaints and intelligence reports received about training providers are valuable sources of information which, along with other material, inform ASQA's risk-based regulatory approach. During the reporting year, ASQA received 1870 complaints and intelligence reports.

Managing appeals: The higher number of adverse regulatory decisions made by ASQA resulted in a greater workload in terms of associated tasks—such as processing reconsideration applications (a reconsideration process is available for certain types of decisions) and defending decisions at the AAT.

Strategic projects and managing strategic risk

ASQA assesses risks to the VET system as a whole and mitigates heightened risk exposures through targeted and effective actions. In 2017–18, ASQA sought to realise its strategic objectives through:

- incorporating the results of its environmental scanning into its strategic planning (see response to KPI 11)
- undertaking a strategic review of Australia's international education sector (see response to KPI 14)
- continuing to address concerns about trainer and assessor capability (see responses to KPIs 2, 5, 12 and 13)
- collaborating with DET to monitor VET Student Loans (VSL) providers (see responses to KPIs 12 and 13)
- progressing recommendations regarding unduly short training (see responses to KPIs 12 and 13)
- increasing scrutiny on new RTOs entering the VET market (see responses to KPIs 1, 12 and 13)
- embedding ASQA's student-centred audit approach (see responses to KPIs 12 and 13)
- recognising and supporting quality in the VET sector (see responses to KPIs 12 and 13).

Purpose 1—Protect the quality and reputation of the VET sector

In achieving Purpose 1, ASQA's primary focus is the efficient functioning of its core regulatory activities, which are to manage provider registration, respond proportionately to providers of concern and take decisive action against those who consistently fail to meet their regulatory obligations.

Figure 3 shows the performance criteria and KPIs that are used to measure ASQA's performance against Purpose 1 as set out in the *ASQA corporate plan 2017-18*, and the related reporting requirements as set out in the Portfolio Budget Statements.

Figure 3: Measuring ASQA's performance against Purpose 1

Purpose 1—Protect the quality and reputation of the VET sector

Manage provider registration and change applications

- KPI 1** ASQA protects the quality of VET by refusing entry to the sector or rejecting renewal applications from existing providers that do not meet the requirements for registration
- KPI 2** ASQA's response times to initial registration applications, renewals and change submissions are within the targeted timeframe

Respond to concerns about providers

- KPI 3** ASQA undertakes audits of providers
- KPI 4** ASQA regulatory processes are timely
- KPI 5** Trends in provider compliance

PBS performance criteria: ASQA undertakes audits of providers.

Measuring achievement against criterion: ASQA will provide trend analysis as well as a qualitative evaluation of its audit activity in its Annual Report for 2017-18.

Take decisive action

- KPI 6** ASQA uses a range of appropriate regulatory tools, proportionate to the seriousness of breaches (number of written directions made; number of civil penalty actions and infringement notices issued; number of suspensions; number of cancellations)
- KPI 7** ASQA applies appropriate and proportional sanctions for non-compliant organisations within its jurisdiction

Strengthen regulation

- KPI 8** ASQA progresses strategies to strengthen regulation

ASQA's contribution to quality

- KPI 9** Stakeholders indicate they believe ASQA is improving the quality of VET outcomes in Australia

PBS performance criteria: Stakeholders indicate they believe ASQA is improving the quality of VET outcomes in Australia.

Measuring achievement against criterion: ASQA will conduct a survey to assess provider satisfaction.

Results against performance criteria for Purpose 1

Manage provider registration and change applications

KPI 1: ASQA protects the quality of VET by refusing entry to the sector or rejecting renewal applications from existing providers that do not meet the requirements for registration

Measure: Number of initial and renewal applications completed and per cent rejected (trend over time)

Australia's VET system has an outstanding international reputation for quality. ASQA's fundamental role as the national regulator is to protect this quality and reputation through effective regulation.

Recent statistics on the performance of Australia's VET sector are indicative of both its quality and its local and international reputation:

- VET has an estimated export value of \$4.8 billion² and there were an estimated 4.2 million students enrolled in VET with an Australian training provider in 2017³
- nearly 80 per cent of VET graduates secure a job soon after completing training⁴
- VET graduates in full-time employment earn a median annual income of about \$55,000⁵
- the number of international students studying with Australian providers (both in Australia and offshore) increased by 10.4 per cent to 186,300 in 2017.⁶

ASQA seeks to maintain this quality by ensuring that only providers fit to operate in the market are allowed to do so. The great majority of VET and international education providers in

Australia seek to meet the required standards and provide a quality student experience.

To protect students and quality providers, ASQA applies close scrutiny to both established providers and new applicants seeking to enter the sector.

The key processes through which ASQA achieves this include market entry testing (through assessment of initial registration applications) and testing and verifying of the quality of established providers (including through audits).

Applications for initial registration

Applications from organisations seeking to enter the VET and/or international education sectors are not approved without audit. This reflects the importance of maintaining a high barrier to market entry.

Figure 4 shows the number of applications for initial registration that ASQA received in each financial year from 2013-14 to 2017-18, and the outcome of the applications that ASQA completed. 'Completed' applications comprise all that were approved, rejected or withdrawn.

While most initial applications are approved, in some cases ASQA is finding that the application indicates that the applicant may not have the capacity or intention to deliver quality training and assessment.

Of all applications for initial registration that ASQA completed in the reporting year, 29.1 per cent were rejected because ASQA deemed the applicant did not meet the required standards for initial registration.⁷

In 2017-18 this percentage was higher than in any financial year since 2013-14.

This relatively high rate demonstrates the value of ASQA's work in the reporting year to increase scrutiny on applicants for initial registration.

2 Australian Bureau of Statistics, *International Trade: Supplementary Information, Financial Year, 2016-17*, 5368.0.55.003, Canberra 2016-17.

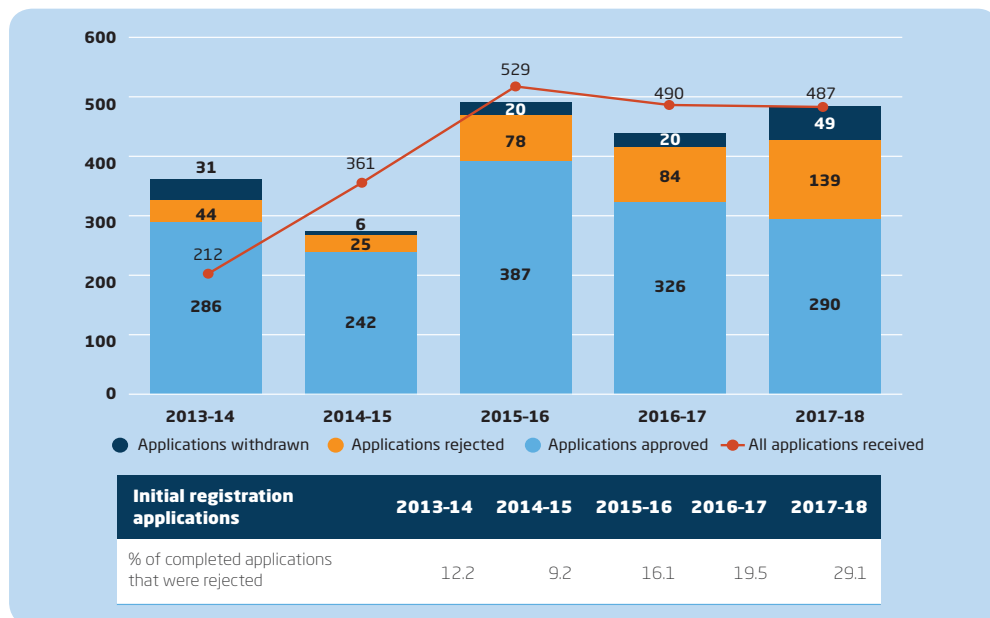
3 NCVER 2018, *Australian vocational education and training statistics: Total VET students and courses 2017*, NCVER, Adelaide, page 8.

4 NCVER 2017, *Australian vocational education and training statistics: VET student outcomes 2017*, NCVER, Adelaide, page 10.

5 NCVER 2017, *Australian vocational education and training statistics: VET student outcomes 2017*, NCVER, Adelaide, page 11.

6 NCVER 2018, *Australian vocational education and training statistics: Total VET students and courses 2017*, NCVER, Adelaide, page 8.

7 A further 10.3 per cent of applications for initial registration were withdrawn by the applicant. Withdrawal may occur for a range of reasons—for example, if the applicant does not have the resources needed to complete the process, or if it becomes clear during the process that the application is unlikely to meet the required standards.

Figure 4: Applications for initial registration, 2013-14 to 2017-18

Note: An application may be received and completed in different financial years. Therefore the number of applications received and the number completed (comprising approved, rejected and withdrawn applications) in any given period will differ.

Applications for renewal of registration

ASQA consistently finds the vast majority of established providers successfully complete the renewal of registration process, as shown in Figure 5.

In 2017-18 ASQA rejected 5.3 per cent of all completed applications for renewal of registration. This is consistent with the average rejection rate for such applications (around five per cent) over the five years from 2013-14.

Where an established provider applies to renew registration, ASQA undertakes a detailed risk assessment. Where this assessment indicates a concerning level of risk, ASQA undertakes an audit of the provider (i.e. an application-based audit).

The consistent rate of rejections is attributable to ASQA's successful transition during this period from an application-based regulatory approach to a risk-based approach. ASQA's risk-based approach means providers of concern are likely to be identified outside of the application process for renewal of registration. ASQA maintains provider risk profiles that draw on a broad range of internal and external data sources to provide a nuanced and dynamic picture of the risk

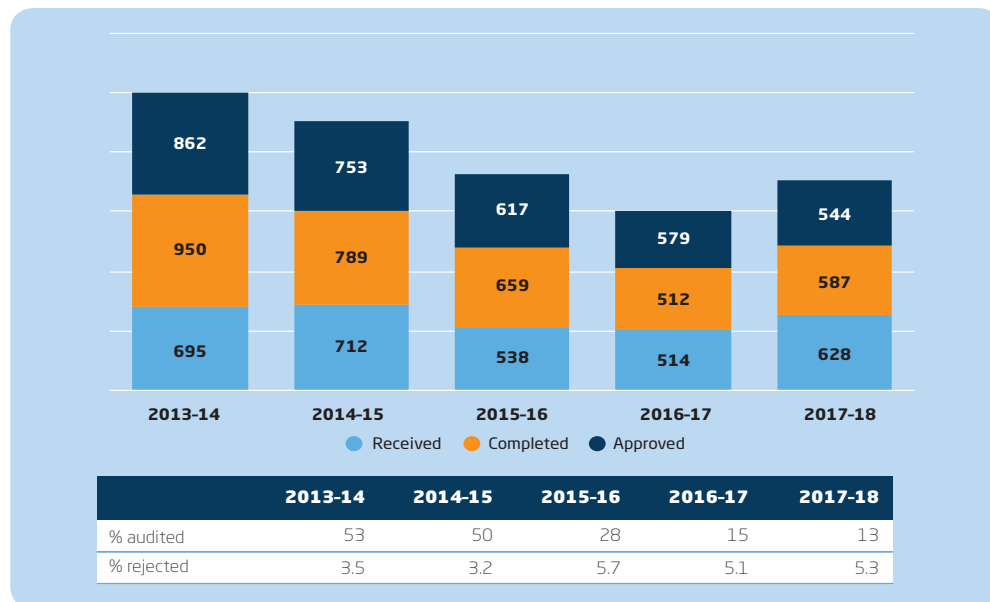
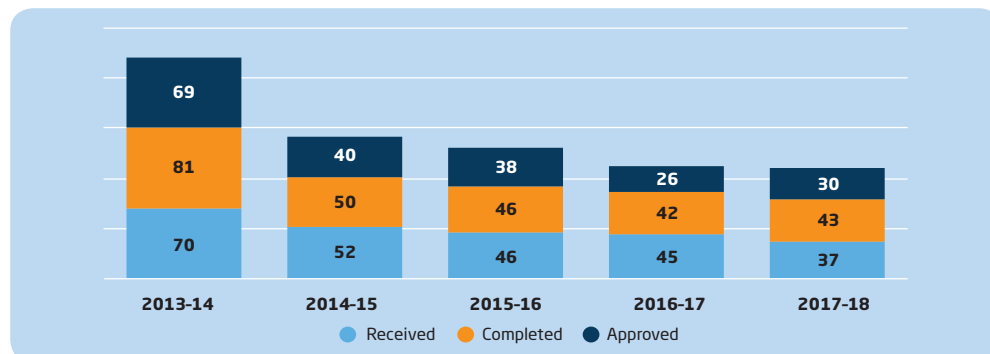
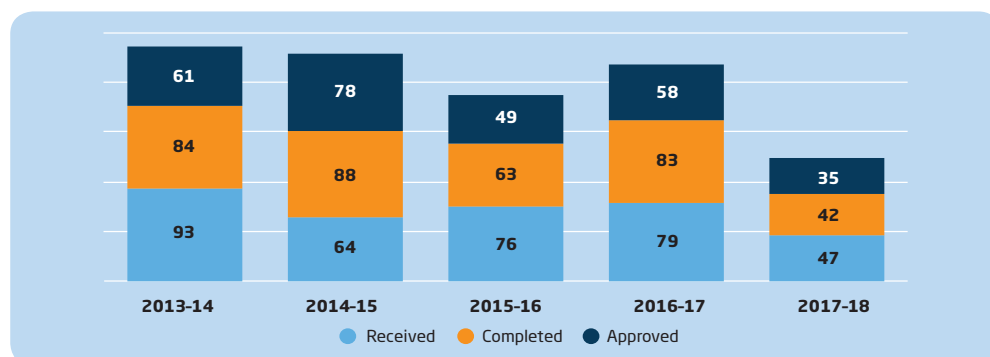
presented by each ASQA-registered provider. Under the risk-based approach, established providers undergo an audit whenever ASQA's risk assessments indicate cause for concern about that provider (i.e. a non-application-based audit).

Providers that reach the point of engaging in the registration renewal application process are likely to be high-quality providers with an established history of meeting quality standards. This is reflected in the high rate of approval for applications to renew registration.

For more information on ASQA's performance in applying risk-based regulation, as demonstrated by the percentage of non-application based audits to application-based audits, see Purpose 2, KPI 15.

VET course accreditation

ASQA has responsibilities relating to the accreditation and regulation of accredited VET courses. About 80 per cent of Australian VET is delivered through training packages, but the Australian VET system also uses accredited VET courses. These are nationally recognised qualifications that are intended to meet industry requirements for training. Figures 6 and 7 shows ASQA's course accreditation activity for 2017-18 and the four years prior.

Figure 5: Outcomes of applications for registration renewal, 2013-14 to 2017-18**Figure 6:** Outcomes of VET course initial accreditation applications, 2013-14 to 2017-18**Figure 7:** Outcomes of VET course renewal of accreditation applications, 2013-14 to 2017-18

Note: An application may be received and completed in different financial years. Therefore the number of applications received and the number completed (comprising approved, rejected and withdrawn applications) in any given period will differ.

Manage provider registration and change applications

KPI 2: ASQA's response times to initial registration applications, renewals and change submissions are within the targeted timeframe

Measure: Percentage completed within timeframes specified in ASQA service standards

ASQA provides guidance to providers on the expected timeframes for completion of application processes through its published service standards.

ASQA's performance against the targets for the completion of applications is shown in Table 2.

ASQA undertakes a risk assessment of all applications for initial registration, to renew registration, and to add courses to a provider's registration (change of scope). While all applications from initial registration applicants seeking to enter the VET market undergo an audit, change of scope applications and renewal applications are only subject to an audit where risk assessment indicates further scrutiny of the provider should be undertaken.

ASQA has achieved strong results for renewal of registration applications (95.4 per cent of these applications completed in the target timeframe). Established providers are experiencing a consistent and reliable renewal process that meets the authority's service standard.

ASQA has also achieved strong results against this indicator for change of scope applications without audit (79.8 per cent completed within the target timeframe). This is a significant figure, as these comprise 68 per cent of all applications completed during the reporting period.⁸

ASQA has partially met the requirements for this indicator for initial registration applications, and for change of scope applications with audit. However, significant changes to ASQA business processes (discussed on the next page) in relation to both of these application types mean that the established timeframes for these application types no longer align with the regulator's practice. ASQA has revised this indicator in the ASQA corporate plan 2018-19 to reflect current practice.

Table 2: Percentage of applications finalised⁹ within the timeframes set in ASQA's service standards, 2017-18¹⁰

Application type	Target	% completed within target timeframe
Initial registration	Finalised within 6 months	58.9
Renew registration	Finalised within 6 months	95.4
Change of scope with audit	Finalised within 6 months	47.9
Change of scope without audit	Finalised within 1 month	79.8

⁸ In some cases, applications to change scope do not require audit, but take more than one month to complete. These applications in some cases may have been referred to ASQA's regulatory operations team for consideration for a possible audit, at which point the regulatory operations team determined an audit was not required.

⁹ 'Finalised' means that ASQA has made a decision and advised the applicant (not that any review process has been completed).

¹⁰ These targets apply where applications submitted are complete and fully compliant. Where an applicant submits an incomplete application and/or is unable to meet the Standards for RTOs, these targets do not apply, as additional time is required for the provider to resubmit the application and/or undertake a rectification.

Initial registration—changes to business processes affecting timeframes

During the 2017–18 financial year, ASQA enhanced its processes for handling these applications. These applicants require a greater level of regulatory scrutiny than established providers—for example, ASQA is required to review detailed financial data and projections as well as the suitability of persons associated with the applicant.

ASQA expects that as new internal processes are embedded to reflect these changed application requirements, ASQA's performance against this measure will improve.

Change of scope application (with audit)—changes to business processes affecting timeframes

Providers apply to ASQA to add training products to their registration through submitting change of scope applications.

On receipt of these applications, ASQA undertakes a risk assessment. In a significant majority of cases, this assessment indicates ASQA can approve the addition. ASQA approved 91 per cent of all change of scope applications completed in 2017–18 without audit.

However, ASQA undertakes an audit triggered by a change of scope application where the risk assessment indicates:

- concerns about the provider, and/or
- systemic concerns that apply to training products in the application.

ASQA undertook 225 audits triggered by change of scope applications during the reporting year.

Risk assessment draws on the risk profile for each provider. These profiles incorporate a broad range of information sources and seek to present an accurate picture of the risk posed by an individual provider. In most cases, a risk assessment in relation to a change of scope application for a high-performing training provider with a history of quality and compliance is unlikely to trigger an audit.

The exception to this may be where ASQA has identified a systemic risk with a particular training product (for discussion of how ASQA identifies and addresses these systemic risks, see responses to KPIs 11 to 13).

For example, a key systemic risk contributing to ASQA's auditing in relation to change of scope applications in 2017–18 was the identified concern with products from the Training and Education (TAE) Training Package (as outlined in the *ASQA regulatory strategy 2017–18*). Following on from a project that commenced in 2016, this year ASQA continued to undertake audit activity in response to any applications relating to the TAE Training Package. In total, ASQA completed 75 change of scope audit activities related to TAE applications during the reporting year.

Overall, in 47.9 per cent of cases, ASQA has met the target timeframes in relation to this indicator.

However, this indicator was designed to reflect ASQA's previous approach to change of scope audits (under which a larger number of providers at a variety of risk levels were likely to be audited, meaning that the complexity of these audits was variable).

ASQA expects that as new internal processes are embedded, performance against this measure will improve.

TAE Implementation Project—managing the quality of training for trainers and assessors

A key driver of ASQA's performance in relation to change of scope audits from 2016 to the present has been the TAE Implementation Project.

In April 2016, the Australian Industry and Skills Committee (AISC) announced the introduction of an updated TAE Training Package, including a new Certificate IV in Training and Assessment with higher standards for trainers and assessors across the VET workforce.

