

# **Monitoring the Impact of Australian Government School Funding**

Department of Education and Training

© Commonwealth of Australia 2017

ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-308-9 (Print)

ISBN 978-1-76033-309-6 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *It's an Honour* website at <https://www.pmc.gov.au/government/its-honour>.

Requests and inquiries concerning reproduction and rights should be addressed to:

Senior Executive Director  
Corporate Management Branch  
Australian National Audit Office  
19 National Circuit  
BARTON ACT 2600

Or via email:

[communication@anao.gov.au](mailto:communication@anao.gov.au).



Canberra ACT  
6 December 2017

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Education and Training titled *Monitoring the Impact of Australian Government School Funding*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<http://www.anao.gov.au>.

Yours sincerely



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

For further information contact:  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Phone: (02) 6203 7300**  
**Fax: (02) 6203 7777**  
**Email: [ag1@anao.gov.au](mailto:ag1@anao.gov.au)**

ANAO reports and information about the ANAO are available on our website:  
<http://www.anao.gov.au>

### **Audit team**

Dr Isabelle Favre  
Iain Gately  
Clifford Lloyd  
Judy Jensen  
Mark Simpson

# Contents

---

Summary and recommendations.....	7
Background .....	7
Conclusion .....	8
Supporting findings .....	9
Recommendations .....	10
Summary of entity response .....	11
Key learnings for all Australian Government entities .....	12
<b>Audit findings.....</b>	<b>13</b>
1. Background .....	14
Introduction .....	14
Schooling in Australia .....	14
Delivery of schooling in Australia .....	15
Australian education goals, outcomes and targets .....	20
Funding for schools .....	21
School funding allocation .....	22
Audit approach .....	28
2. Accounting for Australian Government school funding .....	29
Has the department effectively monitored the requirement for authorities to have in place needs-based funding arrangements? .....	30
Is the information provided by approved authorities to account for funding appropriately verified? .....	34
Has the department effectively monitored the distribution of funding to schools? .....	41
3. Monitoring the implementation of, and progress against, policy objectives .....	46
Have appropriate arrangements been established to monitor the progress of agreed reform directions established under the National Education Reform Agreement? .....	47
Have appropriate arrangements been established to monitor the implementation of ongoing policy requirements? .....	53
Has available data been used to measure the impact of funding on educational outcomes? .....	57
<b>Appendices .....</b>	<b>61</b>
Appendix 1     Entity response .....	62
Appendix 2     Schools receiving a variation in funding of more than 30 per cent .....	63
Appendix 3     Media release from the Department of Education and Training dated 8 December 2017 .....	67



# Summary and recommendations

---

## Background

1. Schooling in Australia is delivered by the government and non-government sectors, with the non-government sector comprising both independent and Catholic schools. In 2016, approximately 3.8 million students were enrolled in primary, secondary and special education schools in Australia. Of these, 65 per cent were enrolled in government schools, 20 per cent were enrolled in Catholic schools and 15 per cent were enrolled in independent schools.
2. Under constitutional arrangements, state and territory governments are responsible for ensuring the delivery of schooling to all children of school age in their jurisdictions. The Australian Government works with state and territory governments and non-government education authorities to provide funding, develop and implement national policy priorities, assess performance and support other education initiatives.
3. Over time, the Australian Government has introduced various legislative frameworks under which funding for schooling is provided to the government and non-government sectors. The *Australian Education Act 2013* (the Act), which commenced on 1 January 2014, is the principal legislation currently governing the provision of Australian Government funding for school education and the progress of agreed reform directions across government and non-government schools in Australia. The Act and the accompanying Australian Education Regulation 2013 (the Regulation) set out the needs-based funding model for school education and outline the conditions that must be met by entities to receive Commonwealth financial assistance. These include the requirements to comply with intergovernmental agreements and to implement nationally agreed reform directions for school education. A key approach of the Australian Government across successive funding frameworks and underpinning policy settings has been to achieve improved educational outcomes through the establishment of nationally consistent approaches for schooling in Australia, including in relation to school funding, data collection and the adoption of the Australian Curriculum.
4. In 2014–15, 72 per cent (\$38.1 billion) of total recurrent public funding for schools (\$53 billion) was provided by state and territory governments. The Australian Government provided \$14.9 billion over the same period. The majority of state and territory government funding (91 per cent) was provided to government schools. Conversely, the majority of Australian Government funding (64 per cent) was provided to non-government schools.
5. The Department of Education and Training is responsible within the Australian Government for national education and training policies and programs. In relation to schooling, the department has two key sets of responsibilities:
  - through the Education Council, and in partnership with the states and territories, developing, progressing and reviewing national objectives and outcomes for schooling and the national curriculum; and
  - administering the Australian Education legislative framework (including the Act and the Regulation) and relevant agreements.

## Audit objective and criteria

6. The objective of the audit was to assess the arrangements established by the Department of Education and Training to monitor the impact of Australian Government school funding. To form a conclusion against this objective, the following high-level audit criteria were adopted:

- arrangements established to account for Australian Government recurrent school funding are sound; and
- effective arrangements have been established to monitor progress against educational outcomes and analyse collected data to better understand the impact of Australian Government funding.

## Conclusion

7. The arrangements established by the Department of Education and Training to monitor the impact of Australian Government school funding do not provide a sufficient level of assurance that funding has been used in accordance with the legislative framework, in particular the requirement for funding to be distributed on the basis of need. Further, the department has not used available data to effectively monitor the impact of school funding and to provide greater transparency and accountability. As such, the department is not well placed to determine whether the current policy settings are effective in supporting the achievement of educational outcomes. The department has, however, more recently recognised the need to improve its use of school data to monitor impact and to strengthen the evidence base underpinning its policy development processes, with steps taken to better manage its data assets.

8. The department is yet to establish sufficiently robust arrangements to ensure that system authorities<sup>1</sup> have in place, and make publicly available, compliant needs-based funding arrangements. There are also weaknesses in the arrangements established by the department to collect and validate the information provided by approved authorities to account for funding. These weaknesses have reduced the level of assurance the department has that funding is allocated in accordance with the needs-based principles established under the legislative framework. Under recent legislative reforms, additional mechanisms are being established to strengthen the monitoring of needs-based funding arrangements. To complement these mechanisms, there is scope for the department to strengthen its analysis of school funding data.

9. While the department has established processes to monitor the progress of national reform directions and ongoing policy requirements, weaknesses in these processes and their implementation have limited the level of assurance obtained by the department. Overall, the

---

1 Under the Act, an approved authority is the legal entity that the Minister has approved to administer funding for a school or schools. The approved authority for each school must spend, or commit to spend, financial assistance that is payable to the authority for the purpose of providing school education. The Act further defines an approved system authority as an approved authority for more than one school that has entered into an approved system arrangement with the Australian Government. In general, an approved system authority has the same responsibilities as an approved authority. However, an approved system authority is to receive funding for all of its member schools, which it can redistribute according to its own needs-based funding model. This model must comply with the needs-based principles established under the Act.



arrangements established by the department have not delivered the level of transparency and accountability envisaged under the Act and the department has not fully utilised available data to inform the development of current and future education policy. The department is, however, working to strengthen its capacity to undertake data analysis and has, more recently, increased its use of data analysis, particularly in the context of developing legislative amendments.

## Supporting findings

### Accounting for Australian Government school funding

10. The department has not effectively monitored the requirement for system authorities to have in place needs-based funding arrangements and, therefore, is not well positioned to determine whether the basis on which authorities are distributing Australian Government funding is in accordance with legislative requirements. Further, in the interest of reducing the regulatory burden on the sector, the department has not monitored whether approved system authorities' funding models are publicly available and transparent as required. The ANAO's analysis revealed only nine of 33 authorities had included their arrangements on their websites. In addition, changes to the presentation of information publicly reported on funding allocated at a school level have made comparisons of funding provided at a school level more difficult. Under recent legislative reforms, additional mechanisms are being established to strengthen the monitoring of needs-based funding arrangements.

11. Weaknesses in current monitoring arrangements have undermined the department's ability to appropriately verify reported schools' data in order to assess progress against established policy objectives and to support accountability, transparency and analysis. This adversely impacts the level of assurance that the department has in relation to the use of Australian Government funding to progress agreed education policy objectives.

12. The department has not effectively monitored the distribution of funding by approved system authorities to gain assurance that funding is being allocated on a needs-basis, as required by the legislative framework. The establishment of fit-for-purpose monitoring arrangements, having regard to the need to minimise regulatory burden, would better position the department to support the activities of the proposed National School Resourcing Board in determining: the extent to which funding is distributed on a needs-basis; and the impact of funding. The ANAO's analysis has shown: significant variances between the funding allocated to non-government system authorities by the department and the funding these authorities reported having distributed to each of the schools that they represent; a lack of clarity around the alignment of additional loadings<sup>2</sup> created by non-government system authorities and student needs; and significant variances in the amount of funding retained by non-government system authorities for administrative costs and centralised expenditure.

### Monitoring the implementation of and progress against policy objectives

13. The department has not established robust arrangements to monitor the implementation plans that are required to be developed, published and maintained by authorities participating in

---

2 The funding model as set out in the Act comprises a base funding amount and loadings for various student-based and school-based disadvantages.

the National Education Reform Agreement (NERA), or used the plans to measure progress against reform directions. Further, the department has not conducted bilateral discussions, prepared annual progress reports or conducted a comprehensive review as required under relevant bilateral agreements. As a consequence, the department is not well placed to determine the extent to which reform directions established under the NERA have been progressed by authorities.

14. The department uses compliance certificates prepared by authorities to monitor the implementation of ongoing policy requirements established under the Act, but weaknesses in administrative arrangements for these certificates limit the assurance obtained. In particular, the inconsistent follow-up of reported non-compliance; the heavy reliance on self-reporting in the absence of targeted verification activity; and the absence of evidence to demonstrate compliance limit the usefulness of the certificate process.

15. The department has made limited use of the available data to build its understanding of the impact of funding on educational outcomes. The department is, however, working to build its data and evidence capability, including through the establishment of a branch tasked with helping the department to better manage its data assets.

## Recommendations

**Recommendation no.1**  
**Paragraph 2.9** The Department of Education and Training establish a risk-based approach to monitoring compliance with requirements established under the *Australian Education Act 2013* and, in keeping with the intent of the Act, increase the transparency surrounding the allocation and use of Australian Government school funding.

**Department of Education and Training's response:** *Agreed.*

**Recommendation no.2**  
**Paragraph 2.47** The Department of Education and Training strengthen its analysis of school funding allocation data to gain assurance that school funding is appropriately distributed in accordance with need as required under the *Australian Education Act 2013*.

**Department of Education and Training's response:** *Agreed.*

**Recommendation no.3**  
**Paragraph 3.14** The Department of Education and Training enforce legislative provisions that enable it to measure progress against the achievement of reform directions.

**Department of Education and Training's response:** *Agreed.*

**Recommendation no.4**  
**Paragraph 3.44** The Department of Education and Training make greater use of available data to better understand the impact of funding on educational outcomes and to inform the development and refinement of education policy.

**Department of Education and Training's response:** *Agreed.*

## Summary of entity response

16. The Department of Education and Training's summary response to the proposed report is provided below, with the full response provided at Appendix 1.

The Department of Education and Training welcomes the Australian National Audit Office's (ANAO) report on *Monitoring the Impact of Australian Government School Funding* and supports its recommendations.

The department recognises the need for enhanced accountability and transparency to ensure that record levels of Commonwealth school funding are used in accordance with the legislative framework.

The Australian Government will introduce new school funding arrangements from 2018 that will increase Commonwealth funding for schools from \$17.5 billion in 2017 to \$30.6 billion in 2027, to better target need. These new arrangements were informed by rigorous analysis and will be simpler and more transparent than current arrangements.

The National School Resourcing Board has been established to provide greater independent oversight over Commonwealth school funding, in line with the recommendations of the 2011 *Review of Funding for Schooling*.

Together with enhanced departmental assurance activities, the Board will help ensure the public can be confident that Government funding for schooling is delivered as intended and that funding recipients are meeting their obligations under the *Australian Education Act 2013*. This will include a review of the compliance of school authorities with the requirement to distribute funding in accordance with a needs-based funding model.

The Australian Government shares responsibility for school funding with states and territories, and works collaboratively through the COAG Education Council to progress national reforms to improve educational outcomes and to monitor progress against national targets and objectives.

The Government has commissioned the *Review to Achieve Educational Excellence in Australian Schools* to examine evidence and provide recommendations on how funding should be used to improve school performance and student outcomes. This review will inform the development of a new national reform agreement in 2018.

The department has also invested in the establishment of the Strategic Policy and Data Analytics Branch to enhance the department's use of data and evidence in policy development and decision-making.

## Key learnings for all Australian Government entities

17. Below is a summary of key learnings identified in this audit report that may be considered by other Australian Government entities.

### **Regulatory reform**

- The anticipated benefits accruing from regulatory reform should be balanced with the need for recipients of Australian Government funding to be accountable and transparent in the use of those funds. Where regulatory reform is being considered, the risks to accountability and transparency should be carefully assessed and considered.
- Not all regulatory activity is 'red tape'—the achievement of regulatory outcomes is dependent on a minimum of level of activity. Entities should balance the impact on regulated entities with the intent of the regulatory policy when deciding on the level of regulatory activity to undertake.

