

The Auditor-General
Audit Report No.45 2007–08
Performance Audit

Specific Purpose Payments: General Recurrent Grants for Government Schools

**Department of Education, Employment and Workplace
Relations**

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of Australia 2008

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Canberra ACT
26 June 2008

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Education, Employment and Workplace Relations in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Specific Purpose Payments: General Recurrent Grants for Government Schools*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name and title.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:
The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505
Fax: (02) 6203 7519
Email: webmaster@anao.gov.au

ANAO audit reports and information about the ANAO are available at our internet address:

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Audit Team

Dr Paul Nicoll
Mark Rogala
Sabrina Taylor-Cannon
Emma Octigan

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Abbreviations

AGSRC	Average Government School Recurrent Costs
ANAO	Australian National Audit Office
DEEWR	Department of Education, Employment and Workplace Relations
DEST	Department of Education, Science and Training. On 3 December 2007, new Administrative Arrangements Orders were released and the education and training functions of the department of Education, Science and Training were moved to the new department of Education, Employment and Workplace Relations.
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMA Regulations	<i>Financial Management and Accountability Regulations 1997</i>
MCEETYA	Ministerial Council on Education, Employment, Training and Youth Affairs
PISA	Organisation for Economic Cooperation and Development's Program for International Student Assessment
Schools Assistance Act	<i>Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004</i>
Schools Assistance Regulations	<i>Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Regulations 2005</i>

Glossary

FMA Act Regulation 9— 'Approval of spending proposals— principles'	<i>Financial Management and Accountability Regulations 1997—</i> Finance Regulation 9 provides for the following: (1) An approver must not approve a proposal to spend public money (including a notional payment within the meaning of section 6 of the Act) unless the approver is satisfied, after making such inquiries as are reasonable, that the proposed expenditure: (a) is in accordance with the policies of the Commonwealth; and (b) will make efficient and effective use of the public money; and (c) if the proposal is one to spend special public money, is consistent with the terms under which the money is held by the Commonwealth.
FMA Act Regulation 10— 'Approval of future spending proposals'	<i>Financial Management and Accountability Regulations 1997—</i> Finance Regulation 10 provides that if any of the expenditure under a spending proposal is expenditure for which an appropriation of money is not authorised by the provisions of an existing law or a proposed law that is before the Parliament, an approver must not approve the proposal unless the Finance Minister has given written authorisation for the approval. The Finance Minister has delegated this authority to Chief Executives under the <i>Financial Management and Accountability (Amendments relating to Regulation 10) Delegation 2003</i> .
FMA Act Regulation 12— 'Approval to be recorded'	<i>Financial Management and Accountability Regulations 1997—</i> Finance Regulation 12 provides that if approval of a proposal to spend public money is not given in writing, the approver must record the terms of the approval in a document as soon as practicable after giving the approval.

FMA Act Regulation 13— 'Entering into Contracts etc'	<i>Financial Management and Accountability Regulations 1997</i> — Finance Regulation 13 provides that a person must not enter into a contract, agreement or arrangement under which public money is, or may become, payable (including a notional payment within the meaning of section 6 of the Act) unless a proposal to spend public money for the proposed contract, agreement or arrangement has been approved under Regulation 9 and if necessary, in accordance with Regulation 10.
Agreement	Agreements specify the conditions attached to Australian government funding, and provide that the Minister for Education, Employment and Workplace Relations may withhold or delay payments where a State or Territory does not meet a condition of the agreement. The agreements are for four years, with the current agreement covering 2005 to 2008. The agreements apply to all funding programs covered by the Schools Assistance Act for government schools, including general recurrent grants, capital grants and targeted programs.
General recurrent grants for government schools	General recurrent grant funds are for meeting operating expenditure incurred by government schools.
Specific purpose payments	Specific purpose payments are provided under section 96 of the Australian Constitution on terms decided by the Commonwealth. They are a financial contribution to areas of State and Territory responsibility which the Australian Government makes in pursuit of its policy objectives. Typically, the States and Territories must fulfil specified conditions in order to receive these payments, which cover most functional areas of State and Territory and local government activity, including education, health, social security, housing and transport.

Summary and Recommendations

Summary

Introduction

1. The Commonwealth provides specific purpose payments under section 96 of the Australian Constitution.¹ The payments are a financial contribution to important areas of State and Territory responsibility which the Australian Government makes in pursuit of its policy objectives. Typically, the States and Territories must fulfil specified conditions to receive these payments, which cover most functional areas of State and Territory and local government activity, including education, health, social security, housing and transport.² In 2007–08, Australian Government specific purpose payments to the States and Territories are estimated to total \$30.8 billion, an increase of \$2.5 billion (9 per cent) from 2006–07.³

2. In December 2007, the Council of Australian Governments (COAG) agreed to begin changing the nature of Commonwealth–State funding arrangements by focussing more on outputs and outcomes, underpinned by a commitment from the Australian Government to provide incentive payments to drive reforms. This will include reform of specific purpose payments.

Specific purpose payments are mainly for education and health

3. In 2007–08, education and health will account for approximately 70 per cent of all specific purpose payments. In 2008–09, around \$11 billion will be paid for education purposes. The Department of Education, Employment and Workplace Relations (the department)⁴ administers these payments which are for a range of programs including government schools, non-government

¹ *Commonwealth of Australia Constitution Act* (the Constitution), <http://www.austlii.edu.au/au/legis/cth/consol_act/coaca430/>.

² Australian Government, *2007–08 Budget Paper No.3 – Australian Financial Relations 2007–08*, 8 May 2007, p. 5, <<http://www.budget.gov.au>>.

³ Australian Government, *Budget 2007–08*, Budget Paper No. 3, <http://www.budget.gov.au/2007-08/bp3/html/bp3_main-04.htm>.

⁴ On 3 December 2007, new Administrative Arrangements Orders were released and the education and training functions of the Department of Education, Science and Training were moved to the new Department of Education, Employment and Workplace Relations. The ANAO's field work for this audit was conducted in the then Department of Education, Science and Training.

schools, Skilling Australia's Workforce, the Indigenous Education Strategic Initiatives Program and Australian Technical Colleges.⁵

4. Specific purpose payments for these programs are provided as general recurrent grants, capital programs, targeted programs and Indigenous programs.

Authority for funding schools

5. The Australian Government funds schools under the *Schools Assistance (Learning Together—Achievement Through Choice and Opportunity) Act 2004* (the Schools Assistance Act). The Schools Assistance Act provides the legislative basis for schools assistance programs administered by the department for the calendar years 2005 to 2008. The Schools Assistance Act also specifies the funds to be provided and the associated conditions set by the Australian Government for government schools, non-government schools and other eligible groups.⁶

Amount of funding for schools

6. Specific purpose payments for government schools are estimated to total nearly \$3.5 billion for 2008–09. This funding is distributed between general recurrent grants, capital grants and targeted programs. In 2008–09, the Australian Government will pay around \$2 billion in general recurrent grants to government schools. This is almost 10 per cent of the total public funding for government schools in Australia. The remaining 90 per cent of public funding for government schools is provided by the State or Territory. Some funding also comes from non-government sources such as parent contributions.

7. Non-government schools derive their income from fees and fundraising, including donations, and Australian Government and State and Territory Government grants. In 2008–09, the Australian Government will pay around \$5.8 billion in general recurrent grants to non-government schools. This is around 90 per cent of the total public funding for non-government schools in Australia. The remaining 10 per cent of public funding is provided by the State or Territory.

⁵ Australian Government, *2007–08 Budget Paper No.3 – Australian Financial Relations 2007–08*, 8 May 2007, p. 51–52, <<http://www.budget.gov.au>>.

⁶ For example, groups of non-government schools or non-government rural student hostels (or both).

An agreement is needed before payments can be made

8. In order to receive funding, each State and Territory is required to enter into an agreement with the Australian Government. The agreements specify the conditions attached to the funding provided by the Australian Government, and provide that the Minister for Education, Employment and Workplace Relations may withhold or delay payments where a State or Territory does not meet a condition of the agreement. The agreements are for four years, with the current agreement covering 2005 to 2008. The agreements apply to all funding programs covered by the Schools Assistance Act for government schools, including general recurrent grants, capital grants and targeted programs.

9. The agreements comprise 'commitments', 'educational accountabilities' and 'further conditions'.⁷ Some requirements are both a commitment and an educational accountability. For example, the States and Territories are required to both commit to report to parents of students in Years 3, 5 and 7 on their children's achievements against the national literacy and numeracy benchmarks (commitment), and to report on these achievements (educational accountability). To meet their commitments, the States and Territories are required to demonstrate that best endeavours have been made, whereas, educational accountabilities and further conditions must be met.

General recurrent grants assist in achieving the Australian Government's priorities for schooling

10. In April 1999, the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) endorsed a new set of *National Goals for Schooling in the Twenty-First Century*. The new goals were released as *The Adelaide Declaration (1999) on National Goals for Schooling in the Twenty-First Century*. They seek to establish a foundation for collaborative action to improve the quality of schooling nationally.⁸ Recently, in April 2008, MCEETYA agreed to the development of a new *Declaration on the National Goals for Schooling in Australia* to be released later in 2008.⁹

⁷ These terms are not defined in the Schools Assistance Act.

⁸ See http://www.dest.gov.au/sectors/school_education/policy_initiatives_reviews/national_goals_for_schooling_in_the_twenty_first_century.htm.

⁹ <http://mediacentre.dewr.gov.au/NR/rdonlyres/85499B3A-E77F-4A55-9735-F8CD853EB072/0/Comminque.pdf>.

11. General recurrent grants assist government and non-government schools with the recurrent costs of school education so that they can offer programs directed towards the achievement of the Australian Government's priorities for schooling. Those priorities include support for the principles of access, choice, equity and excellence in schooling by encouraging the provision of a strong, viable and diverse selection of government and non-government schools from which parents can choose.¹⁰

Audit scope and objective

12. The audit objective was to assess the effectiveness of the department's administration of general recurrent grants paid to the States and Territories for government schools. To achieve this, the ANAO assessed whether the department:

- paid the correct amount of general recurrent grants to the States and Territories;
- effectively managed the agreements with the States and Territories; and
- monitored progress towards achieving the *National Goals for Schooling in the Twenty-First Century*.

13. The audit focused on general recurrent grants for government schools as they are the largest specific purpose payments to them. The audit did not include examination of other specific purpose payments to government schools such as capital grants or targeted programs.

Conclusion

14. A key priority for the government is 'ensuring our schools focus on achieving higher standards, greater accountability and better results'.¹¹ In 2008–09, the Australian Government will contribute around \$3.5 billion in specific purpose payments to the States and Territories for government schools. Of this amount, general recurrent grants for government schools will total around \$2 billion. The department administers these grants through agreements under the Schools Assistance Act.

15. The department has met its responsibilities in administering general recurrent grants paid to the States and Territories for government schools.

¹⁰ DEST, *Schools Assistance (Learning Together—Achievement Through Choice and Opportunity) Act 2004, Report of financial assistance granted to each State in respect of 2005*, p.vi.

¹¹ The Prime Minister's website, <<http://www.pm.gov.au/topics/education.cfm>>.

Specifically, the department has made arrangements to: make payments under the agreements, to capture and report performance information on progress towards the national goals for schooling, and advise the Minister on State and Territory compliance with the agreements.

16. In administering the agreements, the department has paid the correct amount of general recurrent grants to the States and Territories in a timely manner, for the three calendar years examined by the ANAO—2005, 2006 and 2007. The department has implemented financial accountability certificates whereby the States and Territories certify that grants received were spent on meeting recurrent expenditure for government primary and secondary schools.