Recognising that the quality of the qualifications held by VET trainers and assessors is crucial to the sector as a whole, ASQA commenced the TAE Implementation Project. This introduced additional evidence requirements and required audit activities for all providers seeking to deliver TAE products from the new training package.

The additional complexity of these applications and the associated audit activity has required a significant commitment of ASQA's resources. For the 2017-18 financial year, ASQA has:

- received 88 applications for TAE training products from 78 RTOs
- completed 75 audit activities in relation to TAE applications
- approved 40 providers to deliver one or more TAE training product
- rejected 15 applications to deliver TAE training products.

A further seven applications relating to these TAE training products have been withdrawn, and 43 applications are open as at the time of reporting.

Respond to concerns about providers

KPI 3: ASQA undertakes audits of providers

Measure: Number of audits completed each year (trend over time)

ASQA completed 1478 audits in the 2017–18 year, as shown in Table 3.

In each year from 2013–14 to 2017–18, the number of completed audit activities has been equivalent to approximately one audit activity for every three ASQA-registered providers.¹¹

Over this period, there is not a clear upward or downward trend in the number of audit activities completed by ASQA. Rather, as discussed in the 2016–17 annual report, ASQA expects the number of audit activities to fluctuate on an annual basis, as the regulatory resources required for an audit activity are dependent on the complexity of that audit.

The complexity of an audit is driven by a broad array of factors including (but not limited to) the provider's size, number of

locations (including offshore), scope of delivery, level of compliance and level of cooperation, and (where ASQA makes an adverse regulatory decision) the number and type of appeal processes undertaken.

ASQA expects annual fluctuations in the number of audit activities to continue, given that:

- it is continuing to shift away from simple application-based audits to audits triggered by significant provider or systemic risk, which have a greater likelihood of complexity (and therefore of require significant regulatory resources)
- more effective targeting of audits means that the level of adverse regulatory action taken is increasing (see KPIs 5 and 6) and as a result ASQA is increasingly assigning significant resources to appeal processes (see 'Review by the Administrative Appeals Tribunal or Federal Court', page 99).

'Number of audit activities' is a single measure that does not correlate with the amount of regulatory activity or effort over a given period, and as such, ASQA does not set a quota of audit activities for any period.

Table 3: Number of audit activities completed by year, 2013–14 to 2017–18

	2013-14	2014-15	2015-16	2016-17	2017-18
Number of audit activities completed	1515	1399	1174	1632	1478
Number of ASQA-regulated providers (as of 30 June)	3938	3929	4082	4098	4016

¹¹ Multiple audit activities may occur in relation to one provider.

Respond to concerns about providers

KPI 4: ASQA regulatory processes are timely

Measure: Percentage of audits conducted within timeframes specified in ASQA service standards (trend over time)

Significant changes to ASQA business processes mean that ASQA no longer issues 'interim audit reports' in the vast majority of cases, and this indicator no longer aligns with the regulator's practice. ASQA has revised this indicator in the *ASQA corporate plan 2018-19* to reflect current practice.

Respond to concerns about providers

KPI 5: Trends in provider compliance

Measure: Percentage of providers compliant/non-compliant at audit and following rectification (trend over time)

Measure (Portfolio Budget Statements): ASQA will provide trend analysis as well as a qualitative evaluation of its audit activity

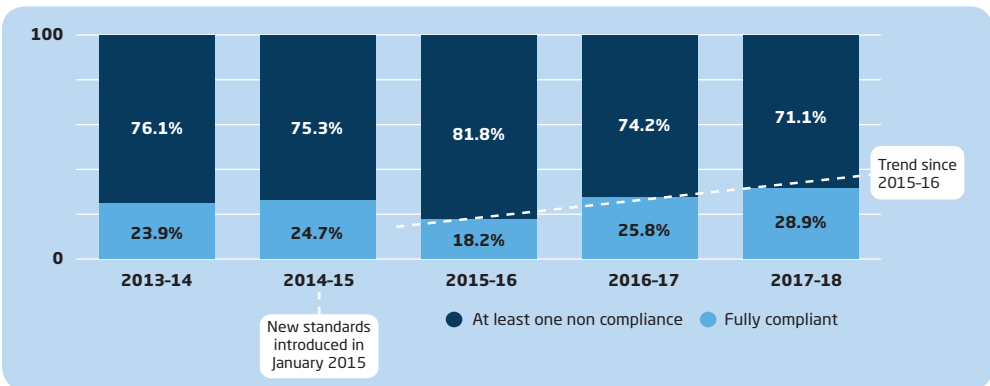
During the 2017-18 financial year, nearly one in three ASQA-registered providers was fully compliant, with no major or minor issues found at the time of audit, as shown in Figure 8.

The 2015-16 year, as the period following the introduction of the *Standards for Registered Training Organisations 2015* (Standards for RTOs) from 1 January 2015, saw a temporary and expected decrease in compliance as providers adjusted to the revised standards. However, as Figure 8 shows, the past two years have seen slight increases in the level of compliance found at audit.

While the percentage of providers showing some non-compliance at audit is decreasing, ASQA nonetheless expects that this figure will continue to be relatively high for the forward period due to inclusion of two key groups of providers:

- **Providers that have one or more minor issues, but largely meet all required standards and deliver quality training:** In many cases, these issues can be rectified after ASQA notifies the provider of its concern and provides information about the expected resolution.
- **Providers with more significant issues targeted for compliance audits:** ASQA's risk-based approach means that those providers targeted for compliance audits are likely to be part of the minority of providers that have significant or sustained compliance issues.

Figure 8: Percentage of providers compliant and non-compliant at time of ASQA audit, 2013-14 to 2017-18*



* Figure 8 data excludes the following audit types: CRICOS-only audits and evidence review audits. As KPI 5 reports on **provider** compliance, Figure 8 data also excludes audits of applicants seeking initial registration.

ASQA reports information about provider compliance both 'at the time of audit' and 'after rectification'.

Where ASQA finds non-compliance at audit, the provider may in some cases have the opportunity to take action to address the non-compliance and provide ASQA with additional evidence showing that they can meet the required standards prior to ASQA making a decision about the provider's compliance. This is described as a 'rectification period'. As of August 2016, rectification periods only apply to registration audits.

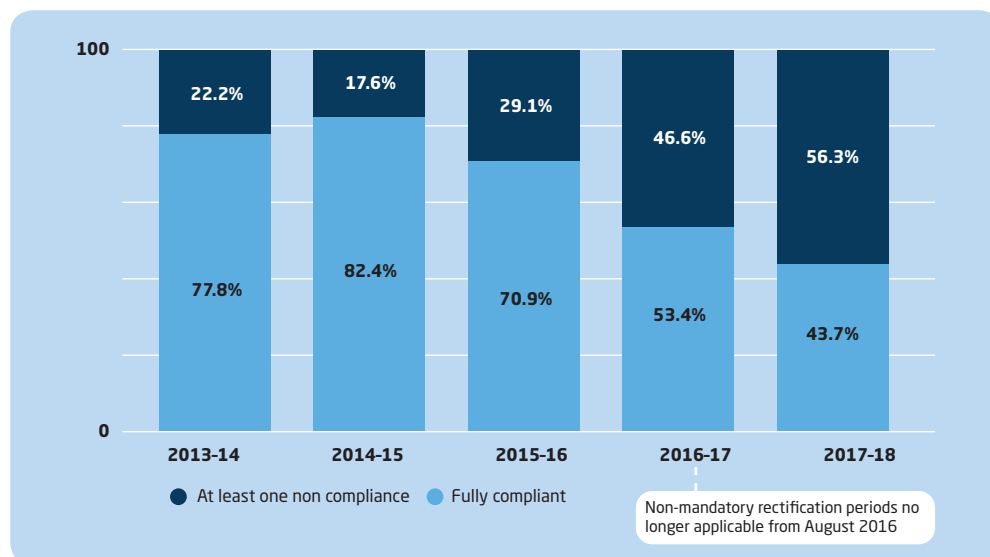
As shown in figures 8 and 9, in previous years there has been a significant difference between the proportion of audited providers fully compliant immediately following an audit and the proportion fully compliant when the audit is finalised (which is after any rectification period that applies). The gap between these two figures has been closing since 2015-16.

This increase in sustained non-compliance is partly due to changes in ASQA's regulatory approach (commencing in 2016), which removed a non-mandatory rectification opportunity from the audit process; and partly a result of ASQA's risk intelligence maturing and effectively identifying those providers that are fundamentally unable to meet the required standards.

Providers that remain non-compliant after rectification include those with sustained or significant issues, as well as those that may be largely compliant but require improvement in one or more areas.

ASQA uses a variety of regulatory responses to address these non-compliances, depending on their level and impact, as discussed in the response to KPI 6.

Figure 9: Percentage of providers compliant and non-compliant at time of audit being finalised (following rectification where applicable), 2014-15 to 2017-18



Key trends in audit activity and provider compliance in 2017-18

- **Continuing the trend from 2016-17, compliance audit activity makes up a high proportion of total audit activity.**

In the reporting year, 845 audit activities (or 57.1 per cent of all audit activities completed) were compliance-based. This is consistent with the proportion of compliance audits in 2016-17 (an increase of 0.8 per cent) and reflects ASQA's ongoing focus on risk-based audits.

- **Audits were triggered by applications for products from the TAE Training Package.**

In April 2016, AISC announced the introduction of an updated TAE Training Package, including a new Certificate IV in Training and Assessment with higher standards for trainers and assessors across the VET workforce. In recognition of the critical role that these qualifications play in supporting VET workforce quality, during 2016-17 ASQA began applying increased scrutiny on all providers seeking to add TAE training products—including by requiring providers applying for these qualifications to undergo additional assessment, and in most cases an audit. This continued in 2017-18, with 75 audit activities wholly or in part related to applications for TAE qualifications.

- **Targeted compliance audits continue to identify non-compliance with the core standards relating to training and assessment.**

Among those providers subject to compliance audits, ASQA continues to find high levels of non-compliance with the standards relating to the core business of training and assessment. In particular, ASQA continues to find non-compliance with Standard 1.8, which relates to the quality of assessment, and Standard 1.2, which relates to the amount of training delivered. ASQA's program of communication and education in 2017-18 has sought to support providers in understanding and meeting these requirements, including through publishing a revised *Users' guide to the Standards for RTOs 2015* and focusing on key areas of non-compliance at training provider briefing sessions.

- **Compliance at the time of audit is increasing, but of those providers found non-compliant at audit, a greater proportion remain non-compliant after a rectification period.**

Where ASQA finds non-compliance at audit, the provider may respond to the non-compliance and provide ASQA with additional evidence showing that they can meet the required standards. In 2017-18, 56.3 per cent of audited providers were non-compliant at audit finalisation (which may be after a rectification period, where this applies).

This increase in sustained non-compliance is partly due to changes in ASQA's regulatory approach (commencing in 2016), which removed a non-mandatory rectification opportunity from the audit process; and partly a result of ASQA's risk intelligence maturing and effectively identifying those providers that are fundamentally unable to meet the requirements of the Standards for RTOs.

Take decisive action

KPI 6: ASQA uses a range of appropriate regulatory tools, proportionate to the seriousness of breaches (number of written directions made; number of civil penalty actions and infringement notices issued; number of suspensions; number of cancellations)

Measure: Reported use of enforcement tools (trend over time)

ASQA's use of regulatory tools to address breaches of the required conditions of registration is shown in Table 4. ASQA applies a range of regulatory tools to deal with breaches of the required standards at different levels.

This year ASQA has increased its use of written directions as a regulatory tool for dealing with less serious or non-systemic non-compliance by providers. This issuance of written directions resolves minor issues without using significant ASQA resources, which can be more effectively used to address more significant concerns. Written directions are often applied where a provider is demonstrating non-compliance

with some requirements but overall is not (at that stage) demonstrating non-compliance serious enough to require being removed from the market.

Similarly, ASQA has applied the regulatory sanction 'amend scope of registration' in cases where a provider is able to demonstrate compliance in relation to some, but not all, training products on their scope of registration.

The use of these lower-level administrative sanctions allows ASQA to monitor and address concerns about components of a provider's activity without instituting more serious regulatory sanctions. This can apply when a provider has a fundamentally solid history but has temporarily failed to meet the required standards.

However, where audit findings indicate more systemic concerns about a provider's ability to deliver quality training and assessment, ASQA takes action to apply more serious regulatory responses. In the most serious cases, where the provider is significantly non-compliant, ASQA may take action including suspension or seeking to remove the provider from the market (i.e. cancelling registration).

Table 4: Application of regulatory tools to address provider breaches, 2013-14 to 2017-18

	2013-14	2014-15	2015-16	2016-17	2017-18
Regulatory sanctions					
Cancellations*	25	27	69	125	322
Suspensions	49	54	15	56	40
Other administrative sanctions					
Written directions	11	15	24	98	159
Amend scope of registration	18	2	11	21	24
Investigation and enforcement					
Infringement notices, civil penalties, criminal prosecutions	NA	1	7	33	25

* 'Cancellations' refers to the number of ASQA decisions to cancel a provider's registration. Following a decision, a provider may seek a review of that decision.

Cancellation is the most serious administrative sanction. ASQA makes decisions to cancel when providers demonstrate a significant and/or sustained failure to meet the conditions of registration.

When ASQA identifies cancellation as an appropriate decision, it undertakes the process described below. In some cases, a decision to cancel does not end with cancellation.

In late 2017–18, ASQA sanctioned a large number of providers that failed to meet mandatory conditions of registration, including submission of TVA Data to NCVET, submission of an annual declaration on compliance to ASQA, or payment of registration fees. As such, although the number of decisions to cancel registration (322) appears significant, ASQA expects that some of these providers will rectify the breaches that led to the cancellation decision through the abovementioned review process.

ASQA decisions to cancel registration

Where a provider shows a significant and/or sustained failure to meet the conditions of registration, ASQA may make a decision to cancel registration.

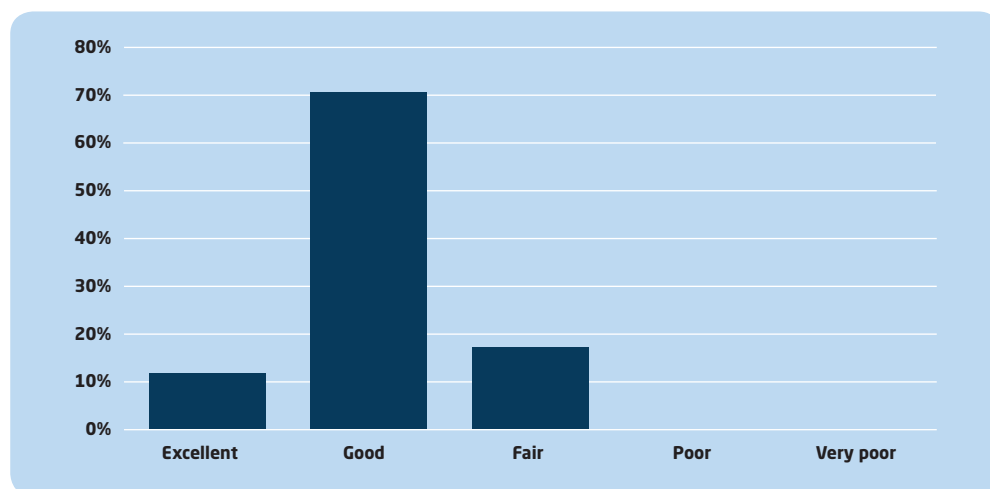
In doing so, ASQA will inform the provider of its intention to cancel registration.

In some cases, a provider may have the opportunity to respond to the issues identified, including providing evidence that non-compliances have been addressed, and ASQA will make a new decision.

Decisions to cancel, or refuse to renew, RTO and/or CRICOS registration are considered 'reviewable decisions' as specified in section 199 of the NVR Act and 169AB of the ESOS Act.

Providers can apply to ASQA to review its decision; however, if a decision is made jointly by ASQA's Commissioners, a review of that decision can only be made by an external authority (such as the AAT).

Figure 10: Stakeholder perception of ASQA's application of appropriate and proportionate sanctions, 1 July 2017 to 30 June 2018 (n=17)



Take decisive action

KPI 7: ASQA applies appropriate and proportional sanctions for non-compliant organisations within its jurisdiction

Measure: 70 per cent positive feedback from stakeholders (excellent or good in annual survey)

ASQA has fully achieved the target for this indicator in 2017–18. ASQA undertakes an annual survey, seeking feedback on its performance in a range of key areas. In 2017–18, this survey included:

- an online survey of ASQA-registered providers
- an hybrid survey with an online and telephone interview component with ASQA's other key stakeholders.

'Other key stakeholders' contacted for this survey included senior representatives from key VET sector organisations and agencies, specifically: Australian Government agencies; state and territory government agencies and industry bodies directly involved in VET policy; other VET regulators; peak bodies representing industry, business and employers; and peak bodies representing providers.

The 2017–18 survey asked these stakeholders to provide their perspective on whether 'ASQA applies appropriate and proportional sanctions for non-compliant organisations within its jurisdiction'. Not all stakeholders in this group are appropriately placed to make judgements about ASQA's application of sanctions, and as such, 26.1 per cent of respondents indicated 'don't know'. Of those stakeholders that provided a rating, 82.3 per cent indicated that the consistency of ASQA's application of sanctions was 'excellent' or 'good', as shown in Figure 10.

Strengthen regulation

KPI 8: ASQA progresses strategies to strengthen regulation

Measure: Assessment of progress against, and/or effectiveness of, each strategy

The *ASQA corporate plan 2017–18* identified four key strategies to strengthen regulation for the reporting year. ASQA's work to progress these strategies is discussed in Table 5.

Table 5: ASQA's progress against strategies to strengthen regulation

Strategy	Progress in 2017-18
Working with DET and state and territory VET funding bodies to share intelligence and more quickly identify and respond to risks presented by providers of concern. In relation to VSL-approved providers, legislation now allows ASQA to undertake audits on behalf of DET.	<p>Sharing intelligence</p> <p>ASQA has in place signed information-sharing protocols with each state and territory. In 2017-18, ASQA and state and territory officials worked together to strengthen communication arrangements by holding regular meetings to uphold schedules outlined in the each communication protocol agreement. ASQA Commissioners met with senior representatives. These meetings were supported by regular ongoing dialogue at an operational level.</p> <p>ASQA's risk-based approach uses data and intelligence from a range of external sources to inform actions taken in relation to providers. The agreements have improved the effective information exchange, enhancing the quality of training providers in each jurisdiction and maintaining strong relationships with key stakeholders, such as government funding agencies.</p> <p>VSL audits</p> <p>DET is responsible for administering the VSL scheme.</p> <p>In 2017, ASQA and DET signed an agreement to enhance their partnership and facilitate DET commissioning ASQA to audit VSL providers as a representative of DET under section 45 of the <i>VET Student Loans Act 2016</i> (VSL Act).</p> <p>DET commissioned ASQA to commence 12 audits in 2017-2018 and will be commissioning ASQA to undertake a further 12 audits in 2018-2019.</p> <p>Where non-compliance is identified, DET may take regulatory action. Changes made to the NVR Act in January 2017 made compliance with the VSL Act a condition of registration for VSL-approved RTOs. This means ASQA could take regulatory action under the NVR Act should a VSL-approved RTO be found to be non-compliant with its requirements under the VSL Act.</p>
Full implementation of a student-centred audit approach to allow ASQA to direct its resources to providers of greatest concern and increase public confidence in the quality of VET outcomes.	<p>ASQA's student-centred audit approach was initially developed in 2016. A staged implementation took place from October to December 2016, and the new approach was rolled out in stages across the 2017 calendar year.</p> <p>During the 2017-18 financial year, ASQA completed implementation of the student-centred audit model through:</p> <ul style="list-style-type: none"> • applying a revised approach for CRICOS providers (late 2017) • updating the <i>Users' guide to the Standards for RTOs 2015</i> and other provider publications and resources to align the 'phases of the student journey' (November 2017) • carrying out online surveys of students for all audit types from mid-2017, and for CRICOS audits from late 2017 • undertaking cognitive testing with international and Aboriginal and Torres Strait Islander students to improve the student survey for different student groups and implementing revised questions from April 2018 • increasing efficiency in audit reporting by updating audit reports to allow consolidated reports for joint VET/CRICOS/ELICOS audits and by creating new 'smart audit reports' • undertaking staff training, including a moderation session on remedial action (a key component of the student-centred audit approach).