### **Development and implementation of government policy**

- In addition to addressing the regulatory requirement for which it was collected, data collected through existing monitoring, regulatory and compliance activities should be fully utilised by entities to better inform the development and ongoing refinement of policy.
- Entities should not compromise their ability to meet existing legislative obligations set by the Parliament in the implementation of government policy.

### **Record keeping**

- Sufficient records should be created and retained to demonstrate the basis on which key policy design and implementation decisions were taken.

### **Reducing duplicative reporting**

- The regular review of reporting obligations on regulated entities, in collaboration with co-regulators, helps to identify and remove duplicative and overlapping requirements and positively contributes to the lowering of regulatory burden.

## **Audit findings**

# 1. Background

---

## Introduction

1.1 The Australian schooling system aims to provide a high quality and highly equitable education in order for young Australians to become successful learners, confident and creative individuals, and active and informed citizens.<sup>3</sup>

1.2 By international standards<sup>4</sup>, Australian students perform above the Organisation for Economic Co-operation and Development (OECD) average in science, reading and mathematics. There has been, however, a decline in the performance of Australian students in science, reading and mathematics since 2000—both in absolute terms (Australia’s scores have decreased over time) and comparatively to other OECD countries. Over a comparable period, Australian and state and territory governments’ recurrent funding per student has increased by 15 per cent in real terms—from \$12 379 in 2005–06 to \$14 286 in 2014–15.<sup>5</sup>

1.3 The 2011 *Review of Funding for Schools* (Gonski Review) highlighted the importance of collecting and analysing data to ensure that funding is directed to where it is needed most and so that improvements can be measured and strengthened over time.<sup>6</sup> Similarly, the Government’s policy paper *Quality Schools, Quality Outcomes*, which was released in May 2016, emphasised the need to collect data to assess school performance and to inform policy makers about where resourcing can be targeted to those students most in need.<sup>7</sup>

## Schooling in Australia

1.4 Schooling in Australia is delivered by the government and non-government sectors, with the non-government sector comprising both independent and Catholic schools. In 2016, approximately 3.8 million students were enrolled in primary, secondary and special education schools in Australia. Of these, 65 per cent were enrolled in government schools, 20 per cent were enrolled in Catholic schools and 15 per cent were enrolled in independent schools (see Figure 1.1).

---

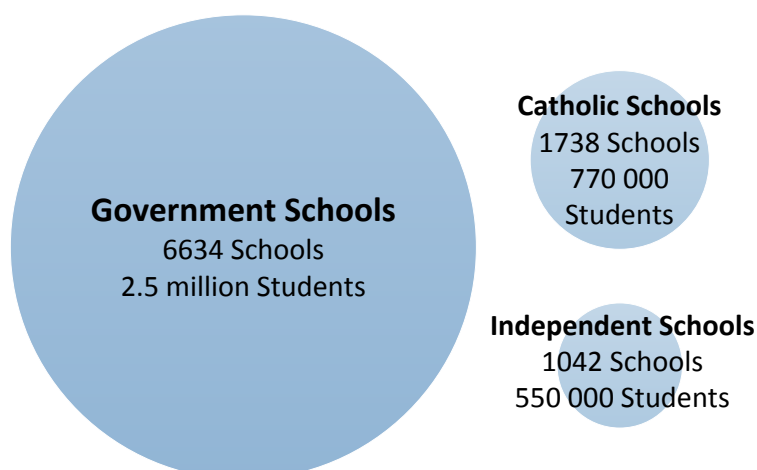
3 Australian Government, *Australian Education Act 2013*, Preamble, p. 1. Available from <<https://www.legislation.gov.au/Series/C2013A00067>> [accessed 19 October 2017].

4 International comparisons of education systems are presented in the Programme for International Student Assessment (PISA), which is a triennial international survey coordinated by the Organisation for Economic Co-operation and Development. PISA aims to evaluate education systems by testing the skills and knowledge of 15-year-old students.

5 Australian Government funding per student has increased by 44 per cent in real terms from \$2794 in 2005–06 to \$4015 in 2014–15. Productivity Commission, *Report on Government Services 2017*, Attachment Table 4A.16. Available from <<http://www.pc.gov.au/research/ongoing/report-on-government-services>> [accessed 3 October 2017].

6 Australian Government, *Review of Funding for Schools*, Final Report December 2011. Available from <<https://docs.education.gov.au/system/files/doc/other/review-of-funding-for-schooling-final-report-dec-2011.pdf>> [accessed 25 August 2017].

7 Australian Government, *Quality Schools, Quality Outcomes*, Policy Paper, May 2016. Available from <<https://docs.education.gov.au/documents/quality-schools-quality-outcomes>> [accessed 25 August 2017].

**Figure 1.1: Student numbers within Australia's schooling sectors, 2016**

Source: ANAO, based on Australian Bureau of Statistics, *Schools, Australia 2016*.

## Delivery of schooling in Australia

1.5 The Australian constitution does not expressly provide the Commonwealth with the power to make laws with respect to education. As a consequence, state and territory governments have retained responsibility for ensuring the delivery of schooling to all children of school age in their jurisdictions. The Australian Government works with state and territory governments and non-government education authorities to provide funding, develop and implement national policy priorities, assess performance and support other education initiatives.

1.6 National policy priorities and initiatives relating to schooling in Australia are managed through the Council of Australian Governments (COAG) and, within COAG, by the Education Council.<sup>8</sup> Figure 1.2 provides a representation of the key responsibilities for school education in Australia.

<sup>8</sup> The COAG Education Council was established to provide a forum through which strategic policy on school education, early childhood and higher education can be coordinated at the national level and through which information and resources can be shared to address issues identified as of national significance.

**Figure 1.2: Overview of Australian school education participation**

	Commonwealth	Shared	State/Territory	Non-government
Policy	Australian Government Minister and Department for Education and Training	COAG Education Council	State Governments and Departments	
System Design	Australian Government Minister and Department for Education and Training	Australian Government Minister and Department for Education and Training	State Governments and Departments	
		Australian Curriculum Assessment and Reporting Authority (ACARA)	State-based registration, accreditation and curriculum authorities	
System Management		COAG Education Council	State Government Ministers and Departments	Catholic Education Commissions
		ACARA		Associations of Independent Schools
Delivery			Government Schools	Catholic Schools
				Independent Schools
Funding	Australian Government Minister and Department for Education and Training		State Governments and Departments	Private Sources
			Private Sources	

Source: ANAO analysis of departmental documentation.



1.7 The implementation of national policy priorities is facilitated through intergovernmental agreements that set out shared objectives and outcomes for education. As at November 2017, there were two intergovernmental agreements related to education between the Commonwealth and states and territories:

- the *National Education Agreement* (NEA), which was endorsed by the Commonwealth and all states and territories on 1 January 2008; and
- the *National Education Reform Agreement* (NERA), which was established in 2013 following the Gonski Review. Not all states and territories endorsed the NERA, with only New South Wales, South Australia and the Australian Capital Territory entering into bilateral agreements with the Australian Government. All non-government schools and systems are also classified as participants under the NERA. In total, in 2016 59 per cent of all schools are classified as participants in the NERA, and 61 per cent of all students. Western Australia, Victoria, Queensland, Tasmania and the Northern Territory are classified as non-participating and continue to operate under the NEA.

1.8 In addition to intergovernmental agreements, the Australian Government has, over time, introduced various legislative frameworks under which funding for schooling is provided to the government and non-government sectors. The Act, which commenced on 1 January 2014<sup>9</sup>, is the principal legislation currently governing the provision of Australian Government funding for school education and the progress of agreed reform directions across government and non-government schools in Australia. The Act and the accompanying the Regulation set out the needs-based funding model for school education<sup>10</sup> and outline the conditions that must be met by entities to receive Commonwealth financial assistance, including the requirements to comply with intergovernmental agreements and to implement nationally agreed reform directions for school education. A key focus of the Australian Government across successive funding frameworks and underpinning policy settings has been to achieve improved educational outcomes through the establishment of nationally consistent approaches for schooling in Australia, including in relation to school funding, data collection and the adoption of the Australian Curriculum.

1.9 Under the Act, the level of financial assistance is determined based on whether a school is located within a participating state or territory. Notwithstanding this legislative requirement for differentiated financial assistance, the Australian Government agreed in 2013 to provide funding to all states and territories as if they were participating. The applicability of additional legislative requirements, such as accountability and monitoring arrangements as outlined in the Regulation, is dictated by the agreement under which the relevant state or territory operates.<sup>11</sup> The introduction of the Australian Education Amendment (2015 Measures No. 1) Regulation 2015 has

---

9 Prior to 2014, school funding was provided under the National Schools Specific Purpose Payment. This Payment was authorised for government schools through the *Federal Financial Relations Act 2009*, and for non-government schools through the *Schools Assistance Act 2009*.

10 The needs-based funding model provides a base per student amount reflective of the school community's capacity to contribute financially to the school and loadings to address school and student disadvantages (see Box 2 later in this Chapter).

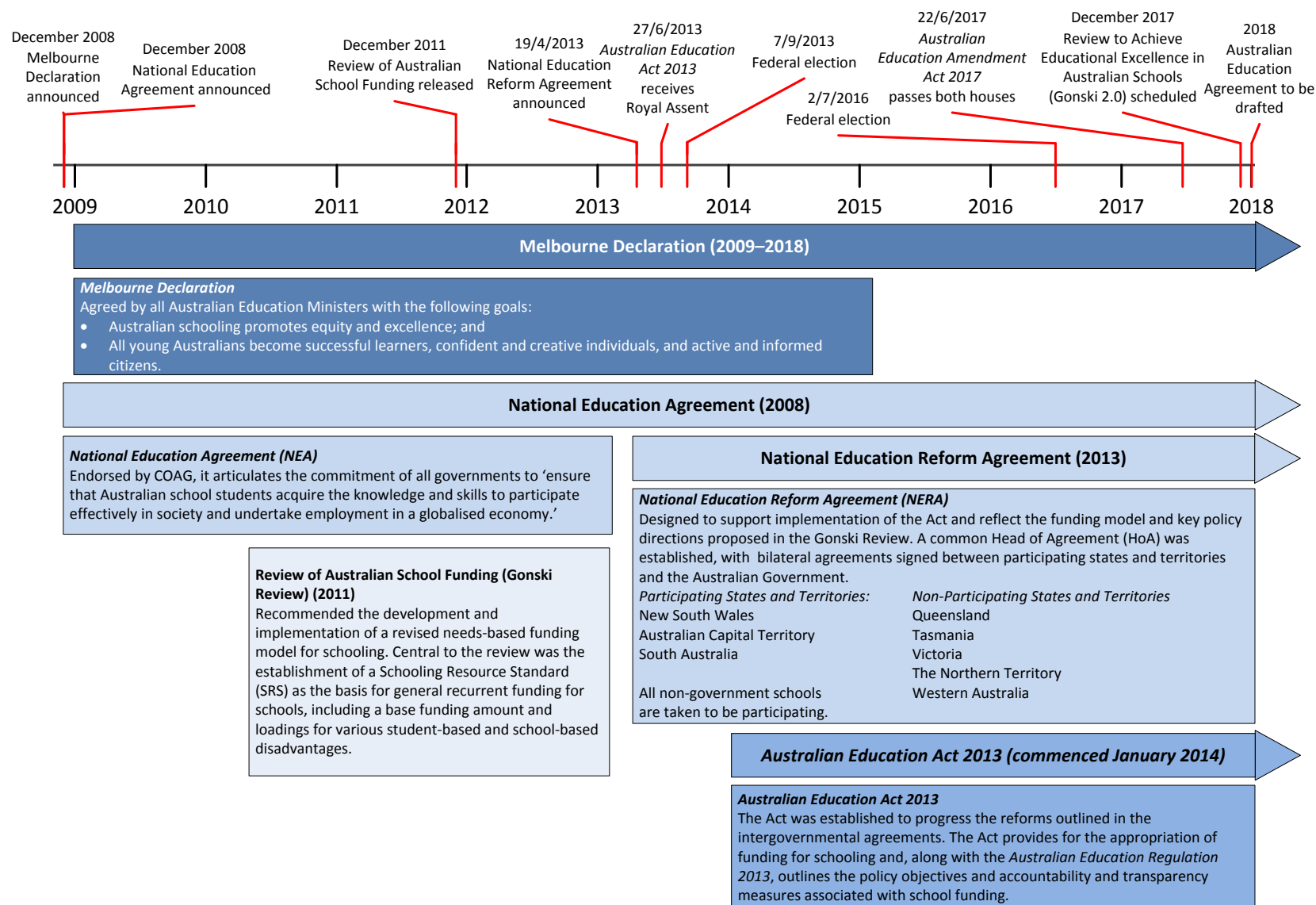
11 The *Australian Education Amendment Act 2017* removed the distinction between participating and non-participating schools. The removal of the distinction ensured that provisions in the Act that only applied to participating schools would apply to all schools and the approved authorities of those schools.

resulted in the alignment of most of the financial reporting obligations for participating and non-participating jurisdictions.

