



2 November 2022

Senior Adviser, ASIC IFM Review  
Regulator Engagement and Powers Unit  
Treasury  
Langton Crescent  
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Dear Adviser

### **ASIC IFM Review**

Chartered Accountants Australia and New Zealand (CA ANZ) welcome the opportunity to provide feedback to the review of the Australian Securities and Investments Commission (ASIC) Industry Funding Model (IFM). The feedback reflects the experience of our members, many of whom are small business owners regulated by ASIC and hold licences issued and regulated by ASIC including registered company auditor, registered liquidator and Australian Financial Services License (AFSL).

The CRIS is the reporting tool through which ASIC informs its regulated population of how it will, and did, allocate resources during a financial year. The CRIS should provide certainty to ASIC's regulated population to budget for impending levies, transparency over how ASIC allocates its resources and detail to enable the regulated population to hold ASIC accountable for costs incurred.

Noting that the majority of professionals ASIC regulates operate in small businesses, the primary need for a CRIS is to provide certainty to those businesses so they can effectively budget for the cost of the ASIC levies for the coming financial year. Where ASIC's activities vary from planned activities within a financial year, any surplus or shortfall in a sub-sector should be explicitly explained in the commentary in the CRIS and the reallocation of costs occur in the subsequent financial year.

Accordingly, we recommend a new process where the CRIS (for feedback) is replaced with a CRIS (for budgeting) and material variances within a financial year be carried to the following financial year. In more detail:

- the CRIS (for budgeting) be provided in the first month of a new financial year with
  - the budgeted costs by activity, by sub-sector based on ASIC's planned activities; adjusted by
  - the surplus or shortfall from the previous financial year; and
  - the explicit cause, for any variances of more than 10% by activity, by sub-sector; and
- the CRIS (Final) be provided at the same time as the Annual Dashboard with
  - actual costs allocated to each activity by sub-sector; and
  - the proportion to be recovered by levies for that financial year (not to be more than 10% of the budgeted figure); and
  - the surplus or deficit by sub-sector that will be accounted for in the subsequent financial year; and
- a CRIS to contain a table providing data on enforcements commenced and on-foot.

We also seek a review of the metric for registered liquidators as the current metrics have a disproportionately negative effect on registered liquidators in small practices. Pending such a review, we recommend the removal of metrics associated with appointments that have no, or insufficient assets for the registered liquidator to realise and recover their costs.

Finally, we request that future consultations on how ASIC applies the industry funding model across sectors, sub-sectors and activities are continued in the form of this consultation. We consider stakeholder forums focused on each sector to be effective, provide value for the investment of our member's time and propose they are held at least every three years. For further detail on our recommendations, and responses to the questions in the discussion paper, refer to Appendix A.

In addition, we seek consideration of the following proposals understanding they would require legislative change. Firstly, costs incurred by ASIC, relating to people or products not regulated or formerly regulated, by ASIC are quarantined and the recovery of those costs is shared with the public. For example, activities for the public good, such as how to identify unlicensed financial planners or pre-insolvency advisers and enforcement costs against a party that no longer provides a service or product regulated by ASIC. Where ASIC resources are utilised for the public good, we seek for at least 50 per cent of those costs to be recovered from the public.

Secondly, where the Government directs ASIC to undertake an additional regulatory function during a financial year and lends ASIC funds to do so, the Government should also set a multi-year time frame for ASIC to recover those funds from the targeted sub-sector. This recognises that the majority of ASIC's regulated population are small businesses and professionals that operate in small businesses, and cannot absorb a significant and unexpected increase in their operating costs.

Thirdly, an independent review is undertaken of the basis on which ASIC allocates costs within sectors to each sub-sector and between sectors. We recommend the Australian National Audit Office would be appropriately skilled to undertake this review. The review should publish a report of their findings and, if appropriate, recommendations for change. Critically, the Government then charge Treasury with the responsibility to implement those recommendations within a reasonable period, say three years.

Please contact Karen McWilliams with any queries on this submission or to organise a time to discuss in greater detail. Karen's can be contacted on +612 8078 5451 or reached via email at [karen.mcwilliams@charteredaccountantsanz.com](mailto:karen.mcwilliams@charteredaccountantsanz.com).