Strategy

Investigating ways of improving the range and effectiveness of ASQA's regulatory approach to ensure ASQA has access to the appropriate powers and enforcement tools to support its outcomes-based approach to regulation.

Progress in 2017-18**ASQA's submission to the Australian Government review of the NVR Act**

On 8 June 2017, the Hon Karen Andrews MP, then Assistant Minister for Vocational Education and Skills, announced that a review of the NVR Act would be carried out by Professor Valerie Braithwaite of the Australian National University's School of Regulation and Global Governance. Professor Braithwaite was asked to make recommendations regarding the NVR Act and its subordinate legislation.

In September 2017, ASQA made a formal submission to the review of the NVR Act.

ASQA's submission proposed a number of reforms related to ASQA's regulatory approach and the operation of the VET system more broadly (which in some respects require, or would be enhanced by, changes to the NVR Act and its supporting instruments).

The proposed reforms detailed in the submission were grouped into four categories: entry to market and initial period of registration; quality (not only compliance); consumer protection; and provider closures.

On 22 June 2018, Assistant Minister Andrews released the report *All eyes on quality: review of the National Vocational Education and Training Regulator Act 2011* and the Government's response. The Government's response indicates support for nine of the review recommendations, while a further 11 were supported in-principle but require more work with key stakeholders. The remaining three recommendations were noted.

ASQA is already undertaking work that aligns with some of the report's recommendations, including applying increased scrutiny on new applicants seeking to enter the sector.

ASQA is working closely with DET as it explores options for implementation of the recommendations supported in the Government's response to the report.

NVR Regulation Amendment 2018

During 2017-18, ASQA worked with DET to develop the case for the creation of this regulation and developed a policy document to underpin the use of this enhancement to ASQA's regulatory toolkit.

On 12 July 2018, Governor-General Sir Peter Cosgrove AK MC made the National Vocational Education and Training Regulator Amendment (Enforcement and Other Measures) Regulations 2018 (NVR Regulation Amendment 2018).

The NVR Regulation Amendment 2018 allows ASQA to seek civil penalties for breaches of the Standards for RTOs, even in cases where a provider has since rectified that breach.

This legislative change enhances ASQA's capacity to effectively support the quality of the VET sector by providing an additional mechanism to safeguard students from poor-quality providers.

Developing measures to support student outcomes, including consideration of metrics to gauge if students are achieving positive outcomes and experiences from their training and can access appropriate information to enable them to make informed decisions.

It is important to recognise that ASQA is not responsible for providing consumer protection to individual clients of the Australian VET system; this function is the domain of relevant state and territory consumer organisations.

ASQA undertakes student surveys as part of the audit process. The student survey collects information from students about their experiences from the time they first decided to enrol with a training provider, including by asking them about the information, training and support they received; their assessment experiences; and the completion of their training.

ASQA's contribution to quality

KPI 9: Stakeholders indicate they believe ASQA is improving the quality of VET outcomes in Australia

Measure: 70 per cent positive feedback from stakeholders (excellent or good in annual survey)

Portfolio Budget Statements criterion: Stakeholders indicate they believe ASQA is improving the quality of VET outcomes in Australia

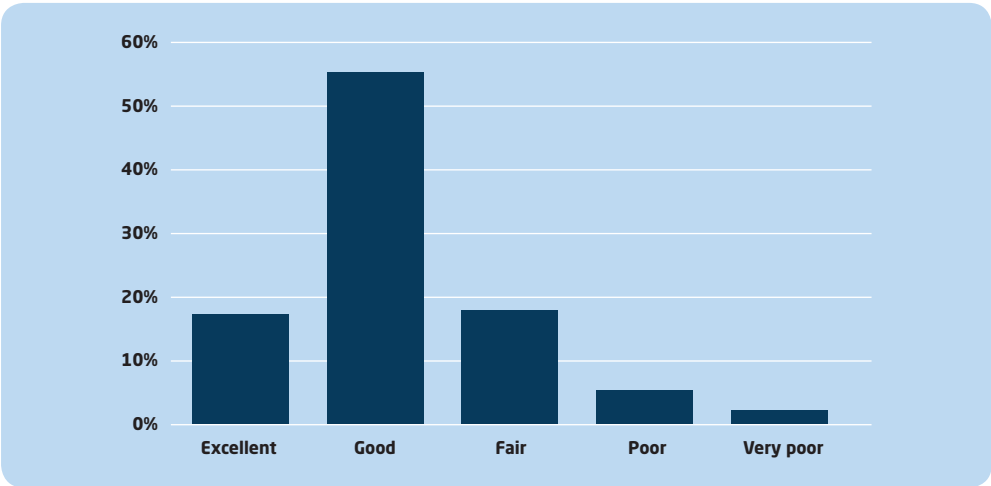
Measure (Portfolio Budget Statements): ASQA will conduct a survey to assess provider satisfaction

As discussed in the response to KPI 7, ASQA undertakes an annual survey of providers and other stakeholders (i.e. from key VET sector organisations and agencies¹²).

The 2017-18 survey asked providers and other stakeholders to provide their perspective on 'ASQA's contribution to the quality of VET outcomes'.

ASQA has met this indicator in relation to provider perception in 2017-18. Of 1702 respondents that provided a rating, 73.2 per cent indicated that ASQA's contribution to the quality of VET outcomes is 'excellent' or 'good', as shown in Figure 11.

Figure 11: Provider perception of ASQA's contribution to the quality of VET outcomes, 1 July 2017 to 30 June 2018 (n=1702)

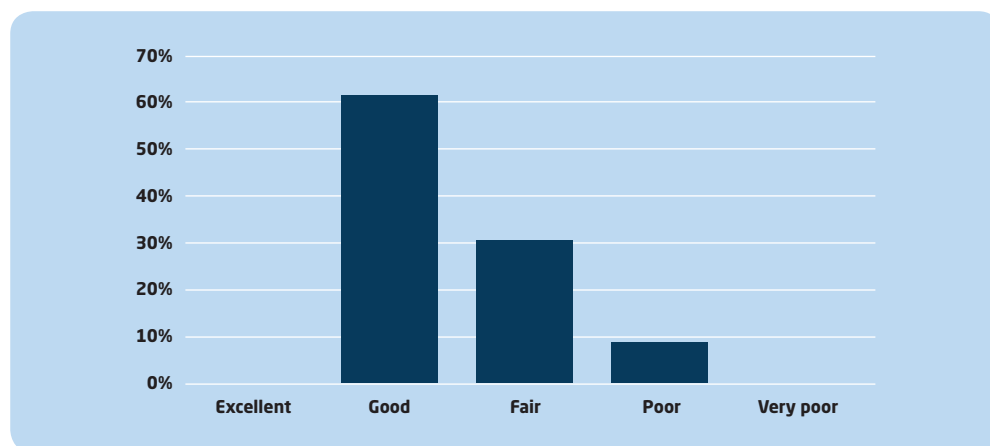


12 In 2017-18 the stakeholders surveyed were senior representatives from: Australian Government agencies; state and territory government agencies; industry bodies that are directly involved in VET policy; other VET regulators; peak bodies representing industry, business and employers; and peak bodies representing providers.

Figure 12 shows that ASQA has not met the target for this indicator in 2017–18 in relation to other (non-provider) stakeholders; however, the substantial majority of stakeholder respondents (60.9 per cent) have indicated that they perceive ASQA's contribution to be 'good' while a further 30.4 per cent of

stakeholders indicated that they consider ASQA's performance 'fair'. ASQA recognises that there is a need to more effectively promote its work in contributing to quality outcomes and has commenced work to update its stakeholder engagement strategy during 2018–19.

Figure 12: Stakeholder (non-provider) perception of ASQA's contribution to the quality of VET outcomes, 1 July 2017 to 30 June 2018 (n=23)



Analysis of performance against Purpose 1

ASQA has performed effectively against Purpose 1 for 2017–18, with a broad range of work undertaken to effectively support the quality and reputation of the VET sector. This has included significant work in relation to applications from individuals and organisations seeking to enter the sector—including close scrutiny of the 478 applications for initial registration completed during the reporting year (see KPI 1), as well as the development and announcement of revised processes in relation to these applications (see Purpose 2, KPIs 1.1 to 1.3).

Continuing the trend of recent years, a significant number of applications were received (5038) and completed (4939) by ASQA during the reporting year. The great majority of these applications (4339) were approved. This is just one of many data points (as discussed in the response to KPI 1) indicating that

the substantial majority of ASQA-regulated providers are meeting the required standards and delivering the quality training that is expected of Australia's VET and international education providers.

When responding to the minority of providers that are not compliant, ASQA takes decisive action. However, this action is tailored to the seriousness of breaches. This year ASQA has increased its use of written directions as a regulatory tool for dealing with less serious or non-systemic non-compliance by providers. This issuance of written directions resolves minor issues without using significant ASQA resources, which can be more effectively used to address more significant concerns. Where serious concerns or failure to meet mandatory conditions of registration are identified, ASQA has taken more substantial regulatory action, up to cancellation of registration (as discussed in the response to KPI 6).

ASQA has successfully achieved the intended result in relation to six of the nine KPIs that relate to Purpose 1.

In relation to the remaining KPIs:

- It should be noted that significant changes to ASQA business processes mean that KPI 2 and KPI 4 no longer align with the regulator's practice. ASQA has revised its corporate plan and will also revise its published service standards in 2018-19 to reflect its current business practices.
- ASQA has partially met the target results against KPI 9, which relates to the perception of certain stakeholders of ASQA's contribution to quality. ASQA has met this indicator for provider survey respondents but not in relation to other stakeholders. While ASQA recognises that there is potential for improvement in relation to this KPI, most stakeholder respondents (59.1 per cent) indicated that they perceive ASQA's contribution to be 'good', while a further 31.8 per cent of stakeholders indicated that they consider ASQA's performance 'fair'. ASQA has commenced work to update its stakeholder engagement strategy during 2018-19.

The strategic work ASQA has undertaken to support its core regulatory business is discussed in detail in the next section of this annual report, which discusses ASQA's performance against Purpose 2—Regulate the VET sector utilising a contemporary risk- and standards-based regulatory approach.

Purpose 2—Regulate the VET sector utilising a contemporary risk- and standards-based regulatory approach

In achieving Purpose 2, ASQA's primary focus in the reporting year was embedding its regulatory risk framework.

This included ongoing environmental scanning to identify systemic risks in the sector; announcing priorities through its regulatory strategy; and addressing significant risks by implementing strategic reviews and a range of other regulatory projects. ASQA continued to be vigilant in identifying providers that consistently

fail to meet their regulatory obligations, and took decisive action to address concerning behaviour and practice.

Figure 13 shows the performance criteria and KPIs that are used to measure ASQA's performance against Purpose 2 as set out in the *ASQA corporate plan 2017-18*, and the related reporting requirements as set out in the Portfolio Budget Statements.

Figure 13: Measuring ASQA's performance against Purpose 2

Purpose 2—Regulate the VET sector utilising a contemporary risk- and standards-based regulatory approach

Publish/communicate the regulatory risk framework

KPI 10 ASQA's implementation of the regulatory risk framework is published and effectively communicated

Identify risks in the sector

KPI 11 ASQA's annual environmental scanning activities inform the authority's regulatory strategy

KPI 12 ASQA announces its regulatory strategy annually

KPI 13 ASQA addresses priority risks

Undertake strategic reviews

KPI 14 ASQA undertakes strategic reviews of identified risk areas

Risk-based regulation

KPI 15 ASQA moves to a risk-based model of regulation

PBS target: Application of risk-based regulation demonstrated by percentage of non-application-based audits to application-based audits.

Measuring performance against target: 30 per cent non-application-based audits.

Results against performance criteria for Purpose 2

Publish/communicate the regulatory risk framework

KPI 10: ASQA's implementation of the regulatory risk framework is published and effectively communicated

Measure: Published framework and implementation updates

ASQA's regulatory risk framework was published in early 2016, establishing the basis of ASQA's regulatory approach.

In 2017–18, ASQA has ensured providers and other relevant stakeholders are aware of how the framework is being implemented by communicating information about changes to ASQA's regulatory practice:

- ASQA provided information through website and email updates and provider information sessions about progress on priority-area projects, including Australia's international education sector, monitoring VSL providers, and 'raising the bar' for new entrants to the VET market.
- ASQA continued work on raising awareness of the use of 'provider profiles' through email, website and training provider briefing sessions. Provider profiles draw on a variety of information and data sources to allow ASQA to make informed judgements about the risk posed by a provider at any time.
- ASQA continued work to familiarise the sector with the student-centred audit approach, through training provider briefing sessions, webinars and presentations to key stakeholder groups, and a range of online resources (including a revised *Users' guide to the Standards for RTOs 2015* as well as fact sheets, FAQs and video content).

Identify risks in the sector

KPI 11: ASQA's annual environmental scanning activities inform the authority's regulatory strategy

Measure: Environmental scanning is used to identify priority risks published in ASQA's regulatory strategy

ASQA's *Regulatory strategy 2017–18* identifies the priority focus areas for ASQA's current regulatory activity and continues until the release of the new regulatory strategy.

The current regulatory strategy was informed by an environmental scan completed in April 2017, which identified the following priorities:

- Australia's international education sector
- trainer and assessor capability
- collaborating with DET to monitor VSL providers
- progressing recommendations regarding 'unduly short training'
- increasing scrutiny on new RTOs entering the VET market
- embedding ASQA's student-centred audit approach
- recognising and supporting quality in the VET sector.

In June 2018, ASQA commenced the 2018–19 environmental scan. ASQA expects to finalise this scan in August 2018 in order to inform its regulatory strategy through to 2020.

Identify risks in the sector

KPI 12: ASQA's announces regulatory strategy annually

Measure: Summary of annual regulatory strategy reported

KPI 13: ASQA addresses priority risks

Measure: Summary of responses to priority risks reported

In August 2017, ASQA published its priority risks in the *Regulatory strategy 2017-18*.

The priority risks were categorised for treatment into two target areas and five regulatory initiatives. Action taken by ASQA during 2017-18 towards addressing those target areas and regulatory initiatives is shown in Table 6.

Table 6: Summary of responses to priority risks identified in regulatory strategy

Priority risk	How ASQA addressed this risk in 2017-18
Target area	
Australia's international education sector	ASQA's activity in this area is discussed in the response to Purpose 2, KPI 14.
Trainer and assessor capability	<p>A lack of capability in the VET workforce directly affects the quality of delivery and assessment across the sector, which in turn directly affects the quality of VET outcomes.</p> <p>To address concerns about the capability of VET trainers and assessors, in 2017-18 ASQA:</p> <ul style="list-style-type: none"> continued scrutiny of RTOs who apply to deliver TAE training products, seeking additional detail and evidence from all applications for TAE training products developed and implemented a monitoring strategy for RTOs delivering TAE training products, undertaking active ongoing monitoring of recently approved providers and commencing a number of audits continued education to promote quality assessment practice (including through the updated <i>Users' guide to the Standards for RTOs 2015</i> and discussion of common compliance issues with Standard 1.8, which relates to assessment practices, at training provider briefing sessions in May and June 2018).
Initiatives	
Collaborating with DET to monitor VSL providers	<p>DET is responsible for administering the VSL scheme. Building on learnings from the 2015 VET FEE-HELP targeted audit program and the 2016 strategic review into VET FEE-HELP providers, ASQA has continued to work with DET to monitor VSL-approved providers and undertake regulatory work as agreed.</p> <p>In 2017, ASQA and DET signed an agreement to enhance their partnership. Under this agreement, DET may commission ASQA to audit VSL providers as its representative under section 45 of the VSL Act.</p> <p>Where ASQA identifies non-compliance, DET may take regulatory action. Changes to the NVR Act in January 2017 made compliance with the VSL Act a condition of registration for VSL-approved RTOs. This means ASQA can also take regulatory action under the NVR Act should a VSL-approved RTO be found to be non-compliant with its requirements under the VSL Act.</p> <p>In 2017-2018, DET commissioned ASQA to commence 12 VSL audits. DET will commission ASQA to undertake a further 12 audits in 2018-19.</p>

Priority risk**How ASQA addressed this risk in 2017-18****Target area**

Progressing recommendations regarding 'unduly short training'

Following ASQA's 2016-17 strategic review into the amount of training delivered by providers, ASQA released the report *A review of issues relating to unduly short training*.

The report made recommendations about changes to the VET regulatory framework, to enable more effective regulation of the amount of training and to prevent providers from delivering excessively short courses that do not provide graduates with the required skills and knowledge.

In 2017-18, ASQA worked closely with key stakeholders responsible for aspects of the VET regulatory framework to implement these recommendations.

DET is leading a program of work in consultation with states and territories to progress implementation of the recommendations.

Increasing scrutiny on new RTOs entering the VET market

ASQA receives around 500 applications for initial registration each year and spends a considerable proportion of its regulatory resources on these applications.

In 2017-18, ASQA rejected around one in three applications for initial registration as a new training provider. Many such applications are submitted by organisations without the educational capacity or the financial resources to deliver quality training.

ASQA expects any applicant seeking initial registration as either an RTO or a CRICOS provider to:

- be fully financially prepared to operate a sustainable training business
- have all the appropriate resources, processes and systems in place to commence delivery at the time of submitting the application
- ensure all people that will be involved in the operation of the training provider are suitable.

ASQA's *Regulatory strategy 2017-18* identified the need to implement even stronger controls on new training providers seeking to enter the market and during the reporting period ASQA developed and announced new arrangements for these applicants.

These arrangements were announced on 1 May 2018 and as of 1 July 2018 new applicants for registration:

- are required to submit more extensive financial viability data and provide greater disclosure on the backgrounds of people associated with the organisation
- need to complete a comprehensive self-assessment to ensure that they are ready to deliver training and submit evidence to support compliance
- no longer have an opportunity to correct non-compliances prior to a decision being made on the application
- are no longer able to make changes to a submitted application
- are generally registered for an initial two-year period.

Successful applicants are also subject to additional scrutiny during the first two years where they apply to add new training products to their scope of registration.

The changes to the application and assessment process for initial registration will help organisations considering entry to the VET and/or international education training market to determine if they have the resources and skills needed to seek initial registration, and further protect the integrity and reputation of these markets.