17. The department has also implemented compliance certificates for the States and Territories to report their adherence to certain performance requirements in the agreements. Currently, the department does not have information on the completeness and accuracy of the information that the States and Territories use to prepare their compliance certificates. Therefore, the department would benefit by consulting with the States and Territories on the consistency of their approaches and the level of assurance being provided through these certificates.

18. The achievement of the national goals for schooling is long-term in nature. The goals are based on developing the talents and capacities of all students, the educational curriculum, and the need for schooling to be socially just.¹² In contrast, the requirements within the agreements are predominantly activity based, describing what the States and Territories are to do rather than describing outcomes to be achieved that are consistent with the national goals.¹³ Going forward, it would be beneficial to seek the agreement of the States and Territories to a structured approach that more clearly links the national goals with the various requirements of the agreements. This may be accomplished by identifying intermediate outcomes or targets to assist in assessing progress towards the desired medium term effects of the agreements. Currently, there are no intermediate outcomes or targets relative to the States or Territories' current achievements to assist in this task. The absence of intermediate outcomes or targets limits the department's ability to support the

¹² Appendix 1 refers.

¹³ An example is the requirement that the States and Territories commit to achieving national literacy and numeracy targets at Years 3, 5 and 7, as contained in the Schools Assistance Act and Regulations.

Ministerial Council in managing and reporting performance against the national goals.

19. The department's strategic plan identifies that the department provides national leadership in developing and implementing innovative policy solutions in the areas of learning, skills acquisition and building Australia's knowledge.¹⁴ Recognising this leadership role and the States and Territories' significant financial contribution, there would be benefit in the department consulting with the States and Territories on the use of intermediate outcomes or targets to assist in assessing progress towards the national goals. The degree to which any agreed intermediate outcomes are included in future agreements would be subject to Ministerial decisions, consistent with current practice.

20. Similarly, current performance requirements could be enhanced in future agreements to measure and report on performance within the various State and Territory school systems, including for example, at regional level. This would assist policy development and decision-making on educational programs and the allocation of resources to achieve the agreed national goals for schooling.

Key findings by chapter

Payment process for general recurrent grants for government schools (Chapter 2)

21. The department has acted in a manner consistent with the requirements of the *Financial Management and Accountability Regulations 1997* in regard to approvals to spend public moneys on general recurrent grants for government schools.

22. Of the 264 payments made to the States and Territories for the calendar years 2005, 2006 and 2007, all payments were for the correct amount as specified in the payment determinations. The department's funding determinations specify that general recurrent grants payments for government schools will be made on the 7th day of each month or as soon as practicable thereafter. ANAO analysis found that all 264 payments were made within 5 days of the due date.

23. All State and Territory education authorities met the requirement to submit a financial accountability certificate for the years examined by the

¹⁴ Department of Education, Science and Training, Annual Report 2006–07, p. 3.

ANAO—2005 and 2006, certifying that the funds were spent on meeting recurrent expenditure for government primary and secondary schools.

24. In addition to providing information through financial accountability certificates and compliance certificates, the States and Territories also submit enrolment data to the department. The department requests an outline of the auditing and verification procedures in each State and Territory to confirm that the enrolment figures are accurate. In 2005 (the commencement of the agreement), all States and Territories provided the department with enrolment data and information on their auditing and verification procedures. In subsequent years, the States and Territories have confirmed that these continue to be the procedures that are in place. The department also checks the enrolment data to ensure that it is consistent with the previous year's data and Australian Bureau of Statistics data, and follows-up any unexplained variations with the States and Territories.

Management of the 2005–08 agreements (Chapter 3)

25. Under the agreement, the Minister may withhold or suspend funds, in whole or in part, until the States and Territories meet their obligations under the agreement. The department informed the ANAO that payments to the States and Territories have never been withheld.

26. The department monitors States and Territory compliance with the requirements of the agreements through collecting information for the annual *National Report on Schooling in Australia*, annual certification by compliance certificates and the provision of data direct to the department.

27. For the requirements monitored through the annual *National Report on Schooling in Australia*, the States and Territories provide the required information which is then included in the report. The last complete *National Report on Schooling in Australia* was published in 2004—approximately 4 years ago. For 2005 and 2006, parts of the *National Report on Schooling in Australia* have been released as available.¹⁵ Consequently, the information available to the Parliament and other interested parties on progress towards the national goals for schooling, to inform debate and policy development is relatively incomplete and out-dated.

28. The department has implemented compliance certificates for the States and Territories to report their adherence to certain performance requirements

¹⁵ The literacy and numeracy benchmark data is currently available for 2006.

in the agreements. Most States and Territories submitted both compliance certificates in a timely manner in the year examined—2006.¹⁶ The certificates are essentially a self-assessment by the States and Territories that they have met the requirements of the legislation and agreement. The department has written to the States and Territories seeking advice on how they intend to monitor and ensure the accuracy of information in their compliance certificates. Although most States and Territories have described their methods for monitoring the adherence of their school systems and of individual schools to the agreements, the States and Territories have provided little information on how they verify the accuracy of schools' responses.

29. In this light, there would be benefit in the department consulting with the States and Territories on the consistency of their approaches and the level of assurance being provided through these certificates.

30. In most cases, the States and Territories reported that they are compliant with the 'commitments', 'educational accountabilities' and 'further conditions' of the agreements.¹⁷ However, at the time of the audit, no State or Territory had complied with all of the 'commitments', 'educational accountabilities' and 'further conditions' of the agreements monitored by compliance certificates in 2006. Consequently, under the agreements some jurisdictions have not fully met key obligations designed to achieve the national goals, such as:

- reporting to parents of students in Years 3, 5 and 7 on their children's achievement against the national literacy and numeracy benchmarks; and
- making school performance information publicly available.

31. However, at the time of the audit, the department had not followed up on these reported instances of non-compliance.¹⁸ Further, there is only limited public reporting on the achievements of the States and Territories in meeting

¹⁶ One State has not lodged its Compliance Certificate 2 for 2006. The department advised that it is in contact with the State on this matter.

¹⁷ Educational accountabilities and further conditions must be met by the States and Territories whereas, for commitments, the States and Territories are required to demonstrate that best endeavours have been made.

¹⁸ The department advised that it is proposing to follow-up with those States and Territories that were not compliant in 2006 with those agreement requirements (covered by both certificates) considered to be of continuing high priority. These requirements include for example, offering standardised assessments, reporting to parents against benchmarks, providing plain English student reports and publishing school performance information.

their obligations under the agreements to assist in understanding progress towards the national goals.

Performance information (Chapter 4)

32. The achievement of the national goals for schooling is long-term in nature. The goals are based on developing the talents and capacities of all students, the educational curriculum, and the need for schooling to be socially just.¹⁹ In contrast, the requirements within the agreements are predominantly activity based, describing what the States and Territories are to do rather than describing outcomes to be achieved that are consistent with the national goals. Going forward, it would be beneficial to seek the agreement of the States and Territories to a structured approach that more clearly links the national goals with the various requirements of the agreements. This may be accomplished by identifying intermediate outcomes or targets to assist in assessing progress towards the desired medium term effects of the agreements. Currently, there are no intermediate outcomes or targets relative to the State or Territory's current achievements to assist in this task. The absence of intermediate outcomes or targets limits the department's ability to support the Ministerial Council in managing and reporting performance against the national goals.

33. The department's strategic plan identifies that the department provides national leadership in developing and implementing innovative policy solutions in the areas of learning, skills acquisition and building Australia's knowledge.²⁰ Recognising this leadership role and the States and Territories' significant financial contribution, there would be benefit in the department consulting with the States and Territories on the use of intermediate outcomes or targets to assist in assessing progress towards the national goals. The degree to which any agreed intermediate outcomes are included in future agreements would be subject to Ministerial decisions, consistent with current practice.

34. An important aspect of the performance of an education system goes to issues of consistency and variance: that is, whether its results tend to be relatively uniform across the system, or vary widely by factors such as school or school type, geographic location, gender, socioeconomic background or other student characteristic. The international literature, including the literature surrounding the Organisation for Economic Cooperation and Development's Program for International Student Assessment (PISA),

¹⁹ Appendix 1 refers.

²⁰ Department of Education, Science and Training, Annual Report 2006–07, p. 3.

highlights the importance of this dimension of education performance measurement.²¹ A well-constructed set of distributional measures would provide valuable insights into key sources of performance variability across the schooling system, as well as areas in which performance can be improved.

35. The national goals include, among other things, that:

- ‘Schooling should develop fully the talents and capacities of all students’; and
- ‘Schooling should be socially just, so that students outcomes from schooling are free from the effects of negative forms of discrimination based on sex, language, culture and ethnicity, religion or disability; and of differences arising from students’ socio-economic background or geographic location.’

36. Current performance information in the *National Report on Schooling in Australia* casts little light on performance variability across the schooling system, as well as areas in which performance can improve. Most published performance information takes the form of system-wide aggregates or averages which provide no information on the dispersion of performance or results. The only relevant distributional measures published regularly at the national level relate to variations between the States and Territories. However, these are general measures only.²²

37. No information is currently available publicly (or to the Australian Government) on the performance of the government school system in its own right; on how performance varies within the government (and non-government) school systems; on the margin by which students do not meet the benchmark levels of performance²³ (and how this margin varies across school

²¹ PISA is a triennial survey of the knowledge and skills of 15-year-olds. It is the product of collaboration between participating countries and economies through the Organisation for Economic Co-operation and Development (OECD), and draws on leading international expertise to develop valid comparisons across countries and cultures. More than 400 000 students from 57 countries making up close to 90 per cent of the world economy took part in PISA 2006. The focus was on science but the assessment also included reading and mathematics and collected data on student, family and institutional factors that could help to explain differences in performance.

²² For example, comparative data by state is published for: literacy and numeracy benchmark outcomes, by student sex, Indigenous status, language background and geo-location; the National Assessment Program sample surveys (science, civics and ICT) and for PISA, by student sex (as well as at the national level for other characteristics); and for data on the participation of young people, by age and Indigenous status (insofar as the data collection process permits).

²³ The benchmarks are a set of indicators or descriptors that represent nationally agreed minimum acceptable standards for literacy and numeracy at a particular year level. ‘Minimum acceptable standard’ means a critical level of literacy and numeracy without which a student will have difficulty making sufficient progress at school. Benchmarks represent only the essential elements of literacy and numeracy and not the full range of the curriculum at a particular year level.

systems and jurisdictions); or on the proportions of students achieving significantly higher than the benchmark levels of performance.²⁴ There is scope to enhance current performance requirements to assist policy development and decision-making on educational programs and the allocation of resources, to achieve the agreed national goals for schooling.

Summary of agency response

38. The department responded to the audit as follows:

The objective of the ANAO's audit was to assess the effectiveness of the Department's administration of general recurrent grants paid to the states and territories for government schools. The assessment covers the calendar years 2005, 2006 and 2007. The ANAO concludes in its summary that the Department has met its responsibilities in administering these grants.

The Department has arrangements in place to make payments under agreements with the states and territories, to capture and report performance information on progress towards the national goals for schooling and to advise the Minister on state and territory compliance with the agreements. The ANAO finds these arrangements appropriate but makes recommendations to enhance the information provided by states and territories in compliance reporting and in satisfying their obligations under funding agreements.

The Department values the ANAO's advice and recommendations about compliance reporting by states and territories. These will be helpful in implementing the framework for new Specific Purpose Payments for schools.