1.10 Together, the Act, the NEA and the NERA establish the school education policies and objectives that underpin and build on the educational goals set out in the *Melbourne Declaration on Education Goals for Young Australians* (Melbourne Declaration), signed in 2008 by all jurisdictions.

1.11 A timeline outlining the key legislative and administrative milestones over the last ten years for the delivery of Australian schooling is presented in Figure 1.3.

**Figure 1.3: Australian education—major agreements and legislation**



Source: ANAO analysis of departmental documentation.

## Australian education goals, outcomes and targets

1.12 The Act and intergovernmental agreements define the goals, outcomes and targets for Australian education. Despite the diversity of presentation, these educational objectives are broadly similar across the different source documents and are cross-referenced in a consistent manner (see Box 1).

### Box 1: Goals, outcomes and targets for Australian education

- *The Melbourne Declaration on Educational Goals for Young Australians* (Melbourne Declaration)—The declaration, which was signed in December 2008 by all Australian Education Ministers, sets the directions for Australian schooling for the ten-year period from 2009–18 and establishes two educational goals:
  - Australian schooling promotes equity and excellence; and
  - All young Australians become successful learners, confident and creative individuals, and active and informed citizens.
- The *National Education Agreement 2008* (NEA)—This intergovernmental agreement builds on the Melbourne Declaration’s educational goals and specifies the following outcomes:
  - All children are engaged in and benefiting from schooling;
  - Young people are meeting basic literacy and numeracy standards, and overall levels of literacy and numeracy achievement are improving;
  - Australian students excel by international standards;
  - Schooling promotes the social inclusion and reduces the educational disadvantages of children, especially Indigenous children; and
  - Young people make a successful transition from school to work and further study.
- The NEA further defines three COAG targets:
  - Lift the Year 12 or equivalent attainment rate to 90 per cent by 2020;
  - Halve the gap for Indigenous students in reading, writing and numeracy by 2018; and
  - At least halve the gap for Indigenous students in Year 12 or equivalent attainment rate by 2020.
- The *National Education Reform Agreement 2013* (NERA)—This intergovernmental agreement reaffirms the goals of the Melbourne Declaration and encompasses the outcomes and targets set out in the NEA. It also specifies two additional targets:
  - Australia placed in the top five countries internationally in reading, mathematics and science by 2025; and
  - Australia considered to be a high quality and high equity schooling system by international standards by 2025.
- The Act also refers to the goals of the Melbourne Declaration and the educational targets included in the NEA and the NERA.<sup>a</sup>

Note a: The Australian Education Amendment Act 2017 (the Amendment Act) will remove the reference to the Melbourne Declaration and to the educational targets from the Act, once these amendments commence from January 2018. The Amendment Act articulates that one of the objects of the Act is to ‘support the objectives of intergovernmental agreements on education.’

1.13 The educational goals, outcomes and targets listed in the different legislative and policy documents are incorporated in the *Measurement Framework for Schooling in Australia*<sup>12</sup>, which was developed and is maintained by the Australian Curriculum, Assessment and Reporting Authority (ACARA).<sup>13</sup> The Framework also details a schedule of 26 corresponding key performance measures that all approved authorities are required to report against.

1.14 The information collected against the national targets and key performance measures is publicly reported in a range of documents, including:

- the *National Report on Schooling in Australia* (ACARA), publicly released in 2017 for the 2015 school year. In 2017, data sets—additional to the statistical information included in the Report—are accessible to the public from a web portal (the *National Report on Schooling Data Portal*);
- the *Report on Government Services* (Productivity Commission);
- *Schools Australia* and related publications (Australian Bureau of Statistics); and
- the *COAG Report on Performance*, which aims to provide annual information on progress towards COAG's key commitments for all national agreements, including the agreements relating to education.

## Funding for schools

1.15 In 2014–15, 72 per cent (\$38.1 billion) of total public recurrent funding for schools (\$53 billion) was provided by state and territory governments. The Australian Government provided \$14.9 billion over the same period. The majority of state and territory government funding (91 per cent) was provided to government schools. Conversely, the majority of Australian Government funding (64 per cent) was provided to non-government schools.<sup>14</sup>

1.16 From a school income perspective, the distribution of funding sources varies significantly (see Figure 1.4). In 2015<sup>15</sup>, Australian Government funding accounted for 56 per cent of Catholic schools' gross recurrent income, 32 per cent of independent schools' gross recurrent income, and 17 per cent of government schools' gross recurrent income.

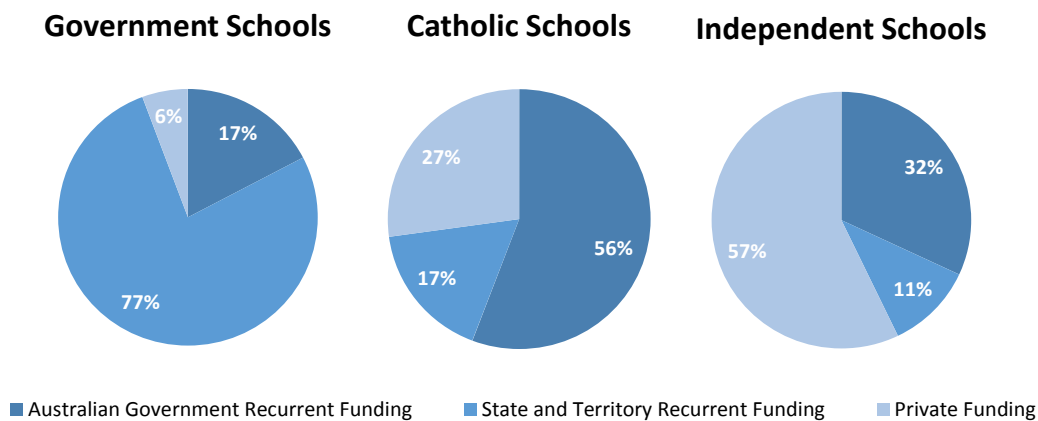
12 The *Measurement Framework for Schooling in Australia* was most recently updated in 2015. Available from <<https://www.acara.edu.au/reporting/measurement-framework-for-schooling-2015>> [accessed 25 August 2017].

13 ACARA is a statutory authority established to deliver COAG-agreed national education initiatives. It is funded 50 per cent by the Australian Government and 50 per cent by state and territory governments. ACARA's functions include: the development of a national curriculum; the administration of national assessments; and associated reporting on schooling in Australia.

14 Productivity Commission, *Report on Government Services 2017*, Attachment Table 4A.7, available from <<http://www.pc.gov.au/research/ongoing/report-on-government-services>> [accessed 3 October 2017].

15 The 2015 dataset available on the My School website is the most current available data.

**Figure 1.4: School gross recurrent income by funding source, 2015**



Note: Private funding includes income from 'Fees, Charges and Parental Contributions' and 'Other Private Sources.'

Source: ACARA (2017). My School financial data.

1.17 In 2015, government schools received an income of \$13 195 per student, consisting of Australian Government and state and territory grants in addition to private income. Catholic schools received an income of \$14 376 per student. Independent schools received \$20 382 per student, primarily due to the higher levels of private income received by these schools (\$11 644 per student).

## School funding allocation

1.18 As outlined earlier, the Act provides for the provision of Australian Government funding to schools and, along with the Regulation, the accountability mechanisms that apply to the receipt of this funding. Under the Act, an approved authority is the legal entity that the Minister has approved to administer funding for a school or schools. The approved authority for each school must spend, or commit to spend, financial assistance that is payable to the authority for the purpose of providing school education.

1.19 The Act further defines an approved system authority as an approved authority for more than one school that has entered into an approved system arrangement with the Australian Government. In general, an approved system authority has the same responsibilities as an approved authority. However, an approved system authority is to receive the base amount of funding and loadings for all of its member schools, which it can redistribute according to its own needs-based funding model. This model must comply with the needs-based principles established under the Act.

1.20 In 2016, there were 849 approved authorities, including 34 approved system authorities. The approved system authorities comprised: the eight state and territory governments (through their departments of education) representing all government schools; and 26 authorities representing non-government schools (see Table 1.1).

**Table 1.1: Approved authorities and approved system authorities, 2016**

	Total		Schools represented		Students represented <sup>a</sup>	
	No.	%	No.	%	No.	%
Approved authorities	849	100	9401	100	3 762 150	100
• Approved authorities for one school	778	92	778	8	408 480	11
• Approved authorities for more than one school, including	71	8	8623	92	3 353 670	89
– Approved authorities for more than one school (non-systemic)	37	4	125	1	72 993	2
– Approved system authorities (Catholic)	8	1	1677	18	719 152	19
– Approved system authorities (independent)	18	2	202	2	105 257	3
– Approved system authorities (government)	8	1	6619	71	2 456 267	65

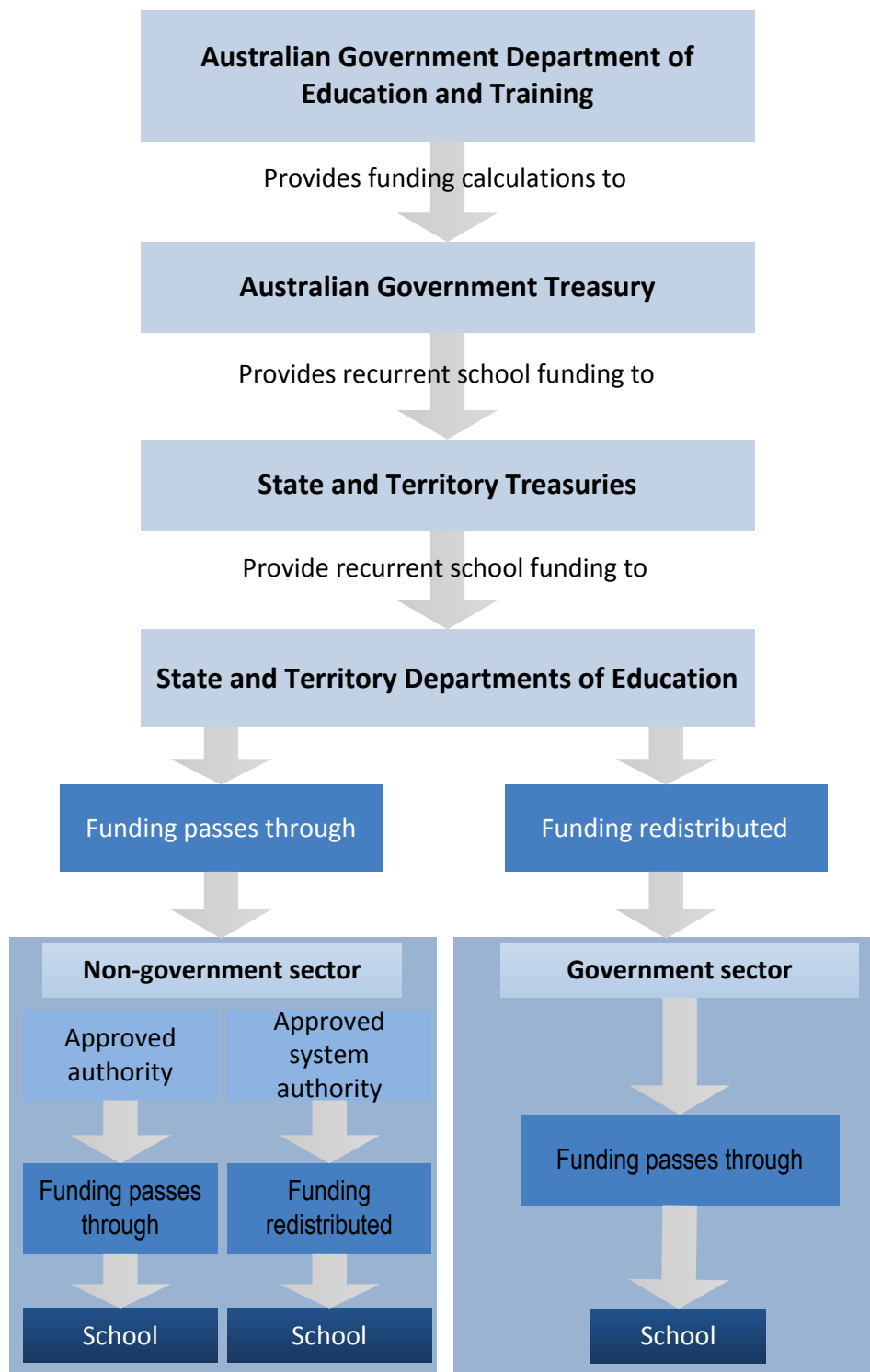
Note a: Students are counted as FTE; as a result the numbers may not add up due to rounding.

Source: ANAO analysis of departmental documentation.

1.21 In accordance with the *Intergovernmental Agreement on Federal Financial Relations*<sup>16</sup>, all Australian Government school payments are to be processed by the Australian Government Treasury and paid directly to each state treasury in which a school is located. State treasuries are then responsible for distributing the funding within their jurisdiction (see Figure 1.5).

