

Review of the Australian Children's Education and Care Quality Authority



Disclaimer

Inherent Limitations

This Report has been prepared as outlined in the Introduction and Appendix A. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions intended to convey assurance have been expressed.

This Report provides a summary of KPMG's findings during the course of the work undertaken for the Council of Australian Governments Education Council under the terms of KPMG's work order dated 1 April 2019. The contents of this Report do not represent our detailed analysis and information supporting the Review findings, which are only contained in KPMG's final detailed report issued to Early Childhood Policy Group (ECPG) on the Council of Australian Governments Education Council's behalf on 9 October 2019.

The findings in this report are based on a qualitative study and the reported results reflect a perception of ACECQA as expressed by the sample of stakeholders consulted, as outlined in our report and approved by ECPG. Accordingly this might not represent the views of any other relevant stakeholder not consulted as part of the Review.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Australian Government Department of Education, ECPG, the Australian Children's Education & Care Quality Authority and other stakeholders consulted as part of the Review.

KPMG have indicated within this Report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the Report.

KPMG is under no obligation in any circumstance to update this Report, in either oral or written form, for events occurring after the Report and / or KPMG's detailed report have been issued in final form.

Third Party Reliance

This Report is solely for the purpose set out the Introduction and Appendix A and for the Member Representatives of ECPG, the Australian Children's Education and Care Quality Authority and the Council of Australian Governments Education Council information, and is not to be used for any other purpose.

This Report has been prepared at the request of Australian Government Department of Education as procurement delegate for the Council of Australian Governments Education Council in accordance with the terms of KPMG's work order dated 1 April 2019. Other than our responsibility to the Australian Government Department of Education and the Council of Australian Governments Education Council, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this Report. Any reliance placed is that party's sole responsibility.

Glossary

Acronym	Term
ACECQA	Australian Children's Education & Care Quality Authority
AITSL	Australian Institute for Teaching and School Leadership
AO	Authorised Officer
ASQA	Australian Skills Quality Authority
COAG	Council of Australian Governments
ECPG	Early Childhood Policy Group
the National Law	<i>Education and Care Services National Law Act 2010</i>
the National Regulations	<i>Education and Care Services National Regulations 2011</i>
NP NQA	National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care
NQA ITS	National Quality Agenda IT System
NQF	National Quality Framework
NQS	National Quality Standard
NSG	National IT Systems Steering Group
QSP	Quality Support Program
the Review	Review of the Australian Children's Education and Care Quality Authority
RPC	Regulatory Practice Committee

Introduction

Context and purpose for the Review

The Council of Australian Governments (COAG) Education Council endorsed a review (the Review) of the operation of the Australian Children's Education and Care Quality Authority (ACECQA) on 14 December 2018. The Review was led by the Early Childhood Policy Group (ECPG) on the Education Council's behalf and undertaken by KPMG.

The primary objective of the Review was to ensure that ACECQA's operations remain 'fit for purpose' in the current early childhood education and care environment and to assess the effectiveness of ACECQA's performance in undertaking the functions of the National Authority as specified in the *Education and Care Services National Law Act 2010* (National Law) and the Letter of Expectation¹.

This Report provides a summary of KPMG's findings, analysis and recommendations, with KPMG's detailed findings, analysis and recommendations contained in KPMG's Full Report provided to ECPG (on behalf of COAG) on 9 October 2019. The Review's terms of reference are available via the [Educational Council website](#)².

Approach and scope

The Review was undertaken between April and October 2019 and involved the analysis of data and information provided by ACECQA, consultations with key stakeholders and KPMG's independent research and analysis. The key stakeholders to be consulted during this Review were determined by ECPG and comprised:

- State and territory regulatory authorities and early childhood education and care policy agency staff
- The Australian Government Department of Education
- ACECQA Board members
- ACECQA's senior management
- Selected national peak bodies and providers
- Teacher registration authorities
- Education Council Secretariat
- Other national bodies.

Within this evidence base, the feedback and perspectives of key stakeholders, particularly those who rely heavily on the contribution ACECQA makes to the national system, was a key driver of the findings and recommendations of the Review. Refer to Appendix A for further detail regarding Approach.

Acknowledgements

KPMG would like to acknowledge ACECQA, all government bodies, peaks, providers and other contributing bodies for the significant time contribution and input each has provided over the course of this Review.

¹ The Letter of Expectation sets out the strategic priorities and expectations for ACECQA over a future fixed period.

² 2019 ACECQA Review Terms of Reference,

<http://www.educationcouncil.edu.au/site/DefaultSite/filesystem/documents/Reports%20and%20publications/ACECQA%20Review%20ToRs%20endorsed%2014.12.18.pdf>

An overview of the National Quality Framework

The commencement of the National Quality Framework (NQF) in 2012 marked a significant milestone in the provision of quality early education and care in long day care, family day care, preschool and outside school hours care in Australia. The NQF introduced a unified approach to quality, replacing a previously disparate system of separate licensing arrangements and quality assurance processes across jurisdictions³. It aims to ensure the same level of high-quality standards for education and care services apply nationwide⁴ and acknowledges the importance of the early years in a child's development and learning and the impact on their future outcomes and potential.