Sincerely,

Simon Grant FCA  
**Group Executive, Advocacy & International**

# Appendix A

Following are our responses to the question raised in the discussion paper.

## Industry Funding Levies

### Allocation of costs and calculation of levies

1. Appendix D provides a catalogue of sub-sector definitions, metrics and formulas. If the status quo remains (that is, there are no substantial changes to the IFM framework), are any changes required to ensure the existing industry sub-sectors, levy formulas and entity metrics remain fit for purpose in the longer-term and/or can respond to changes within industry sub-sectors?
2. Do stakeholders understand ASIC's methodology for allocating costs of activities that impact multiple sub-sectors? Is the current level of transparency relating to this approach appropriate?

Where the status-quo remains, we seek specific changes to the levy formula for registered liquidators. We seek a holistic review of the metric for registered liquidators as the status quo levy formula does not consider if an appointment is funded or unfunded or the size of the firm accepting the appointment. A fairer metric would consider if the registered liquidator can recover their costs from an appointment and seek to recover ASICs costs in proportion to the size of a firm.

The current levy formula applies a minimum of \$2,500 on all registered liquidators, irrespective of firm size, and an additional levy based on notifiable events. Notifiable events are primarily the number of appointments accepted and ongoing, irrespective if that appointment is funded or unfunded. Appointments likely to have no funds are court appointments, driven by the Australian Taxation Office seeking payment of tax, and small businesses that are no longer viable.

ASIC's statistic series 4, table 4.7, reveals that 74 per cent of registered liquidators are in a firm size of less than 20 employees of those 40 per cent are in firms of less than 5 employees. These firms accept a high number of appointments including those that are unfunded leaving the registered liquidator to fund the costs of completing the administration from their own resources. Large, complex administrations are generally undertaken by the larger firms who are able to recover all costs through the realisation of assets.

Pending a holistic review of the metric, we recommend removing from the metrics notifiable events for appointments and activities that are commonly unfunded. These would include:

- metrics related to appointments accepted, and ongoing, as a Court Liquidator. Such liquidations rarely have realisable assets so are funded from the liquidator's own resources.
- metrics for the lodgement of documents for deeds of company arrangement and a restructuring plan as they double up the metric charged for being appointed to such plans.
- the notice of disclaimer of property as this relates to an asset with negative equity.

The recommendations above seek to reduce the disproportionate impact on small practices of recovery of costs by notifiable events until a holistic review is undertaken.

Overall, it appears the outline of the statutory authority is the methodology that ASIC uses to allocate costs across multiple sub-sectors.

However, for the regulated population, this outline does not provide adequate transparency over how ASIC determines the allocation of costs by activity over multiple sub-sectors. Similarly, it does not explain how the proportion of regulatory costs for a sub-sector is calculated or how the methodology can result in material variances between years. For example, indirect costs which are allocated across multiple sub-sectors.

For example, property costs and the explanation on page 27 of the CRIS for 2021-22 that 'We attribute property costs... to teams based on their FTE staff.'<sup>1</sup> Property costs by sub-sector from 2018-19 through to 2019-20, for the Corporate Sector, fell 17 percent for registered company auditors and rose 44 per cent for the financial advice sector.

While ASIC may have allocated a significantly higher number of FTE's to the financial advice sector, during this period the number of financial advisers dropped significantly. For the regulated population, it would be reasonable to expect costs to regulate a reduced population would decline, not increase.

Further, there is a lack of transparency over how other costs are shared between the sub-sector that generated the need for regulation and the sub-sectors that may gain a benefit from the regulatory activity. This is evident in activities undertaken by ASIC in respect of creditors, as well as activities related to audit.

For example, educating creditors about insolvency. Creditors may be companies or individuals, who are not regulated by ASIC. However, the cost of this education is typically allocated to the registered liquidator sub-sector despite the wider benefits to corporations and small businesses.

ASIC conducts considerable industry engagement with all sectors and sub-sectors however it is unclear what the costs of these engagements are or how the costs are allocated across sectors and sub-sectors. Similarly, ASIC works closely with other regulators to share data and monitor licensees and the cost, and allocation of costs is not discoverable.