²⁴ The department advised that, from 2007, variations between the States and Territories for student attendance, by school sector, year level, student sex and Indigenous status will also be published.

Recommendations

Set out below are the ANAO's recommendations. Report paragraph references and abbreviated DEEWR responses are also included.

Recommendation No. 1

Para 3.30

The ANAO recommends that, for the next quadrennial agreement, the department consult with the States and Territories on the completeness and accuracy of the information in their compliance certificates, and the level of assurance provided by these certificates.

DEEWR's response:

Agreed.

Recommendation No. 2

Para 3.38

To assist in understanding progress towards the national goals, the ANAO recommends that the department consult with the States and Territories about reporting publicly on their achievements in meeting their obligations under the agreements.

DEEWR's response:

Agreed.

Recommendation No. 3

Para 4.13

The ANAO recommends that in developing agreements for 2009–12, the department consult with the States and Territories on:

- the use of intermediate outcomes and performance targets, to measure progress towards the national goals for schooling; and
- publicly reporting on performance variability across the schooling system, as well as areas in which performance can improve.

DEEWR's response:

Agreed.

Audit Findings and Conclusions

1. Australian Government Payments to the States and Territories for Schools

This chapter provides background information on specific purpose payments in the form of general recurrent grants for government schools, the audit objective, scope and methodology, and the structure of the report.

Specific purpose payments to the States and Territories

1.1 There are two components of Australian Government payments to the States and Territories. The larger component is the Goods and Services Tax introduced on 1 July 2000; the other component is specific purpose payments.²⁵

Authority for, and purpose of, specific purpose payments

1.2 The Commonwealth provides specific purpose payments under section 96 of the Australian Constitution.²⁶ The payments are a financial contribution to important areas of State and Territory responsibility which the Australian Government makes in pursuit of its policy objectives. Typically, the States and Territories must fulfil specified conditions to receive these payments, which cover most functional areas of State and Territory and local government activity, including education, health, social security, housing and transport.²⁷ In 2007–08, Australian Government specific purpose payments to the States and Territories are estimated to total \$30.8 billion, an increase of \$2.5 billion (9 per cent) from 2006–07.²⁸

Changes to Commonwealth—State funding arrangements

1.3 In December 2007, the Council of Australian Governments (COAG) agreed to begin changing the nature of Commonwealth—State funding arrangements by focussing more on outputs and outcomes, underpinned by a

²⁵ See <http://www.budget.gov.au/2007-08/bp3/html/bp3_main-04.htm>.

²⁶ *Commonwealth of Australia Constitution Act* (the Constitution), <http://www.austlii.edu.au/au/legis/cth/consol_act/coaca430/>.

²⁷ Australian Government, *2007–08 Budget Paper No.3 – Australian Financial Relations 2007–08*, 8 May 2007, p. 5, <<http://www.budget.gov.au>>.

²⁸ Australian Government, *Budget 2007–08*, Budget Paper No. 3, <<http://www.budget.gov.au>>.

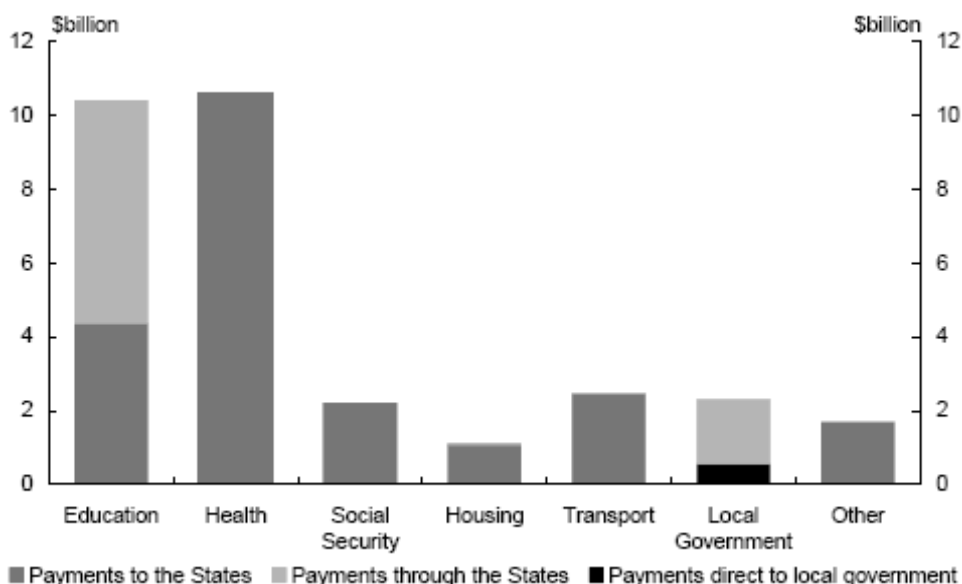
commitment from the Australian Government to provide incentive payments to drive reforms. This will include reform of specific purpose payments.²⁹

Specific purpose payments are mainly for education and health

1.4 In 2007–08, education and health will account for approximately 70 per cent of all specific purpose payments. Figure 1.1 shows the composition of specific purpose payments for 2007–08.

Figure 1.1

Composition of specific purpose payments 2007–08



Source: Australian Government, *2007–08 Budget Paper No.3 – Australian Financial Relations 2007–08*, 8 May 2007, p. 20, available at <<http://www.budget.gov.au>>.

1.5 In 2008–09, around \$11 billion will be paid for education purposes. The Department of Education, Employment and Workplace Relations (the department)³⁰ administers these payments which are for a range of programs including government schools, non-government schools, Skilling Australia’s

²⁹ Council of Australian Governments’ meeting, 20 December 2007, Communiqué.

³⁰ On 3 December 2007, new Administrative Arrangements Orders were released and the education and training functions of the Department of Education, Science and Training were moved to the new department of Education, Employment and Workplace Relations. The ANAO’s field work for this audit was conducted in the then department of Education, Science and Training.

Workforce, the Indigenous Education Strategic Initiatives Program and Australian Technical Colleges.³¹

1.6 Specific purpose payments for these programs are provided as general recurrent grants, capital programs, targeted programs and Indigenous programs.

Authority for funding schools

1.7 The Australian Government funds schools under the *Schools Assistance (Learning Together—Achievement Through Choice and Opportunity) Act 2004* (the Schools Assistance Act). The Schools Assistance Act provides the legislative basis for schools assistance programs administered by the department for the calendar years 2005 to 2008. The Schools Assistance Act also specifies the funds to be provided and the associated conditions set by the Australian Government for government schools, non-government schools and other eligible groups.³²

Amount of funding for schools

1.8 Specific purpose payments for government schools are estimated to total nearly \$3.5 billion for 2008–09. In 2008–09, the Australian Government will pay around \$2 billion in general recurrent grants to government schools. This is almost 10 per cent of the total public funding for government schools in Australia. The remaining 90 per cent of public funding for government schools is provided by the State or Territory. Some funding also comes from non-government sources such as parent contributions.

1.9 Non-government schools derive their income from fees and fundraising, including donations, and Australian Government and State and Territory Government grants. In 2008–09, the Australian Government will pay around \$5.8 billion in general recurrent grants to non-government schools. This is around 90 per cent of the total public funding for non-government schools in Australia. The remaining 10 per cent of public funding is provided by the State or Territory.

1.10 Figure 1.2 charts for 2004–05, recurrent expenditure by the States and Territories on government schools and general recurrent funding from the Australian Government.³³

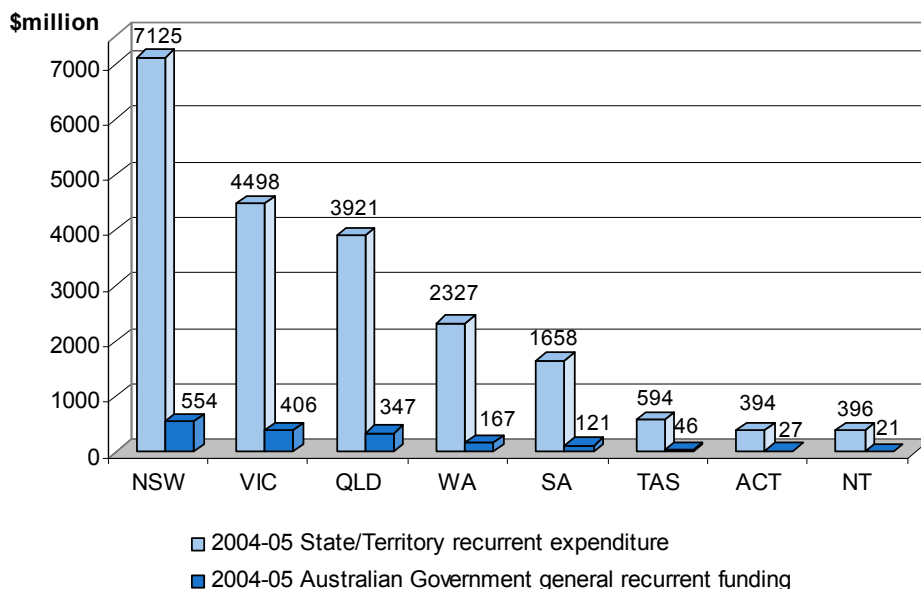
³¹ Australian Government, *2007–08 Budget Paper No.3 – Australian Financial Relations 2007–08*, 8 May 2007, p. 51–52, <<http://www.budget.gov.au>>.

³² For example, groups of non-government schools or non-government rural student hostels (or both).

³³ The 2004–05 data is the most recent data that is complete and available.

Figure 1.2

Australian Government general recurrent funding and State and Territory recurrent expenditure on government schools 2004–05



Source: MCEETYA, National Report on Schooling in Australia 2005, available at <http://cms.curriculum.edu.au/anr/2005/>

How general recurrent grants are calculated for government schools

1.11 State and Territory government education systems are eligible to receive general recurrent grants for all students enrolled in government primary and secondary schools³⁴, other than pre-school students and overseas students. General recurrent grants are provided as block grants³⁵ calculated on a per student basis and are subject to annual adjustments based on movements in Average Government School Recurrent Costs (AGSRC) amounts.³⁶

³⁴ Secondary schools include colleges in the ACT.

³⁵ An allotment of money to a State or Territory reflecting the aggregate level of enrolments in all government schools for the year.

³⁶ The Average Government School Recurrent Costs (AGSRC) amounts are based on government expense data maintained by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA). The AGSRC amounts are changed on an annual basis after consideration of movements in that data and in accordance with section 121, 122 and 123 of the Schools Assistance Act. The percentages applied to the AGSRC amounts to arrive at the per capita funding rates for general recurrent grants are specified in the Schools Assistance Act at Schedules 2 and 4.

1.12 The amount of general recurrent grant funding for schools paid to the States and Territories is based on the formulae in section 68 of the Schools Assistance Act as shown in Table 1.1.

Table 1.1

General recurrent grants funding formulae

Primary education formula

Primary education amount x Number of government school primary students in the State or Territory

The initial primary education amount for 2008 is \$678

Secondary education formula

Secondary education amount x Number of government school secondary students in the State or Territory

The initial secondary education amount for 2008 is \$973

Source: Schools Assistance Act, section 68.

1.13 The primary and secondary education amounts are the rates in Schedule 2 of the Schools Assistance Act. The rates are expressed as a percentage of either the primary or secondary Average Government School Recurrent Costs (AGSRC) amount.³⁷ The AGSRC amounts are based on government expense data maintained by MCEETYA and are changed on an annual basis after consideration of movements in the data.

1.14 The number of students is calculated on an annual basis. In November of each year, the States and Territories advise the department of the actual current program year student numbers as well as estimated enrolments for the following program year.