The NQF operates under an applied law system of the National Law and *Education and Care Services National Regulations 2011* (the National Regulations) which sets the national standard. The National Law and National Partnership Agreement (NPA) on the National Quality Agenda for Early Childhood Education and Care⁵, created a shared responsibility amongst all for improving children's educational and development outcomes, establishing a jointly governed and unified national quality framework for early education and care and school-aged care. Each state and territory and the Commonwealth acknowledge the mutual interest and importance of working at the national level to ensure the safety and wellbeing of children across Australia.

The nationally unified system is world leading and provides for an outcomes driven approach to the development of children in Australia.

The role ACECQA plays in the national system

A key component of the NQF was the establishment of a national body, ACECQA, which holds responsibility for guiding the implementation and management of the integrated NQF. ACECQA's legislative mandate is extensive and can be presented in many different ways. For the purposes of responding to the terms of reference of the Review, the functions assigned to ACECQA by the National Law and the 2019-20 Letter of Expectation have been arranged into the 10 categories as shown in the figure below.



Figure 1: KPMG analysis of ACECQA's functional categories

³ COAG (2008), National Partnership Agreement on the Quality Agenda for Early Childhood Education and Care, Preliminaries

⁴ Morand, M MP (2010), *Parliament of Victoria - Second Reading*, Parliamentary Debates (Hansard) Legislative Assembly, Victoria

⁵ COAG (2008), National Partnership Agreement on the Quality Agenda for Early Childhood Education and Care, Part 1

Almost eight years on, ACECQA plays an integral role in the regulatory ecosystem that oversees the provision of children's education and care in Australia. Throughout the Review stakeholders reported that ACECQA is the unifying mechanism for all nine governments and highlighted the additional impact it makes to the national system is through:

- Support of the early childhood education and care services sector to improve quality outcomes for children and to understand and comply with the NQF;
- Facilitation of consistent regulatory outcomes through delivery of key functions at a national level, which would be difficult for individual regulators to achieve independently; and
- Achieving efficient and coordinated delivery of certain functions and management of assets that are essential for all stakeholders: such as the administration of the National Quality Agenda Information Technology System (NQA ITS) to support a cohesive and streamlined technical implementation of the NQF.

Other specific benefits identified by stakeholders of having a national body included:

- Monitoring and promoting the consistent application of the NQF across jurisdictions;
- Collection, secure management, access and interrogation of critical national data and information on behalf of the Australian Government, and all state and territory Governments;
- Independent delivery of certain National Law functions at a national level to strengthen the integrity of NQF processes and promote robust and credible decision making;
- Providing a national forum for providers, peaks and regulatory authorities to discuss and understand the elements of the NQF and its application;
- Consistent support and education for the sector and families about the NQF;
- Providing expert input into national issues facing the early childhood education and care sector, for example workforce and teacher registration;
- Maintaining a national register of approvals and producing data reports and analysis of information to support the regulation under the NQF;
- Providing high quality national training and support to Authorised Officers (AOs) to promote consistency and quality; and
- Ensuring regulatory burden across the early childhood education and care sector is minimised.

Overview of Review findings

All stakeholders consulted as part of the Review value the existence of an independent national body to support and connect governments in administering the NQF and in particular the role ACECQA has played in driving national consistency. Further, there is broad acknowledgement of the significant achievements that ACECQA has made in its contribution to the NQF and unanimous and strong support for the continued operation of a national body, notwithstanding opportunities to refine and enhance its functions, governance, and operations to improve its impact and effectiveness.

The Review has made 10 recommendations which are framed and directed for Education Council consideration. The recommendations identify actions to inform and influence the future direction, governance, funding and operations of ACECQA.

Additionally, the Review has identified 11 improvement opportunities reflecting the maturing nature of ACECQA's operations, which are considered operational/business as usual activities, rather than recommendations that would shape or influence ACECQA's future direction.

These recommendations and improvement opportunities should be read in conjunction with the observations and findings outlined in the section 'Response to the terms of reference'.

Summary of recommendations

Ref	Recommendation
Governing arrangements	
1	In the absence of a National Partnership Agreement there needs to be a mechanism that outlines roles and responsibilities and re-affirms the shared commitment of all nine governments to partnership principles underpinning the National Quality Framework and the important role ACECQA plays in a national system.
2	Identifying the relative priority of each National Law function and requirement of the Letter of Expectation would assist ACECQA to better align resource allocation and planning with government stakeholder expectations. This would require ECPG and the ACECQA Board to work together to jointly set expectations, including through collaboration on the drafting of the Letter of Expectation and the Forward Work Plan. This may also require more frequent and stronger engagement between Education Council (via ECPG) and ACECQA when agreeing the Forward Work Plan to allow flexibility to accommodate emerging and changing priorities of all government stakeholders.
Corporate Governance	
3	Consideration should be given to moving to a smaller skills-based Board. Further, the skills and expertise requirements of Board members listed in the National Law should be reviewed to better reflect a wider range of contemporary skills, experience and diversity requirements generally expected in the private and public sectors.
Funding ACECQA	
4	A revised approach to funding is required to ensure the level, timing and nature of funding addresses agreed priorities arising from this and other concurrent reviews.