For example, ASIC's supervision of the Australian Financial Complaints Authority (AFCA). ASIC's Annual Report 2021-22 outlines activities for the year to capture implementing recommendations from an independent review, responses to natural disasters, update of AFCA guides and to take enforcement action against licensees who did not comply with AFCA processes or determinations. Yet the only reference to AFCA in the CRIS for the same period, 2021-22, is in relation to insurance product providers.

In respect of auditor levies, the nexus between supervisory and other regulatory activities and the movements in costs allocated and relevant levies and fees is not discernible. This has meant Registered Company Auditors faced a steep increase in levies in 2019-20 without a visible increase in the level of supervision or other activities in the sector.

We seek transparency through explicit commentary in CRIS documents to explain material variances between the budget for costs for each activity in a sub-sector and actual costs incurred.

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<sup>1</sup> ASIC, *Cost Recovery Implementation Statement: ASIC industry funding model (2021-22)*, October 2022

### Principles for levies

3. Is it more important to have a simpler model... or a more equitable model...?
4. Is cross-subsidising costs for entities within a sub-sector or sector more appropriate than cross-subsidising costs across all of ASIC's regulated population? If so, why?
5. Are there other opportunities to simplify the design, structure and legislative framework for levies? If so, what opportunities and what benefits would they provide?
6. Does the design, structure and legislative framework of the levy component of the IFM have sufficient flexibility to respond to changes in the markets, sectors and products ASIC has oversight of? If not, what aspects require more flexibility and what changes could be made?

We do not consider the question is around simplicity or complexity, rather that the model should provide certainty, transparency and accountability. The breadth of ASIC's remit and the different entities and persons in its regulated population, has inherent complexity and we believe it is impossible to simplify cost recovery in a way that is perceived as equitable or fair for all.

Certainty can be better achieved with our recommendation for a CRIS (for budgeting), cost recovery by sub-sector against the budget to vary less than 10 per cent and a CRIS (Final) to contain the actual costs allocated and proportion recovered for that financial year for each sub-sector.

Transparency could be provided by the commentary in a CRIS giving the explicit cause of a material change from the budget within a year and for a material change from the prior year's actual costs,

Currently, the commentary is broad statements of fact, For example, in the CRIS (2021-22), the paragraph below is repeated for the sub-sectors *Small and medium amount credit providers* (page 171), *Deposit product providers* (page 172) and *Large proprietary companies* (page 173):

'that enforcement costs were higher than estimated as a result of increased investigation and court action costs relevant to this subsector.'<sup>2</sup>

The challenge for ASIC's regulated population is where to find out what drove that increased investigation, that is, more than planned, and what particular court action exceeded ASIC's budget.

Looking at the ASIC's Annual Report 2021-22, ASIC, data for overall enforcement activities is found under section 2.2 Key results, but no detail is provided by sub-sector. At Section 2.4 Analysis: Implementing our performance objectives, broad descriptions are provided but no detail by sub-sector and no clarity on what investigations were planned and what led to ASIC undertaking more than planned. Section 3.1 Deposit-taking and credit, does refer directly to activities in this sub-sector though there is no clarity of which activities were planned and which drove a need for increased investigation.

We would be concerned that cross-subsidisation under the existing model would make the model more opaque, rather than more transparent. Such an approach would just move the costs within and between sectors without addressing our key needs for certainty, transparency and accountability.

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<sup>2</sup> ASIC, *Cost Recovery Implementation Statement: ASIC industry funding model (2021-22)*, October 2022

While we consider the model adequately facilitates ASIC's recovery of costs for changes in markets, sectors and products it is charged with regulating, we do not believe it accommodates the recovery of costs from markets, sectors and products it does not regulate. For example, the work ASIC has undertaken in regards to cryptocurrency and non-fungible tokens. We recommend that costs for ASIC activities associated with unregulated products or populations to be quarantined and 50 per cent of those costs recovered from the public.