Priority risk	How ASQA addressed this risk in 2017-18
Target area	
Embedding ASQA's 'student-centred audit approach'	<p>ASQA's student-centred audit approach was initially developed in 2016. A staged implementation took place from October to December 2016, and the new approach was rolled out in stages across the 2017 calendar year.</p> <p>During the 2017-18 financial year, ASQA completed implementation of the student-centred audit model through:</p> <ul style="list-style-type: none"> • applying revised approach for CRICOS providers (from late 2017) • updating the <i>Users' guide to the Standards for RTOs 2015</i> and other provider publications and resources to align the 'phases of the student journey' (November 2017) • carrying out online surveys of students for all audit types from mid-2017, and for CRICOS audits from late 2017 • undertaking cognitive testing with international students and student representatives of Aboriginal and Torres Strait Islander peoples to improve the student survey for different student groups and implementing revised questions from April 2018 • increasing efficiency in audit reporting by updating audit reports to allow consolidated reports for joint VET/CRICOS/ELICOS audits and by creating new 'smart audit reports' • undertaking staff training, including a moderation session on remedial action (a key component of the student-centred audit approach).
Recognising and supporting quality in the VET sector	<p>As part of refining its risk-based approach, ASQA is exploring additional strategies that recognise and support compliant providers.</p> <p>The vast majority of Australia's VET providers deliver quality training and meet their compliance requirements.</p> <p>The aim of the initiative is to:</p> <ul style="list-style-type: none"> • recognise and support compliant providers • support development of a continuous improvement approach to quality in the VET sector • encourage support for providers to develop quality practice • provide incentives for providers to meet compliance requirements • repair reputational damage to the sector, resulting from the recent spotlight on abuse of DET's VET FEE-HELP scheme by a small number of providers. <p>In 2018, ASQA commissioned advice on this strategy. ASQA will progress further work on this strategy in 2018-19 in the context of the review of the NVR Act.</p>

Undertake strategic reviews

KPI 14: ASQA undertakes strategic reviews of identified risk areas

Measure: Summary of strategic reviews and outcomes reported

ASQA regulates international education providers that offer VET and English language intensive courses to overseas students studying in Australia on student visas.

In its *Regulatory strategy 2017-18*, ASQA identified international education as a priority risk. To address this risk, during the 2017-18 reporting year, ASQA commenced the International Education Strategic Review, a strategic review of international VET and English language education services delivered by ASQA-regulated providers.

The purpose of the International Education Strategic Review is to ensure that the quality of Australia's international VET and English language education services delivered by ASQA-regulated providers remains at a high standard, students are safeguarded and Australia's reputation as a destination of choice for international students is enhanced.

In 2017-18, ASQA undertook preliminary planning and research including:

- establishing an International Education Strategic Review reference committee comprising key stakeholders
- holding the first reference committee meeting in June 2018, at which the committee agreed the three streams of work for further analysis:
 - data and information management
 - policy and regulatory framework integration
 - recognising and rewarding quality.
- releasing the terms of reference for the review
- commencing audits of a number of CRICOS providers of interest.

The program of audits commenced during the reporting period will continue and be finalised during 2018-19.

Risk-based regulation

KPI 15: ASQA moves to a risk-based model of regulation

Measure: Trend over time of compliance-based audits undertaken compared to application-based audits

Portfolio Budget Statements target: Application of risk-based regulation demonstrated by percentage of non-application-based audits to application-based audits

Target: 30 per cent non-application-based audits

In 2017-18, 57.1 per cent of ASQA audits were non-application-based. ASQA has met and exceeded the target for this indicator.

ASQA has now fundamentally transitioned from largely transaction-based regulation (where most regulatory action was triggered by an application) to more risk-based regulation (where regulation is targeted at high-risk areas through audit activities that are triggered by data and intelligence).

This means compliant providers with a strong history of delivering quality training and assessment experience—that is, the majority of ASQA-regulated providers—are subject to less regulatory intervention.

This transition is clearly evident in the increase over recent years in the percentage of audits that are non-application-based, as shown in Table 7.

Table 7: Non-application-based audits undertaken compared to application-based audits, 2013-14 to 2017-18

Audits undertaken	2013-14	2014-15	2015-16	2016-17	2017-18
Total	1515	1399	1174	1632	1478
Application-based	1104	867	759	713	633
Non-application-based	411	532	415	919	845
Non-application-based audits (% of total)	27.1	38.0	35.3	56.3	57.1

The total number of audits decreased slightly in 2017-18 from the previous year, due to the increasing complexity of audits (as discussed in the response to KPI 3). However, the percentage of audits that were non-application-based in 2017-18 increased slightly from the previous year.

In total, 845 of the audits undertaken during the reporting year (57.1 per cent) were non-application-based. In most cases this type of audit is triggered by concerns about the provider. ASQA's provider profiles draw on a wide range of data and intelligence sources to track levels of concern.

The high proportion of non-application-based audits in both 2016-17 and 2017-18 has corresponded with a resulting increase in the number of adverse regulatory decisions in 2017-18 (see Purpose 1, KPI 6). This trend is indicative of a more efficient use of ASQA's audit resources. During the reporting year ASQA undertook slightly fewer audits overall but made more adverse regulatory decisions, effectively taking action in relation to that minority of providers that are not compliant.¹³

Although there is a clear trend toward a higher percentage of non-application-based audits, ASQA will continue to undertake application-based audits. In accordance with its Regulatory Risk Framework, ASQA seeks to treat risk on two levels: at a macro level (systemic risk) and micro level (provider risk). In some cases, the systemic risk associated with a particular product or type of application will mean that an application may trigger an audit.

Analysis of performance against Purpose 2

ASQA has effectively regulated the sector using a risk-based and standards-based regulatory approach during the reporting year and has achieved all performance indicators relating to Purpose 2.

At the systemic level, ASQA has addressed risks identified in its *Regulatory strategy 2017-18* through:

- continuing focus on the quality of trainers and assessors in the sector through the ongoing close scrutiny of applicants seeking to deliver TAE qualifications, as well as additional monitoring of providers approved to deliver these qualifications
- commencing a strategic review of the international education sector
- increasing scrutiny on new entrants to the market, in recognition of the high risks posed by poor-quality entrants.

ASQA has also continued to improve how it addresses risk at the provider level, including through:

- increasing the proportion of non-application-based audit activities, significantly exceeding the target for these set in the Portfolio Budget Statements
- effectively targeting the minority of providers that are high-risk (as reflected by the high number of adverse regulatory decisions made during 2017-18).

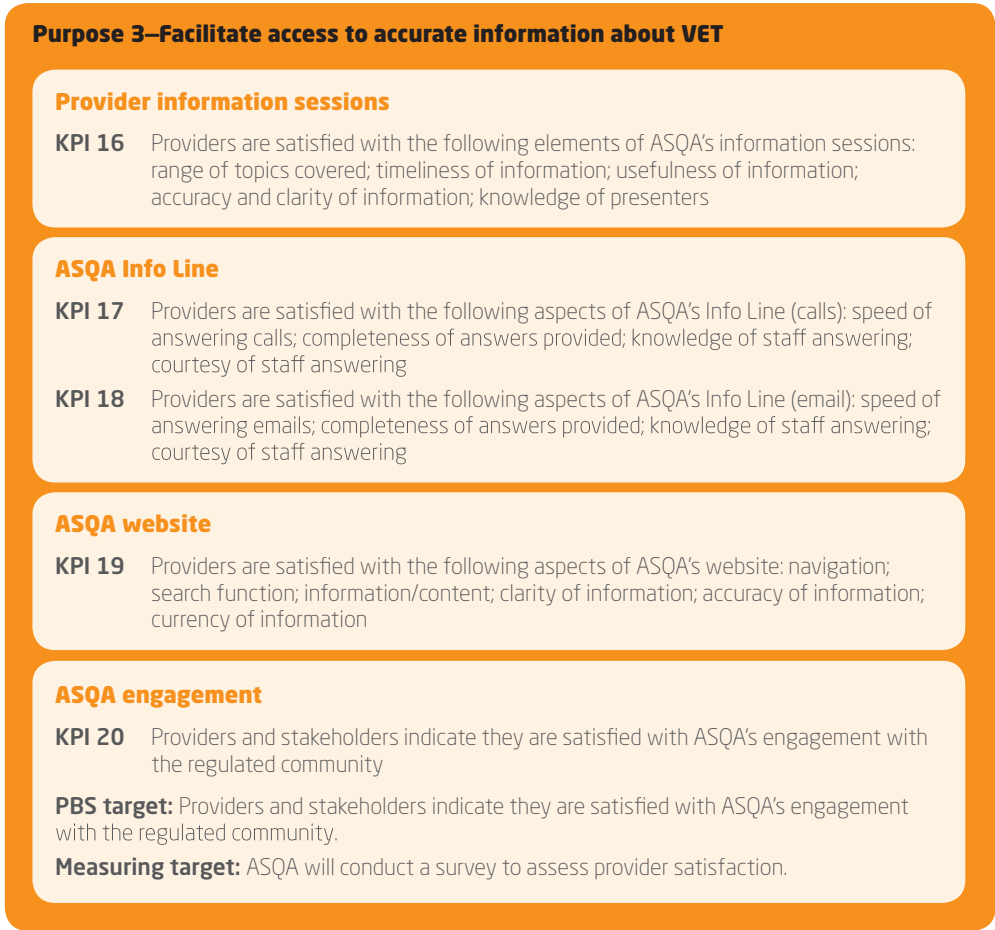
¹³ Adverse regulatory decisions include a broad range of responses to non-compliance, from written directions (that may require a provider to correct an issue) through to suspension or cancellation of registration. ASQA chooses a regulatory response that is proportional to the type and severity of the non-compliance.

Purpose 3—Facilitate access to accurate information about VET

In achieving Purpose 3, ASQA's primary activities over the reporting period were the delivery of training provider information sessions, continuing the ASQA Info Line service, and maintaining an up-to-date website.

Figure 14 shows the performance criteria and KPIs that are used to measure ASQA's performance against Purpose 3 as set out in the *ASQA corporate plan 2017–18*, and the related reporting requirements as set out in the Portfolio Budget Statements.

Figure 14: Measuring ASQA's performance against Purpose 3



Results against performance criteria for Purpose 3

Provider information sessions

KPI 16: Providers are satisfied with the following elements of ASQA's information sessions: range of topics covered; timeliness of information; usefulness of information; accuracy and clarity of information; knowledge of presenters

Measure: 70 per cent positive feedback from providers (excellent or good in annual survey)

ASQA held 27 training provider briefing sessions from May to June 2018, including 23 face-to-face sessions at 13 metropolitan and regional locations across Australia, and four webinars.

Each year, ASQA hosts these sessions to discuss important compliance-related issues and provide an insight into how the regulator seeks to maintain and enhance quality in the VET sector.

The 2018 sessions covered a range of topics, including the introduction of new procedures that apply additional scrutiny to new providers entering the market, issues found with third-party arrangements, and key areas of non-compliance identified during the first year of the student-centred audit approach.

For the first time, ASQA held a webinar targeted specifically at VET sector consultants and advisors. With more training providers engaging the services of consultants and advisors to achieve and maintain compliance, this webcast provided an opportunity for these consultants to engage directly with the VET regulator and receive targeted advice.

Consistent with previous years, providers have continued to respond positively to these sessions. ASQA has exceeded the target satisfaction for all components of this indicator, as shown in Table 8.

Table 8: Provider satisfaction with ASQA training provider briefing sessions 2018

Criteria	Satisfaction level (%) Target = 70
Range of topics covered/discussed	82.1
Timeliness of information	83.6
Helpfulness of information	77.5
Accuracy of information	86.9
Clarity of information	82.6
Knowledge of presenters	85.4

ASQA Info Line

KPI 17: Providers are satisfied with the following aspects of ASQA's Info Line (calls): speed of answering calls; completeness of answers provided; knowledge of staff answering; courtesy of staff answering

KPI 18: Providers are satisfied with the following aspects of ASQA's Info Line (email): speed of answering emails; completeness of answers provided; knowledge of staff answering; courtesy of staff answering

Measure: 70 per cent positive feedback from providers (excellent or good in annual survey)

During 2017-18, the ASQA Info Line met or significantly exceeded the 70 per cent satisfaction target for indicators relating to both email and telephone enquiries, with the exception of the criteria relating to 'completeness of answers'. These results are shown in Table 9.

The 'completeness of answers' criteria require that 70 per cent of individuals who contact the Info Line by email or telephone receive a complete answer (i.e. the answer does not require the individual to make further contact with the Info Line).

Performance in this area has declined slightly from the previous year. In 2017-18, 67.8 per cent of individuals who made an email enquiry indicated they did not have to contact the Info Line again (compared to 67.9 per cent in 2016-17). For telephone enquiries, the figure was 68.6 per cent in 2017-18 (compared to 71.5 per cent in 2016-17).

Performance against this criteria can be partially attributed to the complexity of matters for which providers use the Info Line service. Providers increasingly use ASQA's website and education resources to self-service for less complex enquiries. The Info Line frequently handles complex and unique matters that can require ongoing engagement with the individual or organisation involved.

Table 9: Provider satisfaction with ASQA Info Line service, 1 July 2017 to 30 June 2018

Criteria	Satisfaction level (%)	
	Telephone Target = 70	Email Target = 70
Speed of answering	83.6	70.9
Completeness of answers	68.6	67.8
Knowledge of staff answering	71.8	76.3
Courtesy of staff answering	89.3	87.9

The following activities (completed or commenced) during the reporting year aim to assist in the ongoing provision of a high-quality Info Line service—including the provision of complete answers in one call or email where possible:

- The allocation of additional staff resources at the end of the reporting period. This has enabled ASQA to begin to transition from mostly non-ongoing Info Line employees to mostly ongoing, from mid-2018. This allows higher levels of institutional knowledge to be retained.
- The transition to a greater proportion of ongoing staff has enabled additional learning and development for the Info Line team—including cross-team training with other ASQA teams, to develop a deeper knowledge of specific areas of the regulator's work.
- In 2018-19 the Info Line team will complete work on a revised triage process for emails received, which involves allocating emails to different team members based on complexity. This will ensure the most complex enquiries are immediately progressed to senior team members.

ASQA website

KPI 19: Stakeholders are satisfied with the following aspects of ASQA's website: navigation; search function; information/content; clarity of information; accuracy of information; currency of information

Measure: 70 per cent positive feedback from providers (excellent or good in annual survey)

Providers continue to indicate high levels of satisfaction with ASQA's website, as shown in Table 10.

As part of continuous improvement work, ASQA commenced a review of www.asqa.gov.au aimed at improving the website's user focus. The 'research' and 'discovery' phases of this project, as required under the Australian Government's mandatory Digital Service Standard, were completed during the reporting year. The results of this work, as well as additional user testing, will inform the delivery of a revised website during 2018-19.

Table 10: Provider satisfaction with ASQA website, 1 July 2017 to 30 June 2018

Criteria	Provider satisfaction level (%) Target = 70
Navigation	83.5
Search function	77.1
Information/content	88.7
Clarity of information	83.4
Accuracy of information	90.8
Currency of information	89.2

ASQA engagement

KPI 20: Providers and stakeholders indicate they are satisfied with ASQA's engagement with the regulated community

Measure: 70 per cent positive feedback from providers and stakeholders (excellent or good in annual survey)

In 2017-18, 67.8 per cent of providers indicated their perception of ASQA's engagement with the regulated community as 'excellent' or 'good', as shown in Table 11. A further 19.2 per cent considered ASQA's engagement 'fair'.

While this indicator has not been met in 2017-18, in general, individual aspects of ASQA's engagement with the regulated community receive consistently high satisfaction ratings (see KPIs 16 to 19). ASQA continues to seek to increase the level of engagement with the regulated community through a broad range of information channels, including face-to-face events, webinars, presentations at industry events, and online (including through its website and social media).

In 2018-19, ASQA is seeking to further improve provider satisfaction with its engagement, including through greater use of webinars (online events), which providers have indicated are positively received, as well as through expanding its social media engagement.

As discussed in the response to KPI 7, ASQA undertakes an annual survey of providers and other stakeholders. As part of this survey, ASQA asks non-provider stakeholders who are senior representatives from key VET sector organisations and agencies¹⁴ to provide their perspective on ASQA's engagement with the regulated community. As highlighted previously in this report, ASQA recognises that there is a need to more effectively engage with non-RTO stakeholders in the VET sector to promote the work ASQA is doing to engage with the regulated community.

However, it is clear that the regulated community itself is generally very satisfied with the numerous communications channels provided by ASQA—including its website, face-to-face briefings and Info Line and email enquiries service.

Table 11: Provider and stakeholder satisfaction with ASQA's engagement with the regulated community, 1 July 2017 to 30 June 2018

	Satisfaction level (%) Target = 70
Providers	67.8
Stakeholders	50

¹⁴ In 2017-18 the stakeholders surveyed were senior representatives from: Australian Government agencies, state and territory government agencies, and industry bodies that are directly involved in VET policy; other VET regulators; peak bodies representing industry, business and employers; and peak bodies representing providers.

Analysis of performance against Purpose 3

During 2017–18 ASQA has continued to effectively facilitate access to information about the VET sector through a broad range of engagement channels.

ASQA has provided information (including through face-to-face events and online briefings) about key developments affecting the VET sector in 2017–18, including the significant changes to the initial registration application process, the ongoing refinement of the student-centred audit model, and the commencement of the International Education Strategic Review.

During the reporting year ASQA published a broad range of information to support providers' understanding of the student-centred audit model, including a revised version of the *Users' guide to the Standards for RTOs 2015*. This guide is considered an invaluable tool for providers and was accessed online more than 11,000 times in the period between its publication on November 2017 and the end of the reporting year.

This year, ASQA also sought to enhance sector and community understanding of the VET regulatory architecture, which is complex and sometimes misinterpreted. ASQA provided a range of resources to promote improved understanding of this subject, including an animated video and an infographic, as well as discussion at the training provider briefing sessions.

ASQA continually updates and improves its online communication channels, and in 2017–18 implemented a range of initiatives, including new animated informational videos. Feedback received from the regulated community (shown in the responses to KPIs 16 to 19) indicates training providers remain highly satisfied with ASQA's efforts to provide information about the sector.

In 2018–19, ASQA will implement a revised strategy for engagement with providers and other stakeholders, designed to further enhance its practices in this area. ASQA's approach to provider and stakeholder engagement may also be affected by proposed changes to the NVR Act from 2018–19.



Financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Small and Family Business, Skills and Vocational Education

Opinion

In my opinion, the financial statements of the Australian Skills Quality Authority for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Skills Quality Authority as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Skills Quality Authority, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising an Overview and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Skills Quality Authority in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Skills Quality Authority, the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Australian Skills Quality Authority's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
11 September 2018

Statement by the Accountable Authority and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Skills Quality Authority will be able to pay its debts as and when they fall due.

Signed.....

Mark Paterson AO
Accountable Authority

11 September 2018

Signed.....

Jonella Welsh
Chief Financial Officer

11 September 2018

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Statement of Comprehensive Income*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee Benefits	1.1A	19,561	22,776	20,583
Suppliers	1.1B	12,413	14,533	12,780
Finance Costs		6	7	-
Write-Down and Impairment of Assets		(273)	2	-
Depreciation and amortisation	3.2	2,031	1,672	2,158
Total expenses		33,738	38,990	35,521
Own-Source Income				
Other Revenue	1.2A	852	175	-
Rental Income	1.2B	278	239	264
Gains	1.2C	-	179	-
Total own-source income		1,130	593	264
Net cost of services		32,608	38,397	35,257
Revenue from Government	1.2D	33,099	35,250	33,099
Surplus/(deficit) attributable to Australian Government		491	(3,147)	(2,158)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		1,415	-	-
Total other comprehensive income		1,415	-	-
Total comprehensive income/(loss) attributable to the Australian Government		1,906	(3,147)	(2,158)

The above statement should be read in conjunction with the accompanying notes.

Budget variances commentary

Employees

Employee expenses are reporting a \$1 million (5%) underspend against the 2017-18 Portfolio Budget Statements. The primary factor for the underspend was due to the implementation of a series of fiscal controls at the beginning of the 2017-18 financial year which were aimed at ensuring ASQA's budget position. This was compounded by difficulties faced by the agency in recruiting officers with the required technical expertise to fill regulatory vacancies.