Ref	Recommendation
National information and registers, including NQA ITS	
5	ACECQA should develop a strategic plan and IT investment roadmap to identify and prioritise investment in National Quality Agenda Information Technology System (NQA ITS) to ensure it is effectively supporting jurisdictions in undertaking regulatory activities, as outlined in the current Letter of Expectation. In addressing this recommendation, consideration should also be given to establishing a special purpose Strategic IT Steering Committee to oversee the future direction and investment in the NQA ITS.
Communications and engagement to educate and inform about the NQF	
6	In consultation with regulatory authorities and other relevant stakeholders, ACECQA should lead the development of an overarching communication strategy for how all governments and ACECQA communicate and engage with the early childhood education and care sector and the community about the National Quality Framework.
Authorised Officer training	
7	To further promote national consistency in regulatory outcomes and implementation of the National Quality Framework, ACECQA should work with regulatory authorities to analyse training needs and develop options to expand the scope of support provided to Authorised Officers to cover all regulatory functions.
Excellent rating	
8	To promote continuous quality improvement and high quality outcomes for children and families, ACECQA in collaboration with regulatory authorities should define, communicate and better promote the value of the Excellent rating so this function is more widely recognised and accepted as a valuable part of the National Quality Framework.
Qualifications assessment	
9	ACECQA should leverage its position as the national authority, to continue to have a role and contribute to further work undertaken by other bodies (for instance with Australian Institute for Teaching and School Leadership (AITSL)) in relation to Early Childhood Teacher qualifications, registration and standards.
Improvement opportunities	
10	<p>ACECQA, in conjunction with relevant stakeholders, should review and undertake further analysis (where required) to consider all improvement opportunities identified throughout the Review.</p> <p>ECPG should monitor ACECQA's progress and activities to address the improvement opportunities on a periodic basis to ensure timely action and improvement to ACECQA's ongoing operations. The improvement opportunities are identified in the following section.</p>

Feedback to ACECQA from stakeholders on potential areas for improvement

Throughout the review a number of improvement opportunities were identified by stakeholders as feedback and areas for improvement. This reflects the maturing nature of ACECQA's operations as it improves the effectiveness and impact of its delivery of National Law functions.

The improvement opportunities were considered operational/business as usual activities, rather than recommendations that would shape or influence ACECQA's future direction. Accordingly they have not been raised as individual recommendations but rather aggregated below for ACECQA's consideration and action, as appropriate.

Ref	Improvement opportunity
1	Through the National IT Systems Steering Group (NSG), ACECQA should continue to establish and embed consistent business rules, definitions and protocols for how data is captured, managed and reported in the National Quality Agenda Information Technology System (NQA ITS) to improve data integrity, promote connectivity with datasets outside of NQA ITS and provide meaningful comparator data
2	Establish a mechanism to undertake an annual assessment of Regulatory Practice Committee (RPC) performance. At a minimum this needs to assess the committee's performance against its terms of references, satisfaction with the level and nature of contributions to this forum and the processes supporting its administration.
3	ACECQA should engage with national peaks and providers to better understand any perceived issues regarding inconsistencies to either identify matters of substance or dispel any misconceptions concerning assessment and rating outcomes.
4	ACECQA should establish a regular teleconference with regulatory authorities to facilitate a two-way feedback process with regulatory authorities to share insights from its discussions with peak bodies and national providers.
5	ACECQA should undertake a user needs analysis to inform its development of resources and guidance to ensure they are suitable for all parts of the sector.
6	ACECQA should leverage its position as a national body to work with regulatory authorities to develop guidance on the desired capabilities and competencies of Authorised Officers (AO). ACECQA should develop an associated learning framework to support AOs' ongoing professional development as a mechanism to support national consistency and continuous improvement for both AOs' capabilities and the broader National Quality Framework environment.
7	ACECQA, in conjunction with regulatory authorities, should review and update the processes, responsibilities and delivery model for second tier reviews.
8	ACECQA should review and revise (as required) the delivery arrangements of the current Excellent rating function to take into account feedback from regulatory authorities and the sector concerning the appropriateness of how it is currently administered.
9	ACECQA should review and make necessary modifications to the process for generating research outputs so that they are better contextualised and written for the target audience and a clearer communication of both outcomes and their practical application and implications.

Ref	Improvement opportunity
10	To ensure research is fit for purpose and topics are appropriate, ACECQA should work with ECPG to refine the scope of its Research and Evaluation Strategy and Implementation Plan. ACECQA should ensure opportunities to evaluate impacts of the National Quality Framework are explored through this process, with a particular focus on periodic reviews and research on national consistency and the related sector views.
11	ACECQA should review the manner by which audit outputs are developed and communicated to ensure these both inform national consistency and identify practical actions to drive consistency and change where necessary.