### Key issues related to levies

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|-----|---|
| 7.  | How can costs associated with enforcement activity be recovered most equitably? What changes could be made to the current approach, and what benefits would they provide?                               |
| 8.  | Are there opportunities to improve the transparency and reporting of enforcement costs? If so, what changes could be made and what benefits would they provide?   |
| 9.  | Is the approach of attributing costs of illegal unlicensed conduct to the most 'relevant' sub-sector the most appropriate recovery method? Alternatively, how should these costs be recovered, and why? |
| 10. | Are there alternative ways to recover the costs of ASIC's activity relating to emerging sectors and legal unlicensed conduct from current industry sub-sectors, and why?                                |

We acknowledge and support that the broader benefit of enforcement is to maintain trust and integrity in the financial system and promote consumer confidence. For equity, we iterate our recommendation for a portion of these costs to be collected from the public who also benefit from a trusted financial system.

While we acknowledge estimating the costs of litigation is difficult, we understand it is a necessary step for ASIC to comply with the *Legal Services Directions 2017 (Cth)*, Appendix B – The Commonwealth's obligation to act as a model litigant.

This requires Commonwealth agencies, such as ASIC, to keep the costs of litigation to a minimum, monitor progress and regularly re-assess the prospects for success. Where prospects of success change, particularly diminish, ASIC should look to other means to conclude a case such as settlement. Currently, pursuing a case irrespective of cost or prospect of success has no negative impact on ASIC as they simply recover costs from their regulated population.

Accordingly, we seek for a table to be included in the CRIS, such as below, that aligns costs with outcomes for activities captured under enforcement costs.

The following table has been populated with data from ASIC's Annual Report 2021-22, noting not all relevant information is currently available to provide the desired transparency.

Outcomes	Number	Costs 2021-22	Total Cost	Value realised 2021-22
<b>Investigations</b>				
Completed				
Commenced	107			
<b>Criminal actions</b>				
Litigation commenced	50			
Litigation completed	37			
Won				\$ 2,202,175
Lost				
Discontinued				
<b>Civil action</b>				
Litigation commenced	75			
Litigation completed	61			
Won				\$ 229,900,000
Lost				
Discontinued				
<b>Administrative action and outcomes</b>				
Auditors	59			
Liquidators	3			
Disqualifications	58			
Ban - financial services	39			
Bad - credit services	18			
Licence conditions ASX	3			
<b>Court enforceable undertakings</b>				
Accepted	1			\$ -
<b>Infringement notices</b>				
Issued	3			\$ 136,890
<b>Summary prosecutions</b>				
Strict liability	181			\$ 1,019,106

We are aware it is not possible for ASIC to know exactly all enforcement activities will be undertaken in any given year. Equally, ASIC are unable to exceed their total funding in any given year. Therefore, an overspend in one sub-sector would be offset by an underspend in another.

With these considerations, we recommend ASIC budget the amount for enforcement for each sub-sector and only recover that amount, within 10 per cent variance on the close of a year. Where there has been a material variance at a sub-sector level due to unforeseen issues arising, ASIC should adjust in the subsequent year's CRIS (for budgeting) and provide explicit explanations. While this may mean a sub-sector under or overpays for enforcement within a year, it allows them to budget for material variances in commercial decisions the following year.

We also suggest that similar analysis be performed on all costs related to the Financial Services and Credit Panel and allocated appropriately across sectors and sub-sectors.

### Capital expenditure

11. How can costs associated with capital expenditure be recovered most equitably and transparently? What changes could be made to the current approach, and what benefits would they provide?

Our recommendations (refer to response to question 3) would increase transparency, which in turn will provide the data and information the regulated population would require to provide feedback to Treasury on how best to achieve equitable distribution.

Further, we are concerned about ASIC's technology spend. Our members, especially ASFL holders tell us of their constant frustrations and concerns about ASIC's poor systems. This lack of past investment is obvious in the registry space, with the current modernising business registers project. We don't consider it appropriate for the current regulated population to incur the costs of past under investment and recommend this is a separate appropriation.

### Other and indirect costs

12. How can costs associated with education and policy advice be recovered most equitably and transparently? What changes could be made to the current approach, and what benefits would they provide?
13. What changes could be made to the reporting of indirect costs to improve stakeholder understanding of these costs?

Our recommendations (refer response to question 3) would increase transparency, which in turn will provide the data and information the regulated population would require to provide feedback to Treasury on how best to achieve equitable distribution.