16 The *Intergovernmental Agreement on Federal Financial Relations* sets the framework for the Commonwealth's financial relations with the states and territories. Available from <[http://www.federalfinancialrelations.gov.au/content/intergovernmental\\_agreements.aspx](http://www.federalfinancialrelations.gov.au/content/intergovernmental_agreements.aspx)> [accessed 25 July 2017].

**Figure 1.5: Australian Government school funding pathway**



Source: ANAO analysis of departmental documentation.



## School funding model

1.22 In 2010, the Australian Government commissioned the Gonski Review. The review, which was completed in December 2011, was the first comprehensive review of schooling at a national level since the early 1970s.<sup>17</sup> The review's core recommendations encouraged the Australian Government, in collaboration with the states, territories and non-government sector, to develop and implement a new needs-based funding model for schooling in Australia, building on previous measures that had been in place since 1985.<sup>18</sup> The model proposed under the review was based on a Schooling Resource Standard (SRS) that would include an amount per student and loadings for various student-based and school-based disadvantages. The Australian Government accepted the core recurrent funding recommendations, with the subsequent introduction of the Act setting out the model under which funding for schools was to be calculated. The model used the SRS for all school students supported by various loadings for disadvantage (see Box 2 for further information on the school funding model as defined under the Act).

### Box 2: Australian Education Act 2013 School Funding Model

Recurrent funding for each school comprises a base funding amount combined with loadings. This total funding amount is then modified to take account of a number of factors.

#### Base amount

$$\begin{array}{c} \text{The number} \\ \text{of students} \\ \text{at the school} \\ \text{for the year} \end{array} \times \begin{array}{c} \text{The SRS funding} \\ \text{amount for the year} \\ \text{for a student} \\ \text{at the school} \end{array} \times \left( 1 - \begin{array}{c} \text{The school's} \\ \text{capacity} \\ \text{to} \\ \text{contribute} \\ \text{percentage} \end{array} \right)$$

#### SRS

The SRS represents a funding level for primary school students and for secondary school students that is currently indexed at 3.6 per cent annually to reflect estimated increases in the costs of all schools.<sup>a</sup> The SRS aims to measure the cost of effective and efficient provision of schooling. The SRS levels are based on the resources used by high-achieving schools (reference schools), as identified by their performance in the National Assessment Program—Literacy and Numeracy (NAPLAN).

As at 1 July 2017, the SRS was set at \$10 953 for a primary student and \$13 764 for a secondary student.

17 The Interim Committee for the Australian Schools Commission, which was chaired by Professor Peter Karmel and was responsible for examining the needs of schools and for providing advice on school financing, released its report in 1973.

18 Until 2013, general recurrent grants, which constituted the majority of ongoing Australian Government funding for schools, were provided on a per student basis as a percentage of the resource standard known as the Average Government School Recurrent Costs (AGSRS). From 2009, Australian Government funding for government schools was 10 per cent of the AGSRS. The rate at which non-government schools received general recurrent grants was determined by a measure of need: the estimated capacity of a school's community to support its school based on its socioeconomic status (SES). Depending on its SES score, a non-government school received funding ranging from 13.7 per cent to 70 per cent of the AGSRS.

## Box 2: Australian Education Act 2013 School Funding Model

### Loadings

The Act sets out six loadings: student with disability; Aboriginal and Torres Strait Islander student; low socioeconomic status student; low English proficiency; location; and size.

The loadings (except the size loading) represent a percentage of the SRS funding amount multiplied by the number of students at a school that qualify for that loading.

The size loading provides an amount based on the total number of students at a school. Small schools, and very small schools in very remote areas with a certain number of students, are entitled to the maximum size loading while large schools are not entitled to any size loading. All other schools are entitled to a proportion of the maximum size loading.

### Application

#### *Capacity to contribute*

The base SRS amount of funding a non-government school receives is dependent on the school community's capacity to contribute to the cost of schooling, as determined by the school's SES score.<sup>b</sup> The higher a school's SES score, the more the SRS amount is reduced. For example, a primary school with an SES score of 93 or lower will receive 90 per cent of the SRS amount; a primary school with an SES score of 125 or higher will receive 20 per cent of the SRS amount.

Government schools have a capacity to contribute of zero, which means they receive the full base amount plus loadings. 'Capacity to contribute' does not apply to certain categories of non-government schools such as special schools, special assistance schools, majority indigenous schools and remote 'sole provider' schools.

#### *System weighted average SES score*

A non-government approved system authority has the option of having an average SES score applied to all of its schools when determining a school's capacity to contribute, rather than the actual individual school's SES score.<sup>c</sup> This is known as a system weighted average and is calculated by: multiplying the individual schools' SES scores by the number of enrolments at each system member school; summing this calculation; dividing the total by the total number of enrolments in that system; and rounding the result to the nearest whole number. Twenty of the 25 non-government system authorities have opted to have an average system weighted average SES score.

#### *Transition pathway and indexation*

The transition pathway enables schools to move to their fully funded SRS amounts over time. Transition funding is calculated based on the difference between an estimate of the funding a school would have received under previous funding arrangements and their funding entitlement under the new SRS funding model. Where a school is entitled to more funding under the SRS model, it is to receive a percentage of the difference each year ('additionality').

Indexation has been established to ensure that non-government schools do not lose funding under the new arrangements prescribed by the Act, compared to amounts received under previous arrangements.

Note a: A new formula for determining the SRS, to take effect from 1 January 2018, was introduced in the *Australian Education Amendment Act 2017*.

Note b: SES (socioeconomic status) score means the score attributed to a school, which considers students' residential addresses and Australian Bureau of Statistics (ABS) Census data. The SES score aims to measure the capacity of the school's parent community to financially support the school and includes a measure of parental income.

Note c: System weighted averages will be removed from 1 January 2018, following the passage of the *Australian Education Amendment Act 2017*.

Source: ANAO analysis of departmental documentation.

## Australian Government administrative responsibilities

1.23 The Department of Education and Training (the department) is responsible within the Australian Government for national education and training policies and programs. In relation to schooling, the department has two key sets of responsibilities:

- through the Education Council, and in partnership with the states and territories, developing, progressing and reviewing national objectives and outcomes for schooling and the national curriculum; and
- administering the Australian Education legislative framework (including the Act and the Regulation), the NEA and the NERA.

1.24 The department's contribution to schooling in Australia is delivered through Outcome 1 in its 2017–18 Portfolio Budget Statements:

Improved early learning, schooling, student educational outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning environments.

1.25 Under Outcome 1, funding for all eligible students in government and non-government schools is to be provided by the department in accordance with the Act. The following two specific programs under Outcome 1 relate to the administration of Australian Government school funding:

- Program 1.5—Government Schools National Support; and
- Program 1.6—Non-Government Schools National Support.

1.26 The department has around 2000 staff allocated across five clusters, with total annual resourcing of \$46.1 billion. School funding and associated outcomes are delivered through the department's Schools and Youth Cluster. This cluster is responsible for the administration of the Act, the Regulation and relevant agreements, guiding major policy reforms at a national level and for delivering the Australian Government's commitments on key programs and initiatives affecting school education and youth related areas. The Schools and Youth Cluster manages 43 programs with a value of approximately \$17.7 billion annually, and has 294 staff with an annual budget of \$40.5 million.

## Audit approach

### Audit objective, criteria and scope

1.27 The objective of the audit was to assess the arrangements established by the Department of Education and Training to monitor the impact of Australian Government school funding. To form a conclusion against this objective, the following high-level audit criteria were adopted:

- arrangements established to account for Australian Government recurrent school funding are sound; and
- effective arrangements have been established to monitor progress against educational outcomes and analyse collected data to better understand the impact of Australian Government funding.

1.28 The audit examined the Australian Government's administration of recurrent school funding, with a focus on monitoring the use of Australian Government funding to progress outcomes for schooling in Australia. The audit also examined the processes established by the department to account for the use of Australian Government funding.

1.29 Funding provided for capital expenditure and funding provided through Education National Partnerships was not within the scope of the audit. In addition, the audit did not examine the accuracy of Australian Government payments to schools.

### Audit methodology

1.30 In conducting the audit, the ANAO:

- examined departmental records, systems and procedures relating to the collection of performance information and administration of the legislative framework;
- conducted an email survey of all approved authorities;
- consulted with a range of key stakeholders, including all states and territories departments of education and non-government school peak bodies; and
- interviewed departmental staff.

1.31 The audit was conducted in accordance with the ANAO Auditing Standards at a cost to the ANAO of approximately \$460,000.

1.32 The team members for this audit were Dr Isabelle Favre, Iain Gately, Clifford Lloyd, Judy Jensen, and Mark Simpson.

## 2. Accounting for Australian Government school funding

---

### Areas examined

This chapter examines the arrangements established by the Department of Education and Training (the department) to gain assurance that funding has been used in accordance with the relevant provisions under the *Australian Education Act 2013* (the Act).

### Conclusion

The department is yet to establish sufficiently robust arrangements to ensure that system authorities have in place, and make publicly available, compliant needs-based funding arrangements. There are also weaknesses in the arrangements established by the department to collect and validate the information provided by approved authorities to account for funding. These weaknesses have reduced the level of assurance the department has that funding is allocated in accordance with the needs-based principles established under the legislative framework. Under recent legislative reforms, additional mechanisms are being established to strengthen the monitoring of needs-based funding arrangements. To complement these mechanisms, there is scope for the department to strengthen its analysis of school funding data.

### Area for improvement

The ANAO has made two recommendations aimed at strengthening existing accountability arrangements through improved data collection and analysis and at increasing the transparency surrounding the allocation and use of Australian Government school funding.

2.1 Addressing educational disadvantage through the application of a transparent and accountable needs-based funding model is a key element of the Australian Government's education policy. At the time that the Australian Education Bill 2012 was introduced to the Parliament, the Government outlined that:

To enhance the performance of our schools, their funding, operation and performance needs to become more transparent and accountable to the community. This includes providing better data on schools and school students to track performance and drive continuous school improvement ...<sup>19</sup>

All recurrent Commonwealth funding for participating schools will be delivered through fair and transparent needs-based arrangements, providing new investment to support reforms that will help to improve each student's achievements at school... The new funding arrangements fundamentally change the way resources are provided by better linking funding to each student's needs. These reforms deliver transparent funding allocations for all schools and sectors.<sup>20</sup>

---

19 Australian Education Bill 2012, Explanatory Memorandum, p. 2. Available from <[http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4945\\_ems\\_51172c7e-ec24-487f-b2d3-80e2e5e60082/upload\\_pdf/375205.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4945_ems_51172c7e-ec24-487f-b2d3-80e2e5e60082/upload_pdf/375205.pdf;fileType=application%2Fpdf)> accessed [13 September 2017].

20 Australian Education Bill 2012, Supplementary Explanatory Memorandum, p. 1. Available from <[http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4945\\_ems\\_e700aff1-5a0e-4f37-aab8-9a87428a5325/upload\\_pdf/381666.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4945_ems_e700aff1-5a0e-4f37-aab8-9a87428a5325/upload_pdf/381666.pdf;fileType=application%2Fpdf)> accessed [13 September 2017].

2.2 To account for funding distributed to each school and to determine whether funding is being delivered through fair and transparent needs-based arrangements, the department relies on information provided by approved authorities. The department requires assurance as to the accuracy of this information to ensure government policy is being implemented as intended and to enable the department to effectively measure the extent to which policy objectives are being achieved.

2.3 The information collected by the department from approved authorities for accountability purposes also: supports public transparency on the delivery of school funding; and is used by external bodies, including state and territory governments, the ACARA, the Australian Bureau of Statistics (ABS) and the Productivity Commission to assess and report on progress against educational outcomes.

### **Has the department effectively monitored the requirement for authorities to have in place needs-based funding arrangements?**

The department has not effectively monitored the requirement for system authorities to have in place needs-based funding arrangements and, therefore, is not well positioned to determine whether the basis on which authorities are distributing Australian Government funding is in accordance with legislative requirements. Further, in the interest of reducing the regulatory burden on the sector, the department has not monitored whether approved system authorities' funding models are publicly available and transparent as required. The ANAO's analysis revealed only nine of 33 authorities had included their arrangements on their websites. In addition, changes to the presentation of information publicly reported on funding allocated at a school level have made comparisons of funding provided at a school level more difficult. Under recent legislative reforms, additional mechanisms are being established to strengthen the monitoring of needs-based funding arrangements.

2.4 As outlined in Chapter 1, under the Regulation, government and non-government system authorities are able to redistribute the recurrent funding received from the Australian Government for individual schools on the basis that the system authorities' funding arrangements are based on student needs and comprise: a base amount, which for non-government schools should recognise the capacity of the school's community to contribute financially to the school; and loadings reflecting the six additional needs applied by the Australian Government funding model. All other authorities receive a recurrent payment calculated using the funding model established under the Act, and must spend this funding in full for the school/s they represent. The funding allocated to the different types of authorities in 2016 is outlined in Table 2.1.

**Table 2.1: Funding allocated to approved authorities, 2016**

	Value (\$)	Percentage of total funding	No. of authorities
Government system authorities	\$6 051 591 093	38	8
Non-government system authorities	\$6 843 563 816	42	26
Non-government authorities (non-systemic)	\$3 226 597 464	20	815
<b>Total</b>	<b>\$16 121 752 373</b>	<b>100</b>	<b>849</b>

Source: ANAO analysis of departmental documentation.