Response to the terms of reference

The Review was commissioned by the Education Council to assess the effectiveness of ACECQA’s performance in undertaking the functions of the National Authority as specified in the National Law and the Letter of Expectation. The table below provides a summary of the key findings and recommendations of the Review in response to the nine specific areas outlined in the Terms of Reference.

TOR 1. The scope and appropriateness of ACECQA’s assigned functions as set out in the National Law and Education Council Letters of Expectation.

ACECQA’s current assigned functions are an essential element for the successful implementation and administration of the NQF. ACECQA are currently delivering against all of the functions outlined in the National Law and are not undertaking activities that are outside these requirements. That said, the functions outlined in the National Law and the Letter of Expectation are broad and open to both interpretation and differing expectations from the perspective of key stakeholders. Whilst there was overall support for ACECQA and recognition of its important contribution, there were differences of opinion in regards to whether the allocation of effort was appropriate given stakeholders views regarding priority and whether the scope of particular functions was consistent with their level of expectation of that function.

Regulatory authorities also highlighted a desire for ACECQA to continue to concentrate on enhancing current functions before taking on any new or additional functions.

Summary of current state	Future state considerations and recommendations
<p>The functions performed by ACECQA are consistent with the National Law and the Letter of Expectation. All activities undertaken by ACECQA align closely to these requirements.</p> <p>All stakeholders value the role ACECQA plays in driving national consistency and promotion of the NQF. Further, there is unanimous and strong support for the continued operation of ACECQA, notwithstanding opportunities to refine and enhance its functions, governance, and operations to improve its impact and effectiveness.</p> <p>The NQA ITS is viewed as central to supporting national consistency and many stakeholders expressed concerns regarding the significant impacts if a shared IT capability (NQA ITS) did not exist.</p>	<p>There is nothing ACECQA could completely ‘stop’ doing without a change to the National Law or the Letter of Expectation.</p> <p>That said, not all functions required to be performed by ACECQA were considered by regulatory authorities to be of equal importance and often expressed this as ‘core’ and ‘non-core’ (noting there is currently no definition of core and non-core in the legislation or Letter of expectation). There would therefore be scope to reduce the level of effort allocated to certain functions and still meet National Law requirements.</p> <p>The ACECQA Board also stated in their submission that it would be useful if future Letters of Expectation could provide more clarity about the relative priority of expectations and strategic directions, as this would assist the Authority in</p>

 Summary of current state

 Future state considerations and recommendations

ensuring it aligns resources and effort with priorities (see **Recommendation 2**).

To support future prioritisation there will need to be further analysis undertaken to better estimate the current costs of the functions delivered by ACECQA under the National Law (see **Recommendation 4**).

There are also opportunities for ACECQA to enhance the delivery of current functions or to change the role of ACECQA in delivering certain functions:

Significant enhancement of functions

There needs to be a more strategic assessment of, and investment in, the NQA ITS to better reflect both the immediate and long-term user priorities for this system (see **Recommendations 4 and 5**).

ACECQA needs to have the capacity and governance arrangements to undertake significant new initiatives identified as either emerging or urgent issues relating to the NQF, which provide national benefit – such as the national roll out of the Quality Support Program⁶ (see **Recommendation 4**).

ACECQA role in delivery

Some stakeholders indicated it may be more appropriate or effective for some of ACECQA's current functions to be delivered by regulatory authorities with administrative and delegate support from ACECQA (for example second tier review) but this would need to be considered in light of overall priorities, the availability of funding and an assessment of any resultant impact on regulatory authorities, and their capacity to deliver.

⁶ Quality Support Program, available at <https://www.acecqa.gov.au/quality-support-program>

TOR 2. ACECQA’s delivery against its functions, in the National Law, current and previous Letters of Expectation and Ministerial Council directives including a qualitative assessment of the quality and impact of ACECQA’s work.

There are currently 16 functions outlined in the National Law (s225). For the purposes of this Review these specific functions, and the associated elements of the Letter of Expectation, have been grouped into 10 functional categories (Figure 1).

The Review found that there is widespread support for the role of a national body to promote consistency across the sector and connect all levels of government in the delivery of the NQF.

ACECQA is delivering against all of its functions in the National Law. There is broad acknowledgment of the significant achievements that ACECQA has made during its short existence. There were a number of functions where stakeholders identified opportunities to improve impact and effectiveness as the Authority continues to evolve and mature. This also reflects the evolution of the broader NQF environment and the sector.