### Variations from estimated levies

14. Do regulated entities find estimated levies useful, and how is this information used by entities?
- 14.1 Noting the trade-off between timing and accuracy, when is it most beneficial for entities to receive estimated levy amounts?
- 14.2 Would alternative information, such as a range for estimated levies, be more useful?

### Volatility in actual levies

15. Is it more important to have less volatile/more stable levy amounts year-on-year, or more granular and equitable apportionment of costs each year?
16. Are there other ways to manage or reduce volatility in levy amounts year-on-year, including other approaches to spreading costs? If so, why, and what benefits would it provide?

Our member's primary need is to budget for their recurring costs with a reasonable degree of certainty in order to operate their business in a sustainable manner. Therefore, in our view, the most important objective of a CRIS released by ASIC should be to provide certainty of levies to its regulated population in a timely manner.



Accordingly, our members do not find the estimated levies useful as they do not know when they will be available and, when they are provided, they cannot rely on them. As history has shown, the estimated levy by sub-sector does vary significantly from the final levy and from the previous year's levy. Further, the CRIS (for feedback) is now published after a financial year end, which is not effective for budgeting purposes.

For example, over the past three cycles, the Registered Company Auditor levy has been highly volatile, increasing or decreasing by up to 400% between periods. This volatility has a disproportionate impact on small and medium practitioners as well as regional practices. Many of these auditors retain their auditor registration to do vital work for community organisations, charities and not-for-profits and therefore do not generate significant revenue from their registration. This can make absorbing significant and unexpected cost increases difficult.

Using enforcement costs as an example, the table on the next page shows how our recommendations (as outlined in our response to question 3) could provide greater certainty and timeliness but would still require ASIC to make a reasonable budget to mitigate significant variances

From Appendix F: Enforcement												
	2018-19 Est	2018-19 Act	DIFF		2019-20 Est	2019-20 Act				2020-21 Est	2020-21 Act	
<b>Corporate sector</b>												
Listed corporations	26,761,854	25,875,475	-886,379		32,932,657	17,669,124	-15,263,533			23,017,071	25,741,035	2,723,964
Public companies (unlisted)	440,841	309,145	-131,696		400,796	2,032,821	1,632,025			2,987,796	1,709,913	-1,277,883
Large proprietary companies	1,888,337	2,362,806	474,469		3,094,442	1,896,165	-1,198,277			2,384,399	4,222,806	1,838,407
Registered liquidators	2,049,569	1,982,230	-67,339		2,370,640	1,415,168	-955,473			1,811,654	820,715	-990,939
Auditors of disclosing entities	732,166	177,211	-554,955		203,107	641,383	438,276			911,629	1,375,576	463,947
Registered company auditors	30,826	227,361	196,535		329,565	1,176,489	846,925			1,775,696	654,968	-1,120,728
Totals	31,903,593	30,934,228	-969,365		39,331,206	24,831,149	-14,500,057			32,888,245	34,525,013	1,636,768
<b>Recover Est within 10%</b>												
	2018-19 Est	2018-19 Act	+ or - 10% Recovered	C/Fwd	+/- C/Fwd 2019-20 Est	2019-20 Act	+ or - 10% Recovered	C/Fwd	+/- C/Fwd 2020-21 Est	2020-21 Act	+ or - 10% Recovered	C/Fwd
<b>Corporate sector</b>												
Listed corporations	26,761,854	25,875,475	25,875,475	-0	32,932,657	17,669,124	29,639,391	-11,970,268	11,046,803	25,741,035	12,151,484	13,589,551
Public companies (unlisted)	440,841	309,145	396,757	-87,612	313,184	2,032,821	344,502	1,688,319	4,676,115	1,709,913	4,208,503	-2,498,590
Large proprietary companies	1,888,337	2,362,806	2,077,171	285,635	3,380,077	1,896,165	3,042,069	-1,145,904	1,238,495	4,222,806	1,362,344	2,860,462
Registered liquidators	2,049,569	1,982,230	1,982,230	-0	2,370,640	1,415,168	2,133,576	-718,409	1,093,245	820,715	983,921	-163,206
Auditors of disclosing entities	732,166	177,211	658,950	-481,738	-278,632	641,383	-250,768	892,151	1,803,780	1,375,576	1,623,402	-247,826
Registered company auditors	30,826	227,361	33,909	193,452	523,017	1,176,489	575,319	601,170	2,376,866	654,968	2,139,179	-1,484,212
Totals	31,903,593	30,934,228	31,024,491	-90,263	39,240,943	24,831,149	-14,409,795	-10,652,941	22,235,305	34,525,013	22,468,834	12,056,179