Payment of general recurrent grants to government schools

1.15 The Commonwealth pays general recurrent grants to each State or Territory Treasury, which allocates these monies to the State or Territory education authority, which then distributes the funding to government schools in the State or Territory. The Australian Government does not provide funding directly to government schools. Once the general recurrent grants have been paid into the State and Territory Treasury accounts and allocated to the education authorities, they form part of the total pool of funding for

³⁷ Essentially, the AGSRC amount is the recurrent costs of educating a student in a government school. The primary rate is 8.9 per cent of the primary AGSRC amount and the secondary rate is 10 per cent of the secondary AGSRC amount. This means that the primary and secondary rates are either 8.9 per cent or 10 per cent of the average recurrent costs of educating a student in a government school.

government schools, which includes the contributions made by the States and Territories.

An agreement is needed before payments can be made

1.16 In order to receive funding, each State and Territory is required to enter into an agreement with the Australian Government. The agreements specify the conditions attached to the funding provided by the Australian Government, and provide that the Minister for Education, Employment and Workplace Relations may withhold or delay payments where a State or Territory does not meet a condition of the agreement. The agreements are for four years, with the current agreement covering 2005 to 2008. The agreements apply to all funding programs covered by the Schools Assistance Act for government schools, including general recurrent grants, capital grants and targeted programs.

1.17 The agreements comprise ‘commitments’, ‘educational accountabilities’ and ‘further conditions’.³⁸ Some requirements are both a commitment and an educational accountability. For example, the States and Territories are required to both commit to report to parents of students in Years 3, 5 and 7 on their children’s achievements against the national literacy and numeracy benchmarks (commitment), and to report on these achievements (educational accountability). To meet their commitments, the States and Territories are required to demonstrate that best endeavours have been made, whereas, educational accountabilities and further conditions must be met.

General recurrent grants assist in achieving the Australian Government’s priorities for schooling.

1.18 In April 1999, the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) endorsed a new set of *National Goals for Schooling in the Twenty-First Century*. The new goals were released as *The Adelaide Declaration (1999) on National Goals for Schooling in the Twenty-First Century*. They seek to establish a foundation for collaborative action to improve the quality of schooling nationally.³⁹ Recently, in April 2008, MCEETYA

³⁸ These terms are not defined in the Schools Assistance Act.

³⁹ See
<http://www.dest.gov.au/sectors/school_education/policy_initiatives_reviews/national_goals_for_schooling_in_the_twenty_first_century.htm>.

agreed to the development of a new *Declaration on the National Goals for Schooling in Australia* to be released later in 2008.⁴⁰

1.19 General recurrent grants assist government and non-government schools with the recurrent costs of school education so that they can offer programs directed towards the achievement of the Australian Government's priorities for schooling. Those priorities include support for the principles of access, choice, equity and excellence in schooling by encouraging the provision of a strong, viable and diverse selection of government and non-government schools from which parents can choose.⁴¹

Audit objective and scope

1.20 The audit objective was to assess the effectiveness of the department's administration of general recurrent grants paid to the States and Territories for government schools. To achieve this, the ANAO assessed whether the department:

- paid the correct amount of general recurrent grants to the States and Territories;
- effectively managed the agreements with the States and Territories; and
- monitored progress towards achieving the *National Goals for Schooling in the Twenty-First Century*.

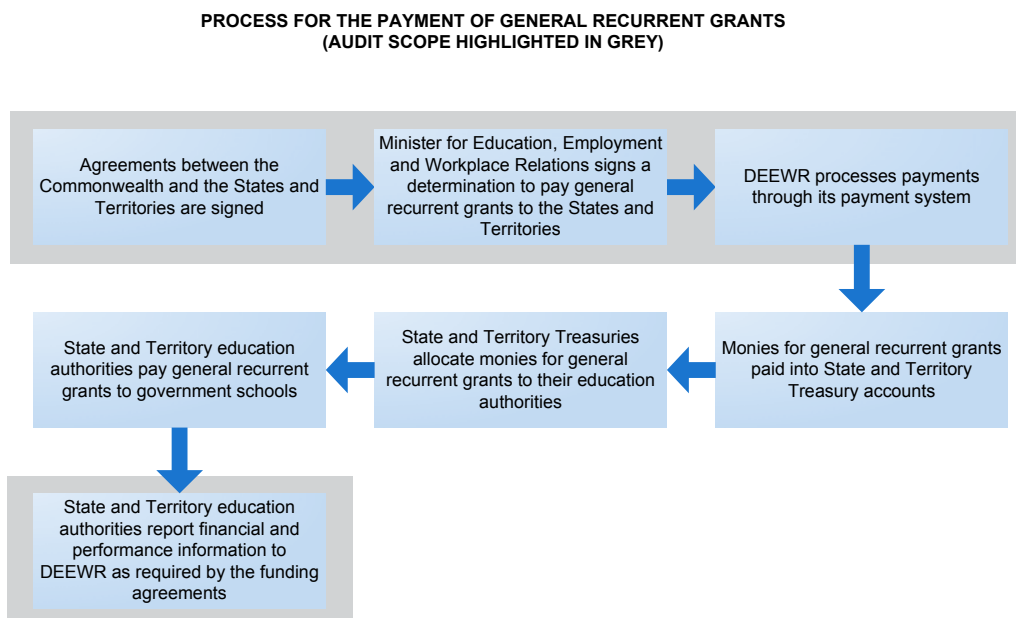
Audit scope

1.21 The audit examined key processes in the department's administration of general recurrent grants for government schools paid to the States and Territories. Figure 1.3 illustrates the scope of the audit (highlighted in grey) including the key processes in the administration of general recurrent grants for government schools.

⁴⁰ <<http://mediacentre.dewr.gov.au/NR/rdonlyres/85499B3A-E77F-4A55-9735-F8CD853EB072/0/Comminque.pdf>>.

⁴¹ DEST, *Schools Assistance (Learning Together—Achievement Through Choice and Opportunity) Act 2004 Report of financial assistance granted to each State in respect of 2005*, p.vi.

Figure 1.3
Audit scope



Source: ANAO.

1.22 The audit focused on general recurrent grants for government schools as they are the largest specific purpose payments to them. The audit did not include examination of other specific purpose payments to government schools such as capital grants or targeted programs.

Previous audits

1.23 Although no previous ANAO audits have specifically addressed specific purpose payments for government schools, three audits have addressed aspects of specific purpose payments in other contexts⁴²:

- Audit No.19 2006–07, *Administration of State and Territory Compliance with the Australian Health Care Agreements*;
- Audit No.21 2002–03, *Performance Information in Australian Health Care Agreements*; and
- Audit No.31 1998–99, *The Management of Performance Information for Specific Purpose Payments – The State of Play*.

⁴² All ANAO reports are available on its website, <<http://www.anao.gov.au>>.

1.24 These three previous ANAO audits were considered in the design and conduct of this audit.

Audit methodology

1.25 The ANAO conducted fieldwork at the department's National Office in Canberra. This included:

- examining policy documents, contracts, guidelines, procedures and operational documents;
- analysing three years of data from the department's payment system;
- consulting with key stakeholder groups;
- interviewing departmental staff in the relevant branches; and
- reviewing files, records and publications including evaluations and reports.

1.26 Additionally, the ANAO consulted with State and Territory education authorities in two states and one territory, and with State Audit Office personnel in two States.

Report structure

1.27 The report consists of an introductory chapter and three chapters outlining key elements of the department's administration of general recurrent grants for government schools. The remaining chapters focus on:

- Payment Processes for General Recurrent Grants for Government Schools (Chapter 2);
- Management of the 2005–08 Agreements (Chapter 3); and
- Performance Information (Chapter 4).

2. Payment Process for General Recurrent Grants for Government Schools

This chapter examines the department's payments to the States and Territories of general recurrent grants for government schools.

Introduction

2.1 In assessing the department's payment processes, the ANAO sought to determine whether general recurrent grant payments were:

- properly approved in accordance with the *Financial Management and Accountability Act 1997* (FMA Act) and the *Financial Management and Accountability Regulations 1997* (FMA Regulations);
- for the correct amount and paid in a timely manner; and
- used for the intended purpose.

Approval of expenditure for general recurrent grants

2.2 The FMA Act provides a legal basis for the management of public money and property by Australian Government agencies. It sets out the financial management, accountability and audit obligations on Australian Government departments and agencies forming part of the general government sector. It includes the requirements to manage public resources efficiently, effectively and ethically, and to maintain proper accounts and records of the receipt and expenditure of Commonwealth money. As a department of State, the department is subject to the requirements of the FMA Act.

2.3 Requirements relating to an approval to spend public monies are addressed by the *Financial Management and Accountability Regulations 1997*. The ANAO examined whether the department had acted in a manner consistent with the requirements of the regulations in regard to approvals to spend public moneys on general recurrent grants for government schools.

2.4 The ANAO found that, consistent with FMA Regulation 13, the department made general recurrent grant payments after an agreement was in place with the States and Territories. The department complied with FMA Regulation 9 by properly approving spending proposals relating to general

recurrent grants for the calendar years examined—2005, 2006 and 2007. Additionally, the department recorded the approvals consistently with FMA Regulation 12.⁴³

Correctness and timeliness of payments

2.5 Payments of general recurrent grants for government schools are made to the States and Territories on a monthly basis and are processed through the department's payment system. The first 11 payments are calculated based on the estimated enrolments for that year. The final payment takes account of current year enrolment data provided by the States and Territories in November. The final payment acts as an adjustment, and is calculated based on the actual numbers of students for the year, minus the payments that have already been made.

The department pays the correct amount of general recurrent grants in a timely manner

2.6 The ANAO assessed whether general recurrent grant payments for government schools made to the States and Territories were for the correct amount, as specified in the payment determinations, and whether the payments were timely. The ANAO examined the department's payment data for all payments made to the States and Territories for the calendar years 2005, 2006 and 2007.

2.7 Before making a payment to the States and Territories, the department checks that the payments are for the correct amount and that the correct details have been recorded. The payment is then sent to the appropriate officer for authorisation. There is also a monthly reconciliation between the department's payments and financial management systems.

2.8 Of the 264 payments made to the States and Territories for the calendar years 2005, 2006 and 2007, all payments were for the correct amount as specified in the payment determinations. The department's funding determinations specify that general recurrent grants payments for government schools will be made on the 7th day of each month or as soon as practicable thereafter. ANAO analysis found that all 264 payments were made within 5 days of the due date.

⁴³ The general recurrent grants program is appropriated under the Schools Assistance Act which legislates funding for the four year period 2005 to 2008. Consequently, FMA Regulation 10 approval is not required. The department has four year agreements with the States and Territories, which align with the four year appropriations stated in the Schools Assistance Act.

Use of grant funds

2.9 The *Australian Government Programs for Schools Quadrennial Administrative Guidelines 2005–2008* require that the States and Territories must use general recurrent grant funds for meeting operating expenditure incurred by government systems and schools. In particular, the purposes for which general recurrent grant funding can be used include:

- teaching and ancillary staff salaries;
- professional development of teachers;
- curriculum development; and
- maintenance and general operation provisions.⁴⁴

2.10 State and Territory education authorities electronically submit for each calendar year, a ‘financial accountability certificate’ signed by the Chief Finance Officer. The certificate details the amount of general recurrent funding received by the State or Territory each month. Additionally, the certificates provide a certification that the funds have been used for meeting recurrent expenditure for government primary and secondary schools.