Summary of current state	Future state considerations and recommendations
<p>ACECQA has high levels of support for the essential role it plays in the national system. Stakeholders identified a range of activities that ACECQA is currently performing well and identified that there would be significant consequences for the national system if these functions were no longer delivered centrally by a national body. These include:</p> <ul style="list-style-type: none"> • ACECQA’s administration of the NQA ITS, which is seen as integral to the NQF and provides a national system for regulatory authorities and providers. • The establishment of appropriate mechanisms and forums to share good practices, emerging issues and the promotion of national consistency between regulatory authorities. • The training provided to AOs is considered by regulatory authorities and AOs themselves to be of a high quality and critical in supporting regulatory authorities and national consistency. • The guidance material developed, and specifically <i>The Guide to the NQF</i>, is highly valued across the sector. • ACECQA’s performance on administrative roles in respect to its three regulatory functions (Second Tier reviews, Excellent ratings and qualifications) was considered to be professional and effective, notwithstanding that improvement opportunities in relation to these functions have been suggested. 	<p>Recommendations have been raised to enhance ACECQA’s delivery of certain functions and improve its impact and effectiveness. The main areas of focus include:</p> <ul style="list-style-type: none"> • Identification and prioritisation of investment in NQA ITS to ensure it is effectively supporting jurisdictions in undertaking regulatory activities and administering the NQF (see Recommendation 5). • Review of mechanisms and responsibilities for communicating and engaging with the early childhood education and care sector, communities and families about the NQF (see Recommendation 6). • Options to expand the scope of support provided to AOs (see Recommendation 7). • Better promotion of the value of the Excellent rating (see Recommendation 8). • Continued support for ACECQA’s valued contribution to early childhood teachers qualifications, registrations and standards work undertaken by other bodies (see Recommendation 9). <p>Stakeholders acknowledge that ACECQA is still maturing as an organisation and, in this context, also identified a range of potential improvement areas as feedback for ACECQA’s Board and management.</p> <p>These improvements pertain to the different functions being performed by ACECQA. The improvements have been aggregated to a single recommendation associated with incremental improvement to ACECQA’s ongoing operations (see Recommendation 10). Key areas include:</p>

Summary of current state	Future state considerations and recommendations
<ul style="list-style-type: none"> Specific elements of ACECQA’s communication and engagement were highlighted by stakeholders as being valued and impactful, such as the ACECQA newsletter and face-to-face forums. 	<ul style="list-style-type: none"> Improving mechanisms to ensure better consistency and integrity of national data sets. Regular assessment of RPC performance. Better engagement and communication with the sector regarding concerns of perceived inconsistencies in rating outcomes. Leveraging existing data sources and intelligence to identify and prioritise the resources and guidance needs of the sector. Identification of desired capabilities and competencies of AOs. Investigating, with regulatory authorities, options to improve the Excellent rating process. Review of ACECQA publications, guides and research outputs to strengthen their impact, usability and accessibility for intended audiences. Ensuring the outputs of national audits identify practical actions for improvement and change where necessary.

TOR 3. How effectively ACECQA is working with state and territory regulatory authorities in delivering functions under the National Law.

Regulatory authorities generally reported a positive and collaborative relationship with ACECQA which has developed and strengthened over time.

The mechanisms for effective working relationships between ACECQA and state and territory regulatory authorities in the delivery of its National Law functions exist. However, based on regulatory authority feedback and analysis, there are opportunities to improve the effectiveness of these mechanisms.

Stakeholders raised views of ‘how’ ACECQA operates in practice and a desire for a greater focus on ACECQA working ‘with’ regulatory authorities, representing they are an essential part of the regulatory system and that working together is a key aspect of an effective and consistent national system.

Summary of current state	Future state considerations and recommendations
<p>A range of structures and forums have been established to promote effective day to day working arrangements, and support the relationships between ACECQA and state and territory regulatory authorities.</p> <p>Stakeholders highlighted the collaborative approach ACECQA adopts in performing some of its functions including resource development,</p>	<p>Consistent with their feedback on ACECQA’s performance of key functions, regulatory authorities also identified areas for potential improvement in respect of working arrangements. This feedback has been incorporated into our overarching recommendation associated with incremental improvement to ACECQA’s ongoing operations (see Recommendation 10).</p>

Summary of current state

delivery of AO training and conducting national audits.

A range of improvement opportunities were identified by these stakeholders to further strengthen these relationships.

Future state considerations and recommendations

Key areas for improvement are:

- Working more effectively with regulatory authorities to better coordinate and communicate with services and the community about the NQF.
- Improving the effectiveness of existing forums to support better two-way sharing of feedback, insights and knowledge.

TOR 4. The extent to which ACECQA’s administration of the National Law impacts on regulatory burden for education and care services.

There was no indication from the range of stakeholders consulted that suggested ACECQA’s administration of these functions is causing any significant regulatory burden for education and care services.

Summary of current state

ACECQA undertakes three specific regulatory functions under National Law, being:

- Second Tier Reviews.
- Excellent rating.
- Qualifications assessment.

Future state considerations and recommendations

There are some opportunities to improve user experience and where possible further reduce the administration associated with current functions. These were not significant in the context of the broader regulatory environment.

TOR 5. ACECQA’s current governance arrangements including, but not limited to, a comparative analysis with the governance arrangements of national and international best practice models of regulation and governance structures of similar national authorities.