Suppliers

Supplier expenses are reporting a \$0.367 million (3%) underspend against the 2017-18 Portfolio Budget Statements. Contributing factors for the underspend are in relation to the lower than budget average staffing levels in terms of consumption costs driven by lower staffing numbers including shared services costs for ICT and payroll, general office expenses and regulatory travel expenditure.

Depreciation

Depreciation was \$0.127 million lower than the 2017-18 Portfolio Budget Statements due to timing delays with the capitalisation of leasehold improvements with the project commencing later than anticipated and delays in the scheduled software releases for ASQA's online regulatory management system ASQANET.

Own Source Income

Other revenue primarily consists of \$0.710 million revenue received for the conduct of VET Student Loans compliance audits on behalf of Department of Education and Training and \$0.059 million income to fund the national register for accredited courses.

Rental income represents rent received from the Asbestos Safety and Eradication Agency for the sub-lease of 324sqm of ASQA's premises at Level 10, 255 Elizabeth Street, Sydney.

Statement of Financial Position*as at 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	287	335	292
Trade and other receivables	3.1B	17,225	23,950	12,318
Total financial assets		17,512	24,285	12,610
Non-financial assets				
Leasehold improvements	3.2A	4,547	2,125	5,572
Plant and equipment	3.2A	335	368	504
Intangible assets	3.2A	11,068	9,291	9,448
Prepayments	3.2B	345	178	54
Total non-financial assets		16,295	11,962	15,578
Total assets		33,807	36,247	28,188
LIABILITIES				
Payables				
Suppliers	3.3A	1,659	4,246	3,237
Other Payables	3.3B	2,785	4,210	191
Total payables		4,444	8,456	3,428
Provisions				
Employee provisions	6.1	4,502	5,506	6,021
Other provisions	3.4	490	258	301
Total provisions		4,992	5,764	6,322
Total liabilities		9,436	14,220	9,750
Net assets		24,371	22,027	18,438
EQUITY				
Contributed equity		24,701	24,223	24,701
Asset revaluation reserve		1,435	20	20
Retained earnings		(1,765)	(2,216)	(6,283)
Total equity		24,371	22,027	18,438

The above statement should be read in conjunction with the accompanying notes.

Budget variances commentary

Financial assets are reporting an increase to the budget position of \$4.902 million (39%). The increase within appropriation receivables results from the year-end operating surplus against the budget position of an operating loss.

Non-financial assets are \$0.717 million (5%) above the budget position. The movement in assets is reflective of the capitalisation of leasehold improvements and intangible assets, increased value of prepayments for software licences and ICT services coupled with the impacts of the asset revaluation exercise undertaken at 30 June 2018.

Total liabilities are \$0.314 million (3%) under the budget position. Contributing factors include an increase to payables offset by a decrease to leave provisions. The reduction to the leave provision reflects the impacts of the actuarial valuation of leave liabilities that resulted in adjustments to on-cost and probability factors applied when calculating leave provisioning and a write back of the provision accordingly.

ASQA's net assets and total equity is \$5.933 million (32%) over budget due to the reasons noted above.

Statement of Changes in Equity*for the period ended 30 June 2018*

	2018 \$'000	2017 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	24,223	24,121	24,223
Adjusted opening balance	24,223	24,121	24,223
Transactions with owners			
Contributions by owners			
Equity injection	478	102	478
Total transactions with owners	478	102	478
Closing balance as at 30 June	24,701	24,223	24,701
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	(2,216)	931	(4,125)
Adjustment for repealed appropriations	(40)	-	-
Adjusted opening balance	(2,256)	931	(4,125)
Comprehensive income			
Surplus/(Deficit) for the period	491	(3,147)	(2,158)
Total comprehensive income	491	(3,147)	(2,158)
Closing balance as at 30 June	(1,765)	(2,216)	(6,283)
ASSET REVALUATION RESERVE			
Opening balance	20	20	20
Adjusted opening balance	20	20	20
Comprehensive income			
Other comprehensive income	1,415	-	-
Total comprehensive income	1,415	-	-
Closing balance as at 30 June	1,435	20	20

Statement of Changes in Equity (continued...)

for the period ended 30 June 2018

	2018 \$'000	2017 \$'000	Original Budget \$'000
TOTAL EQUITY			
Opening balance	22,027	25,072	20,118
Adjustment for repealed appropriations	(40)	-	-
Adjusted opening balance	21,987	25,072	20,118
Comprehensive income			
Surplus/(Deficit) for the period	491	(3,147)	(2,158)
Other comprehensive income	1,415	-	-
Total comprehensive income	1,906	(3,147)	(2,158)
Transactions with owners			
Contributions by owners			
Equity injection	478	102	478
Total transactions with owners	478	102	478
Closing balance as at 30 June	24,371	22,027	18,438

The above statement should be read in conjunction with the accompanying notes.

Accounting policy

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Budget variances commentary

ASQA's closing equity balance is \$5.933 million (32%) above the budget position. Contributing factors include the year end operating surplus as opposed to the budgeted operating loss and other comprehensive income in the form of an asset revaluation adjustment.

Cash Flow Statement

for the period ended 30 June 2018

	2018 \$'000	2017 \$'000	Original Budget \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	40,440	36,603	36,249
Sale of goods and rendering of services	1,075	451	264
GST received	1,605	1,673	-
Total cash received	43,120	38,727	36,513
Cash used			
Employees	20,565	22,228	20,414
Suppliers	17,775	14,368	13,277
Section 74 receipts transferred to Official Public Account	1,075	687	-
Total cash used	39,415	37,283	33,691
Net cash from/(used by) operating activities	3,705	1,444	2,822
INVESTING ACTIVITIES			
Cash used			
Purchase of plant and equipment	136	27	-
Purchase of leasehold improvements	1,215	434	1,850
Purchase of intangible software	2,880	2,827	1,450
Total cash used	4,231	3,288	3,300
Net cash used by investing activities	(4,231)	(3,288)	(3,300)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	478	1,887	478
Total cash received	478	1,887	478
Net cash from financing activities	478	1,887	478
Net increase/(decrease) in cash held	(48)	43	-
Cash and cash equivalents at the beginning of the reporting period	335	292	292
Cash and cash equivalents at the end of the reporting period	287	335	292

The above statement should be read in conjunction with the accompanying notes.

Budget variances commentary

Cash received from operating activities is \$6.607 million (18%) above the budget position reflecting the utilisation of prior year appropriations, increase to other revenue and GST receipts.

Cash used for operating activities is \$5.724 million (17%) above the budget position.

Cash used for investing activities is \$0.931 million (28%) above the budget position.

The variances between budget and actuals in the statement of cash flows are primarily the flow on effect from the events already described and timing differences between cash receipts and expense payments.

Administered Schedule of Comprehensive Income*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Write-down and impairment of receivables		413	476	-
Total expenses		413	476	-
Income				
Taxation revenue				
Charges	2.1	15,250	1,393	9,600
Total taxation revenue		15,250	1,393	9,600
Non-taxation revenue				
Fees and fines	2.1	13,652	27,933	8,333
Total non-taxation revenue		13,652	27,933	
Total revenue		28,902	29,326	17,933
Total income		28,902	29,326	17,933
Net contribution by services		28,489	28,850	17,933
Total comprehensive income		28,489	28,850	17,933

The above schedule should be read in conjunction with the accompanying notes.

Budget variances commentary

Write-down and impairment of assets

ASQA has shifted its regulatory approach to targeted compliance audits of providers that are considered at high risk of non-compliance. This results in increased incidence of audit charges being billed to organisations whose registration ASQA is cancelling as an outcome of audit, leaving the organisation significantly less likely to pay the associated audit charges.

ASQA does not budget for the write-down and impairment of receivables as the entity is obliged to pursue recovery of each debt for which the entity is responsible for. ASQA does make provision for invoices over 90 days due and for invoices where a provider's registration has ceased at balance day.

Taxation Revenue

On 1 July 2017 ASQA's annual registration fee was replaced with an annual registration charge effected under the National Vocational Education and Training Regulator (Charges) Act 2012. This results in a reclassification of revenue from non-taxation to taxation revenue.

Non-taxation revenue

In 2017-18 revenue from Fees and fines excludes the former annual registration fee which is now represented as an annual registration charge and classified as taxation revenue.

Total comprehensive income

ASQA has received revenue of \$10.969 million (61%) above the budget position. This mainly reflects higher than expected levels of new entrants to the VET and CRICOS market coupled with the retention of existing registered training providers. These factors have generated additional revenue within the initial application and the renewal application fee that have a flow on impact to the amount of revenue collected for the annual registration charge.

Administered Schedule of Assets and Liabilities*as at 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Trade and other receivables	4.1	319	368	69
Total financial assets		319	368	69
Total assets administered on behalf of Government		319	368	69
LIABILITIES				
Provisions				
Other provisions	4.2	427	117	24
Total provisions		427	117	24
Total liabilities administered on behalf of Government		427	117	24
Net assets		(108)	251	45

The above schedule should be read in conjunction with the accompanying notes.

Budget variances commentary

Receivables are reflective of ASQA's shift to the risk based regulation approach.

Other provisions reflect the legal obligation to provide refunds for providers who withdrawal registration applications or who cease registration part-way through the financial year.

The variance to budget for both receivables and other provisions is predominantly due to the immaturity of the assumptions when forming the budget during the transitional period of moving to risk based regulation.

Administered Reconciliation Schedule

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July		251	46
Net contribution by services			
Income		28,902	29,326
Expenses		(413)	(476)
Transfers (to)/from the Australian Government			
Appropriation transfers from Official Public Account			
Special appropriations (limited)	5.1C	602	581
Appropriation transfers to Official Public Account			
Transfers to Official Public Account		(29,450)	(29,226)
Closing assets less liabilities as at 30 June		(108)	251

The above schedule should be read in conjunction with the accompanying notes.

Accounting policy

Administered cash transfers to and from the Official Public Account

Revenue collected by ASQA for use by the Government rather than ASQA administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by ASQA on behalf of the Government and reported as such in the Administered Cash Flow Statement and in the Administered Reconciliation Schedule.

Administered Cash Flow Statement*for the period ended 30 June 2018*

	2018 \$'000	2017 \$'000	Original Budget \$'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services	14,193	27,563	8,687
Charges	15,250	1,393	9,600
Fines	7	270	-
Total cash received	29,450	29,226	18,287
Cash used			
Refunds to registered training organisations	602	581	354
Total cash used	602	581	354
Net cash received from operating activities	28,848	28,645	17,933
Cash from Official Public Account			
Appropriations	602	581	354
Total cash from Official Public Account	602	581	354
Cash to Official Public Account			
Appropriations	29,450	29,226	18,287
Total cash to Official Public Account	29,450	29,226	18,287
Cash and cash equivalents at the end of the reporting period	-	-	-

This schedule should be read in conjunction with the accompanying notes.

Budget variances commentary

The variances between budget and actuals in the statement of cash flows are primarily the flow on effect from the events already described and timing differences between cash receipts and expense payments.

The \$11.163 million increase in cash receipts (which was then transferred to the Official Public Account) reflects the \$10.556 million increase in net revenue which is due to reasons explained in the Administered Schedule of Comprehensive Income statement.

Cash used to refund registered training organisations are not currently budgeted for but managed through a special appropriation that permits the repayment of an amount received by the Commonwealth.

ASQA is legally obliged to provide refunds for providers who withdrawal registration applications or who cease registration part-way through the financial year.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

Overview

Objectives of the Australian Skills Quality Authority

The Australian Skills Quality Authority (ASQA) is an Australian Government-controlled not-for-profit entity. ASQA is the national regulator for Australia's vocational education and training (VET) sector and regulates courses and training providers to ensure nationally approved quality standards are met.

The objectives of ASQA are:

- a) to provide for national consistency in the regulation of VET
- b) to regulate VET using a standards based quality framework and risk assessments where appropriate
- c) to protect and enhance the quality, flexibility and innovation in VET, and Australia's reputation for VET nationally and internationally
- d) to provide a regulatory framework that encourages and promotes a VET system that is appropriate to meet Australia's social and economic needs for a highly educated and skilled population
- e) to protect students undertaking, or proposing to undertake, Australian VET by ensuring the provision of quality VET and
- f) to facilitate access to accurate information relating to the quality of VET.

ASQA activities contributing toward these objectives are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by ASQA in its own right. Administered activities involve the management or oversight by ASQA, on behalf of the government, of items controlled or incurred by the government.

ASQA is structured to meet the following outcome:

Contribute to a high quality vocational education and training sector, including through streamlined and nationally consistent regulation of training providers and courses, and the communication of advice to the sector on improvements to the quality of vocational education and training.

The continued existence of ASQA in its present form and with its present programmes is dependent on Government policy and on continuing funding by Parliament for ASQA's administration and programmes.

No outcome note is included in the Notes to and forming part of the financial statements as ASQA has only one outcome.

ASQA conducts the following administered activities on behalf of the Australian Government:

- a) registering training organisations that meet national standards
- b) accrediting courses that meet national standards
- c) monitoring and enforcing compliance
- d) providing advice to and making recommendations to the Portfolio Minister, and/or state and territory Ministers and/or the Ministerial Council on matters relating to VET and
- e) collecting, analysing, interpreting and disseminating information about VET and the performance of registered training organisations.

Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same accounting policies as for departmental items, including the application of Australian Accounting Standards.

The basis of preparation

The financial statements are general purpose financial statements and are required by section 42 (2) of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)* and
- b) *Australian Accounting Standards and Interpretations- Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.*

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

Taxation

ASQA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Insurance

ASQA has insured for risks through the Australian Government's risk management fund, Comcover. Workers compensation is insured through Comcare Australia.

Events after the reporting period

There were no subsequent events that had the potential to significantly affect the ongoing departmental and administered operations and financial activities of ASQA at the reporting date.

Adoption of new Australian Accounting Standards

All (new/revised/amending standards and/or interpretations) that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on ASQA's financial statements.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date. They are expected to have a financial impact on the department for future reporting periods:

The agency will apply AASB 16 Leases from 2019-20. The standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. An initial assessment indicates that the implementation of the standard will have an impact on the financial statements; however the agency is yet to undertake a detailed review.

The agency will apply AASB 15 Revenue from Contracts with Customers from 2019-20. The standard requires revenue from such contracts to be recognised as the entity transfers goods and services to the customer. A detailed assessment is yet to be undertaken, however, based on a preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements.

Notes to and forming part of the financial statements
for the year ended 30 June 2018

1.1 Expenses

	2018	2017
	\$'000	\$'000
1.1A: Employee Benefits		
Wages and salaries	14,486	17,134
Superannuation		
Defined contribution plans	2,235	2,458
Defined benefit plans	324	492
Leave and other entitlements	2,516	2,692
Total employee benefits	19,561	22,776

Accounting policy

Superannuation

ASQA employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other schemes chosen by employees.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item.

ASQA makes employer superannuation contributions to the superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Australian Government of the superannuation entitlements of ASQA employees. ASQA accounts for the superannuation contributions as if they were contributions to defined contribution plans.

Leave and other entitlements

Accounting policy for leave and other entitlements is disclosed in the People and relationships section - note 6.1.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

1.1B: Suppliers

	2018	2017
	\$'000	\$'000
Goods and services supplied or rendered		
Consultants	687	980
Contractors	977	1,604
IT Services	3,017	2,925
Legal fees	617	1,326
Panel auditors	968	1,047
Property	1,000	880
Training	179	176
Travel	801	1,254
Other	892	1,002
Total goods and services supplied or rendered	9,138	11,194
Goods supplied	212	166
Services rendered	8,926	11,028
Total goods and services supplied or rendered	9,138	11,194
Other suppliers		
Operating lease rentals	3,114	3,132
Workers compensation expenses	161	207
Total other suppliers	3,275	3,339
Total suppliers	12,413	14,533

Leasing commitments

The Australian Skills Quality Authority in its capacity as lessee has leasing commitments for the following premises:

- Direct lease with Colliers - part level 13 - 115 Grenfell Street, Adelaide 344.4sqm.
- Direct lease with Savills - part level 3 - 64 Northbourne Avenue, Canberra 508sqm.
- Sublease with Navitas Limited - level 10 - 255 Elizabeth Street, Sydney 1,714.1sqm of which 324sqm is sublease under an MOU to ASEA.
- Direct lease with JLL - level 6 - 595 Collins Street, Melbourne 1,851sqm.
- Direct lease with JLL - level 7 and part level 8, 215 Adelaide Street, Brisbane 1,504sqm.
- MOU Sublease arrangement with Department of Jobs and Small Business - part level 2, 226 Adelaide Terrace, Perth 102sqm.
- MOU Hosting arrangement with DSS - 3 desks - level 3, 39 Woods Street, Darwin.
- MOU Hosting arrangement with FWO - 3 desks - level 5, 2 Kirksway Place Hobart.
- MOU Hosting arrangement with PM&C - 1 desk - level 1, 516 Ruthven Street, Toowoomba.

Leasing commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	3,678	3,026
Between 1 to 5 years	9,168	8,696
More than 5 years	302	1,923
Total operating lease commitments	13,148	13,645

Accounting policy

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

1.2 Own-source revenue

	2018	2017
	\$'000	\$'000

1.2A: Other revenue

Resources received free of charge - remuneration of auditors	55	55
Other revenue	797	120
Total other revenue	852	175

Accounting policy*Resources received free of charge*

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Other revenue

Other revenue is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when the amount of revenue, stage of completion and transaction costs incurred can be directly measured and probable economic benefits associated with the transaction will flow to ASQA. The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

1.2B: Rental income

Operating lease	278	239
Total rental income	278	239

Subleasing rental income commitments

The Australian Skills Quality Authority in its capacity as lessor subleases 324sqm of level 10, 255 Elizabeth Street, Sydney to Asbestos Safety and Eradication Agency under an MOU Sublease arrangement.

Commitments for sublease rental income receivables are as follows:

Within 1 year	281	-
Between 1 to 5 years	441	-
More than 5 years	-	-
Total sublease rental income commitments	722	-

Notes to and forming part of the financial statements*for the year ended 30 June 2018***1.2 Own-source revenue (continued...)**

	2018	2017
	\$'000	\$'000
1.2C: Gains		
Reversal of make good provision	-	161
Reversal of impairment of receivables	-	18
Total Gains	-	179

1.2D: Revenue from Government

Departmental appropriations	33,099	35,250
Total revenue from Government	33,099	35,250

Accounting policy*Revenue from government*

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when ASQA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Notes to and forming part of the financial statements*for the year ended 30 June 2018***2.1 Administered - Income**

	2018	2017
	\$'000	\$'000
Revenue		
Taxation Revenue		
<u>Other Taxes</u>		
Charges ¹	15,250	1,393
Total other taxes	15,250	1,393
Non - Taxation Revenue		
<u>Fees and Fines</u>		
Regulatory fees	13,645	27,663
Fines	7	270
Total fees and fines	13,652	27,933

¹ On 1 July 2017 ASQA's annual registration fee was replaced with an annual registration charge effected under the National Vocational Education and Training Regulator (Charges) Act 2012. This results in a reclassification of revenue from non-taxation to taxation revenue. The charges revenue in 2016-17 of \$1.393 million has been reclassified from Regulatory fees to Charges in line with the face statements.

Accounting policy*Revenue from regulatory fees*

All administered revenues are revenues relating to the course of ordinary activities performed by ASQA on behalf of the Australian Government. Revenue is generated from collection of fees and charges (as per ASQA's published schedules of fees and charges), for managing the registration of VET training providers and for accrediting courses. All revenue is recognised on a non-reciprocal basis, under Australian Accounting Standards; as such, revenue is recognised either when an application is lodged with ASQA or when ASQA generates an ASQA accounts receivable invoice. Revenue from fines is recognised upon receipt of payment.

