



Australian Government
Department of Education and Training

Submission to the Joint Committee of Public Accounts and Audit

Submission from the Department of Education and Training
on ANAO Audit Report No. 18 (2017-18): *Monitoring the
Impact of Australian Government School Funding*

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Introduction

The Department of Education and Training (the department) is responsible for managing Australian Government recurrent funding for schools totalling \$18.7 billion in 2018 and estimated to rise to \$29.5 billion in 2027. On a per student basis, recurrent funding from the Australian Government will grow at an average of 5 per cent annually from 2017 to 2021.

The Australian National Audit Office's (ANAO) report on *Monitoring the Impact of Australian Government School Funding*, released on 6 December 2017, made four recommendations.

The ANAO recommended that:

- *the Department of Education and Training establish a risk-based approach to monitoring compliance with requirements established under the Australian Education Act 2013 and, in keeping with the intent of the Act, increase the transparency surrounding the allocation and use of Australian Government school funding.*
- *the Department of Education and Training strengthen its analysis of school funding allocation data to gain assurance that school funding is appropriately distributed in accordance with need as required under the Australian Education Act 2013.*
- *the Department of Education and Training enforce legislative provisions that enable it to measure progress against the achievement of reform directions.*
- *the Department of Education and Training make greater use of available data to better understand the impact of funding on educational outcomes and to inform the development and refinement of education policy.*

The department supports the report's recommendations and welcomes the opportunity to provide a submission to the Committee.

Implementation status update on audit recommendations

The department is well advanced in implementing responses to the report recommendations. The ANAO report focused on reviewing funding arrangements as they existed at the time the report was developed during 2017. The report's scope therefore did not consider decisions already taken by the Australian Government in relation to new funding arrangements and amendments to the *Australian Education Act 2013* (the Act), which passed the Parliament on 23 June 2017.

Reforms contained in the Act, as amended, have been central to addressing the report's recommendations. For example, the National School Resourcing Board has been established to provide greater independent oversight over Commonwealth school funding. The Board has an important compliance role in relation to approved system authorities (see Recommendation 2 below).

Recommendation 1: Monitoring Compliance

The Department of Education and Training establish a risk-based approach to monitoring compliance with requirements established under the Australian Education Act 2013 and, in keeping with the intent of the Act, increase the transparency surrounding the allocation and use of Australian Government school funding.

The department is implementing a range of activities that are improving transparency and increasing our ability to monitor compliance under the Act.

The department used a two stage process to improve its access to non-government approved authorities financial information to identify potentially inappropriate financial transactions. The first stage occurred in 2017 with the department introducing a requirement that non-government approved authorities provide a complete set of audited financial statements when submitting their annual financial questionnaire. The audited financial statements introduce a higher level of independent integrity and transparency of financial transactions within approved authorities. The second stage was the introduction of additional questions, relating to rental and external management fees, which have historically had a high incidence of risk or error in the financial questionnaire.

The department has a framework in place to monitor compliance with the basic and ongoing requirements under the Act and the *Australian Education Regulation 2013* (the Regulation) and works with state and territory education departments, regulatory authorities and other stakeholders to assist in identifying schools at risk of non-compliance.

When an approved authority for a school is identified as non-compliant, the department's preference is to work with the approved authority to rectify non-compliance. However, the Act provides options, which the department has used on a number of occasions where necessary, to place conditions on the school authority, or to vary or delay funding the authority receives under the Act. In more serious cases of non-compliance, the decision to revoke the approval of the authority has been made.

The department has strengthened its monitoring of approved authorities' compliance with legislated policy requirements through an annual policy compliance questionnaire. In addition to following up when an approved authority self-reports non-compliance, the department now examines a random sample of compliance responses to verify the accuracy of reported compliance. As part of this activity, approved authorities included in the random sample are asked to provide documentary evidence to the department to demonstrate that they have met the compliance requirements.

Recommendation 2: School Funding

The Department of Education and Training strengthen its analysis of school funding allocation data to gain assurance that school funding is appropriately distributed in accordance with need as required under the Australian Education Act 2013.

The Australian Government considers that approved system authorities (systems) are best placed to understand the needs of their school community and to make decisions about how best to distribute funds according to those needs. While the Act provides systems with the autonomy to do this, systems must ensure that funding is used according to the legislation and for the purposes for which

it is provided. Accordingly, the department has measures in place to support accountability and transparency of expenditure.

The establishment of the National School Resourcing Board is a key step in providing independent oversight over Commonwealth school funding. The Board's work program includes assessing the compliance of approved system authorities with the requirement that they have in place needs-based funding arrangements, and providing assurance that these authorities are distributing Commonwealth school funding to member schools according to the arrangements.

In the second half of 2018, the Board will undertake a review to determine that approved system authorities have compliant needs-based funding arrangements in place. The Minister is currently consulting on the terms of reference for this review.