ACECQA’s governance arrangements are unusual due to the multi-layered, multi-jurisdictional arrangements that have been adopted to support the jointly governed NQF. For this reason, ACECQA’s governance arrangements were considered in the context of:

- Structures and arrangements underpinning strategy and priority setting and communication of expectations.
- Corporate governance of ACECQA as a body corporate.

Whilst structures and processes supporting corporate governance were found to be appropriate there is scope to improve the manner by which the Board and ECPG work together to jointly shape the strategic direction of ACECQA, particularly with respect to setting of strategic priorities and the Forward Work Plan.

The Review also found there may be a case to consider a change in the Board composition and need for all nine governments to re-affirm their commitment to the NQF and, in particular, the important role ACECQA plays in the national system.

Summary of current state

The current governance arrangements enable all jurisdictions who are party to the NQF to have an opportunity to put forward their views and shared input into decisions affecting ACECQA.

There is also strong evidence that ACECQA's Board is meeting its corporate governance obligations and that its supporting structures and processes are consistent with better practice.

However, state and territory government stakeholders expressed concerns about the composition of the Board and, in particular, that four of the 13 members are nominated by the Australian Government and some members may have ongoing conflicts of interest. Throughout the Review there was no evidence to suggest that conflicts of interest matters are not currently being disclosed or well managed by the Board.

Some state and territory government stakeholders also raised that a 'tighter and smaller' Board that is skills-focused rather than representative of all jurisdictions, could enhance Board effectiveness, and facilitate more effective and timely consultation with ECPG.

Future state considerations and recommendations

Given there is widespread support for the continuation of ACECQA, state and territory stakeholders expressed concerns that, in the absence of a NPA there needs to be a mechanism that outlines roles and responsibilities and re-affirms the shared commitment of all nine governments to partnership principles underpinning the NQF and the important role ACECQA plays in the national system (see **Recommendation 1**).

Both ECPG and the ACECQA Board identified that there was room to improve the level and timing of consultations on priority setting and the development of the Forward Work Plan (see **Recommendation 2**). This will require both parties to work better together to jointly set expectations to address emerging and changing priorities of all government stakeholders throughout the life of the Letter of Expectation and Forward Work Plan.

Given the concerns expressed by state and territory government stakeholders about the size and composition of the current Board, consideration should be given to moving to a smaller skills-based Board (see **Recommendation 3**). In doing so, the skills and expertise requirements listed in the National Law should be reviewed to ensure they reflect a wider range of contemporary skills, experience and diversity requirements to ensure future governance arrangements support the ongoing effectiveness of ACECQA's operations.

TOR 6. The effectiveness and any identified overlap in roles with regard to ACECQA's interactions with state and territory regulatory authorities and state and territory teacher registration authorities.

ACECQA is effectively working with state and territory regulatory authorities and state and territory teacher registration authorities, with no significant overlaps identified.

Summary of current state

ACECQA is working effectively with other bodies to support national and local initiatives, for example the National Review of Teacher Registration.

There were no significant overlaps identified in the functions ACECQA performs, against either teacher registration authorities or state and territory regulatory authorities.

Future state considerations and recommendations

There are no recommendations regarding overlap in functions.

TOR 7. ACECQA’s current and previous funding model, and potential alternative funding models, including analysis of possible learnings from other sectors.

There was no evidence to suggest the change in funding model (from the NP NQA to the current funding agreement with the Australian Government) had any material financial impact on the performance of ACECQA. No specific funding model has been recommended.

Summary of current state	Future state considerations and recommendations
<p>A range of possible future funding model options are discussed in the report provided to the Education Council. This includes the current direct funding arrangement with the Australian Government and two alternatives: direct proportionate contributions by states, territories and the Australian Government; and levy / fee-for-service models</p> <p>Our research into these alternatives, and consideration of them in the context of ACECQA’s operating environment, identified potential benefits but also significant limitations for consideration when determining future funding arrangements.</p>	<p>While no specific model has been recommended, a revised approach to funding is required to ensure the level, timing and nature of funding addresses agreed priorities arising from this and other concurrent reviews (see Recommendation 4). This might include consideration of a hybrid model whereby different funding sources and mechanisms are used to fund ‘core’ operations, special projects and longer term IT investment.</p> <p>The absence of a long-term funding mechanism was also identified as a concern: i.e. noting the current funding agreement is for an 18-month period and ceases 30 June 2020, ACECQA would benefit from the greater funding certainty afforded by a longer term arrangement in whatever form this may take.</p>

TOR 8. ACECQA’s operations including resource management, data management and reporting.

Overall, ACECQA’s operations appear reasonable, its workforce profile, composition and span of control appears reasonable when compared to federal and state government comparators. There were no significant comments raised by stakeholders concerning the effectiveness of ACECQA’s performance reporting framework and data management arrangements.