2.5 While the Act provides for the re-distribution by approved system authorities of recurrent funding received from the Australian Government for individual schools, it also includes the following requirements aimed at ensuring that authorities have in place appropriate needs-based arrangements<sup>21</sup> to underpin the distribution of Australian Government funding:

- the needs-based funding arrangements must be set out in the system arrangements<sup>22</sup> and the Minister or his delegate must be satisfied that the system authorities' needs-based funding arrangements comply with the requirements in the Act and the Regulation (Regulation section 5);
- the system authorities' needs-based funding arrangements should be publicly available and transparent (Regulation section 61);
- each year, system authorities must submit to the department a report that outlines how funding distributed in the preceding calendar year to each member school was determined (Regulation section 36)<sup>23</sup>; and
- each year, the Minister must table a report before each House of the Parliament with respect to the application of any financial assistance paid to schools in the previous year under the Act (section 127).

2.6 The extent to which the department monitors compliance with these requirements is outlined in Table 2.2.

21 Those states and territories that were not participants under the NERA were not required to have in place needs-based funding arrangements.

22 An approved system arrangement is defined by the department as 'an arrangement for determining the capacity of an approved authority to reallocate Commonwealth recurrent funding using its own needs-based funding model... This arrangement must also comply with the implementation plan requirements'. Department of Education and Training, *Guide to the Australian Education Act 2013*. Available from <<https://aeaguide.education.gov.au/content/f2-glossary#glossary-approved-authority-893>> [accessed 31 August 2017].

23 Authorities with responsibility for more than one school must also submit this report. In 2016, there were 37 non-systemic authorities with responsibility for more than one school, and 778 authorities representing only one school.



**Table 2.2: Compliance monitoring arrangements**

Requirement	Departmental compliance activities
The Minister or his delegate is satisfied that system authorities have a needs-based funding arrangement that complies with the Act	<ul style="list-style-type: none"> <li>Independent system authorities: In December 2013, the department provided independent system authorities with a template outlining the key principles for authorities' needs-based funding arrangements. In response, 10 of the 17 authorities provided their needs-based funding arrangement and seven indicated that they would distribute funding as received from the Australian Government. On this basis, the department was satisfied that the independent system authorities had in place a needs-based funding arrangement that complied with the Act.</li> <li>Catholic system authorities: In December 2013, the department wrote to the eight state and territory Catholic Education Commissions referring to earlier discussions relating to needs-based funding arrangements and noting that 'the method to be used would align with the requirements of the Act'. The department was not able to provide the ANAO with a record of the earlier discussions and advised that, in an effort to reduce regulatory burden, it has not obtained the needs-based funding arrangements for the Catholic system authorities.</li> <li>State and territory authorities: Participating jurisdictions under the NERA<sup>a</sup> provided their funding arrangement in the NERA bilateral agreement with the Australian Government.</li> </ul>
System authorities' needs-based funding arrangements to be publicly available and transparent	<p>The department advised the ANAO that, to minimise regulatory burden, it does not monitor whether approved system authorities' funding models are publicly available and transparent.</p> <p>The ANAO reviewed the websites<sup>b</sup> of the 33 approved system authorities and located needs-based funding arrangements for nine authorities: seven of the eight states and territories; and two of the 25 non-government approved system authorities.</p>
System authorities to submit a report on funding distribution	<p>The department advised that the authorities for more than one school (including system authorities) report on funding distribution in the annual block allocation report. The department's administration of the block allocation report is discussed in paragraphs 2.29 to 2.35. The ANAO found that, while the report is provided to the department, the data reported on the allocation of funding to individual schools, the breakdown by loadings and the amounts apportioned to administration and centralised expenditure are not verified or analysed by the department.</p>
Minister to table an annual report on financial assistance paid to schools	<p>Until 2013, the department produced the <i>Report on Financial Assistance to Schools</i> (known as the Green Report) on an annual basis.<sup>c</sup> The report provided a detailed breakdown of expenditure of Australian Government funds appropriated under legislation and a brief description outlining the manner in which funding was allocated in line with the agreed objective and outcomes for schooling.</p> <p>The department advised the ANAO that, for 2014 and 2015, the Minister has used the department's Annual Report to meet the reporting requirements established under section 127 of the Act. The ANAO's review of the department's Annual Reports for 2014–15 and 2015–16 identified that they reported the overall amount of recurrent funding paid to government schools and to non-government schools. In contrast to the earlier Green Reports, they have not provided information on the funding provided to individual schools.</p>



Requirement	Departmental compliance activities
	The My School website does provide recurrent funding information for individual schools. However, the presentation of funding information on an individual school basis does not allow for a combined view of funding allocations across schools. <sup>d</sup> The ACARA Data Portal also provides useful information on school funding at the state/territory level for the Catholic, independent and government sectors. The portal does not, however, provide information on funding disaggregated at the level of individual schools, which was available from the previously published Green Report.

Note a: Participants under the NERA are the governments of New South Wales, South Australia, and the Australian Capital Territory, and all non-government approved authorities.

Note b: There is no requirement for approved system authorities to publish the needs-based funding models on the internet. The Act does, however, recommend that, to ensure ready access by the public, approved authorities publish documentation, such as implementation plans, on their website.

Note c: The *Reports on Financial Assistance to Schools* are available until 2013 from the department's website at <<https://www.education.gov.au/reports-financial-assistance-schools>> [accessed 17 August 2017].

Note d: The My School website is a resource for parents, educators and the community to receive information about Australia's schools. The My School website contains data on school's student profiles, NAPLAN performance, funding levels, enrolment numbers and attendance rates.

Source: ANAO analysis of departmental documentation.

2.7 As outlined in Table 2.2, the department has not fully utilised the available legislative provisions to monitor and report on the manner in which Australian Government school funding has been allocated by the department or subsequently redistributed by system authorities. As a result, the department has limited assurance that the redistributions undertaken by system authorities have been conducted using an appropriate needs-based model. The absence of fit-for-purpose compliance arrangements to ensure that system authorities are meeting legislated transparency requirements and the reduction in public reporting of funding allocation have also resulted in reduced transparency and accountability of Australian Government school funding.<sup>24</sup> This also undermines the department's ability to monitor the effectiveness of current policy settings and inform future policy development.

2.8 The transparency and accountability of Australian Government school funding has previously been the subject of ANAO coverage, with a 2009 performance audit report finding that the department did not have information on the funding formulae that non-government school systems used to distribute funds to their affiliated schools—including whether and how these formulae accounted for need.<sup>25</sup>

24 In addition, the department has not monitored the requirement for authorities participating under the NERA to publish an implementation plan. The publication of implementation plans was intended to increase the transparency of actions to be taken by authorities to progress education reform directions (see Chapter 3, paragraphs 3.11 to 3.12).

25 Australian National Audit Office, *Funding for Non-government Schools*, Audit Report No. 45 2008–09, 2009, Canberra. In 2016, the Victorian Auditor-General found similarly that there was limited monitoring or oversight of funding recipients, and that the Victorian Department of Education and Training was not aware of the methodology used by the only approved system authority in Victoria (the Catholic Education Commission of Victoria) to redistribute state government recurrent funding. Victorian Auditor-General's Office, *Grants to Non-government Schools*, Victorian Auditor-General's Report No. 25 2015–16, 2016, Melbourne.

## Recommendation no.1

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

**Department of Education and Training's response:** *Agreed.*

2.10 *The department is actively working to enhance its risk-based approach to monitoring and assurance activities to ensure compliance with requirements under the Act. This includes progressively implementing the recommendations of the recent review of the financial questionnaire, including through data collection enhancements in high risk categories reporting on 2017 funding.*

2.11 *Under the provisions of the amended Australian Education Act 2013, the Australian Government has established the National School Resourcing Board. As set out in section 128 of the Act, the Board has a mandate to conduct independent reviews of funding arrangements, including state and territory funding contributions and whether approved system authorities are distributing funding according to a needs-based funding model which meets the requirements of the Act. Review reports will be tabled in Parliament and will provide greater transparency to the Australian community on the allocation of funding.*

2.12 *The My School website also provides information at an individual school level about the capital and recurrent funding schools receive from different sources (Australian Government, state and territory governments and private sources). My School provides additional non-financial performance information to give a more comprehensive picture of school performance, including attendance rates and National Assessment Program – Literacy and Numeracy results.*

## Is the information provided by approved authorities to account for funding appropriately verified?

Weaknesses in current monitoring arrangements have undermined the department's ability to appropriately verify reported schools' data in order to assess progress against established policy objectives and to support accountability, transparency and analysis. This adversely impacts the level of assurance that the department has in relation to the use of Australian Government funding to progress agreed education policy objectives.

2.13 To account for Australian Government recurrent funding allocated to approved authorities, the department has established three key annual monitoring mechanisms:

- the financial questionnaire, which all non-government approved authorities must complete;
- the acquittal certificate, applying to all approved authorities; and
- the block allocation report, for all approved authorities with responsibility for more than one school.

## Financial questionnaire

2.14 The department requests non-government approved authorities to complete a financial questionnaire each year to address the legislative requirement for financial disclosure under section 36 of the Regulation.<sup>26</sup> In the instructions provided to non-government schools for the financial questionnaire, the department states that it considers the financial questionnaire to be ‘a major form of accountability’.

2.15 The financial questionnaire is an online form used to collect calendar year financial information, including: income; expenditure; assets; and liabilities from all non-government approved authorities receiving Australian Government recurrent funding. The guidance provided to approved authorities by the department indicates that the information included in the financial questionnaire should be drawn from audited financial statements, and is collected by the department to:

- assess schools’ financial viability;
- inform policy development and advice to government; and
- provide financial data to a range of organisations including ACARA (to create the My School finance report), the Australian Charities and Not-for-profits Commission<sup>27</sup> and the ABS.

2.16 For 2016, the total Australian Government recurrent funding that was monitored through the financial questionnaire was approximately \$10 billion, which was provided to 2782 non-government schools.

### *Assurance activities*

2.17 The online financial questionnaire has inbuilt validation checks, including for financial totals and the completion of mandatory fields. Once received, the department undertakes two types of assurance activity:

- a series of baseline checks, applied to all questionnaires, including reviewing the auditor’s opinion for any qualifications, and, since 2017 (for the 2016 school year data) confirming that the total amount of Australian Government recurrent funding reported in the financial questionnaire is consistent with the approved authority’s audited financial statements<sup>28</sup> and equals the amount recorded in the department’s grant management system—School Education Management Information System (SEMIS). The

---

26 State and territory authorities do not have to complete the financial questionnaire and, where necessary, provide required information directly to ACARA and the ABS.

27 The Australian Charities and Not-for-profits Commission (ACNC) is the independent national regulator of charities.

28 From 2017 (for 2016 school year data), the approved authorities’ audited financial statements must be submitted at the same time as the questionnaire. Previously, the department requested the audited financial statements from the authorities selected for the verification exercise.

department also advised that it performs an assessment of financial viability where there is a qualified opinion<sup>29</sup>; and

- a detailed verification exercise conducted on a sample of approximately 120 questionnaires, using the approved authorities' audited financial statements. One hundred questionnaires in this sample are selected randomly. The remaining questionnaires are selected because they were flagged as presenting an increased risk of error (as a result of the baseline checking activity; a high level of errors in the previous year's financial questionnaire; or information from other areas of the department or the general public).

2.18 In 2015, the department commissioned a review of the financial questionnaire, including the associated assurance processes. The review found that random sampling was an inappropriate technique to use for the assurance process given that the majority of schools in the independent sector are using disparate processes (for example, operating separate systems, each with their own processes, chart of accounts and personnel), and thus did not form a relevant population upon which to apply sampling techniques. The review suggested that the method of sampling could be improved by utilising data analytic techniques across the population, designing key benchmark indicators and selecting a targeted sample based on outliers and risk for testing. The review recommended that the department:

- increase the sample size for quality assurance testing and consider alternating between schools each year to obtain coverage of all schools at least once over a multi-year period;
- utilise data analytic techniques across the population to identify a targeted sample based on agreed risk profile to increase the level of assurance; and
- tailor sampling methods to each sector to take account of different structures and risk profile.

2.19 The department advised that, following the completion of the review in 2015, a modernisation process for the data collection for the financial questionnaire was under way, including the automation of data entry, and was due to be completed by 2019. The department also advised that the verification exercise and the sampling methodology would be revisited once the modernisation process is complete. The department's decision to defer the revisiting of the sampling methodology until after the modernisation process has been completed means that those issues identified in 2015 as limiting the assurance obtained from the questionnaire process remain unresolved.

2.20 The ANAO analysed the outcome of the verification exercise for the calendar year data 2013 to 2015 (see Table 2.3). In 2013 and 2015, 30 per cent or more of the questionnaires sampled presented errors.<sup>30</sup> In 2014, this percentage was lower at 14 per cent. The department advised the ANAO that a 30 per cent error rate was not uncommon.

---

29 The financial viability process involves two tiers. First, a review of all authorities with a qualified audit opinion, negative equity or a combination of poor liquidity and trading loss. Based on these results the department may then perform a detailed desktop examination of these authorities' financial statements to further confirm financial distress, and then conduct a five-year trend analysis.

