



**The Institute of
Internal Auditors
Australia**

**Submission in Response to Consultation Paper: Fees and charges proposal –
Cost recovery for quality assurance and regulation of higher education, April 2021**

consultation@teqsa.gov.au

Dear Sir/Madam,

The Institute of Internal Auditors-Australia (IIA-Australia) makes this public submission in response to the *Consultation paper: Fees and charges proposal, Cost recovery for quality assurance and regulation of higher education, April 2021*.

We also support the submission presented by Independent Higher Education Australia (IHEA). IIA-Australia is a member of IHEA.

Executive Summary

The IIA-Australia does not support the 'fiscal principle' of full cost recovery for independent higher education providers and believes the Federal Government's policy will lead to smaller providers such as IIA-Australia being forced to quit the market due to the dramatic cost increases proposed.

TEQSA funding should form part of the Government's commitment to higher education and the development of an educated and productive workforce. Government should support providers by reducing costs rather than increasing them.

IIA-Australia is an independent higher education provider that offers up-front fee-paying students a single accredited course, the Graduate Certificate in Internal Auditing (GradCertIA). The GradCertIA was developed by the profession for the profession. It is studied part-time with learners working full-time in most cases and is the only course of its type in Australia offering internal audit education for those wishing to practice professionally as internal auditors.

IIA-Australia is a not-for-profit professional association representing the interests of internal audit, risk, and assurance professionals.

The GradCertIA is a loss-making venture for IIA-Australia but, given its importance to the profession, is subsidised by other activities of the Institute.

It is the Institute's view that the institutional environment has changed dramatically in the last decade with internal auditing becoming a critical factor in the governance frameworks of private and public sector organisations. The occupation Internal Auditor is also on the Department of Home Affairs Skilled Occupation List (ANZSCO Code 221214) demonstrating its importance to the Australian workforce.

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IIA-Australia is due to re-accredit the GradCertIA and re-register as a higher education provider in 2024, but the proposed cost increases associated with the cost recovery are exorbitant. This will mean that the Institute will ultimately have to withdraw from offering the course.

For example, IIA-Australia paid TEQSA \$28,000 in 2016 for renewal of registration and accreditation costs for the GradCertIA. In 2024, when re-registration and re-accreditation is due, the new model would have IIA-Australia paying costs of \$107,121, an increase of \$79,121 or 282%. This is in addition to the proposed annual non-application-based charges which could be upward of \$29,000.

Other government-imposed fees, such as those proposed for the Tuition Protection Service, only serve to worsen the financial impact.

IIA-Australia has averaged 185 students per year in the seven years 2020. Under the current proposed model, it is not viable to pass these costs onto so few students as it would make the fees out of reach.

We therefore recommend the re-accreditation and re-registration be heavily discounted and be calculated on Equivalent Full-time Study Load (EFTSL). Further, we believe the annual levy for non-application-based charges (annual levy) and single provider charges be waived or calculated on a scale for smaller providers.

Background

IIA-Australia is a national organisation and provides services including:

- standards, guidance, and information on internal auditing best practices;
- an education program, the GradCertIA, which helps fulfil our mission to advance the profession and practice of internal auditing;
- professional development activities, training, and certification;
- upholding internal audit standards by undertaking quality assurance services;
- advocating, promoting, and publicising the profession to industry professionals in the public and private sectors, and universities;
- contributing to the global profession with representation on international committees and the global board, and
- membership support services.

The GradCertIA program is designed to impart fundamental knowledge and skills in the field of internal auditing and is relevant across the corporate, government, and not-for-profit sectors.

Over the nine years' the Institute has offered the GradCertIA, 276 students have graduated. The GradCertIA qualifies graduates to undertake professional work in the field of internal auditing.

The IIA-Australia is only one of a few not-for-profit professional associations that deliver TEQSA approved qualifications for students. The majority of students work in the industry and seek to improve their internal auditing skills and knowledge through studying this qualification.

IIA-Australia is a sound business operation. It is rated low risk by TEQSA and this was confirmed in 2017 when TEQSA granted the GradCertIA a period of seven years re-

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registration and re-accreditation with no conditions. IIA-Australia is committed to the GradCertIA and wellbeing of our students. But as the GradCertIA course is not a profit-making venture for the Institute, and is subsidised by other Institute activities, we strongly contend that this should be taken into consideration.

Under the proposed TEQSA cost recovery model, annual non-application-based charges coupled with increased re-accreditation and re-registration fees will impose a huge financial burden on IIA-Australia, and risks the future of the GradCertIA, the only course of its kind in Australia.