Summary of current state	Future state considerations and recommendations
<p>ACECQA’s workforce profile appears reasonable, when compared to smaller, specialist and regulatory bodies. Based on the specific skills and sector knowledge required for ACECQA to effectively discharge its functions and the level of experience and subject matter expertise required to undertake the work program, the workforce profile of ACECQA appears reasonable.</p> <p>Business process and practices are consistent with those expected of an organisation of ACECQA’s size and nature.</p> <p>Current ACECQA data management and ICT arrangements align with International Organisation for Standardisation (ISO) requirements.</p>	<p>There are no recommendations regarding ACECQA’s internal operations, however, better prioritisation of future functions, and allocation of resources across these functions, is covered in Recommendation 2.</p> <p>This report outlines a relatively large number of recommendations. Individually, some of these may be able to be absorbed within current financial arrangements but collectively, these would require further consideration of increased financial support.</p> <p>Noting ACECQA’s external reporting (i.e. <i>Annual Performance reports</i>) is analysed in TOR 2.</p>

TOR 9. Perspectives of governments, authorities, providers and sector peak organisations and the ACECQA Board.

All stakeholders consulted as part of the Review value the existence of an independent national body to support governments in administering the NQF and the sector in implementing the NQF.

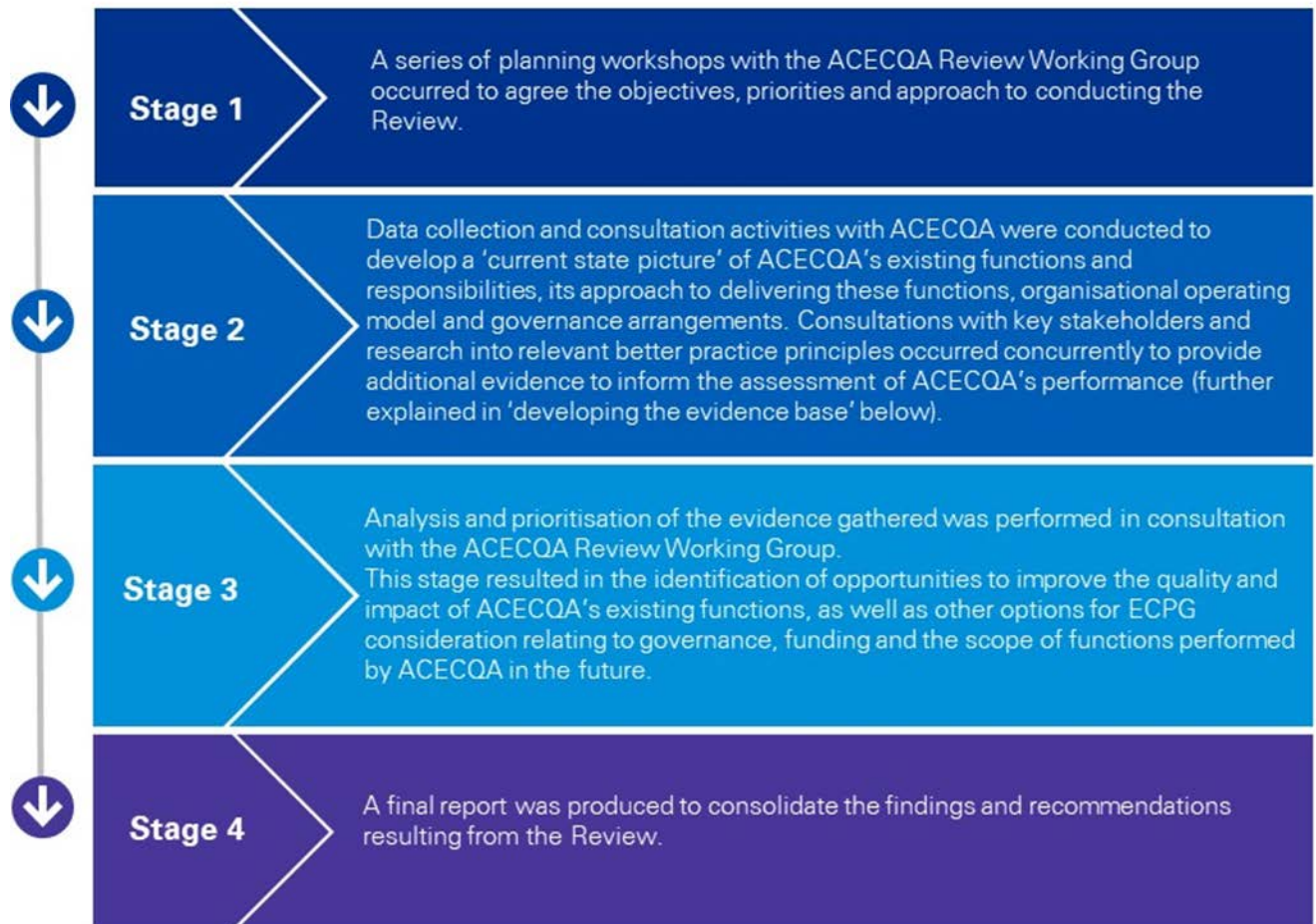
Summary of current state	Future state considerations and recommendations
<p>The evidence base for this Review was predominantly the assessment and perceptions of stakeholders interviewed, being:</p> <ul style="list-style-type: none"> • The ACECQA Board (individually and through a written submission) and ACECQA’s senior management • Representatives from state and territory regulatory authorities and portfolio agencies and the Australian Department of Education. • Selected early childhood peak bodies and providers. • Teacher registration authorities. • Education Council Secretariat. • Members of the Australian Institute for Teaching and School Leadership. • Members of the Australian Skills Quality Authority and Tertiary Education Quality and Standards Agency. • AOs in state and territory regulatory authorities (through a survey). <p>This informed the analysis of scope and appropriateness of functions, effectiveness of the delivery of current functions and how well ACECQA works with regulatory authorities.</p>	<p>The Review identified a broad range of opportunities for ACECQA to increase the impact and effectiveness of the delivery of its current functions and improve the mechanisms and the way in which it works to better enable ACECQA to contribute to the national system in the future as its activities mature and evolve.</p>