2.11 The ANAO examined the financial accountability certificates for the 2005 and 2006 program years and found that the department had received a certificate from each State and Territory education authority. All States and Territories education authorities certified that the funds were spent on meeting recurrent expenditure for government primary and secondary schools. Additionally, the total funding acquitted by the States and Territory education authority on the certificates matched their entitlements as outlined in the relevant funding determinations.

Enrolment data

2.12 In addition to ensuring that payments are made for the correct amount, and are used for the purpose of recurrent expenditure, the department must ensure that amounts paid are based on correct enrolment data.

2.13 Each year the department requests enrolment data from the States and Territories. As paragraph 2.5 describes, this enrolment data is used to calculate the final payment for the year as well as the first 11 payments for the following

⁴⁴ See http://www.dest.gov.au/sectors/school_education/programs_funding/forms_guidelines/quadguide/schools_quadrennial_administrative_guidelines_2005_to_2008.htm.

year. The department also requests an outline of the auditing and verification procedures in each State and Territory to confirm that the enrolment figures are accurate.

All the States and Territories provided the department with enrolment data and related information

2.14 The ANAO found that in 2005 (the commencement of the agreement), all States and Territories provided the department with enrolment data and information on their auditing and verification procedures. In subsequent years, the States and Territories have confirmed that these continue to be the procedures that are in place. Examples of the auditing and verification procedures used by the States and Territories include:

- audits of government schools ;
- identification of any duplicate enrolments;
- cross checks with external references and other enrolment data;
- follow-up with government schools after receipt of the data;
- checking that student ages are within a specified range for each grade;
- comparison with previous year's data;
- internal system generated validation checks;
- a statement of a school's official enrolment forwarded to the school for endorsement; and
- occasional audit by State and Territory Auditors-General of systems which collect and store data.

2.15 In addition to the procedures used by the States and Territories, the department also checks the enrolment data to ensure that it is consistent with other data. Once the department has received the enrolment data from the States and Territories, the data is checked against previous year's data for any inconsistencies. Additionally, once the Australian Bureau of Statistics releases its *Schools Australia* data in February of each year, the department also compares the two data sets to check for any inconsistencies.⁴⁵ The department follows-up any unexplained variations with the States and Territories.

⁴⁵ See <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4221.0Main+Features12007?OpenDocument>.

Conclusion

2.16 The department has acted in a manner consistent with the requirements of the *Financial Management and Accountability Regulations 1997* in regard to approvals to spend public moneys on general recurrent grants for government schools. The department has also paid the correct amount of general recurrent grants, as specified in the payment determinations to the States and Territories, in a timely manner for the three years examined by the ANAO—2005, 2006 and 2007.

2.17 All State and Territory education authorities met the requirement to submit a financial accountability certificate for the years examined by the ANAO—2005 and 2006, certifying that the funds were spent on meeting recurrent expenditure for government primary and secondary schools.

2.18 In 2005 (the commencement of the agreement), all States and Territories provided the department with enrolment data and information on their auditing and verification procedures. In subsequent years, the States and Territories have confirmed that these continue to be the procedures that are in place. The department also checks the enrolment data to ensure that it is consistent with the previous year's data and Australian Bureau of Statistics data, and follows-up any unexplained variations with the States and Territories.

3. Management of the 2005–08 Agreements

This chapter reviews the department's management of the agreements with the States and Territories, including legislative compliance, day-to-day management, and monitoring and reporting.

Introduction

3.1 The ANAO examined the department's management of the agreements with the States and Territories, focussing on whether the department:

- has reflected the requirements of the *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004* (the Schools Assistance Act) in the agreements;
- has processes and procedures for the day-to-day management of the agreements; and
- monitors and reports whether the States and Territories comply with the requirements of the agreements.

The requirements of the Schools Assistance Act are reflected in the agreements

3.2 Part 2 of the Schools Assistance Act requires that the Minister must not authorise a payment to a State under a provision of the Act for government schools for a program year unless the State has made an agreement with the Commonwealth. Part 2 also outlines the requirements to be set out in the agreement.

3.3 The ANAO examined the legislation and the agreements, confirming that all of the requirements of the Schools Assistance Act are reflected in the agreements.

Day-to-day management of the agreements

3.4 The ANAO examined the department's day-to-day management of the agreements focussing on risk management, communication between the department and the States and Territories, and dispute resolution.

The department has developed a risk assessment plan (including a fraud control plan) for general recurrent grants for government schools

3.5 Risk management focuses on maximising value for money through minimising adverse impacts by identifying and treating potential risks. The department's Audit and Investigations Branch issued a performance audit report on the general recurrent grants program in August 2007. The audit found that there was no current comprehensive risk assessment for the general recurrent grants program. The last risk assessment completed in 2003 related to the previous funding period (2001 to 2004). The audit recommended that a comprehensive risk assessment for the general recurrent grants program be undertaken, including the development of a fraud control plan.

3.6 The department subsequently developed a risk assessment plan, including a fraud control plan. The risk plan covers risks associated with funding for both government and non-government schools. The department advised the ANAO that the current plan will be reviewed in 2008 to align with the requirements of the 2009 to 2012 funding period.

The department uses a combination of formal and informal mechanisms to communicate with the States and Territories

3.7 Open and professional lines of communication between all parties to the agreements are essential to assist in managing the agreements. Communication protocols and regular formal and informal communication between the parties are helpful in these matters.

3.8 The department communicates with the States and Territories on issues associated with the management of the agreements in a variety of ways as shown in Table 3.1. The ANAO discussed with education departments in two States and one Territory, the department's approach to communicating information on general recurrent grants. The States commented that for general recurrent grants there is not extensive day-to-day communication with the department because the program is not project based. However, these States advised that the communication mechanisms that are in place work well. The ANAO concludes that the department has established appropriate communication mechanisms with the States and Territories on issues associated with the management of the agreements.

Table 3.1**Departmental communication mechanisms with the States and Territories**

Communication mechanism
The relevant section within the department is in contact with representatives from the State and Territory education departments to provide monthly payment advices.
One staff member from the relevant section within the department is 'allocated' a State or Territory and becomes the primary contact for any issues the State or Territory raises regarding general recurrent grants for government schools.
The department often writes to the States and Territories on various issues as they arise, to seek their advice and comment.
The Minister for Education, Science and Training often writes to the States and Territories on various issues as they arise, to seek their advice and comment.
The Schools Service Point is an Internet-based system that allows States and Territories and non-government schools to access the department's schools-related services. This system includes information on implementing the National Safe Schools Framework, financial questionnaires, financial accountability, compliance certification and student attendance. The Schools Service Point is predominately for non-government schools, with State and Territory education departments accessing the Schools Service Point to submit their yearly financial accountability certificates and compliance certificates.

Source: ANAO.

The agreements include a dispute resolution clause

3.9 Dispute resolution clauses in agreements provide direction to each of the parties in the event of relationship difficulties.⁴⁶ The ANAO found that the agreements contain a structured and comprehensive dispute resolution clause. It describes the process to be followed (including provision for negotiation and mediation) as well as identifying circumstances in which the clause does not apply.

3.10 The department informed the ANAO that the dispute resolution procedures in the agreement have never had to be used, as any issues that have arisen have been resolved using the protocols shown in Table 3.1.

Monitoring and reporting State and Territory compliance with the agreements

3.11 To support a program to meet its objectives, agreements must be monitored. Performance, financial and compliance monitoring determines

⁴⁶ Joint Committee of Public Accounts and Audit, *Report 379 Contract Management in the Australian Public Service*, Parliament of Australia, Canberra, 2000, p. 77, <<http://www.aph.gov.au>>.

whether parties to the agreements achieve results, while applying resources consistently with the terms and conditions of the agreements.

3.12 Under the agreement, the Minister may withhold or suspend funds, in whole or in part, until the States and Territories meet their obligations under the agreement. The department informed the ANAO that payments to the States and Territories have never been withheld.

Procedures for monitoring

3.13 The performance information arrangements under the Schools Assistance Act and agreements comprise a set of requirements identified as ‘commitments’, ‘educational accountabilities’ and ‘further conditions’.⁴⁷ Some requirements are both a commitment and an educational accountability. For example, the States and Territories are required to both commit to implementing common testing standards for certain subjects (commitment) and to implement common testing standards by 1 January 2008 (educational accountability).

3.14 The requirements are monitored by one of three methods. Table 3.2 shows each requirement, and how it is monitored. Table 3.2 also identifies whether the requirement is a commitment, educational accountability or further condition.

⁴⁷ These terms are not defined in the Schools Assistance Act.

Table 3.2**Monitoring the requirements of the legislation and agreements**

Monitoring method one: Monitoring through the annual <i>National Report on Schooling</i>	
1. Participate in preparing a national report on the outcomes of schooling for each program year.	Educational accountability
2. Commitment to the timely publication of a national report on the outcomes of schooling.	Commitment/Educational accountability
3. Commitment to achieve the literacy and numeracy targets specified in the Schools Assistance Regulations.	Commitment
4. Commitment to report against the performance measures specified in the Schools Assistance Regulations. Provide performance information for the national report.	Commitment/Educational accountability
5. Commitment to report about student attendance at each government school. Requirement to report student attendance at each government school.	Commitment/Educational accountability
6. Commitment to develop and implement Statements of Learning that describe the key knowledge, understandings, skills and capacities in English, mathematics, science, civics and citizenship and information and communications technology, that each child should have the opportunity to acquire at school.	Commitment
7. Commitment to put in place common testing standards in English, mathematics, science, civics and citizenship and information and communications technology. Requirement to implement common testing standards by 1 January 2008.	Commitment/Educational accountability
8. Commitment to give the principal, and the governing body, of each government school, strengthened autonomy over, and responsibility for, education programs, staffing and budget.	Commitment
9. Commitment to put into effect the National Safe Schools Framework.	Commitment
10. Commitment to the achievement of national consistency in school starting age.	Commitment

Monitoring method two: Annual certification by compliance certificates	
11. Offer a standard assessment in literacy and numeracy to all students in Years 3, 5 and 7.	Educational accountability
12. Commitment to report to parents of students in Years 3, 5 and 7 on their children's achievements against the national literacy and numeracy benchmarks. Requirement to report on children's achievement against the benchmarks.	Commitment/Educational accountability
13. Provide in the curriculum at least two hours of physical activity each school week for primary and junior secondary students.	Commitment
14. Have a flagpole and fly the Australian flag.	Further condition
15. Display the Value for Australian Schooling poster in a prominent place.	Further condition
16. Display the National Safe Schools Framework poster in a prominent place.	Further condition
17. Give parents 'plain English' student reports.	Commitment
18. Implement the Interstate Student Data Transfer Note.	Commitment
19. Commitment to make school performance information publicly available. Requirement to make school performance information publicly available.	Commitment/Educational accountability
Monitoring method three: Provision of data direct to the department	
20. Give the Minister a report in relation to the State's expenditure on the professional education of teachers in government schools.	Educational accountability

Source: ANAO based on the department's information.

The department obtained legal advice on monitoring State and Territory compliance with agreement requirements

3.15 Determining whether a State or Territory has complied with a requirement depends on its status as a commitment, educational accountability or further condition. The department sought legal advice on what each funding recipient must do in order to comply with the requirements. The department also sought advice on the action available to the Minister in the event of any non-compliance. A summary of this advice is shown in Table 3.3.