Notes to and forming part of the financial statements*for the year ended 30 June 2018***3.1 Financial assets**

	2018	2017
	\$'000	\$'000
3.1A: Cash and cash equivalents		
Cash on hand or on deposit	287	335
Total cash and cash equivalents	287	335
3.1B: Trade and other receivables		
Goods and services receivables		
Goods and services	140	65
Total goods and services receivables	140	65
Appropriations receivables		
Appropriation receivable	14,190	20,496
Total appropriations receivables	14,190	20,496
Other receivables		
Lease incentive receivable	2,528	3,046
GST from Australian Taxation Office	194	206
Other receivables	189	153
Total other receivables	2,911	3,405
Total trade and other receivables (gross)	17,241	23,966
Less impairment allowance	16	16
Total trade and other receivables (net)	17,225	23,950

Notes to and forming part of the financial statements

for the year ended 30 June 2018

3.1 Financial assets (continued...)

Accounting policy

Receivables

ASQA classifies its financial assets in accordance with AASB 139 Financial Instruments: Recognition and Measurement and categorises its financial asset receivables at fair value through profit and loss.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The financial asset receivables are recognised and derecognised upon trade date.

Receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade receivables'. Receivables are measured at amortised cost using in active markets the effective interest method less impairment.

Derecognition of financial assets

- A financial asset is derecognised when:
- the rights to receive cash flows from the asset have expired, or
- ASQA retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- ASQA has transferred its rights to receive cash flows from the asset and either:
 - a. has transferred substantially all the risks and rewards of the asset, or
 - b. has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where ASQA has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of ASQA's continuing involvement in the asset.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. Financial assets are held at amortised cost - if there is objective evidence that an impairment loss has been incurred for receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Notes to and forming part of the financial statements*for the year ended 30 June 2018***3.2 Non-financial assets****3.2A: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangible assets for 2018**

	Leasehold improvements \$'000	Plant and equipment \$'000	Intangibles ² \$'000	Total \$'000
As at 1 July 2017				
Gross book value	4,058	734	14,868	19,660
Accumulated depreciation, amortisation and impairment	(1,933)	(366)	(5,577)	(7,876)
Total as at 1 July 2017	2,125	368	9,291	11,784
Additions				
Purchases	1,441	144	2,924	4,509
Revaluations recognised in other comprehensive income ¹	1,435	(20)	-	1,415
Revaluations recognised in net cost of services	288	(15)	-	273
Depreciation, amortisation and impairment	(742)	(142)	(1,147)	(2,031)
Disposals	-	(161)	-	(161)
Write back accumulated depreciation – disposals	-	161	-	161
Total as at 30 June 2018	4,547	335	11,068	15,950
Total as at 30 June 2018 represented by				
Gross book value	4,735	501	17,792	23,028
Accumulated depreciation, amortisation and impairment	(188)	(166)	(6,724)	(7,078)
Total as at 30 June 2018	4,547	335	11,068	15,950

¹ In 2017-18 Leasehold improvements and Plant and equipment were subject to revaluation conducted by an independent valuer on 30 June 2018 in accordance with the revaluation policy stated at Note 7.4. The carrying amount of \$4.882m (2017: \$2.493m) was included in the valuation figures above.

² No indicators of impairment were found for intangible assets.

3.2B: Other Non-Financial Assets

	2018 \$'000	2017 \$'000
Prepayments	345	178
Total other non-financial assets	345	178

Notes to and forming part of the financial statements

for the year ended 30 June 2018

3.2 Non-financial assets (continued...)

Accounting policy

Non-financial assets

Non-financial assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Non-financial assets are initially measured at their fair value plus transaction costs where appropriate.

Non-financial assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of a non-financial asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in relation to property leases taken up by ASQA where there exists an obligation to make good on the cessation of the property lease. These costs are included in the value of ASQA's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, leasehold improvements, plant and equipment are carried at fair value less subsequent accumulated depreciation/amortisation and accumulated impairment losses. Valuations are conducted every three years to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets. ASQA has undertaken an independent valuation as at 30 June 2018.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation/amortisation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Notes to and forming part of the financial statements
for the year ended 30 June 2018

3.2 Non-financial assets (continued...)

Depreciation

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to ASQA using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised over the lesser of the lease term or useful life.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Depreciation rates		
Asset class	2017-18	2016-17
Leasehold improvements	Lesser of the lease term & useful life	Lesser of the lease term & useful life
Plant & equipment	Four to ten years	Four to ten years

Impairment

All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if ASQA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

A non-financial asset is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangible assets

ASQA's intangible assets mainly comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised as an expense on a straightline basis over the asset's anticipated useful life to ASQA. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

ASQA has no intangible assets with indefinite useful lives. All intangible assets were assessed for indications of impairment as at reporting date.

Notes to and forming part of the financial statements*for the year ended 30 June 2018***3.3 Payables**

	2018	2017
	\$'000	\$'000

3.3A: Suppliers

Trade creditors and accruals	1,659	4,246
Total suppliers	1,659	4,246

Settlement terms for suppliers are within 30 days of the date of an official, correctly rendered supplier invoice.

3.3B: Other payables

Salaries and wages	165	1,031
Superannuation	52	54
Unamortised lease liabilities	2,568	3,125
Total other payables	2,785	4,210

The accounting policy for payables can be found at Note 7.2 Financial Instruments.

3.4 Other provisions

	2018	2017
	\$'000	\$'000
Other provisions		
Provision for leasehold restoration	490	258
Total other provisions	490	258

**Provision for leasehold
restoration
\$'000**

As at 1 July 2017	258
Additional provisions made	232
Total as at 30 June 2018	490

Notes to and forming part of the financial statements*for the year ended 30 June 2018***4.1 Administered - financial assets**

	2018 \$'000	2017 \$'000
Trade and other receivables		
Special appropriation receivable	-	5
Total special appropriation receivable	-	5
Other receivables		
Fees	1,277	939
Total other receivables	1,277	939
Total trade and other receivables (gross)	1,277	944
Less impairment allowance	(958)	(576)
Total trade and other receivables (net)	319	368

Credit terms for goods and services were within 30 days (2017: 30 days).

Reconciliation of the Impairment Allowance**Movements in relation to 2018**

	Other receivables \$'000	Total \$'000
As at 1 July 2017	576	576
Impairments	413	413
Amounts written off	(31)	(31)
Total as at 30 June 2018	958	958

Accounting policy*Receivables*

Where receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, de-recognition and amortisation are recognised through profit or loss.

The provision for withdrawal of registration applications is calculated based on the status of the application and a percentage withdrawal rate based on previous trends of withdrawn applications.

The provision for refund of annual registration charge is estimated based on the status of a provider's registration at balance date.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

4.2 Administered - other provisions

	2018	2017
	\$'000	\$'000
Other Provisions		
Provision for refunds	427	117
Total other provisions	427	117

Accounting Policy

Provisions for refunds are reflective of the legal obligation to provide refunds for providers who withdraw registration applications or who cease registration part-way through the financial year.

The provision for withdrawal of registration applications is calculated based on the status of the application and a percentage withdrawal rate based on previous trends of withdrawn applications.

The provision for refund of annual registration charge is estimated based on the status of a provider's registration at balance date.

Notes to and forming part of the financial statements for the year ended 30 June 2018

5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2018

	Annual Appropriation ¹ \$'000	Adjustment to Appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance \$'000
Departmental					
Ordinary annual services	33,099	1,075	34,174	39,365	(5,191)
Capital Budget	-	-	-	-	-
Equity Injections	478	-	478	478	-
Total departmental	33,577	1,075	34,652	39,843	(5,191)

¹ There were no appropriations reduced under Appropriations Acts (No 1, 1 DCB and 2) for 2017-18.

² S74 Receipts is net of Recoverable GST.

Annual Appropriations for 2017

	Annual Appropriation ¹ \$'000	Adjustment to Appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance \$'000
Departmental					
Ordinary annual services	35,250	687	35,937	35,916	21
Capital Budget	-	-	-	954	(954)
Equity Injections	102	-	102	933	(831)
Total departmental	35,352	687	36,039	37,803	(1,764)

¹ There were no appropriations reduced under Appropriations Acts (No 1, 1 DCB and 2) for 2016-17.

² S74 Receipts is net of Recoverable GST.

Australian Skills Quality Authority

Notes to and forming part of the financial statements
for the year ended 30 June 2018

5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Departmental

Appropriation Act (No. 1) 2013-2014¹
Appropriation Act (No. 1) 2015-2016²
Appropriation Act (No. 1) 2016-2017
Appropriation Act (No. 1) 2017-2018

Total departmental

	2018	2017
	\$'000	\$'000
		40
	18	18
	-	20,456
	14,190	-
	14,208	20,514

Reconciliation to appropriations receivable

The above unspent appropriation includes a quarantined amount which is not considered to be available to ASQA. In order to reconcile to the closing appropriation, an unspent amount considered unavailable to ASQA has been removed below:

Total unspent appropriations

Adjustments:

MYEFO 2014-15 measure Public Sector Superannuation Accumulation Plan

Closing appropriations receivable balance

¹ \$ 40,000 of the Appropriation Act (No. 1) for 2013-14 was quarantined by the Department of Finance as part of an efficiency measure (\$6k) and a parameter adjustment (\$34k). The quarantined amount was repealed in 2017-18.

² \$18,000 of the Appropriation Act (No. 1) for 2014-15 was quarantined under s51 by the Department of Finance in relation to the MYEFO 2014-15 measure Public Sector Superannuation Accumulation Plan(PSSap).

	2018	2017
	\$'000	\$'000
	14,208	20,514
	(18)	(18)
	14,190	20,496

Notes to and forming part of the financial statements

for the year ended 30 June 2018

5.1 C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2018 \$'000	2017 \$'000
Public Governance, Performance and Accountability Act 2013 s.77, Administered	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and the Finance Minister is satisfied that, apart from this section, there is no specific appropriation for the repayment.	602	581
Total special appropriations applied			602	581

Notes to and forming part of the financial statements

for the year ended 30 June 2018

5.2 Regulatory charging summary

	2018	2017
	\$'000	\$'000
Amounts applied		
Departmental		
Annual appropriations	39,843	37,803
Total amounts applied	39,843	37,803
Expenses¹		
Departmental	33,738	38,990
Administered	413	476
Total expenses	34,151	39,466
Revenue		
Administered	28,902	29,326
Total revenue	28,902	29,326

¹ Prior year expenses have been restated to include Administered expense omitted in the 2016-17 report.

Regulatory charging activities:

Regulation and advice, including regulation of VET organisations, accreditation of VET courses and advice in regard to VET regulation.

Documentation (Cost Recovery Implementation Statement) for the above activities is available at <https://www.asqa.gov.au/about/fees-and-charges>

5.3 Net cash appropriation arrangements

	2018	2017
	\$'000	\$'000
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations	3,937	(1,475)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(2,031)	(1,672)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	1,906	(3,147)

Notes to and forming part of the financial statements

for the year ended 30 June 2018

6.1 Employee provisions

	2018	2017
	\$'000	\$'000
Employee provisions		
Leave	4,502	5,506
Total employee provisions	4,502	5,506

Accounting policy

Employee provisions

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits expected to be paid within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual and long service leave.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of ASQA is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including ASQA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid on termination.

The liability for long service leave has been determined by the reference to the work of an actuary as at 30 June 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

6.2 Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Chief Commissioner/Commissioners/General Managers. Key management personnel remuneration is reported in the table below:

	2018 \$'000	2017 \$'000
Short-term employee benefits	1,369	1,319
Post-employment benefits	145	184
Other long-term employee benefits	140	109
Total key management personnel remuneration expenses¹	1,654	1,612

The total number of key management personnel that are included in the above table are 7 (2017: 7).

¹ The above key management personnel remuneration excludes the remuneration and other benefits of the Agency Minister. The Agency Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

6.3 Related party disclosures

Related party relationships:

The entity is an Australian Government-controlled entity. Related parties to this entity are key management personnel including the Assistant Minister and Executive.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes. These transactions have not been separately disclosed in this note.

Significant transactions with related parties can include:

- the payments of grants or loans
- purchases of goods and services
- asset purchases, sales transfers or leases
- debts forgiven, and
- guaranties

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no significant related party transactions to be separately disclosed.

Notes to and forming part of the financial statements*for the year ended 30 June 2018***7.1A Contingent assets and liabilities**

	Guarantees		Claims for damages or costs		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets						
Balance from previous period	44	44	-	-	44	44
New contingent assets recognised	-	-	125	-	125	-
Total contingent assets	44	44	125	-	169	44

Accounting policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Contingent assets

Contingent assets arise from guarantees, indemnities and other forms of support provided to ASQA and from legal disputes and other claims by ASQA arising from past event.

Contingent assets by definitions are similar to an asset with the distinguishing feature being the uncertainty over ASQA's entitlement.

Contingent liabilities

Contingent liabilities arise from guarantees, indemnities and other forms of support provided by ASQA and from legal disputes and other claims against ASQA arising from a past event. Contingent liabilities by definitions are similar to a liability with the distinguishing feature being the uncertainty over ASQA's obligation.

Quantifiable contingent liabilities

ASQA does not have any quantifiable departmental contingent liabilities as at the reporting date.

Unquantifiable contingent liabilities

ASQA has a number of legal matters against third parties; however, it is not possible to estimate the amount(s) or likely payout in relation to the legal matters.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

7.1B: Administered - Contingent assets and liabilities

	Claims for damages or costs		Total	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Contingent assets				
New contingent assets recognised	117	-	117	-
Total contingent assets	117	-	117	-
Net contingent assets	117	-	117	-

7.2 Financial instruments

2018
\$'000

2017
\$'000

7.2A: Categories of financial instruments**Financial assets****Receivables**

Cash and cash equivalents	287	335
Trade and other receivables	313	202
Total receivables	600	537

Financial liabilities**Financial liabilities measured at amortised cost**

Trade creditors	1,659	4,246
Total financial liabilities measured at amortised cost	1,659	4,246
Total financial liabilities	1,659	4,246

Accounting policy

Liabilities or assets that are not contractual (such as GST, created as a result of statutory requirements imposed by governments) are not financial instruments.

Financial assets

Financial assets are recognised and derecognised upon trade date.

Cash on hand or on deposit

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand and any deposits held at call with a financial institution. All bank accounts are non-interest bearing.

Receivables

Receivables consist of contractual receivables, such as debtors in relation to goods and services.

Notes to and forming part of the financial statements

for the year ended 30 June 2018

7.2 Financial instruments (continued...)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised or derecognised upon 'trade date'.

Payables

Payables consist of contractual payables, such as accounts payable and accruals.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period. Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same creditor on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an expense in the comprehensive operating statement.

Notes to and forming part of the financial statements
for the year ended 30 June 2018

7.3 Fair value measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

	Fair value measurements at the end of the reporting period	
	2018	2017
	\$'000	\$'000
Non-financial assets		
Leasehold improvements	4,547	2,125
Plant and equipment	335	368
Total non-financial assets	4,882	2,493

Accounting Policy

Fair values for each class of assets are determined as shown below:

Asset class	2017-18	2016-17
Leasehold improvements	Amortised replacement cost	Amortised replacement cost
Plant & equipment	Market price	Market price

7.4 Administered - fair value measurements

ASQA's administered assets and liabilities are related to fees and charges imposed under ASQA's enabling legislation, the *National Vocational Education and Training Regulator Act 2011*; the *National Vocational Education and Training Regulator (Transitional Provisions) Act 2011* and the *National Vocational Education and Training Regulator (Charges) Act 2012*. As such, ASQA's assets and liabilities are carried at a value determined by legislation and not at a fair value.

Management and accountability

Corporate governance	97
Internal reporting and audit	98
Ethical standards	98
Fraud control	98
External scrutiny	99
Management of human resources	100

Corporate governance

In 2017–18, the Australian Skills Quality Authority's (ASQA's) corporate governance framework and practices ensured that ASQA's operations were efficient, effective and accountable. ASQA's corporate governance framework is realised through:

- the work of the Senior Management Group and its supporting committees
- the ASQA Quality Management System
- maintaining ethical standards and upholding Australian Public Service (APS) values
- ASQA-wide fraud control measures.

As part of this framework, ASQA's Commissioners meet formally to make decisions about regulatory policy.

Commissioners' meetings

During the reporting period, ASQA's Commissioners met formally on 43 occasions to consider regulatory decisions about provider registrations, regulatory policy and other items. The Commissioner, Regulatory Operations held (as a delegate) a further 51 meetings.

Under the *National Vocational Education and Training Regulator Act 2011* (NVR Act), the Chief Commissioner is responsible for ensuring that Commissioners' meetings are held 'as ... necessary for the efficient performance of [ASQA's] functions'.

Senior Management Group

The Senior Management Group comprises the:

- Chief Commissioner/Chief Executive Officer
- Deputy Chief Commissioner/Commissioner, Risk Intelligence and Regulatory Support
- Commissioner, Regulatory Operations
- General Manager Regulatory Strategy, Governance and Corporate
- General Manager Regulatory Operations.

In 2017–18 the Senior Management Group provided a forum for ensuring:

- cooperation and consistency across ASQA business units, in order to achieve organisational objectives
- effective communication across the leadership group on major issues and priorities
- progress in implementing corporate strategies.

ASQA has established all mandatory committees:

- **Audit Committee**—the Chief Executive Officer has established the Audit Committee in compliance with section 42 of the PGPA Act. The Audit Committee reports directly to the Chief Executive Officer, providing independent assurance and assistance on ASQA's risk, control and compliance framework and its external accountability responsibilities. The Audit Committee also reviews ASQA-wide fraud control measures.
- **Health and Safety Committee**—the Chief Executive Officer has established the Health and Safety Committee under sections 75–79 of the *Work Health and Safety Act 2011*. The Health and Safety Committee reports directly to the Chief Executive Officer, providing advice on best practice and reporting on incidents and compliance, as well as on measures to reduce fraud and cases that are under investigation with Comcare.

In addition to these mandatory committees, the Senior Management Group is supported by the following advisory committees:

- Budget Committee
- Communications Committee
- Quality Committee
- Staff Consultative Committee
- Information Management and Technology Committee
- Regulatory Managers' Network
- ASQA Leaders Forum.

In 2017–18 the Senior Management Group oversaw the development of many important initiatives, including:

- ASQA's 2017–18 regulatory strategy
- contribution to the review of the NVR Act
- modified entry to market requirements
- finalisation of new ASQA fees and charges structure.

The Senior Management Group met 53 times in 2017–18.

Internal reporting and audit

Internal reporting plays a vital role in enabling senior employees to monitor ASQA's operational and budget performance and progress in meeting performance requirements.

During 2017–18 these reports included:

- monthly reports on finance, regulatory business statistics, complaints, issues and incidents, and communications (website and Info Line)
- quarterly reports on ASQA's Strategic Risk Register, Operational Risk Register, Quality Management System, human resources profiles, and health and safety.

These reports promote better practice within ASQA and improve controls and governance within a risk-management environment.

Ethical standards

ASQA employees, as APS employees, are required under the APS Code of Conduct to behave at all times in a way that upholds the APS Values. The APS Values include maintaining the highest ethical standards.

All ASQA ongoing and non-ongoing employees sign a Declaration of Interest on commencement with ASQA. Senior Executive Service employees are required to sign this document annually. By signing the declaration, employees confirm that they are aware of their responsibilities under the APS Code of Conduct.

ASQA's People and Culture team provides practical guidance on ethical standards to employees. ASQA's intranet provides links to the Ethics Advisory Service on the Australian Public Service Commission website.

Agency heads are also bound by the APS Code of Conduct, and have an additional duty to promote the APS Values.