Response to Submission Guidelines' questions are as follows:

1. What are your views on TEQSA's proposed approach to implementing increased cost recovery in line with Government policy?

IIA-Australia does not accept the proposed full cost recovery model for non-university higher education providers as this will risk financially ruining organisations. IIA-Australia believes that this approach is deeply flawed and will substantially increase costs, which for smaller providers, will effectively put them out of business. Higher education providers differ in size, category (such as not-for-profit), financial model, EFTSL, and the number of courses offered. These should be factored into the cost-recovery policy rather than simply impose higher costs regardless. One size does not fit all.

For example, IIA-Australia paid \$8,000 in 2016 for re-accreditation of the Graduate Certificate in Internal Auditing (GradCertIA) and \$20,000 for re-registration as a higher education provider. In 2024, when re-accreditation and re-registration is next due, these costs will be \$107,121. In addition, there will be a cost recovery figure of \$29K (\$5.396M divided by 186 providers). This represents a per module increase of \$825 to students.

If the imposition of proposed fees risks the ability of the organisation to operate, and potentially the closure of the higher education program, this seems counter-productive and a policy failure. It is not viable for IIA-Australia to pass on such increases to students to try to remove the burden of the additional operational costs.

For IIA-Australia to absorb these costs, for a higher education program that is already subsidised, it will adversely impact other important services we offer to our members. It is not sustainable

2. Do you agree or disagree with TEQSA's proposed approach to attribute application-based costs according to regulatory effort?

The issue IIA-Australia would firstly raise is how efficient is the regulatory effort? How is this measured and by what standards? With cost recovery, there is little or no interest by government to monitor and control the size and cost of TEQSA as providers foot the bill. We would be better off reverting to the pre-TEQSA era of state-based regulatory governance where there is no cost recovery.

3. Do you have any comments on the proposed method of adjusting course accreditation fees based on provider student numbers?

It makes more sense to adjust accreditation fees based on EFTSL. Additionally, it makes 'good policy' sense if this model is also applied to registration fees and the annual levy.

4. Do you agree or disagree that the cost of compliance and investigatory activities should be borne by those providers being investigated?

There is always the risk of vexatious students playing the system at no personal cost to themselves. If an investigation does not result in adverse findings for the education provider, then there should be no charge. IIA-Australia is pleased that this is what is described in the consultation paper. Costs should be based on actual hours charged by TEQSA staff adjudicating the investigation for hours spent on the investigation activities, and should be paid if the outcome goes against the provider.

5. Do you have any comments on the structure of the proposed new annual levy?

The concept of an across-the-board levy, applied equally to large financially well-off institutions with large reserves and many students with small providers with smaller student numbers is unfair. It would be more equitable to apply the levy according to EFTSL.

Conclusion

The IIA-Australia does not support full cost recovery. The prospect of further increases across re-accreditation and re-registration, plus an extra annual levy, will only create a greater financial burden for the Institute and jeopardise the future viability of the GradCertIA.

1. IIA-Australia's program is rated low/moderate risk with small student numbers and should not be levied with additional costs. A fairer policy on recovery costs according to size of the provider and number of students should be considered.
2. IIA-Australia is willing to discuss alternate arrangements with TEQSA as the costs outlined in the *Consultation Paper Fees and charges proposal* would likely mean the closure of the Graduate Certificate in Internal Auditing, the only course of its kind in Australia.

About IIA-Australia

The Institute of Internal Auditors (The IIA) is the global professional association for internal audit practitioners, with global headquarters in the USA, and with Institutes throughout the world including Australia (IIA – Australia). The IIA was established in 1941, and now has more than 200,000 members from 190 countries throughout the world, including 3,000 members from Australia.

As the chief advocate of the internal audit profession, The IIA serves as the profession's international standard-setter, sole provider of globally accepted internal auditing certifications, and principal researcher and educator.

The IIA sets the bar for internal audit integrity and professionalism around the world with its International Professional Practices Framework (IPPF®), a collection of guidance that includes 'The International Standards for the Professional Practice of Internal Auditing', and the 'Code of Ethics' for internal auditors.

The Code of Ethics states the principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. It describes the minimum requirements for conduct and behavioural expectations, rather than specific activities.

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The International Standards for the Professional Practice of Internal Auditing issued by the Professional Standards Board of The IIA are the “Standards” governing internal auditing worldwide.

Members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

Your sincerely,



Peter M. Jones
Chief Executive Officer

3 June 2021



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