Table 3.3**Compliance with educational accountabilities, further conditions and commitments**

Type of requirement	Level of compliance
Educational accountabilities and further conditions	<p>Educational accountability requirements and further conditions are expressed as obligations in the agreements and are distinguished from commitments because they must be achieved. Best endeavours to achieve an educational accountability requirement or a further condition would not satisfy the education authority's contractual obligation.</p> <p>Where a State or Territory fails to fulfil an educational accountability requirement or a further condition, the Minister may make a determination delaying further payments until the State or Territory complies, or requiring that the State or Territory repays the amount determined, or reducing other payments under the Schools Assistance Act.</p>
Commitments	<p>To establish whether a State or Territory has complied with a 'commitment' requires an assessment of whether best endeavours have been used to ensure the output committed to is achieved. Where the State or Territory has arguably used all best endeavours to achieve the outputs, then it is in compliance with the conditions of the agreement.</p> <p>Where best endeavours have not been used, the State or Territory is in breach of the agreement. Clause three of the agreement allows the Commonwealth to withhold or suspend any payment in whole or in part until the State or Territory has performed its obligations.</p>

Source: ANAO from departmental information.

Assessment of State and Territory compliance

3.16 The ANAO examined the department's assessment of State and Territory compliance with the requirements listed in Table 3.3 within the context of the above-mentioned legal advice.

Monitoring through the annual National Report on Schooling in Australia

3.17 The annual *National Report on Schooling in Australia* is prepared by MCEETYA. The department is involved closely in the process of preparing the annual *National Report on Schooling in Australia*, and is able to monitor how States and Territories are contributing information as each report is prepared.

3.18 For the requirements monitored through the annual *National Report on Schooling in Australia*, the States and Territories provide the required information which is then included in the report. The last complete *National Report on Schooling in Australia* was published in 2004—approximately 4 years ago. For 2005 and 2006, parts of the *National Report on Schooling in Australia* have been released as available.⁴⁸ Consequently, the information available to the Parliament and other interested parties on progress towards the national goals for schooling, to inform debate and policy development is relatively incomplete and out-dated.

3.19 Given the time lag between the school year and subsequent publication of the full report, the department advised that it assures itself that the States and Territories comply with the requirements on a yearly basis in the following ways:

- via membership of the MCEETYA Performance Measurement and Reporting Taskforce⁴⁹ and associated sub-groups and working groups responsible for settling the content of each year's annual *National Report on Schooling in Australia*;
- through involvement in the preparation of supplementary reports including the *National Report on Schooling in Australia, Preliminary Paper, National Benchmark Results Reading Writing and Numeracy, Years 3, 5 and 7*⁵⁰; and
- by monitoring the content of the report chapters and supplementary reports as part of the production and formal clearance process.

3.20 On the issue of the timeliness of reporting, the department advised that the timeliness of reporting via the *National Report on Schooling in Australia* has been a concern, and it has been raised with the States and Territories by the department through the MCEETYA Performance Measurement and Reporting

⁴⁸ The literacy and numeracy benchmark data is currently available for 2006.

⁴⁹ The MCEETYA Performance Measurement and Reporting Taskforce is responsible for developing and implementing measures of progress and attainment in priority areas identified by ministers. These include literacy, numeracy, participation and attainment in education, vocational education and training in schools, science, information technology and civics and citizenship.

⁵⁰ The latest report is the MCEETYA, *National Report on Schooling in Australia, Preliminary Paper, National Benchmark Results Reading, Writing and Numeracy, Years 3, 5 and 7, 2006*, <http://cms.curriculum.edu.au/anr2006/pdfs/2006_Benchmarks.pdf>.

Taskforce and its sub-groups on numerous occasions.⁵¹ Further, efforts to accelerate production of the *National Report on Schooling in Australia* have had some effect, and in the context of the whole-of-government priority of reducing regulatory burden, the department will be reviewing reporting requirements for the *National Report on Schooling in Australia* for 2008, the last year of the current quadrennial. The department also advised that the nature and coverage of national reporting is also a key consideration in the new program arrangements for specific purpose payments for the 2009–12 quadrennial, currently under development.

3.21 An assessment of the current performance management requirements to support policy analysis and development, and reporting is provided in Chapter 4.

Annual certification by compliance certificates

3.22 The States and Territories have agreed to certify that they have met certain requirements through compliance certificates. Two compliance certificates must be submitted electronically each year. Certificate One covers requirements 11 to 18 in Table 3.2, and Certificate Two covers requirement 19 in Table 3.2. The certificates are essentially a self-assessment by the States and Territories that they have met the requirements of the legislation and agreement.⁵²

Most States and Territories submitted both compliance certificates in a timely manner

3.23 The ANAO examined both compliance certificates for all States and Territories for the 2006 program year. The results of the ANAO's examination are summarised in Table 3.4. The ANAO notes that the department resolved the issue of late submission of the compliance certificates with the respective States and Territories. One State has not lodged its second compliance certificate for 2006. The department advised that it is in contact with the State on this matter.

⁵¹ Recent examples include correspondence between the department, the MCEETYA Secretary and the States and Territories of December 2006–February 2007, and between the department (as Chair of the Australian Education Systems Officials Committee Review of Schools Compliance Reporting) and the Chair of the MCEETYA Performance Measurement and Reporting Taskforce Data Collection and Reporting Sub-Group of November 2007.

⁵² For the 2006 program year, Certificate One was available for completion from 30 October 2006 and had to be submitted by 30 March 2007. Certificate Two was available from 3 July 2007 and had to be submitted by 31 October 2007. Certificate two is not available until six months after the end of the program year because schools have six months after the end of the school year to publish their school performance information.

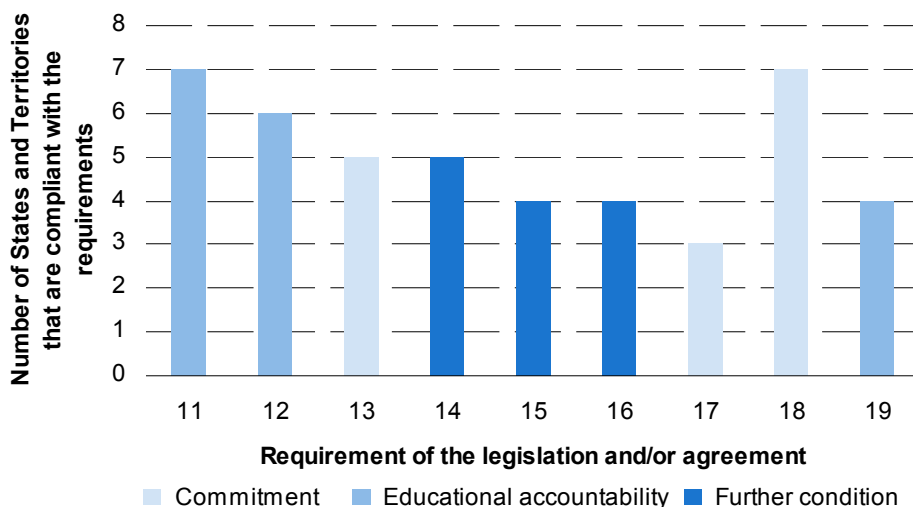
Table 3.4**ANAO examination of compliance certificates for 2006**

Measure	Number of States and Territories
States and Territories that submitted compliance Certificate One	8
States and Territories that submitted compliance Certificate One by the due date	5
States and Territories that submitted compliance Certificate Two	7
States and Territories that submitted compliance Certificate Two by the due date	7

Source: ANAO analysis at the time of the audit.

No State or Territory complied with all of the agreement requirements in 2006

3.24 The ANAO examined State and Territory compliance with the requirements of the agreements that are monitored by compliance certificates. The level of compliance with each requirement varied. This is shown in Figure 3.1.

Figure 3.1**Compliance with requirements monitored by compliance certificates in 2006**

Source: ANAO.

Note: Requirements 12 and 19 are also commitments as shown in Table 3.2.

The department accepts the accuracy of information provided by the States and Territories through compliance certificates

3.25 It is important that the department has some way of verifying the accuracy of compliance information provided by the States and Territories—particularly for educational accountabilities and further conditions. Presently, the department relies on State and Territory Government assurances about their school system’s degree of compliance with the Commonwealth’s requirements monitored by compliance certificates.

3.26 The department has written to the States and Territories seeking advice on how they intend to monitor and ensure the accuracy of information in their compliance certificates. Although most States and Territories have described their methods for monitoring the adherence of their school systems and of individual schools to the agreements, the States and Territories have provided little information on how they verify the accuracy of schools’ responses. One State advised the department that the State could not feasibly certify that all requirements have been met by all government schools.

3.27 In this light, there would be benefit in the department consulting with the States and Territories on the consistency of their approaches and the level of assurance being provided through these certificates.

Managing non-compliance with agreement requirements monitored through compliance certificates

3.28 In most cases, the States and Territories reported that they are compliant with the ‘commitments’, ‘educational accountabilities’ and ‘further conditions’ of the agreements. However, at the time of the audit, no State or Territory had complied with all of the ‘commitments’, ‘educational accountabilities’ and ‘further conditions’ of the agreements monitored by compliance certificates in 2006. Consequently, under the agreements some jurisdictions have not fully met key obligations designed to achieve the national goals, such as:

- reporting to parents of students in Years 3, 5 and 7 on their children’s achievement against the national literacy and numeracy benchmarks; and
- making school performance information publicly available.

3.29 However, at the time of the audit, the department had not followed up on these reported instances of non-compliance.⁵³ Further, there is only limited public reporting on the achievements of the States and Territories in meeting their obligations under the agreements to assist in understanding progress towards the national goals.

Recommendation No.1

3.30 The ANAO recommends that, for the next quadrennial agreement, the department consult with the States and Territories on the completeness and accuracy of the information in their compliance certificates, and the level of assurance provided by these certificates.

DEEWR's response

3.31 The Department agrees with this recommendation. Where funding obligations are specified under the new Schools Specific Purpose Payments agreements, the Department will ensure that appropriate provisions are in place to monitor the accuracy, completeness and quality of information provided by States and Territories. The Department notes, however, that the new Specific Purpose Payments arrangements being developed under the aegis of the Council for Australian Governments will largely replace the requirement for compliance certificates. It is proposed that accountability will be enhanced through simpler, standardised and more transparent performance reporting arrangements for all jurisdictions, underpinned by clearer roles and responsibilities. The new reporting framework will focus on the achievement of results, value for money and timely provision of publicly available performance information.

Provision of data directly to the department

3.32 The legislation and agreements require States and Territories to provide the Minister with a report about expenditure on the 'professional education'⁵⁴ of teachers in government schools. States and Territories provide the necessary

⁵³ The department advised that it is proposing to follow-up with those States and Territories that were not compliant in 2006 with those agreement requirements (covered by both certificates) considered to be of continuing high priority. These requirements include for example, offering standardised assessments, reporting to parents against benchmarks, providing plain English student reports and publishing school performance information.

⁵⁴ Professional learning means professional development.

data on professional learning expenditure as a condition of funding under the Australian Government Quality Teacher Program.⁵⁵

3.33 The department advised the ANAO that the first report due under the current agreement is on 2007 expenditure and is due by 30 April 2008. The department further advised that this reporting requirement will be considered for inclusion in the 2009 to 2012 agreements.

Departmental reporting on State and Territory compliance with the agreements

The department reports to the Minister on State and Territory compliance

3.34 The department reports to the Minister on State and Territory compliance with agreement requirements monitored by compliance certificates. In September 2007, the department briefed the Minister on State and Territory compliance levels with agreement requirements covered by Certificate 1 for 2006.

There is limited external reporting on State and Territory compliance levels with the requirements of the agreements

3.35 A number of requirements involve the States and Territories reporting information through the annual *National Report on Schooling in Australia*. This includes information related to student achievement against national benchmarks for literacy and numeracy and student attendance information. DEST's *Annual Report 2006–2007* also contains performance information including the achievement of national benchmarks and student participation.