## Fees-for-service

### Key features

17. In relation to the design, structure and legislative framework for fees-for-service:
- 17.1 Are any changes required to ensure it remains fit for purpose in the longer-term and/or can respond to changes in industry?
- 17.2 Are there opportunities to simplify the design, structure, and legislative framework for fees-for-service?
18. Are there any costs currently recovered through fees-for-service that would be more appropriate to recover through industry levies? If so, why?

**We do not support any change to the design, structure and legislative framework for fees-for-service unless there is transparency around how such costs are calculated to determine the fee and such information is provided to the regulated population.**

We do not support more costs being recovered via industry levies until certainty, transparency and accountability of levies are addressed.

### Key issues

19. If fee amounts are to be changed, should this be amended via a one-off increase or staged to spread the impact over multiple years?
20. Is it appropriate for ASIC to have the power to determine which of its regulatory activities/services it can charge a fee for?
21. Is it appropriate for ASIC to have the power to set fee amounts, or should this power remain with the Government?
- 21.1 If ASIC were provided the power to set fee amounts, should there be any limitations on what fees it can adjust, or by how much? For example, setting caps on specific fees in primary law or regulations, or setting principles to guide ASIC's setting of fee amounts?
22. What transparency and accountability mechanisms would be appropriate if ASIC were setting fee amounts?

As with any change, we request a delay of at least 12 months from being decided to taking effect. This would allow the regulated population time to plan for the change and incorporate the revised fee in their budgets for the relevant financial year.

We do not support ASIC having the power to set a fee, The regulated population have no influence over fees and simply must pay the fee invoiced by ASIC. Therefore, we support the current model that requires ASIC to seek legislative change to adjust fees, which provides some accountability. We expect the current process also requires ASIC to provide a Regulatory Impact Statement, which would provide transparency for the regulated population on the reason that a change in a fee was sought and its expected impact.

### **Fees charged for licence and registration cancellations**

23. Do fees for licence and registration cancellations provide a disincentive to cancel licenses and registrations? If so, would a lower fee or no fee remove this disincentive?
24. Would it be more appropriate for the costs associated with licence and registration cancellations to be recovered through industry levies (noting that there are wider benefits to ensuring entities and individuals that are no longer undertaking a particular licensed activity do not continue to hold a licence for that activity).

### **Fees charged for relief applications**

25. Is it appropriate for ASIC's work on individual relief applications to be recovered via fees, with the costs associated with ASIC's work on relief provided to a class of entities to be recovered through industry levies?

### **Reporting, transparency and consultation**

26. How do regulated entities and other stakeholders engage with ASIC's transparency and consultation mechanisms relating to the IFM? What aspects are most useful?
  - 26.1. What do stakeholders seek from mechanisms to engage with the IFM? Is it more important for these mechanisms to provide transparency, or to allow for stakeholder consultation and feedback?
27. Are the existing transparency and consultation mechanisms in relation to the IFM appropriate?
  - 27.1. Would changes to existing mechanisms or alternative mechanisms be beneficial? If so, what changes could be adopted and what benefits would they provide?
28. How is the CRIS used by regulated entities and other stakeholders, and do stakeholders find the information in the CRIS useful?
  - 28.1. Could improvements be made to the CRIS, including the form/format and nature of information provided? If so, what improvements and what benefits would they provide?
  - 28.2. At what time is it most beneficial for the CRIS to be published?
29. Noting that changes to the IFM are for the most part decisions for the Government, is annual consultation by ASIC via the CRIS useful? Would less frequent but more substantive consultation be preferable?
30. Are changes required to the criteria determining material variance? If so, what should be changed – the percentage and/or dollar value amount, or be based on the number of entities impacted?
  - 30.1. When should information regarding material variations be published?
31. What other information would be useful to regulated entities or other stakeholders to understand how ASIC sets its regulatory priorities and/or to understand the relationship between ASIC's costs and the amounts recovered from industry? What benefits would additional information provide?