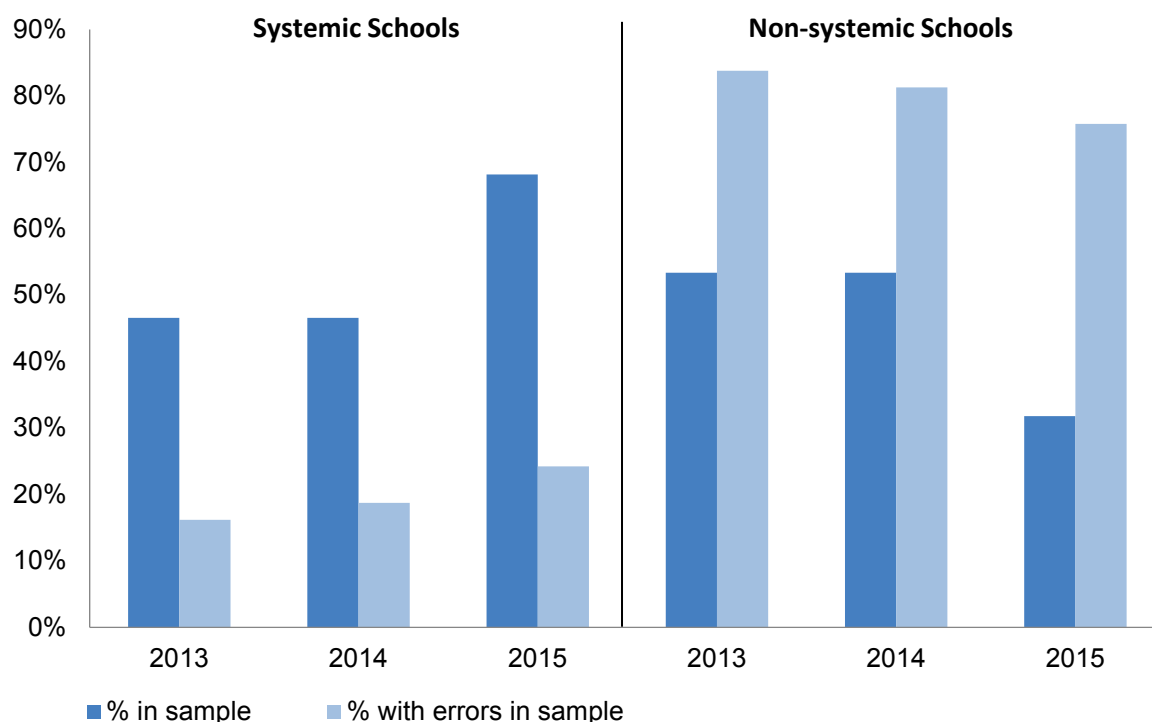
30 These errors included the reporting of funding on an accrual rather than cash basis, the use of financial year reporting rather than calendar year, or incorrectly netting reported figures.

**Table 2.3: Error rates in results of verification exercise, 2013–15**

	2013	2014	2015
Sample size	118	118	110
No. errors	37	16	33
<b>Percentage</b>	<b>31</b>	<b>14</b>	<b>30</b>

Source: ANAO analysis of departmental data.

2.21 Over the three years analysed by the ANAO, the error rate for non-systemic schools selected for the verification exercise was significantly higher than that of systemic schools.<sup>31</sup> For example in 2015, the verification exercise comprised of 68 per cent systemic schools and 32 per cent non-systemic schools. However, the rate of error was significantly higher for non-systemic schools (76 per cent in 2015) than for systemic schools (24 per cent in 2015)—see Figure 2.1.

**Figure 2.1: Variation in error rates between systemic and non-systemic schools, 2013–15**

Source: ANAO analysis of departmental information.

2.22 The high incidence of errors (one in three schools) presented in Table 2.3, combined with the contrasting results returned by systemic and non-systemic schools, would suggest that, as the 2015 review recommended, the department's approach to selecting the sample for the verification exercise could be improved by adopting a risk-based approach informed by data analytics.

<sup>31</sup> Systemic schools are those represented by an approved system authority.

## Acquittal certificate

2.23 The department has established an acquittal certificate that is to be used by all approved authorities to certify that the financial assistance provided by the Australian Government has been spent, or committed to be spent, in accordance with relevant provisions of the Act (section 25). All approved authorities are required to complete the acquittal certificate to satisfy their financial accountability obligations under the Regulation. In 2016, a total of 849 approved authorities, comprising 778 approved authorities representing one school and 71 approved authorities representing more than one school, including eight state and territory education departments representing government schools, were required to submit an acquittal certificate.

2.24 For government schools, the certificate is to be prepared by the relevant education department and signed by the Auditor-General of the state or territory or a person appointed by the state or territory minister for the school. The department advised that these acquittal certificates are typically authorised by the jurisdictions' departmental Secretary or Chief Finance Officer. For non-government schools, the department requires that a qualified accountant, as defined under the Act, prepares the certificate, which is submitted using the online portal.<sup>32</sup> In both cases, the person submitting the certificate is to confirm that recurrent funding paid under the Act has been spent, or committed to be spent:

for the purposes of providing school education and implementing national policy initiatives, in accordance with the relevant provisions under the Act and (...) the Regulation.<sup>33</sup>

2.25 The acquittal certificates are pre-populated with total recurrent funding amount and the breakdown by base funding and loadings from the department's grant management system (SEMIS). This amount can be overwritten by the approved authority, in which case the system requires that an explanation for the new figure be provided and the certificate is flagged for manual follow up. The department's instructions specify that the total amount of recurrent funding is required to be confirmed. The instructions do not require confirmation of the separate amounts displayed on the certificate for the base and loadings.

## Assurance activities

2.26 Acquittal certificates are due on 30 June for the preceding calendar year. The department monitors and has procedures in place to follow up any certificates that are overdue. For the calendar years 2013 to 2015, the department advised that all required acquittal certificates were submitted. The department also advised that it reviews the acquittal certificate to ensure the amount acquitted equals the total amount of funding provided to the relevant state or territory

---

32 The online portal—School Entry Point—is the department's project and financial management system for clients to manage applications and reporting obligations for funding under Australian Government programs administered by the department.

33 The online guide to the completion of acquittal certificates defines the purposes of providing school education as including, without being limited to: salaries and other expenses related to the professional development of the staff; developing materials related to the school's curriculum; general operating expenses of the school; maintaining the school's land and buildings; purchasing capital equipment for the school; for a school whose capacity to contribute percentage is zero—purchasing land and buildings; and administrative costs associated with the authority's compliance with the Act and Regulation. *Acquittal Certificates—A guide for qualified accountants*, available from [https://docs.education.gov.au/system/files/doc/other/acquittal\\_certificates\\_-\\_a\\_guide\\_for\\_qualified\\_accountants.pdf](https://docs.education.gov.au/system/files/doc/other/acquittal_certificates_-_a_guide_for_qualified_accountants.pdf) [accessed 25 August 2017].

education department, and that it relies on the assurance provided by the signatory of the certificate.

2.27 In relation to the certificates submitted by non-government schools, the department first cross-checks that the total amount of recurrent funding reported in the acquittal certificate is consistent with the amount that appears on the financial questionnaire. The department also verifies the professional status and credentials of a sample of 60 of the accountants who submitted the acquittal certificates.<sup>34</sup> The department advised that no issues were identified through this confirmation exercise for the 2013, 2014 and 2015 acquittal certificates.

2.28 The assurance obtained by the department from the acquittal certificates process is primarily based on self-reporting by authorities, with no independent verification of the information provided undertaken by the department. Assurance processes based on self-reporting, by their nature, provide less assurance than those that involve a level of risk-based independent verification.

### **Block allocation report**

2.29 The block allocation report has been established by the department to enable approved authorities for more than one school to meet their requirements under sections 35 and 36 of the Regulation by reporting on: how funding was distributed to each school, specifying amounts distributed to base funding, loadings, administrative costs and centralised expenditure; and how this funding was determined in accordance with the authority's needs-based funding model.

2.30 The information included in the block allocation report also enables the department to assist the Minister in meeting his obligations under section 127 of the Act to table a report before each House of the Parliament with respect to the application of any financial assistance paid in the previous year to provide additional transparency and accountability in school funding.

2.31 The block allocation report must be completed annually by all approved authorities that operate more than one school. This includes state and territory departments of education reporting for government schools; and systemic and non-systemic non-government approved authorities for more than one school. For 2016, 71 approved authorities, representing a total of 8623 schools (92 per cent of all schools), were required to report through the block allocation report on \$13.3 billion of Australian Government recurrent funding.

### ***Assurance activities—Government schools***

2.32 For block allocation reporting by states and territories for government schools, the department provides a standardised format for reporting. The ANAO's analysis of block allocation reporting by states and territories for 2014 and 2015 indicates that, notwithstanding the provision of a standardised format for reporting, variations existed in the manner in which jurisdictions report school funding allocations. While all but one jurisdiction provided a funding breakdown by school, some provided base and specific loading amounts for each school while others reported

---

34 The sample size is determined by the department's application of the attribute sampling approach, with a zero per cent error rate expected in the sample, a five per cent tolerable error rate and a 95 per cent confidence level.

against their own loading categories.<sup>35</sup> Western Australia did not submit the block allocation report for 2014, 2015 and 2016, advising the department that it was unable to provide the detail of Australian Government recurrent funding breakdown by school and loading because these funds were pooled with state funds before being allocated to schools.

2.33 As a result, the data available to the department to reliably assess compliance and progress against policy objectives has been reduced.<sup>36</sup> Notwithstanding these variations, the department advised that it considers that block allocation reporting by states and territories to meet the requirements of the Regulation.

#### *Assurance activities—Non-government schools*

2.34 Non-government approved authorities access their block allocation report through the online portal. For each authority, the template is prepopulated with the total amount of Australian Government recurrent funding acquitted in their acquittal certificate (approved authorities must submit their acquittal certificate before the block allocation report). For approved authorities (which do not have discretion to redistribute funds between schools), the school-level details (base funding and loadings breakdown) are also pre-filled and cannot be amended. Through this process the department receives a certification from authorities that Australian Government funding has been used for the purposes for which it was provided. Approved system authorities (which are able to redistribute funds between schools) must use the block allocation report to indicate how funding was distributed to each school. The information to be provided must include base funding, loadings, and funding retained for administration and centralised expenditure. The department's guidelines indicate that the block allocation report must be submitted by the approved authority's 'finance contact' by 30 June each year for the preceding calendar year.

2.35 The department advised that it does not use the block allocation report information to conduct regular internal or external reporting or analysis and the report is only used internally on an exception basis. In addition, the department also does not conduct verification activities on the allocation of funding to individual schools, the breakdown by loading or the amounts apportioned to administration and centralised expenditure (discussed further in the subsequent section). Further, in contrast to the requirements for the acquittal certificate, the 'finance contact' role, which is responsible for preparing and submitting the block allocation report within the approved authority, does not require any specific qualifications or independent accreditation.

---

35 For example, some jurisdictions reported that they had allocated Australian Government funding entirely to teacher salaries by school and others included infrastructure works.

36 The department advised that Western Australia has not been taken to have satisfied the reporting requirements. In response to Western Australia's failure to submit the block allocation report, the department wrote to the Western Australian Department of Education in November 2016 requesting provision of the report. The department indicated in its letter that financial sanctions under the Act could be applied until the Department of Education (WA) was fully compliant with its reporting requirements. To date, sanctions have not been applied.



## Has the department effectively monitored the distribution of funding to schools?

The department has not effectively monitored the distribution of funding by approved system authorities to gain assurance that funding is being allocated on a needs-basis, as required by the legislative framework. The establishment of fit-for-purpose monitoring arrangements, having regard to the need to minimise regulatory burden, would better position the department to support the activities of the proposed National School Resourcing Board in determining: the extent to which funding is distributed on a needs-basis; and the impact of funding. The ANAO's analysis has shown: significant variances between the funding allocated to non-government system authorities by the department and the funding these authorities reported having distributed to each of the schools that they represent; a lack of clarity around the alignment of additional loadings created by non-government system authorities and student needs; and significant variances in the amount of funding retained by non-government system authorities for administrative costs and centralised expenditure.

2.36 Under the current legislative framework, approved system authorities have discretion to redistribute funding to the schools that they represent based on their local knowledge of the needs of these schools and of their communities. Notwithstanding the discretion provided to system authorities, departmental monitoring of these resourcing decisions helps to ensure that funding is being allocated in line with government policy and agreed arrangements—that is that funding is distributed through a needs-based funding arrangement.<sup>37</sup> The analysis of data obtained through routine monitoring would also inform ongoing policy development and refinement. The department has advised that, in a commitment to reduce regulatory burden, it has not undertaken a comprehensive review of needs-based funding arrangements to ensure compliance with the funding principles of the Act. Given the Australian Government's approach to achieving improved educational outcomes through a nationally consistent approach to school funding, the absence of effective monitoring undermines the department's ability to inform an assessment as to the impacts of this approach.