3.36 Additionally, States and Territories are required to make certain school performance information publicly available. The *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Regulations 2005* (Schools Assistance Regulations) specify the items to be published and the form of publication. This includes reporting information such as staff attendance, student attendance, outcomes and parent, student and teacher satisfaction. Reporting of this information is through a variety of mechanisms including school annual reports, handbooks and newsletters.

⁵⁵ The Australian Government Quality Teacher Program is an initiative for supporting quality teaching and school leadership. Its primary function is to fund professional learning activities for teachers under agreements with state and territory government and non-government education authorities. The program was established in 2000 and will continue until the end of 2009.

3.37 However, there is only limited public reporting on the achievements of the States and Territories in meeting their obligations under the agreements to assist in understanding progress towards the national goals.

Recommendation No.2

3.38 To assist in understanding progress towards the national goals, the ANAO recommends that the department consult with the States and Territories about reporting publicly on their achievements in meeting their obligations under the agreements.

DEEWR's response

3.39 The Department agrees with this recommendation. In the context of the Schools Specific Purpose Payments, the Department's consultations with the States and Territories will include the issue of public reporting on the extent to which funding recipients have met obligations under agreements.

Conclusion

3.40 State and Territory compliance with certain agreement requirements is monitored through reporting in the annual *National Report on Schooling in Australia*. The last complete *National Report on Schooling in Australia* was published in 2004—approximately 4 years ago. For 2005 and 2006, parts of the *National Report on Schooling in Australia* have been released as available.⁵⁶ Consequently, the information available to the Parliament and other interested parties on progress towards the national goals for schooling, to inform debate and policy development is relatively incomplete and out-dated.

3.41 The department has implemented compliance certificates for the States and Territories to report their adherence to certain performance requirements in the agreements. Most States and Territories submitted both compliance certificates in a timely manner in the year examined—2006. The certificates are essentially a self-assessment by the States and Territories that they have met the requirements of the legislation and agreement. The department has written to the States and Territories seeking advice on how they intend to monitor and ensure the accuracy of information in their compliance certificates. Although most States and Territories have described their methods for monitoring the adherence of their school systems and of individual schools to the agreements, the States and Territories have provided little information on how they verify

⁵⁶ The literacy and numeracy benchmark data is currently available for 2006.

the accuracy of schools' responses. In this light, there would be benefit in the department consulting with the States and Territories on the consistency of their approaches and the level of assurance being provided through these certificates.

3.42 In most cases, the States and Territories reported that they are compliant with the 'commitments', 'educational accountabilities' and 'further conditions' of the agreements. However, at the time of audit, no State or Territory had complied with all of the 'educational accountabilities', 'further conditions' and 'commitments' of the agreements monitored by compliance certificates in 2006. Consequently, under the agreements some jurisdictions have not fully met key obligations designed to achieve the national goals, such as:

- reporting to parents of students in Years 3, 5 and 7 on their children's achievement against the national literacy and numeracy benchmarks; and
- making school performance information publicly available.

3.43 However, at the time of the audit, the department had not followed up on these reported instances of non-compliance. Further, there is only limited public reporting on the achievements of the States and Territories in meeting their obligations under the agreements to assist in understanding progress towards the national goals.

4. Performance Information

This chapter examines the performance information requirements in the Australian Government's agreements with the States and Territories under the Schools Assistance Act and within the context of the National Goals for Schooling.

The role of agreements in achieving the national goals for schooling

4.1 Chapter 1 discussed MCEETYA's endorsement of a new set of *National Goals for Schooling in the Twenty-First Century* (the national goals)—refer Appendix 1. The national goals are promulgated by Commonwealth, State and Territory Education Ministers, who have also collectively identified priority areas for reporting progress. The development of measurement and reporting approaches has been the collective responsibility of the Commonwealth, States and Territories, and the non-government school sector through a taskforce.⁵⁷ The taskforce has developed national performance measures of literacy, numeracy, science, civics and citizenship education, information and communication technologies, student attendance, vocational education in schools and the participation and attainment of young people, which have been approved by MCEETYA. In many of these priority areas, it also had a lead role in developing the national assessments and setting national standards for reporting. The task force is continuing to develop performance measures for each of the priority areas of the national goals.

4.2 The *National Report on Schooling in Australia* was first published for the 1989 school year and has been published (in full or in part) for each school year up to 2006. The decision to produce a national report was:

- a direct result of the promulgation of the national goals; and
- seen by Ministers as the means by which they would publicly report on progress towards the goals.

Nature and purpose of general recurrent grants for government schools

4.3 General recurrent grants are the primary financial means by which the Australian Government can influence policy discussions and debates on national goals and priorities in school education. Moreover, the ability to

⁵⁷ The MCEETYA Performance Measurement and Reporting Taskforce.

attach conditions to their funding potentially provides the Australian Government with significant leverage over reporting requirements for school education.

4.4 Consequently, the Australian Government's interests in providing general recurrent grants to the States and Territories are linked to national priorities and objectives in school education and the performance of the system as a whole, rather than to any outcomes achieved directly from its own funding. From this viewpoint, the information requirements in the agreements are important, both in terms of their design and adequacy, and the effectiveness with which they are applied and administered.

Assessment of the current performance management requirements

4.5 The ANAO examined the extent to which the requirements in the current agreements support reporting on progress towards the national goals, and assist policy analysis and development. This includes providing sufficiently disaggregated performance information to measure and report on the distribution of performance within the various school systems to assist in understanding variations in performance.

Use of intermediate outcomes to assist in measuring progress towards the national goals

4.6 The achievement of the national goals for schooling is long-term in nature. The goals are based on developing the talents and capacities of all students, the educational curriculum, and the need for schooling to be socially just.⁵⁸ In contrast, the requirements within the agreements are predominantly activity based, describing what the States and Territories are to do rather than describing outcomes to be achieved that are consistent with the national goals.⁵⁹ Consequently, there would be benefit in developing a structured approach that more clearly links the national goals with the various requirements of the agreements. This may be accomplished by identifying

⁵⁸ Appendix 1 refers.

⁵⁹ An example is the requirement that the States and Territories commit to achieving national literacy and numeracy targets at Years 3, 5 and 7, as contained in the Schools Assistance Act and Regulations.

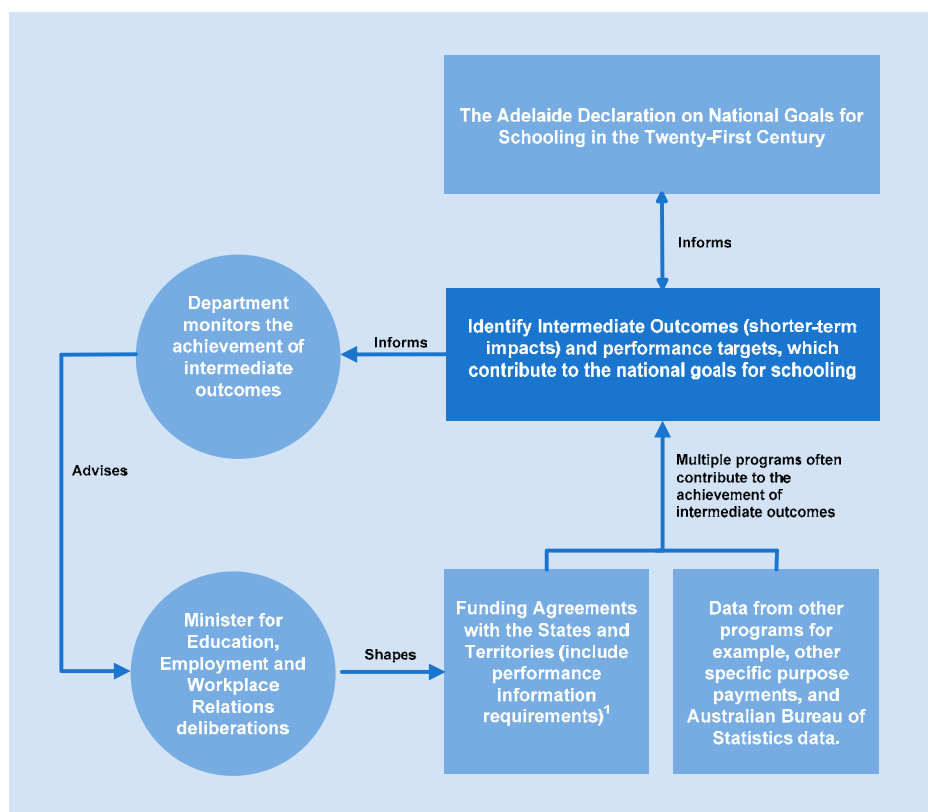
intermediate outcomes or targets to assist in assessing progress towards the desired medium term effects of the agreements as shown in Figure 4.1.⁶⁰

4.7 Currently, there are no intermediate outcomes or targets relative to the State or Territory's current achievements to assist in this task. The absence of intermediate outcomes or targets limits the department's ability to support the Ministerial Council in managing and reporting performance against the national goals.

4.8 The department's strategic plan identifies that the department provides national leadership in developing and implementing innovative policy solutions in the areas of learning, skills acquisition and building Australia's knowledge.⁶¹ Recognising this leadership role and the States and Territories' significant financial contribution, there would be benefit in the department consulting with the States and Territories on the use of intermediate outcomes or targets to assist in assessing progress towards the national goals. The degree to which any agreed intermediate outcomes are included in future agreements would be subject to Ministerial decisions, consistent with current practice.

⁶⁰ The specification of intermediate outcomes allows clearer understanding of an agency's contribution to important results, in a similar way to explaining the contribution to shared outcomes. They can also help to improve understanding and explanation for outcomes that are set at a high level or which are only achievable in the long term. Therefore, an intermediate outcome is not a lower-level outcome statement, nor a substitute for a clear outcome statement.

⁶¹ Department of Education, Science and Training, Annual Report 2006–07, p. 3.

Figure 4.1**Using intermediate outcomes to measure progress towards the national goals**

Source: ANAO.

Note: 1. The funding agreements are underpinned by the *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004*.

Performance information on the dispersion of results would assist in measuring progress towards the national goals

4.9 An important aspect of the performance of an education system goes to issues of consistency and variance: that is, whether its results tend to be relatively uniform across the system, or vary widely by factors such as school or school type, geographic location, gender, socioeconomic background or other student characteristic. The international literature, including the literature surrounding the Organisation for Economic Cooperation and Development's Program for International Student Assessment (PISA), highlights the importance of this dimension of education performance

measurement.⁶² A well-constructed set of distributional measures would provide valuable insights into key sources of performance variability across the schooling system, as well as areas in which performance can be improved.

4.10 The national goals include, among other things, that:

- ‘Schooling should develop fully the talents and capacities of all students’; and
- ‘Schooling should be socially just, so that students outcomes from schooling are free from the effects of negative forms of discrimination based on sex, language, culture and ethnicity, religion or disability; and of differences arising from students’ socio-economic background or geographic location.’

4.11 Current performance information in the *National Report on Schooling in Australia* casts little light on performance variability across the schooling system, as well as areas in which performance can improve. Most published performance information takes the form of system-wide aggregates or averages which provide no information on the dispersion of performance or results. The only relevant distributional measures published regularly at the national level relate to variations between the States and Territories. However, these are general measures only.⁶³ For example, comparative data by state and territory is published for:

- literacy and numeracy benchmark outcomes, by student sex, Indigenous status, language background and geo-location; and
- the National Assessment Program sample surveys (science, civics and Information Communication Technology) and for PISA, by student sex (as well as at the national level for other characteristics).