Appendix A

Approach

Working closely with a sub-group of the ECPG established to oversee the Review (the ACECQA Review Working Group), KPMG undertook the Review between April and October 2019. The approach involved four broad stages of work as outlined Figure 2.

Figure 2: KPMG's four stage approach



Developing the evidence base

In conducting the Review, there was extensive engagement with ACECQA and other key stakeholders to gather information and input to understand what ACECQA is required to do, how it operates and delivers its functions, and how well it is performing. In addition to data and information provided by ACECQA, key stakeholders were identified by ECPG and included:

- **Regulatory authorities and early childhood education and care policy agency staff** (eight jurisdictions) – focused on ACECQA’s performance and governance, stakeholder relationships and funding.
- **Selected peaks and providers** (eight jurisdictions, participants identified by jurisdictions) – focused on their interactions with ACECQA, how well ACECQA is performing its roles, and what improvements could be made to improve quality and impact. KPMG communicated at the end of each session that additional comments could be submitted via email (13 responses were received).
- **ACECQA Board members** – focused on operations of the Board, including management performance, funding, strategic priorities, opportunities and risks. The ACECQA Board also made a submission to the Review.
- **ACECQA senior management** – focused on operational level detail of how ACECQA performs and resources its functions.
- **Australian Government Department of Education** – focused on performance of ACECQA and funding arrangements.
- **Teacher registration authorities** (eight jurisdictions) – focused on engagement with ACECQA and views on overlap/intersection of responsibilities.
- **Authorised Officer Survey**⁷ (194 completed responses) – focussed on support and training provided by ACECQA.
- **Other national bodies**⁸ – focused on their roles and responsibilities and interactions with ACECQA.
- **Education Council Secretariat** – focused on the ACECQA Board, engagement with ACECQA and what improvements could be made to improve quality and impact.

Analysis and interrogation of the information and feedback was then performed to identify consistent themes. This process included consideration of the importance attributed to the feedback item by the stakeholder concerned, its alignment with the roles and functions of ACECQA, and an assessment of its impact on ACECQA’s effectiveness and efficiency.

Limitations

In undertaking the Review, KPMG was limited by the following factors:

- **Related but separate reviews.** The ACECQA Review was conducted in isolation of other related reviews currently in progress and which may make findings and recommendations with an impact on ACECQA. These reviews include the 2019 National Quality Framework (NQF) Review, the 2018 National Review of Teacher Registration and the SkillsIQ Children’s Education and Care Training Package Review.
- **Stakeholder consultation.** As agreed with ECPG, consultation with early childhood education and care sector (sector) representatives such as providers and peak bodies was limited to those

⁷ Authorised officers are employed by state and territory regulatory authorities. The roles and responsibilities of an authorised officer are set out in the Education and Care Services National Law.

⁸ Specifically, Tertiary Education Quality and Standards Authority (TEQSA), Australian Skills Quality Authority (ASQA) and Australian Institute for Teaching and School Leadership (AITSL)

that attended face-to-face sessions convened by regulatory authorities in each state and territory, and no consultation with families was conducted.

- **ACECQA involvement.** The involvement of the ACECQA Board, management and senior executives in the Review included: providing data and information, interviews with KPMG, confirmation and updates for factual accuracy and responding to targeted clarification questions arising during the development of the report.
- **Progress reporting against ACECQA's 2019-20 Forward Work Plan.** During the course of the Review, ACECQA's 2019-20 Forward Work Plan (prepared to outline how the 2019-20 Letter of Expectation would be delivered) was approved by the Education Council. However, at the date of The Review there had been no formal progress reporting against it. For this reason, the report makes no extensive comment on ACECQA's performance against the current Letter of Expectation.



Contact us

Tony Hof

Partner

Management Consulting

+61 2 6248 1220

thof@kpmg.com.au

Adam Norden

Partner

Management Consulting

+ 61 2 6248 1325

anorden@kpmg.com.au

kpmg.com.au