2.37 In the absence of a comprehensive review by the department, the ANAO used the block allocation report data provided to the department by authorities to assess, for non-government system authorities<sup>38</sup>, the variations between recurrent funding determined by the department, and the funding that system authorities reported to have distributed to individual schools using their own funding models. Three aspects were analysed:

- distribution of total funding amounts;
- distribution of disadvantage loadings; and
- administrative costs and centralised expenses retention.

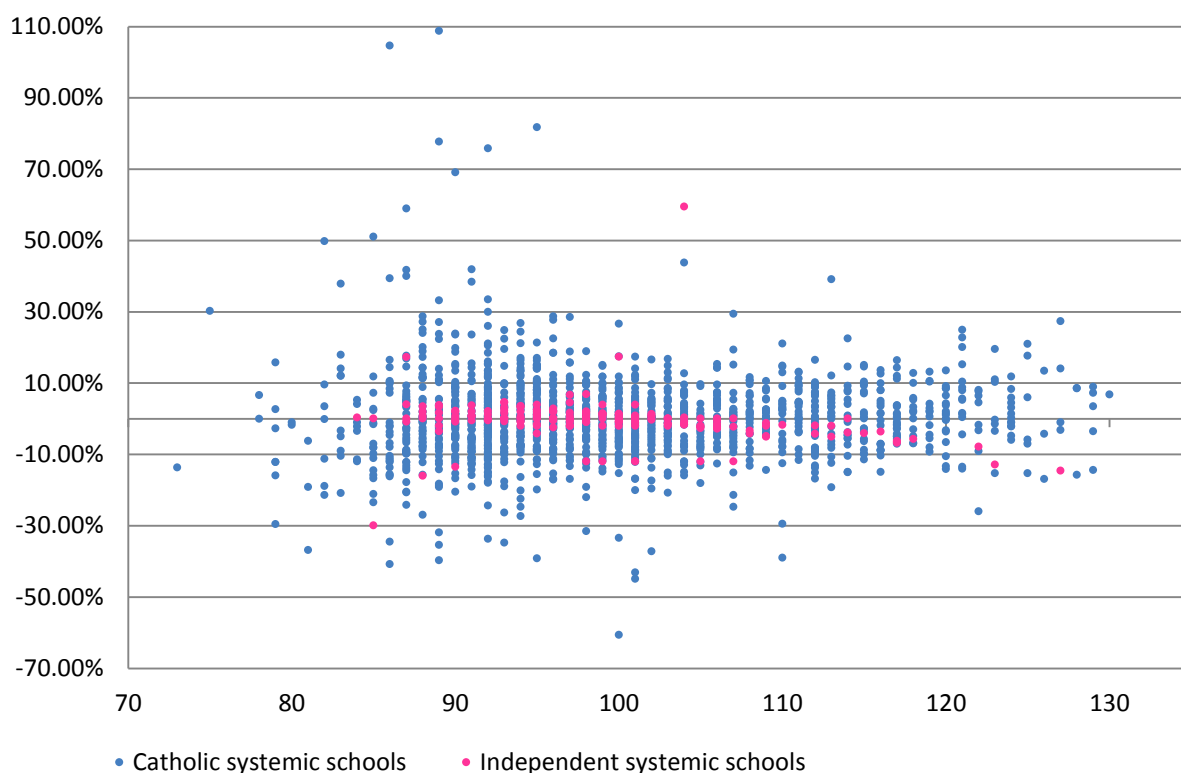
<sup>37</sup> In accordance with subsection 5(2) of the Regulation, at the commencement of their operations all approved system authorities are required to enter into an arrangement with the Australian Government. As part of these arrangements, all systems are required to agree that they will redistribute funding to schools through a needs-based funding arrangement.

<sup>38</sup> The ANAO's analysis focuses on the non-government sector as the data provided by states and territories in the block allocation report is not complete (see earlier paragraph 2.32).

## Distribution of total funding amounts

2.38 The variances between the total funding allocated for 2015 to the non-government system authorities by the department and the funding that authorities reported having distributed to each of the schools they represent are outlined in Figure 2.2. Of 1791 non-government schools that received funding and had an SES score, 204 (11 per cent) received at least 10 per cent more funding than was allocated to the system by the department and 221 (12 per cent) received at least 10 per cent less funding than allocated. Of these schools, 22 (1.2 per cent) received at least 30 per cent more funding than was allocated to the system by the department and 16 (0.9 per cent) received at least 30 per cent less funding than allocated (see Appendix 2 for details of relevant schools).

**Figure 2.2: Variances between funding allocated by the Australian Government to non-government system authorities and funding distributed by non-government system authorities to schools, by SES scores, 2015<sup>a</sup>**



Note a: The graph was created by comparing data provided by the department that outlined the funding calculated for individual schools under the Act against the funding amount reported as allocated to individual schools by approved system authorities through the block allocation report. This provided a percentage difference in funding received, which was then graphed relative to the individual schools' SES scores.

In 2015, the systemic school population was 1865, composed of 1669 Catholic systemic schools and 196 independent systemic schools. A total of 74 schools are not included in the analysis because they were categorised as special schools, and as such did not have an SES score. Also one school, with an SES score of 92 and reported as receiving 218 per cent more funding than allocated, is not represented to improve the graph readability. This school, however, is included in the analysis.

2015 data was the most current, disaggregated school funding data made available to the ANAO by the department.

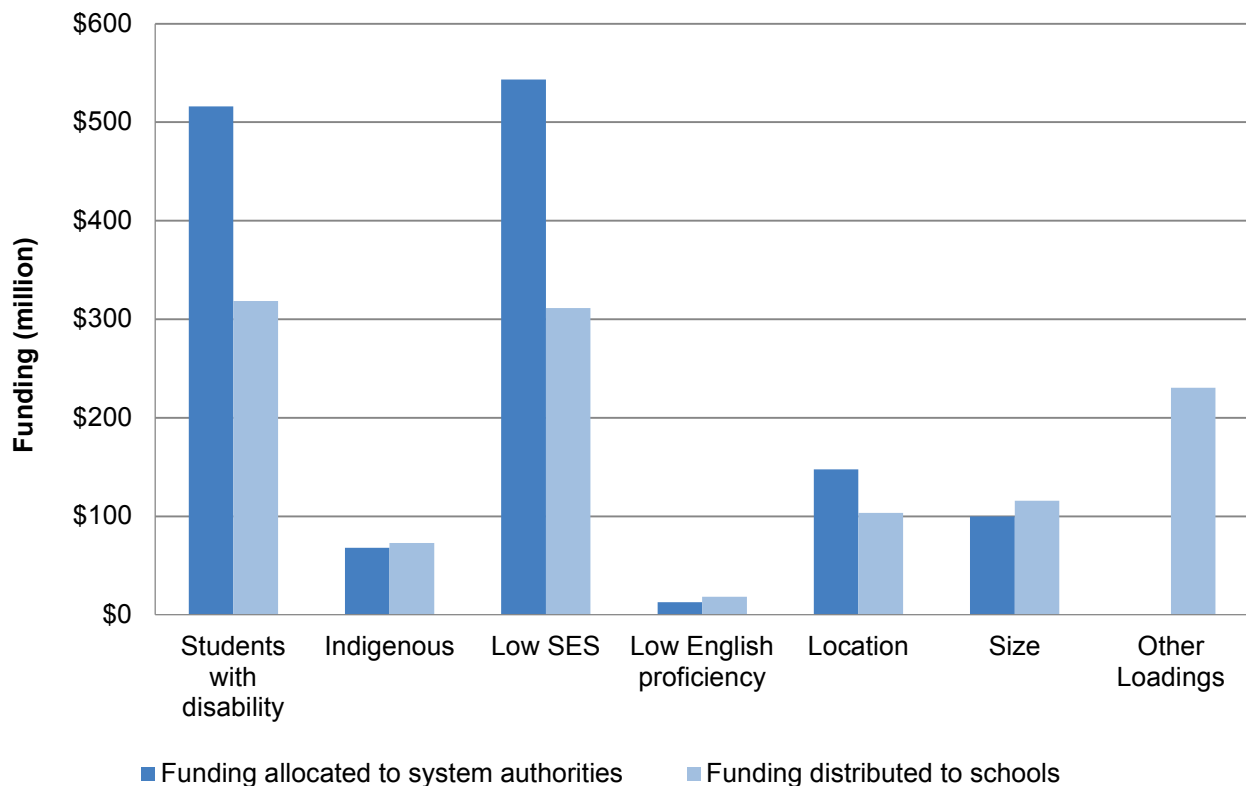
Source: ANAO analysis of departmental financial data and of financial data reported to the department by approved system authorities. The information in this Figure was amended on 21 December 2017 following further data and documents from the department. Refer to Appendix 3 for further information.

2.39 Given variances identified by the ANAO's analysis, particularly given the variance between the department's initial funding calculation on the basis of six loadings aimed at addressing student and school needs and the subsequent allocation by the authorities, there would be merit in the department undertaking its own analysis of information submitted in the block allocation reports to better understand the basis for these variances.

### Distribution of disadvantage loadings

2.40 As previously outlined, school funding is determined under the Act on the basis of six loadings aimed at addressing student and school needs. Approved system authorities have discretion to vary the amount of funding distributed under the loadings to schools using their own needs-based funding model. It is a requirement, however, that these funding models include the six loadings for need applied by the Australian Government model. Additional loadings may also be added by the system authorities, but must be reported and described in the block allocation report. Figure 2.3 illustrates the variances between the funding amounts under different loadings as determined by the department and as distributed to schools by non-government system authorities.

**Figure 2.3: Variances between loadings funding allocated by the Australian Government to non-government system authorities and funding distributed by non-government system authorities to schools, 2015**



Note: The total amount of funding distributed for loadings to system authorities is \$1387 million; the total amount of funding distributed to schools for loadings is \$1170 million. The difference (\$217 million) is redistributed by system authorities to base funding (\$134 million) and administrative costs (\$83 million).

Source: ANAO analysis of departmental documentation.

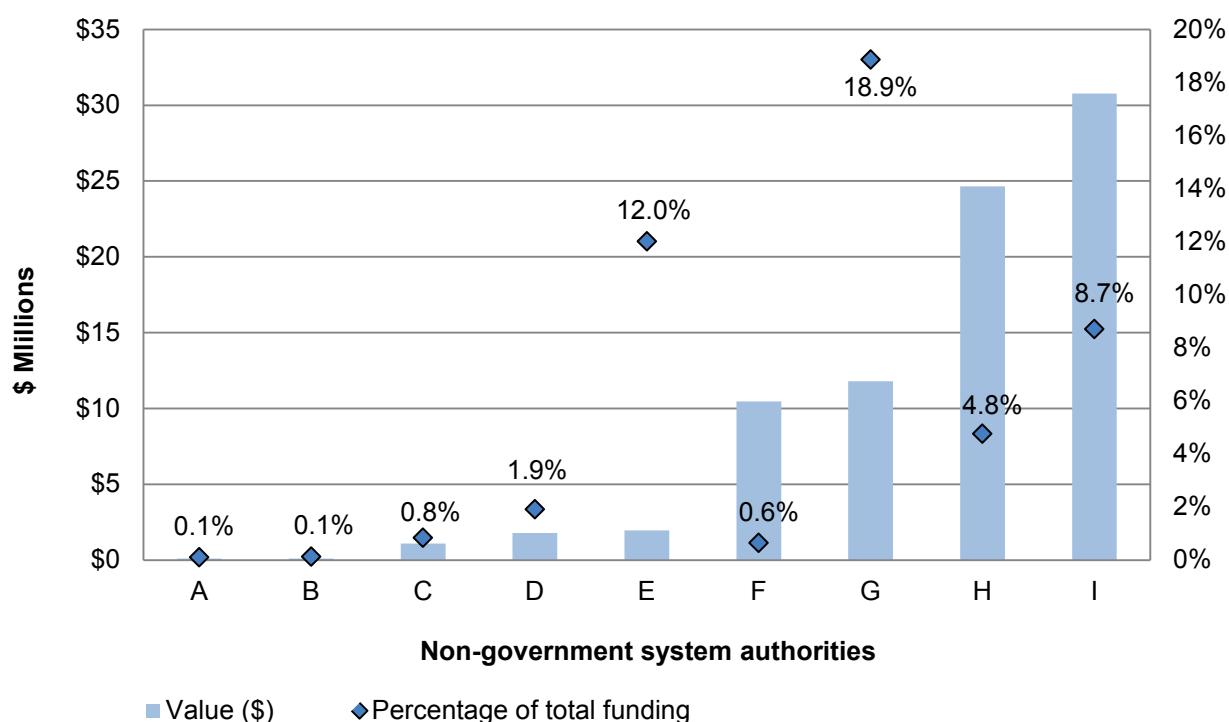
2.41 For the seven (out of the 25) non-government system authorities that reported funding allocations to loadings other than the six loadings identified by the department, only one provided a description of these loadings (as required under block allocation reporting arrangements). The description included leave provisions (maternity and extended sick leave), ‘interest support’ and enterprise system technology. The alignment between these additional loadings and student needs is not clear. There would be benefit in the department seeking additional information from system authorities on the loadings that they have developed over and above the six established loadings. This information would usefully inform further policy analysis and funding decision-making.