4.12 No information is currently available publicly (or to the Australian Government) on the performance of the government school system in its own

⁶² PISA is a triennial survey of the knowledge and skills of 15-year-olds. It is the product of collaboration between participating countries and economies through the Organisation for Economic Co-operation and Development (OECD), and draws on leading international expertise to develop valid comparisons across countries and cultures. More than 400 000 students from 57 countries making up close to 90 per cent of the world economy took part in PISA 2006. The focus was on science but the assessment also included reading and mathematics and collected data on student, family and institutional factors that could help to explain differences in performance.

⁶³ For example, comparative data by state is published for: literacy and numeracy benchmark outcomes, by student sex, Indigenous status, language background and geo-location; the National Assessment Program sample surveys (science, civics and ICT) and for PISA, by student sex (as well as at the national level for other characteristics); and for data on the participation of young people, by age and Indigenous status (insofar as the data collection process permits).

right; on how performance varies within the government (and non-government) school systems; on the margin by which students do not meet the benchmark levels of performance⁶⁴ (and how this margin varies across school systems and jurisdictions); or on the proportions of students achieving significantly higher than the benchmark levels of performance.⁶⁵ There is scope to enhance current performance requirements to assist policy development and decision-making on educational programs and the allocation of resources, to achieve the agreed national goals for schooling.

Recommendation No.3

4.13 The ANAO recommends that in developing agreements for 2009–12, the department consult with the States and Territories on:

- the use of intermediate outcomes and performance targets, to measure progress towards the national goals for schooling; and
- publicly reporting on performance variability across the schooling system, as well as areas in which performance can improve.

DEEWR's response

4.14 The Department agrees with this recommendation. The Department notes ANAO's advice in relation to the setting of intermediate outcomes and performance targets and reporting on performance variability across the schooling system and in areas where performance can improve, and will address this in negotiations with the states and territories on the design of the new Schools Specific Purpose Payments. In the area of schooling, broad agreement has already been reached on aspirations, outcomes, indicative progress measures and Council of Australian Governments targets as set out in the communiqué of the 27th meeting of the Ministerial Council on Education, Employment, Training and Youth Affairs, 17–18 April 2008.

4.15 The following indicative progress measures were agreed by the Council of Australian Governments on 26 March 2008:

- proportion of children enrolled in and attending school;

⁶⁴ The benchmarks are a set of indicators or descriptors that represent nationally agreed minimum acceptable standards for literacy and numeracy at a particular year level. 'Minimum acceptable standard' means a critical level of literacy and numeracy without which a student will have difficulty making sufficient progress at school. Benchmarks represent only the essential elements of literacy and numeracy and not the full range of the curriculum at a particular year level.

⁶⁵ The department advised that, from 2007, variations between the States and Territories for student attendance, by school sector, year level, student sex and Indigenous status will also be published.

- literacy and numeracy achievement of Year 3, 5, 7 and 9 students in national testing;
- proportion of students in top and bottom levels of performance in international testing (for example, the OECD Programme for International Student Assessment and the Trends in International Mathematics and Science Study);
- proportion of the 19 year old population having attained at least a Year 12 or equivalent or Australian Qualifications Framework Certificate II;
- proportion of young people participating in post-school education or training six months after school; and
- proportion of 18–24 year olds engaged in full-time employment, education or training at or above Certificate III.


Conclusion

4.16 The achievement of the national goals for schooling is long-term in nature. The goals are based on developing the talents and capacities of all students, the educational curriculum, and the need for schooling to be socially just. In contrast, the requirements within the agreements are predominantly activity based, describing what the States and Territories are to do rather than describing outcomes to be achieved that are consistent with the national goals. Going forward, it would be beneficial to seek the agreement of the States and Territories to a structured approach that more clearly links the national goals with the various requirements of the agreements. This may be accomplished by identifying intermediate outcomes or targets to assist in assessing progress towards the desired medium term effects of the agreements. Currently, there are no intermediate outcomes or targets relative to the State or Territory's current achievements to assist in this task. The absence of intermediate outcomes or targets limits the department's ability to support the Ministerial Council in managing and reporting performance against the national goals.

4.17 The department's strategic plan identifies that the department provides national leadership in developing and implementing innovative policy solutions in the areas of learning, skills acquisition and building Australia's knowledge. Recognising this leadership role and the States and Territories' significant financial contribution, there would be benefit in the department consulting with the States and Territories on the use of intermediate outcomes or targets to assist in assessing progress towards the national goals. The degree

to which any agreed intermediate outcomes are included in future agreements would be subject to Ministerial decisions, consistent with current practice.

4.18 An important aspect of the performance of an education system goes to issues of consistency and variance: that is, whether its results tend to be relatively uniform across the system, or vary widely by factors such as school or school type, geographic location, gender, socioeconomic background or other student characteristic. The international literature, including the literature surrounding the Organisation for Economic Cooperation and Development's Program for International Student Assessment (PISA), highlights the importance of this dimension of education performance measurement.⁶⁶ A well-constructed set of distributional measures would provide valuable insights into key sources of performance variability across the schooling system, as well as areas in which performance can be improved. There is scope to enhance current performance requirements to assist policy development and decision-making on educational programs and the allocation of resources, to achieve the agreed national goals for schooling.



Ian McPhee
Auditor-General

Canberra ACT
26 June 2008

⁶⁶ PISA is a triennial survey of the knowledge and skills of 15-year-olds. It is the product of collaboration between participating countries and economies through the Organisation for Economic Co-operation and Development (OECD), and draws on leading international expertise to develop valid comparisons across countries and cultures. More than 400 000 students from 57 countries making up close to 90 per cent of the world economy took part in PISA 2006. The focus was on science but the assessment also included reading and mathematics and collected data on student, family and institutional factors that could help to explain differences in performance.

Appendices

Appendix 1: *The Adelaide Declaration on National Goals for Schooling in the Twenty-first Century*⁶⁷

1. Schooling should develop fully the talents and capacities of all students. In particular, when students leave school, they should:
 - have the capacity for, and skills in, analysis and problem solving and the ability to communicate ideas and information, to plan and organise activities, and to collaborate with others;
 - have qualities of self-confidence, optimism, high self-esteem, and a commitment to personal excellence as a basis for their potential life roles as family, community and workforce members;
 - have the capacity to exercise judgement and responsibility in matters of morality, ethics and social justice, and the capacity to make sense of their world, to think about how things got to be the way they are, to make rational and informed decisions about their own lives, and to accept responsibility for their own actions;
 - be active and informed citizens with an understanding and appreciation of Australia's system of government and civic life;
 - have employment related skills and an understanding of the work environment, career options and pathways as a foundation for, and positive attitudes towards, vocational education and training, further education, employment and life-long learning;
 - be confident, creative and productive users of new technologies, particularly information and communication technologies, and understand the impact of those technologies on society;
 - have an understanding of, and concern for, stewardship of the natural environment, and the knowledge and skills to contribute to ecologically sustainable development; and
 - have the knowledge, skills and attitudes necessary to establish and maintain a healthy lifestyle, and for the creative and satisfying use of leisure time.
2. In terms of curriculum, students should have:

⁶⁷ See <<http://www.mceetya.edu.au/mceetya/nationalgoals/natgoals.htm>>.

- attained high standards of knowledge, skills and understanding through a comprehensive and balanced curriculum in the compulsory years of schooling encompassing the agreed eight key learning areas:
 - the arts;
 - English;
 - health and physical education;
 - languages other than English;
 - mathematics;
 - science;
 - studies of society and environment; and
 - technology.

and the inter-relationships between them;
 - attained the skills of numeracy and English literacy; such that, every student should be numerate, able to read, write, spell and communicate at an appropriate level;
 - participated in programs of vocational learning during the compulsory years and have had access to vocational education and training programs as part of their senior secondary studies; and
 - participated in programs and activities which foster and develop enterprise skills, including those skills which will allow them maximum flexibility and adaptability in the future.
3. Schooling should be socially just, so that:
- students' outcomes from schooling are free from the effects of negative forms of discrimination based on sex, language, culture and ethnicity, religion or disability; and of differences arising from students' socio-economic background or geographic location;
 - the learning outcomes of educationally disadvantaged students improve and, over time, match those of other students;
 - Aboriginal and Torres Strait Islander students have equitable access to, and opportunities in, schooling so that their learning outcomes improve and, over time, match those of other students;

- all students understand and acknowledge the value of Aboriginal and Torres Strait Islander cultures to Australian society and possess the knowledge, skills and understanding to contribute to, and benefit from, reconciliation between Indigenous and non-Indigenous Australians;
- all students understand and acknowledge the value of cultural and linguistic diversity, and possess the knowledge, skills and understanding to contribute to, and benefit from, such diversity in the Australian community and internationally; and
- all students have access to the high quality education necessary to enable the completion of school education to Year 12 or its vocational equivalent and that provides clear and recognised pathways to employment and further education and training.⁶⁸

⁶⁸ Ministerial Council on Education, Employment, Training and Youth Affairs, National Report on Schooling in Australia 2003, p.x.

Appendix 2: Department of Education, Employment and Workplace Relations comments



Australian Government

Department of Education, Employment and Workplace Relations

Secretary
Lisa Paul PSM

Mr Matt Cahill
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Cahill

Response to Performance Audit: Specific Purpose Payments – General Recurrent Grants for Government Schools (Department of Education, Employment and Workplace Relations)

I refer to your letter of 9 May 2008 with the attached Proposed Report under s.19 of the Auditor-General Act 1997: *Specific Purpose Payments: General Recurrent Grants for Government Schools*.

Please find attached the Department's response to the Proposed Report Summary and to the three recommendations. Also attached is a statement for the brochure to accompany the report.

I appreciate the opportunity to comment on the Proposed Report and the advice and assistance provided by Dr Paul Nicoll and Mr Mark Rogala in conducting the assessment.

Please contact Ms Deb Rollings on Tel: (02) 6240 7828 if you have any questions about the Department's response.

Yours sincerely

Lisa Paul

June 2008

16–18 Mort Street, Canberra ACT 2601
GPO Box 9880, Canberra ACT 2601 | Phone (02) 6121 6000
www.deewr.gov.au | ABN 63 578 775 294

DEPARTMENT OF EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

Response to the Australian National Audit Office Report: Specific Purpose Payments – General Recurrent Grants for Government Schools

1. The government requires agencies to measure their intended and actual performance against particular outcomes. Outcomes are the results, impacts and consequences of actions by the government on the Australian community. General Recurrent Grants for Government Schools contribute to the Department's Outcome 2: School Education – *Schools and other educators provide high quality teaching and learning to all Australian children, creating good foundation skills and positive life opportunities.*
2. The Council of Australian Governments (COAG) has agreed to reforms to the framework for Commonwealth-State financial arrangements. New agreements under the framework are being developed, and will focus on agreed outputs and outcomes. The next funding agreement for schools will be developed in this context.
3. National Goals for Schooling are promulgated by the Ministerial Council on Education, Employment Training and Youth Affairs (MCEETYA). Education Ministers identify priority areas for reporting progress. The Commonwealth and the states and territories (and the non-government school sector) follow agreed approaches in measuring and reporting performance. While the Government is committed to a more transparent and robust reporting of outcomes at the student and school level it is a participant in this process and acts collectively with the states and territories.
4. While state and territory governments are the main providers of funding for government schools, the Commonwealth provides supplementary assistance to government schools through general recurrent grants. These grants assist with the recurrent costs of school education.

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