Fraud control

In line with the Commonwealth Fraud Control Framework under the PGPA Act, ASQA has a Fraud Control Plan and a Fraud Control Policy in place.

To manage its fraud control environment ASQA has implemented a range of policies and procedures, under the umbrella of ASQA's Accountable Authority Instructions. These policies and procedures include ASQA compliance with the *Commonwealth Procurement Rules* and other Commonwealth policies, to ensure ASQA's purchases are efficient, effective, economic, and ethical. Collectively, these documents establish the framework for the management of fraud risks and the conduct of investigations.

ASQA actively seeks to raise awareness throughout the agency of the fraud prevention measures set out in the Fraud Control Plan. Fraud control certification is included in the letter of transmittal at the beginning of this report.

External scrutiny

Reconsideration of decisions by ASQA

ASQA has a two-tiered decision-making process, which allows internal reconsideration of some reviewable decisions.

If a person affected by an ASQA decision applies for reconsideration, the person may submit new evidence. Where possible evidence is assessed by an officer who was not involved in the original decision-making process. The officer will recommend that the Commissioners affirm, vary or revoke the original decision.

In 2017–18, ASQA finalised 118 reconsideration applications. The results of these reconsideration applications are shown in Table 12.

Review by the Administrative Appeals Tribunal or Federal Court

If a person is dissatisfied with the outcome of a decision made by ASQA, they may apply for review of the decision by the AAT or a Court.

This section discusses:

- applications to the AAT for review of the merits of an ASQA decision
- applications to the Federal Court for judicial review of ASQA's decision-making process.

In 2017–18, there were 139 applications that requested a review of a decision made by ASQA by the AAT or Federal Court. In addition, a further 35 matters were carried over from previous financial years. Of all matters, 59 were closed during 2017–18 and 115 have been carried into 2018–19. These matters are shown in Table 13.

Section 203 of the NVR Act and the operation of the Tribunal allow providers and applicants to address non-compliances with conditions of registration through the review process. Unless otherwise limited, the AAT makes its decision based on the material available to it, rather than on the basis of material available to the original decision-maker (i.e. ASQA). As reviews by the AAT may take several months, non-compliant RTOs often introduce new material before the AAT, and can achieve compliance through this process.

The significant increase in providers and applicants seeking AAT review of an ASQA decision is an expected impact of ASQA's regulatory approach, in that the higher number of adverse regulatory decisions being made (see the response to KPI 6) leads to a higher number of people seeking review of those decisions.

An increasing number of AAT reviews has a negative impact on the availability of auditors. The federal budget funding increase will contribute to managing reviews of ASQA's regulatory decisions, particularly those where applications are submitted to the AAT.

Table 12: Outcomes of reconsideration applications submitted to ASQA,
1 July 2017 to 30 June 2018

Outcome type	Amount
Decision revoked (evidence was provided to ASQA that non-compliance had been substantially rectified)	47
Decision affirmed (ASQA reviewed the reconsideration application and relevant evidence, and found that the provider remained non-compliant)	58
Decision varied (ASQA's original decision was revoked and a new decision was put in its place)	12
No decision made (procedural issues meant no decision was required)	0
Application withdrawn (by the applicant)	1
TOTAL	118

Table 13: Applications for review of an ASQA decision by a tribunal or court,
1 July 2017 to 30 June 2018

Matter	Number
Applications carried over from 2016-17	35
Opened	139
Total	174
Closed	59
Carried into 2018-19	115

Management of human resources

Workforce planning, turnover and composition

ASQA's *Workforce plan 2016-18* outlines ASQA's approach to shaping and structuring its workforce and is designed to enable capability to deliver its organisational objectives.

During the reporting period, ASQA focused on the 'Optimise' phase of the workforce plan, prioritising resourcing the 2017-18 establishment structure, managing mobility and attracting talent.

ASQA has a strong focus on recruiting employees who can effectively contribute to ASQA's organisational objectives, and on developing these employees' skills and knowledge through learning and development.

The workforce plan facilitates the monitoring of ASQA's structure and assessment of ASQA's resourcing requirements against its budget. Resourcing was a key focus area for 2017-18. The 2017-18 establishment structure was designed to manage ASQA's workforce and enable business areas to achieve organisational objectives and budgetary requirements.

In the 2017-18 year there was a turnover rate of 27.7 per cent. The proportion of non-ongoing positions and temporary employment arrangements contributed to this significant rate. ASQA has implemented strategies to reduce the turnover rate, including converting positions from non-ongoing to ongoing to stabilise the workforce. Engagement rates are high, with 24 per cent of the workforce having been employed with ASQA for less than 12 months.

ASQA's workforce is predominantly female (66 per cent). Thirty-two per cent of employees are over the age of 50. The most common APS bandings in ASQA's workforce are APS 6 (32 per cent) and Executive Level 1 (25 per cent).

ASQA enterprise agreement

The terms and conditions of employment for ASQA employees are set out in the *ASQA Enterprise Agreement 2017-20*. The *ASQA Enterprise Agreement 2017-20* was voted in during the reporting period and commenced on 10 November 2017.

As at 30 June 2018, 184 ASQA employees were covered by the *ASQA Enterprise Agreement 2017–20*. Two Senior Executive Service (SES) employees were covered by an Individual S24 (1) Determination. Three Commissioners were covered by Remuneration Tribunal Determinations.

The salaries for employees covered by the *ASQA Enterprise Agreement 2017–20* for the reporting period ranged from \$48,450 (for an employee at the bottom pay point in the APS 1 band) to \$138,579 (for an employee at the top pay point in the Executive Level 2 band).

As at 30 June 2018, ASQA had 29 employees with an individual flexibility agreement that varies the effect of the terms of the *ASQA Enterprise Agreement 2017–20*.

Performance pay

The *ASQA Enterprise Agreement 2017–2020* does not provide access to performance pay.

Information on Commissioners' and SES employees' total remuneration is set out on page 90 in the financial statements section of this report.

Learning and development

ASQA actively supports learning and development opportunities for its employees. During 2017–18, ASQA supported 75 formal requests for learning and development. Examples of training undertaken include Certificate IV in Training and Assessment, Diploma of Quality Auditing modules, Managing Regulations and business report writing.

ASQA has an established study assistance program. During the reporting period ASQA supported six employees—through financial assistance and/or paid leave—to enhance their workplace capability and knowledge through the acquisition of formal qualifications.

During 2017–18, ASQA spent \$171,354 on employee learning and development and study assistance.

During the 2017–18 year, ASQA launched Learnhub, the APS online learning portal. All ASQA employees now have been given access to a variety of online courses and tools, with the aim of developing their professional skills.

Workplace health and safety

ASQA fulfils its responsibilities under the *Work Health and Safety Act 2011* by actively promoting work health and safety across the agency.

ASQA has an established Health and Safety Committee that comprises employee representatives. The committee is consulted in the development and review of standards, policies and procedures designed to protect the health and safety of ASQA employees. The committee facilitates a cooperative approach and represents the collective interests of ASQA's employees. In each ASQA work location there are Health and Safety Representatives, and trained employees who perform the roles of First Aid Officer and Fire Warden.

During the 2017–18 year, ASQA provided over 30 onsite workstation ergonomic assessments (conducted by occupational therapists) for employees experiencing pain or injury. ASQA offers a Healthy Lifestyle Allowance of up to \$300 per annum for employee expenditure on healthy lifestyle activities or equipment. ASQA has an established influenza vaccination program for employees, which was provided in March and April 2018. ASQA offers its employees and their families professional, confidential counselling and psychological services through its Employee Assistance Program (EAP).

Early intervention activities and workplace rehabilitation, coupled with the abovementioned initiatives, have contributed to a reduction in compensable injuries. ASQA's worker compensation premiums continue to decline as a consequence of the effective work health and safety practices implemented during the 2017–18 year.

There were no incidents requiring notification to Comcare during 2017–18.

Statistics

Tables 14 to 22 provide an overview of ASQA's workforce (as at 30 June 2018) in relation to employment status, classification level, full-time/part-time status, gender and location. Data in these tables do not include ASQA Commissioners.

Table 14: ASQA employees by employment status, as at 30 June 2018

Employment status	Number
Ongoing	157
Non-ongoing	29
Total	186

Table 15: ASQA ongoing employees by classification level (substantive), as at 30 June 2018

Classification level	Number
SES Band 1	2
Executive Level 2	20
Executive Level 1	43
APS 6	55
APS 5	20
APS 4	10
APS 3	7
APS 2	0
APS 1	0
Total	157

Table 16: ASQA non-ongoing employees by classification level (substantive), as at 30 June 2018

Classification level	Number
SES Band 1	0
Executive Level 2	0
Executive Level L 1	4
APS 6	7
APS 5	4
APS 4	4
APS 3	10
APS 2	0
APS 1	0
Total	29

Table 17: ASQA ongoing employees by full-time/part-time status, as at 30 June 2018

Status	Number
Full-time	138
Part-time	19
Total	157

Table 18: ASQA non-ongoing employees by full-time/part-time status, as at 30 June 2018

Status	Number
Full-time	24
Part-time	5
Total	29

In accordance with the Australian Government Guidelines on the Recognition of Sex and Gender, individuals employed by ASQA are to be given the option to select M (male), F (female) or X (indeterminate/intersex/unspecified) when applying for employment..

Table 19: ASQA ongoing employees by gender, as at 30 June 2018

Gender	Number
Female	105
Male	52
Total	157

Table 20: ASQA non-ongoing employees by gender, as at 30 June 2018

Gender	Number
Female	19
Male	10
Total	29

Table 21: ASQA ongoing employees by location, as at 30 June 2018

Office location	Number
Melbourne	45
Sydney	27
Adelaide	13
Canberra	9
Brisbane	56
Perth	5
Hobart	1
Darwin	1
Total	157

Table 22: ASQA non-ongoing employees by location, as at 30 June 2018

Office location	Number
Melbourne	14
Sydney	4
Adelaide	0
Canberra	1
Brisbane	8
Perth	2
Hobart	0
Darwin	0
Total	29

As at 30 June 2018, ASQA did not employ any ongoing or non-ongoing employees who identify as Aboriginal or Torres Strait Islander.

Budget and finance

Assets management	112
Purchasing	112
Consultants	112
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Assets management

Part 5 (d) (d) of the *Resource Management Guide 135—Annual Reports for Non-Corporate Commonwealth Entities* sets out the requirement for an assessment of the effectiveness of assets management where it is a significant aspect of the strategic business of an entity. Assets management does not form a significant aspect of the strategic business of ASQA.

Purchasing

ASQA's procurement policies and practices are consistent with all relevant Australian Government laws, the Commonwealth financial framework (including the *Commonwealth Procurement Rules*), and other relevant policies.

The *Commonwealth Procurement Rules* are applied to activities through the Accountable Authority Instructions and supporting operational guidelines.

The procurement framework reflects the core principle governing Australian Government procurement: value for money. Policies and procedures also focus on:

- encouraging competitive, non-discriminatory procurement processes
- efficient, effective, economical and ethical use of resources
- accountability and transparency.

Responsibility for procurement is devolved to individual business groups. ASQA supports this decentralised approach by:

- providing information and training about procurement policies and procedures to all staff
- maintaining a single point of contact for staff to seek advice on the *Commonwealth Procurement Rules*, the Department of Finance's Accountable Authority Instructions and tendering processes
- standardised tendering and contracting documentation.

ASQA publishes its procurement activities and plans on AusTender, allowing its procurement activities to be readily communicated and accessible to all business enterprises.

Consultants

ASQA engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or creative solutions.

Prior to engaging consultants, ASQA takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the PGPA Act and related regulations, including the *Commonwealth Procurement Rules*.

During 2017–18, ASQA entered into 24 new consultancy contracts involving actual expenditure of \$0.631m (inclusive of GST). The consultancy contracts were for a range of services including internal and external audit and financial management.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.

Australian National Audit Office Access clauses

ASQA is required to provide details of any contract of \$100,000 or more (inclusive of GST) that does not provide a clause in the contract for the Auditor-General to have access to the contractor's premises. ASQA did not have any contracts over \$100,000 that did not provide the clause for the Auditor-General to have access to the contractor's premises.

Exempt contracts

No contracts in excess of \$10,000 (inclusive of GST) or standing offers were exempted by the Chief Executive Officer from being published on AusTender during the 2017–18 reporting year.

Small business

Consistent with the *Commonwealth Procurement Rules*, ASQA's procurement practices provide appropriate opportunities for small businesses to compete and ensure they are not unfairly discriminated against. The following processes are followed when undertaking procurement:

- the use of Whole of Government procurement panels
- the use of multi-agency panel arrangements for procurement services
- best practice of seeking three quotes from suppliers when a panel arrangement is not available to use
- the use of the Commonwealth Contracting Suite for low-risk procurement valued under \$200,000 (as of 1 January 2016)
- use of the SAP Financial Management Information System to identify invoices that are due for payment within the 30-day payment terms from the receipt of the correctly rendered invoice
- increased use of purchasing cards to enable payments to suppliers up to the value of \$10,000.

ASQA supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.

Appendices

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Appendix 1: Additional performance reporting

Compliance with the national standards

In pursuing its purposes ASQA has undertaken its regulatory functions in accordance with both the *Standards for VET Regulators 2015* and the *Standards for VET Accredited Courses 2012* during the reporting period. This has included the publication of performance standards on the ASQA website, as well as the provision of quarterly reports to the Minister relating to complaints about RTO non-compliance with the *Standards for Registered Training Organisations 2015*.

Reporting against requirements in the NVR Act 2011

Section 215 of the *National Vocational Education and Training Regulator Act 2011* (NVR Act) requires that the annual report prepared by the Chief Executive Officer and given to the Minister under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for a period must include the items shown in Table 23.

Reporting against requirements in ASQA service standards

ASQA publishes the service standards shown in Table 24 on its website at www.asqa.gov.au. In accordance with s.215 (d) of the NVR Act, ASQA's performance against each of these standards in the reporting period is shown in Table 24.

Table 23: Reporting against requirements of the NVR Act, s.215

Requirement	Reporting
s.215 (a) an assessment of the extent to which the National VET Regulator's operations during the period have contributed to the objectives set out in the annual operational plan for the period	<p>This is provided in the 'Annual performance statement' section of this report, beginning on page 11.</p> <p>Note that as per the PGPA Act, the terminology that describes this reporting has varied. ASQA now reports against a corporate plan, which includes purposes and performance criteria (rather than an operational plan that includes objectives).</p>
s.215 (b) particulars of variations (if any) of the annual operational plan taking effect during the period	<p>There were no variations to the corporate plan that took effect during the reporting period.</p>
s.215 (c) a statement about the Regulator's compliance, during the period, with the <i>Standards for VET Regulators</i>	<p>In pursuing its purposes ASQA has undertaken its regulatory functions in accordance with both the <i>Standards for VET Regulators 2015</i> and the <i>Standards for VET Accredited Courses 2012</i> during the reporting period. This has included the provision of quarterly reports to the Minister relating to complaints about RTO non-compliance with the <i>Standards for Registered Training Organisations 2015</i>.</p>
s.215 (d) a report on whether the service standards have been met by the Regulator during the period, including reasons in any case where the service standards have not been met	<p>This is provided in this annual report on pages 111-113 , Table 24.</p>
s.215 (e) details of the number of directions given to the Regulator by the Minister during the period	<p>No directions were given during the reporting period.</p>
s.215 (f) details of the number and types of matters relating to vocational education and training which the Commonwealth, State and Territory Education Ministers referred to the Regulator during the period	<p>No matters were referred during the reporting period.</p>
s.215 (g) details of the number and types of matters relating to vocational education and training which the Ministerial Council referred to the Regulator during the period	<p>No matters were referred during the reporting period.</p>
s.215 (h) a general description of the Regulator's response to the matters mentioned in paragraphs (f) and (g).	<p>No matters were referred during the reporting period.</p>

Table 24: ASQA performance against service standards, 2017-18

Service	Standard	Performance in 2017-18
The overall quality of ASQA's services	<ul style="list-style-type: none"> ASQA will publish annual reports of its performance in regulating vocational education and training. 	Met: ASQA published its annual reports on its website.
Fees and charges	<ul style="list-style-type: none"> ASQA will levy fees and charges in accordance with the relevant Legislative Instruments. ASQA will publish its fees and charges on its website. 	<p>Met: ASQA levied fees and charges in accordance with relevant legislation.</p> <p>Met: ASQA published its fees and charges on its website.</p>
Provision of information to stakeholders	<ul style="list-style-type: none"> ASQA will provide stakeholders with accurate, sufficient and up-to-date information on compliance requirements. ASQA will provide a range of communication channels to facilitate access to information. ASQA will publish details of relevant regulatory actions on its website and/or the National Register. 	<p>Met: ASQA regularly provided updates and information to stakeholders.</p> <p>Met: ASQA provided a range of communication channels.</p> <p>Met: ASQA published relevant decisions on its website and/or the National Register.</p>
Telephone enquiries	<ul style="list-style-type: none"> ASQA will convey information in a clear, easy-to-understand manner. ASQA will reinforce information by referring callers to relevant material on ASQA's website and providing advice on the use of online tools to enable self-service through our website. ASQA will answer calls within 120 seconds. ASQA will resolve simple procedural enquiries immediately. ASQA will offer a clear procedure for the escalation of complex enquiries. ASQA will escalate enquiries that are complex, or require a response from a non-Info Line team, within two working days of receipt and provide callers with information about likely resolution times for those complex enquiries. 	<p>Partially met: See response to KPI 17.</p> <p>Met: ASQA referred callers to its website/online tools where appropriate.</p> <p>Met: All calls were answered within 120 seconds.</p> <p>Met: Simple enquiries were resolved immediately.</p> <p>Met: ASQA has an established escalation process.</p> <p>Met: Complex enquiries were escalated within two days.</p>
Email enquiries to the Info Line	<ul style="list-style-type: none"> ASQA will confirm the receipt of all emails within one working day. ASQA will respond within two working days to simple procedural enquiries. ASQA will respond within ten working days to complex enquiries. 	<p>Met: Receipt was confirmed within one day.</p> <p>Met: Simple procedural enquiries were responded to within two working days.</p> <p>Met: Complex enquiries were responded to within ten working days.</p>

Service	Standard	Performance in 2017-18
Conduct of regulatory processes—applications for course accreditation	<ul style="list-style-type: none"> ASQA will finalise course accreditation applications within six months of accepting a properly completed and fully compliant application. 	Partially met: 22 applications (7%) were finalised outside the timeframe.
Conduct of regulatory processes—applications for registration	<ul style="list-style-type: none"> ASQA will finalise initial registration applications within six months of accepting a properly completed and fully compliant application. ASQA will finalise renewal of registration applications within six months of accepting a properly completed and fully compliant application. ASQA will finalise change-of-scope applications (that do not require an audit) within one month of accepting a properly completed and fully compliant application. ASQA will finalise change-of-scope applications (that do require an audit) within six months of accepting a properly completed and fully compliant application. 	<p>Partially met: See response to KPI 2.</p> <p>Met: See response to KPI 2.</p> <p>Met: See response to KPI 2.</p> <p>Partially met: See response to KPI 2.</p>
Conduct of audits	<ul style="list-style-type: none"> Unless circumstances dictate a shorter, or no, notification period, organisations will be provided with at least ten working days' notice prior to an audit. The organisation will be provided with an interim audit report within 30 calendar days of the site visit. 	<p>Met: Procedure provides discretion to the auditor (standard is 2-3 months in advance).</p> <p>Standard to be revised: See response to KPI 4.</p>
Complaints and appeals—complaints about training organisations	<ul style="list-style-type: none"> For complaints lodged using ASQA's online complaints process, ASQA will acknowledge to the complainant, in writing, receipt of the complaint within five working days. For complaints lodged through other channels, ASQA will respond as quickly as practicable. Complaints, other than those which involve a formal investigation, appeal process or external mediation, will be closed within four months of receipt of the complaint. If a complaint takes more than four months to finalise, the complainant will continue to be informed of the status of the complaint process. The complainant and the RTO will be provided with written confirmation of the outcome of the complaint within ten working days of the final decision. ASQA will provide quarterly reports to the Minister on its handling of reports of an RTO's non-compliance with the <i>Standards for Registered Training Organisations 2015</i>. 	<p>Met: Online complaints received automatic acknowledgement.</p> <p>Partially met: 324 complaints (24%) were closed outside of the timeframe.</p> <p>Met: Timeframe is built into business procedure.</p> <p>Met: Quarterly reports were provided to the Minister.</p>

Service	Standard	Performance in 2017-18
Complaints and appeals—complaints about ASQA	<ul style="list-style-type: none"> For complaints about ASQA lodged in accordance with the procedure published on ASQA's website, ASQA will acknowledge to the complainant, in writing, receipt of the complaint within five working days of the complaint being received. For complaints about ASQA lodged through other channels, ASQA will respond as quickly as practicable. ASQA will act to investigate complaints as quickly as practicable. If ASQA considers more than 90 calendar days will be required to finalise a complaint, it will write to the complainant to explain the reasons why more than 90 calendar days is required. 	<p>Met: All complaints lodged in accordance with the procedure published on ASQA's website received acknowledgement within five working days.</p> <p>Met: Providers were notified if more than 90 calendar days was required.</p>
Complaints and appeals—reconsideration of ASQA decisions	<ul style="list-style-type: none"> ASQA will acknowledge, in writing, receipt of a reconsideration application within ten working days of the application being received by the responsible team within ASQA. ASQA will inform the applicant of the decision on its application within 90 calendar days of receiving a complete reconsideration application. ASQA will give the applicant a written statement of its reasons for its decision within 30 calendar days of making its decision. 	<p>Met: All applications were acknowledged within the timeframes.</p> <p>Met: All applicants were informed of ASQA's decision within 90 calendar days.</p> <p>Met: All applicants were provided with a statement within 30 calendar days.</p>
Freedom of Information (FOI)	<ul style="list-style-type: none"> FOI requests will be acknowledged in writing as soon as practicable, but not later than 14 calendar days after the request is received by the responsible team within ASQA. ASQA will comply with the requirements (including timeframes) of the <i>Freedom of Information Act 1982</i>. This means that, at times, ASQA may need to consult with other agencies or third parties prior to making a decision about a request. 	<p>Met: All requests were acknowledged within 14 calendar days.</p> <p>Met: FOI Act timeframes were adhered to.</p>

Appendix 2: Other mandatory information

Disability reporting

Since 1994, non-corporate Commonwealth entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service reports and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010–11, entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at www.dss.gov.au.