While this review is independent of the department's own compliance arrangements, the department supports the Board's work program with secretariat support, data collection and analysis as requested by the Board.

In the first half of 2018 the department wrote to all approved authorities (for more than one school) asking for advice as to whether they distribute funding on the same basis as the Australian Government or according to their own funding arrangements. Authorities that advised they were using their own method were reminded of their legislative obligations and requested to provide the department with a copy of their needs-based funding arrangement for review against the Act's requirements.

The department will make the needs-based funding arrangements of approved authorities available to the Board to assist with its review and to help inform their recommendations. Without pre-empting the outcomes of a review, the department expects the Board's recommendations will assist approved authorities to establish and maintain compliant needs-based funding arrangements.

Recommendation 3: Monitoring Reform

The Department of Education and Training enforce legislative provisions that enable it to measure progress against the achievement of reform directions.

Under section 22(2) of the Act, Commonwealth payments to a state or territory are subject to them being a party to a national and bilateral agreement and complying with those agreements.

Negotiations on a new national schooling reform agreement and bilateral agreements with each jurisdiction are progressing well and on track for finalisation before the end of 2018. The agreements will have milestones and timelines for reporting purposes and the reforms contained in the agreements will be informed by the findings and recommendations of the *Review to Achieve Educational Excellence in Australian Schools*, the *Independent Review into Regional, Rural and Remote Education*, and the STEM Partnerships Forum.

National policy initiatives will be progressed under the auspices of the COAG Education Council and an annual report provided to the COAG on progress. States will also report to the Australian Government on the implementation of specific reform initiatives against agreed milestones as detailed in the relevant bilateral agreements for the purposes of assessing compliance with section 22(2)(c) of the Act.

Following an independent review of the Students First Support Fund program, which provided support to non-government representative bodies from 2014 to 2017, a new program was established in 2018 to support implementation of national reform priorities in the non-government schooling sector. The Non-government Reform Support Fund, which is part of the new school funding arrangements, will provide support to non-government representative bodies (NGRBs) to implement national and state based policy initiatives identified in the national and bilateral agreements.

The Fund guidelines set out requirements in relation to the administration, use and reporting of the Reform Support Fund. Each NGRB must comply with the financial statement, reporting and acquittal requirements specified in sections 34, 36 and 38 of the Regulation and outlined in the Fund guidelines.

NGRBs are required to deliver a Strategic Plan outlining the long-term objectives the NGRBs expect to meet over the life of the Fund. They are also required to submit annual work plans in January and annual reports in May. Payments from the Fund are made to NGRBs on receipt and approval of satisfactory work plans and annual reports.

Subsection 128(7) of the Act requires the National School Resourcing Board to undertake annually an independent review of compliance by states and territories with section 22A of the Act. These reviews will contribute to the monitoring of compliance with the requirements of the Act. The first of these reviews will be circulated by the Board in the second half of 2019.

Recommendation 4: Data Analysis

The Department of Education and Training make greater use of available data to better understand the impact of funding on educational outcomes and to inform the development and refinement of education policy.

The department is working to improve its data analysis capability through a range of initiatives.

A key focus for the department is a three-year project, commencing in 2017, to establish a National Education Evidence Base under the Government's Data Integration Partnership of Australia. The National Education Evidence Base is a secure technology infrastructure platform, linked with high value datasets held by Commonwealth agencies and other education stakeholders, to provide an overall resource for education and social policy research and analysis.

Establishment of the National Education Evidence Base will underpin core capabilities in data management and analytics, and provide a comprehensive evidence base that will:

- improve the department's ability to identify what works best to improve student and life outcomes and inform future policy initiatives and decisions
- optimise government's ability to ensure financial resources are targeted to initiatives that deliver efficient and effective outcomes, and
- assist in assessing the impact of ongoing initiatives in education.

The establishment within the department of the Strategic Policy and Data Analytics Branch in 2016 is strengthening our capability to meet future policy needs across the education life cycle. The branch is promoting evidence-based projects with a 'whole of education' focus, providing professional development to build staff capability in using data and evidence, and contributing to whole-of-government data initiatives.

The department is currently scoping the introduction of business-to-business data transfer capability using financial software that will assist schools with automated data transfers to the department. Adoption of this technology, for approved authorities that wish to use it, will help to reduce the incidence of transposition or human error in data entry, reduce administrative overheads, and support consistency in the capture, recording and allocation of financial data across chart of account codes.

Broader schooling reforms will also support the department's internal efforts to make better use of available data and evidence. The *Review to Achieve Educational Excellence in Australian Schools* recommended establishing an evidence institute to coordinate the strategic development of a national research and evidence base. This recommendation has been accepted in principle by the Australian Government. Discussions with states and territories on the National School Reform Agreement are currently in progress.

In summary, the department welcomed the recommendations of the ANAO report and is implementing a range of initiatives and process improvements to ensure a risk based approach to compliance monitoring, and improving transparency and assurance of funding distribution.