We consider the existing consultation mechanism, a CRIS (for feedback) inadequate if it is intended to provide ASIC's regulated population with transparency and a voice in the IFM process. Equally, we are unable to align ASIC's areas of focus and resource allocation to strategic priorities in the Corporate Plan, to the actual allocation of resources as summarised in the Annual dashboard report.

Of greater concern is the lack of transparency in the allocation of resources to areas not captured in the Corporate Plan, such as indirect costs which utilises over 35 per cent ASIC's resources each year. Conversely, the Annual Dashboard does not capture Registry or Regulatory applications costs which are not recovered through levies.

This creates inconsistency in figures that should be comparable. Direct costs in an Annual Dashboard represent 62 percent of all costs, in the Corporate Plan, 100% of all costs.

This table shows cost allocation in the Annual Dashboard and Corporate Plan for the period 2020-21

Expense	Annual Dashboard		Plan
	\$m	% of total	
Surveillance	\$ 11.45	14.4%	<b>26.2%</b>
Enforcement	\$ 34.53	43.5%	<b>44.8%</b>
Other Regulatory activities	<b>\$ 3.46</b>	<b>4.3%</b>	
Industry engagement	\$ 1.55	1.9%	<b>4.2%</b>
Education	\$ 0.09	0.1%	<b>0.3%</b>
Guidance	\$ 0.66	0.8%	<b>2.6%</b>
Policy Advice	\$ 1.16	1.5%	<b>4.4%</b>
<b>Indirect Costs</b>	<b>\$ 30.02</b>	<b>37.8%</b>	
Governance, strategy, legal	\$ 7.98	10.0%	
IT support	\$ 7.78	9.8%	
Operations Support	\$ 5.03	6.3%	
Property & Corp services	\$ 9.23	11.6%	
Registry			<b>11.0%</b>
Regulatory applications			<b>6.5%</b>
	<b>\$ 79.45</b>	<b>100.0%</b>	<b>100%</b>

As conveyed in numerous consultations with ASIC and the Treasury, and in providing feedback to a CRIS for consultation, our members do not find the information in the CRIS useful in budgeting for ASIC levies and making related commercial decisions during a financial year. However, it is a useful resource, and the only resource currently, to understand the estimated allocation of ASIC resources to sub-sectors,

The value of a CRIS is further diminished the later it is released in a financial year. Our members continually point out that, if they do not comply with one of the many deadlines ASIC places on them, it will result in fines and penalties. Yet the release of a document meant to equip our members to make informed commercial decisions is released solely at ASIC's discretion.

In recent years, this has been at or immediately after the close of the financial period to which it relates, yet still contained only estimates. As a result, ASIC's regulated population have to budget for ASIC levies with no reliable basis and build that figure into their commercial decisions throughout a financial year.

Even so, each year, ASIC's regulated population allocate resources to provide feedback to ASIC on the real-world impact of these levies via the CRIS issued for feedback. As noted in the discussion paper, this feedback from industry does not lead to change. Treasury considers this reflects that the feedback often relates to matters outside of ASIC's remit and the ex-post recovery model leaves little capacity for change. Therefore, we have recommended the continuation of stakeholder forums Treasury are currently undertaking on a regular basis for the regulated population to provide feedback on the IFM.

Finally, we would like to emphasise that our members do not require additional information in a CRIS but relevant information. For example, information that can be found in another public forum, such as ASIC's website, should be pointed to using links not repeated in a CRIS. The CRIS should enable ASIC's regulated population to budget for levies accrued during a financial period during that financial period and the relevant information to understand the activities that make a category of costs for each sub-sector and, when it occurs, the explicit cause for a variance of greater than 10 per cent.

Options 3 and 4 in the paper are two elements of our recommendation for a new process. To publish a CRIS (for budgeting) in the first month of a financial year, recover only within 10 per cent of the budgeted amount from each sub-sector, and account for a surplus or shortfall by sub-sector in the subsequent financial year.

## About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 134,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.