Remediation of information published in previous annual reports

ASQA has taken action to correct annual reports following their publication where it was discovered that information included was incorrect or misleading.

ASQA has issued corrigenda to its 2015–16 and 2016–17 annual reports. The corrigenda are published on ASQA's website with the relevant report.

Advertising and market research

During the 2017–18 financial year, ASQA did not undertake any advertising campaigns or market research.

Ecologically sustainable development and environmental performance

ASQA has continued to pursue activities that support the principles of ecologically sustainability as outlined under section 3A of the *Environment Protection and Biodiversity Conservation Act 1999*. During 2017–18, this included:

- continuing to implement improvements to the electronic document management system for audit, regulatory and records management to reduce the amount of paper files
- ongoing rollout of desktop anywhere (DTA) equipment to replace standard desktop personal computer setup for audit and investigations staff, providing greater mobility and energy savings
- using low-wattage, energy-efficient lights throughout office areas and operating lighting in office areas via motion sensors to reduce energy consumption
- maintaining paper-use reduction initiatives such as default printer settings to print double-sided and in black and white
- paper and toner cartridge recycling.

Environmental performance

The environmental performance of ASQA is aggregated by the Technology and Services Group (TSG) of the Department of Jobs and Small Business under a Memorandum of Understanding arrangement. These services include information and communication technology (ICT) services, including ICT procurement services and security access. Currently, payroll services and SAP/ERP services are provided by the Service Delivery Office (SDO) within the Department of Finance.

Table 25 shows a comparison of the environmental performance indicators for ASQA in 2017–18 and 2016–17.

In 2017–18, overall energy consumption decreased from 2016–17. In line with this overall reduction, energy use per square metre of leased space also decreased from 2016–17.

ASQA is committed to using 100 per cent recycled content when purchasing copy paper.

ASQA continues to evaluate and improve

its operational efficiency to ensure that its activities contribute to successful long-term outcomes and to increase its understanding of sustainability beyond the environmental scope.

Grant programs

ASQA does not administer any grant programs.

Information Publication Scheme

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement, in Part II of the FOI Act, has replaced the former requirement to publish a 'Section 8 statement' in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

ASQA's IPS plan can be found at:

<https://www.asqa.gov.au/about/accountability-and-reporting/information-publication-scheme>

Table 25: ASQA environmental performance, 2016–17 to 2017–18

Performance indicator	2016–17	2017–18
Total energy consumption (kWh)	410,958.49	375,587.64
Total energy consumption (Mj)	1,431,750.97	1,370,304.90
Energy use per staff headcount (Mj)*	6066.75	6036.23
Energy use per square metre per annum†	230.72	229.98
Ratio of desktop personal computers/DTA devices to multifunction printers	17:1	15:1
Percentage of recycled content copy paper‡	100	100
Total copy paper purchased (reams)	833	742
Copy paper per full-time equivalent (reams)	3.84	3.31

* Energy Efficiency in Government Operations Policy target is 7500Mj per person per annum.

† Energy Efficiency in Government Operations Policy target is 400Mj per square metre per annum.

‡ Recycled content equal to or greater than 50 per cent.

Appendix 3: Agency resource statement

Australian Skills Quality Authority Resource Statement 2017-18

		Actual available appropriation as per PBS	Adjustment to appropriation	Total appropriations available after adjustments	Payments made	Balance remaining
		2017-18	2017-18	2017-18	2017-18	2017-18
		\$'000	\$'000	\$'000	\$'000	\$'000
Ordinary annual services¹						
Departmental appropriations						
Annual appropriation		33,099	-	33,099	18,909	14,190
Prior year appropriations available		13,706	6,750	20,456	20,456	-
s74 Retained revenue receipts		264	811	1,075		-
Total		47,069	7,561	54,630	39,365	14,190
Total ordinary annual services	A	47,069	7,561	54,630	39,365	14,190
Other services						
Departmental non-operating						
Equity injections		478			478	-
Total		478			478	-
Total other services	B	478			478	
Total available annual appropriations and payments						
		47,547			39,843	
Total resourcing and payments						
A+B		47,547			39,843	
Total net resourcing for ASQA		47,547			39,843	

Appendix 4: Expenses and resources for outcome

Expenses for Outcome 1

Outcome 1: Contribute to a high quality vocational education and training sector, including through streamlined and nationally consistent regulation of training providers and courses, and the communication of advice to the sector on improvements to the quality of vocational education and training.	Budget* 2017-18 \$'000	Actual expenses 2017-18 \$'000	Variation 2017-18 \$'000
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(a) (b) (a) – (b)

Program 1.1: Regulation and Advice

Administered expenses

Expenses not requiring appropriation in the budget year		413	(413)
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Departmental expenses

Departmental appropriation ¹	33,363	31,707	1,656
Expenses not requiring appropriation in the budget year	2,158	2,031	127

Total for Program 1.1

35,521	34,151	1,370
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Outcome 1 totals by appropriation type

Administered expenses

Expenses not requiring appropriation in the budget year		413	(413)
---	--	-----	-------

Departmental expenses

Departmental appropriation ¹	33,363	31,707	1,656
Expenses not requiring appropriation in the budget year	2,158	2,031	127

Total expenses for Outcome 1

35,521	34,151	1,370
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Average staffing level (number)

2017-18	2017-18	
184	168	16

¹ Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

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Glossary

accreditation

The formal recognition of a vocational education and training course by the Australian Skills Quality Authority.

accredited VET course

A structured sequence of training developed to meet training needs that are not addressed by existing training packages.

ASQA Info Line

ASQA's Melbourne-based contact centre.

asqanet

ASQA's online application system for vocational education and training applications; asqanet is also the agency's internal business system for managing and maintaining application, registration and regulatory processes, decisions, activity and information.

audit

The systematic and documented process used to assess a provider's ongoing compliance with the VET Quality Framework and other relevant standards. Audit activities are scheduled at ASQA's discretion with the authority of an ASQA Commissioner.

Australian Qualifications Framework (AQF)

A unified system of national qualifications in schools, vocational education and training (TAFEs and private providers) and the higher education sector (mainly universities).

Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS)

An online database of courses and educational institutions or providers in Australia that are registered to offer courses to overseas students with student visas.

competency

An individual's demonstrated capacity to perform a skill or task.

compliance

Compliance is reached when requirements of the VET Quality Framework or Standards for VET Accredited Courses have been met.

cost recovery

Cost recovery broadly encompasses fees and charges related to the provisions of government goods and services (including regulation) to private and other sectors of the economy.

As a partial cost recovery agency, ASQA must partly recover the costs of performing regulatory activities through fees and charges.

Data Provision Requirements 2012

A legislative instrument that outlines the requirements for providers to capture and provide data to ASQA.

ELICOS Standards 2018

Guidelines for designated authorities to make recommendations for acceptance of providers to be registered on the CRICOS.

English Language Intensive Courses for Overseas Students (ELICOS)

English language programs for students who require English language training before commencing formal studies in Australia.

Financial Viability Risk Assessment(s)

Structured risk assessments of common indicators of financial performance, which determine an organisation's likely business continuity and its financial capacity to deliver quality outcomes.

Financial Viability Risk Assessment Requirements 2011

A legislative instrument to ensure that an applicant or provider has the necessary financial resources for business continuity and can deliver quality outcomes.

Fit and Proper Person Requirements 2011

A legislative instrument used to determine fit and proper person requirements for persons who exercise a degree of control or influence over the operation of a registered training organisation.

industry

The bodies that have a stake in the training, assessment and client services provided by vocational education providers.

industry organisation

An organisation representing an industry, including peak business and employer organisations and industry advisory bodies, such as Skills Service Organisations.

National Code of Practice for Providers of Education and Training to Overseas Students 2018 (National Code)

A set of nationally consistent standards that governs the protection of overseas students and delivery of courses to those students by providers registered on the CRICOS.

national register

The official national register of information on training packages, qualifications, courses, units of competency and registered training organisations, online at training.gov.au

national VET regulator

The Australian Skills Quality Authority, the national body responsible for registered training providers and accrediting courses in Australia.

National Vocational Education and Training Regulator Act 2011 (NVR Act)

National legislation that governs the regulation of the vocational education and training sector in Australia.

non-compliance

Non-compliance occurs when the requirements of the VET Quality Framework or other relevant standards or registration conditions have not been met.

overseas student

A person studying onshore only with visa subclass 500, excluding students on Australian-funded scholarships or sponsorship or students undertaking study while in possession of other temporary visas.

provider

'Provider' may refer to:

- a registered training organisation
- a vocational education and training provider that is also registered on the CRICOS to deliver to overseas students
- a provider that is registered on the CRICOS and delivers ELICOS.

provider profile

Each ASQA-registered provider has a nuanced and dynamic 'provider profile', reflecting a range of data sources. This information does not translate into a single score or rating.

Public Governance, Performance and Accountability Act 2013 (PGPA Act)

An Act about the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes.

qualification

Formal certification, issued by a relevant approved body, in recognition that a person has achieved learning outcomes or competencies relevant to identified individual, professional, industry or community needs.

referral of powers

States have the ability to give legislative control to the federal government in areas which have been deemed in the national interest.

registered training organisation (RTO)

An organisation registered in accordance with the requirements of the VET Quality Framework to provide specific vocational education and training and/or assessment services.

registration

ASQA registers both VET providers as RTOs and providers wishing to enrol overseas students who are on student visas as CRICOS providers.

VET registration is a nationally recognised indication that a training organisation can deliver, assess and issue qualifications or statements of attainment to a nationally agreed standard for the specific vocational education and training qualifications it is registered to provide.

Providers delivering training and assessment to overseas students who have Australian student visas must be registered on the CRICOS.

reviewable decision

Reviewable decisions include those decisions listed in section 199 of the *National Vocational Education and Training Regulator Act 2011*. Reviewable decisions may include decisions to cancel a provider's registration, or to impose sanctions upon a provider.

risk assessment

Assessment conducted to gather data about operations of providers including through undertaking audit activities.

scope of registration

The particular services and products that a provider is registered to provide.

Standards for Registered Training Organisations 2015

The national standards against which applicants for registration as a VET provider and existing VET providers are assessed.

Standards for VET Accredited Courses 2012

A legislative instrument used to formally identify the requirements for accrediting VET courses.

Standards for VET Regulators 2015

A legislative instrument used to formally identify the standards for VET regulators performing functions under the *National Vocational Education and Training Regulator Act 2011*.

strategic reviews

Industry-wide reviews undertaken by ASQA to obtain information about areas of the training sector that may require targeted regulatory action.

student-centred audit approach

An approach to audit that focuses on the practices and behaviours of RTOs, as well as checking on the compliance of RTOs' systems and processes.

training package

A package that specifies the skills and knowledge required to perform effectively in the workplace.

VET Quality Framework

A set of standards and conditions used by ASQA to assess whether a registered training organisation meets the requirements for registration.

The VET Quality Framework comprises:

- the *Standards for Registered Training Organisations 2015*
- the Fit and Proper Person Requirements
- the Financial Viability Risk Assessment Requirements
- the Data Provisions Requirements
- the Australian Qualifications Framework.

vocational education and training

Post-compulsory education and training, excluding degree and higher level programs delivered by further education institutions, which provides people with occupational or work-related knowledge and skills.

List of acronyms and abbreviations

AAT	Administrative Appeals Tribunal
AISC	Australian Industry and Skills Committee
APS	Australian Public Service
ASQA	Australian Skills Quality Authority
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
DET	Department of Education and Training
DoF	Department of Finance
DTA	Desktop Anywhere
EAP	Employee Assistance Program
ELICOS	English Language Intensive Courses for Overseas Students
ERP	Enterprise Resource Planning
ESOS	Education Services for Overseas Students
FOI	Freedom of Information
ICT	Information and Communication Technology
IPS	Information Publication Scheme
KPI	Key Performance Indicator
MOU	Memorandum Of Understanding
NCVER	National Centre for Vocational Education Research
PBS	Portfolio Budget Statements
PGPA	Public Governance, Performance and Accountability
RTO	Registered Training Organisation
SDO	Service Delivery Office
SES	Senior Executive Service
SME	Small and Medium Enterprises
TAC	Training Accreditation Council
TAE	Training And Education
TVA	Total VET Activity
TSG	Technology and Services Group
VET	Vocational Education and Training
VSL	VET Student Loans

List of requirements

PGPA Rule Reference	Part of Report	Description	Page number
17AD(g)	Letter of transmittal		
17AI		Letter of transmittal	iii
17AD(h)	Aids to access		
17AJ(a)		Table of contents	iv
17AJ(b)		Alphabetical index	128
17AJ(c)		Glossary of abbreviations and acronyms	119
17AJ(d)		List of requirements	123
17AJ(e)		Details of contact officer	ii
17AJ(f)		Entity's website address	ii
17AJ(g)		Electronic address of report	ii
17AD(a)	Review by accountable authority		
17AD(a)		A review by the accountable authority of the entity	1
17AD(b)	Overview of the entity		
17AE(1)(a)(i)		A description of the role and functions of the entity	6
17AE(1)(a)(ii)		A description of the organisational structure of the entity	9
17AE(1)(a)(iii)		A description of the outcomes and programmes administered by the entity	10
17AE(1)(a)(iv)		A description of the purposes of the entity as included in corporate plan	6
17AE(1)(b)		An outline of the structure of the portfolio of the entity	n/a
17AE(2)		Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	n/a
17AD(c)	Report on performance		
	Annual performance Statements		
17AD(c)(i); 16F		Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule	11
17AD(c)(ii)	Report on financial performances		
17AF(1)(a)		A discussion and analysis of the entity's financial performance	50-95
17AF(1)(b)		A table summarising the total resources and total payments of the entity	116

PGPA Rule Reference	Part of Report	Description	Page number
17AF(2)		If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	50-95
17AD(d)	Management and Accountability Corporate Governance		
17AG(2)(a)		Information on compliance with section 10 (fraud systems)	98
17AG(2)(b)(i)		A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	iii
17AG(2)(b)(ii)		A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place	iii
17AG(2)(b)(iii)		A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	iii
17AG(2)(c)		An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	97
17AG(2)(d) – (e)		A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with Finance law and action taken to remedy noncompliance	n/a
	External Scrutiny		
17AG(3)		Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	99
17AG(3)(a)		Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	99
17AG(3)(b)		Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman	n/a
17AG(3)(c)		Information on any capability reviews on the entity that were released during the period	n/a
	Management of Human Resources		
17AG(4)(a)		An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	100

PGPA Rule Reference	Part of Report	Description	Page number
17AG(4)(b)		<p>Statistics on the entity's APS employees on an ongoing and nonongoing basis; including the following:</p> <p>Statistics on staffing classification level;</p> <p>Statistics on fulltime employees;</p> <p>Statistics on parttime employees;</p> <p>Statistics on gender;</p> <p>Statistics on staff location;</p> <p>Statistics on employees who identify as Indigenous.</p>	102-104
17AG(4)(c)		Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the Public Service Act 1999	100
17AG(4)(c)(i)		Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c)	101
17AG(4)(c)(ii)		The salary ranges available for APS employees by classification level	101
17AG(4)(c)(iii)		A description of nonsalary benefits provided to employees	101
17AG(4)(d)(i)		Information on the number of employees at each classification level who received performance pay	101
17AG(4)(d)(ii)		Information on aggregate amounts of performance pay at each classification level	n/a
17AG(4)(d)(iii)		Information on the average amount of performance payment, and range of such payments, at each classification level	n/a
17AG(4)(d)(iv)		Information on aggregate amount of performance payments	n/a
Assets Management			
17AG(5)		An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	106
Purchasing			
17AG(6)		An assessment of entity performance against the <i>Commonwealth Procurement Rules</i>	106
Consultants			
17AG(7)(a)		A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST)	106

PGPA Rule Reference	Part of Report	Description	Page number
17AG(7)(b)		A statement that "During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]."	106
17AG(7)(c)		A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	106
17AG(7)(d)		A statement that "Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."	106
Australian National Audit Office Access Clauses			
17AG(8)		If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	107
Exempt contracts			
17AG(9)		If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	107
Small business			
17AG(10)(a)		A statement that "ASQA supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website."	107
17AG(10)(b)		An outline of the ways in which the procurement practices of the entity support small and medium enterprises	107
Financial Statements			
17AD(e)		Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act	50-95

PGPA Rule Reference	Part of Report	Description	Page number
17AD(f)	Other Mandatory Information		
17AH(1)(a)(i)		If the entity conducted advertising campaigns, a statement that "During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."	n/a
17AH(1)(a)(iii)		If the entity did not conduct advertising campaigns, a statement to that effect	114
17AH(1)(b)		A statement that "Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."	115
17AH(1)(c)		Outline of mechanisms of disability reporting, including reference to website for further information	114
17AH(1)(d)		Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	115
17AH(1)(e)		Correction of material errors in previous annual report	114
17AH(2)		Information required by other legislation	114

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