### Administrative costs and centralised expenditure retention

2.42 The block allocation report also includes information on funding that is retained by approved system authorities for administrative costs and centralised expenditure (such as superannuation, relief teachers and long service leave) on behalf of their schools.

2.43 The ANAO’s assessment identified considerable variation in the administrative and centralised costs reported by non-government system authorities (see Figure 2.4). In 2015, for the nine out of 25 system authorities that reported these costs (36 per cent), the proportion ranged between 0.1 per cent and 18.9 per cent of total recurrent funding, with a value between \$100 000 and \$30.7 million. While not providing a complete picture of the total administrative costs or centralised expenditure of approved system authorities, the data reported nevertheless provides additional insights that could be used by the department to determine the effectiveness of current policy settings.

**Figure 2.4: Administrative and centralised costs reported by non-government system authorities, 2015**



Source: ANAO analysis of departmental documentation.

2.44 The funding arrangements that were in place between the Australian Government and approved system providers prior to the introduction of the Act included a condition that administrative expenditure not exceed two per cent of total funding. A written explanation was required when authorities sought to exceed the limit. The current Regulation permits recurrent funding to be used to cover administration costs and does not specify a limit on the amount that can be allocated for this purpose.

2.45 Given the absence of fit-for-purpose arrangements to monitor the allocation of funding by approved system authorities, the department is not well placed to determine the extent to which funding is being distributed on a nationally consistent needs-basis—a key tenet of the Australian Government’s education policy—or monitor the extent to which authorities are complying with their obligations under agreed arrangements. An appropriate level of assurance in relation to the allocation of funding on a needs-basis is also required in order to effectively monitor the impact of funding on educational outcomes and the extent to which nationally consistent policies are contributing to legislative objectives.

2.46 The Australian Education Amendment Act, which was passed in June 2017, provided for independent reviews of arrangements and requirements relating to funding for schools, to be conducted by the National School Resourcing Board. The Act states that these reviews may address whether funding has been distributed on a needs-basis and may measure educational outcomes against the rate of school funding. The Board was formed in November 2017. There is scope for the department to strengthen its analysis of school funding allocation data to support the Board in the delivery of its functions and to further inform the development and refinement of education policy.

## Recommendation no.2

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

**Department of Education and Training’s response: Agreed.**

2.48 *The department currently collects and analyses information from approved system authorities relating to the distribution of funding between their member schools.*

2.49 *As outlined in the response to Recommendation No. 1, the Government has established the National School Resourcing Board to provide greater independent oversight over Commonwealth school funding.*

2.50 *The Board will review whether approved system authorities, including states and territories, distribute their funding in accordance with a needs-based funding arrangement which complies with the Act. Review reports will be tabled in Parliament and will provide greater transparency to the Australian community on the distribution of Australian Government funding within systems.*

### 3. Monitoring the implementation of, and progress against, policy objectives

---

#### Areas examined

This chapter assesses the activities established by the Department of Education and Training (the department) to monitor the implementation of the reform directions and key policy requirements established under the *Australian Education Act 2013* (the Act).

#### Conclusion

While the department has established processes to monitor the progress of national reform directions and ongoing policy requirements, weaknesses in these processes and their implementation have limited the level of assurance obtained by the department. Overall, the arrangements established by the department have not delivered the level of transparency and accountability envisaged under the Act and the department has not fully utilised available data to inform the development of current and future education policy. The department is, however, working to strengthen its capacity to undertake data analysis and has, more recently, increased its use of data analysis, particularly in the context of developing legislative amendments.

#### Areas for improvement

The ANAO has made two recommendations aimed at: improving the monitoring of legislative compliance and the transparency over the use of Australian Government funding; and making greater use of available data to better understand the impact of funding on educational outcomes.

The ANAO also made one suggestion aimed at strengthening the evidence base underpinning education policy by evaluating the extent to which the educational outcomes set out in the Melbourne Declaration have been achieved.

3.1 The primary objective of the Act is ‘to ensure that the Australian schooling system provides a high quality and highly equitable education for all students’<sup>39</sup> by having regard to five agreed targets monitored through the COAG framework (see Chapter 1, Box 1). The Act also contains additional provisions that set out, and give effect to, the Government’s five specific education reform directions: quality teaching; quality learning; empowered school leadership; transparency and accountability; and meeting student needs (see Box 3).<sup>40</sup> In addition, the Act underpins the Australian Government’s efforts to achieve improved educational outcomes through nationally consistent approaches to schooling in Australia.

3.2 A series of ongoing policy requirements are also prescribed in the Act, which authorities must comply with in order to be approved by the Minister as authorities to which recurrent funding is paid (see Box 5, paragraph 3.20).<sup>41</sup> These policy requirements generally align with national policy objectives and the reform directions.

---

39 *Australian Education Act 2013*, section 3(1).

40 *Australian Education Act 2013*, sections 3(3) to 3(8).

41 *Australian Education Act 2013*, section 77.

## Have appropriate arrangements been established to monitor the progress of agreed reform directions established under the National Education Reform Agreement?

The department has not established robust arrangements to monitor the implementation plans that are required to be developed, published and maintained by authorities participating in the National Education Reform Agreement (NERA), or used the plans to measure progress against reform directions. Further, the department has not conducted bilateral discussions, prepared annual progress reports or conducted a comprehensive review as required under relevant bilateral agreements. As a consequence, the department is not well placed to determine the extent to which reform directions established under the NERA have been progressed by authorities.

3.3 To progress the five reform directions set out within it (see Box 3), the Act prescribes that participating authorities under the NERA<sup>42</sup> must establish and maintain an implementation plan that must be reviewed, kept up to date and published in a form that is readily accessible to the public. This requirement reflects the NERA's emphasis on the importance of public reporting to support accountability to the community for progress against agreed objectives:

Accountability through public reporting is a key mechanism to give the community confidence that outcomes are being achieved to improve the quality and equity of Australia's schooling system.

3.4 The implementation plan<sup>43</sup> is to describe the activities, programs and initiatives to be undertaken by the authority that will contribute to achieving the reform directions. The implementation plan must also set out milestones and timelines for implementing those activities, programs and initiatives.

### Box 3: Education reform directions under the *Australian Education Act 2013*

#### Quality teaching

All teachers will have the skills, and support they require, to improve their performance over time and to deliver teaching of a high quality to all of their school students. The work of teachers will:

- (a) reflect rigorous professional standards and best practice; and
- (b) be based on evidence of successful teaching methods.

#### Quality learning

Australian schooling will provide a high quality educational experience with an environment and curriculum that supports all school students to reach their full potential.

42 As previously noted, the governments of New South Wales, South Australia, and the Australian Capital Territory are participants under the NERA. All non-government approved authorities are also participants under the NERA.

43 The requirement for implementation plans will be removed from the Act in January 2018, consistent with the *Australian Education Amendment Act 2017*.



### Box 3: Education reform directions under the *Australian Education Act 2013*

#### **Empowered school leadership**

Leaders in schools will have the resources, the skills, and greater power, to make decisions and implement strategies at the local level to obtain the best outcomes for their schools and school students.

#### **Transparency and accountability**

Support will be provided to schools to find ways to improve continuously by:

- (a) analysing and applying data on the educational outcomes of school students (including outcomes relating to the academic performance, attendance, behaviour and wellbeing of school students); and
- (b) making schools more accountable to the community in relation to their performance and the performance of their school students.

Data collected on schools and school students will:

- (a) be of a higher quality;
- (b) contain more detail;
- (c) be more consistent; and
- (d) be more available to the public;

than data currently collected on schools and school students.

#### **Meeting student need**

Australian schooling will place the highest priority on:

- (a) identifying and addressing the needs of school students, including barriers to learning and wellbeing; and
- (b) providing additional support to school students who require it.

Note: From January 2018, these reform directions will be removed from the Act, consistent with the *Australian Education Amendment Act 2017*. The objects of the Act will be: (a) to provide a Commonwealth needs-based funding model for education that: (i) includes a base amount of funding for every student and loading for students and schools who need extra support; (ii) is affordable, simple, predictable and fair; and (iii) invests in evidenced-based reforms that will improve student outcomes; (b) to support the objectives of intergovernmental agreements on school education.

Source: *Australian Education Act 2013*, section 3(3) to 3(8).

3.5 The bilateral agreements with participating jurisdictions under the NERA specified that annual bilateral discussions would be held to assess progress against the objectives of the agreement, coupled with the submission of annual progress reports. A comprehensive review of all elements of the NERA, including funding and policy elements, was also to be completed by June 2016.

3.6 While not all authorities are participants under the NERA, the requirement for an implementation plan to be developed applied to authorities representing half of all schools and students and accounting for 60 per cent of all Australian Government recurrent funding to schools (see Table 3.1).



**Table 3.1: Application of the implementation plan requirement, 2016**

Approved authority type	Schools represented		Students		Funding allocated	
	No.	% of total school population	No.	% of total student population	\$	% of total Australian Government funding
Participating states (NSW, SA, ACT)	2744	29	982 990	26	2 356 333 404	15
Non-government approved system authorities (N = 26)	1879	20	824 409	22	6 843 563 816	42
Non-government approved authorities for more than one school (N = 37)	125	1	72 993	2	483 928 357	3
<b>Total</b>	<b>4748</b>	<b>50</b>	<b>1 880 392</b>	<b>50</b>	<b>9 683 825 577</b>	<b>60</b>

Source: ANAO analysis of departmental documentation.

3.7 The participating jurisdictions provided their implementation plans with the bilateral agreement signed under the NERA.

3.8 In December 2013, the department approved the authorities for non-government schools as approved system authorities under the Act, requiring each authority to maintain an implementation plan. By countersigning the approved system arrangement supplied by the department, which included a template for an implementation plan, the approved system authorities certified that they had an implementation plan in place. Four approved system authorities did not use the template provided by the department and developed their own implementation plan, which was provided to the department.

3.9 The department did not monitor whether non-systemic authorities for more than one school maintained an implementation plan. The department advised that monitoring was not undertaken in an effort to reduce the regulatory burden for the education sector.

3.10 The ANAO's review of the implementation plan template developed by the department identified that it did not set out clear milestones, timelines or performance indicators. Further, there were inconsistencies across templates, with those templates provided to Catholic system authorities containing different requirements to those provided to independent system authorities (see Table 3.2).

**Table 3.2: Example of implementation plan requirements for approved system authorities**

Reform direction	Independent system authority requirement	Catholic system authority requirement
Meeting student need	<p>Provide detail regarding the needs-based funding arrangements that the authority will use to distribute Commonwealth funding that complies with the needs-based funding principles as required under the Act.</p> <p>Further develop this implementation plan in relation to local delivered initiatives that support meeting student need.</p>	<p>'Implement (or continue) needs-based funding arrangements that provide a per capita grant for each student, supplemented by additional funding targeted at individual student need.'</p> <p>Work with the Australian Government on the development of a national funding model for schooling, including:</p> <ul style="list-style-type: none"> <li>• developing a fair and sustainable funding national model</li> <li>• phased implementation over 2013–2015 of the nationally consistent collection of data on school students with a disability</li> <li>• continued work to develop a funding loading formula for students with a disability so that future funding can be based on each student's level of need for implementation for the 2015 school year.</li> </ul> <p>Further develop this implementation plan in relation to local delivered initiatives that support meeting student need.</p>

Source: ANAO analysis of departmental documentation.

3.11 The department advised the ANAO that the requirements relating to needs-based funding arrangements, as outlined in the implementation plan templates for Catholic and independent system authorities, were developed in consultation with the non-government schooling sector and reflected a commitment to reduce regulatory burden. The department further advised that it has not monitored whether approved system authorities had an implementation plan in place or whether their funding model was publicly available and transparent (see earlier Table 2.2). The ANAO reviewed the websites of the 25 non-government approved system authorities and the 39 non-government approved authorities for more than one school and located three implementation plans. The bilateral discussions, annual progress report and comprehensive review have also not been undertaken.

3.12 While acknowledging the benefits that can accrue from a reduction in 'red tape', any reduction in regulation should be informed by an appropriate assessment of risk, including the risk of non-compliance with legislative requirements or reduced transparency and accountability. More effective monitoring of the implementation planning process, together with the conduct of regular bilateral discussions, the completion of annual progress reports and the completion of the comprehensive review as foreshadowed in the NERA, would have better positioned the department to monitor progress towards the reform directions. In addition, strengthening monitoring arrangements would have contributed to the department's understanding of the

impact of Australian Government school funding in achieving reform directions, and informed the development and further refinement of education policy.

3.13 To outline the potential risks associated with reducing reporting and compliance requirements, the ANAO examined the department's management of the Students First Support Fund (see Box 4).

#### Box 4: Students First Support Fund

The Students First Support Fund (the fund) was established by the department during negotiations between the Australian Government, the Associations of Independent Schools and the Catholic Education Commissions on school funding arrangements in 2013. The fund provided \$165 million over four years as implementation funding to non-government representative bodies (NGRBs)<sup>a</sup>, of which \$55 million was provided to the Catholic Education Commissions and \$110 million to the Associations of Independent Schools.

The objective of the fund was to enable NGRBs such as the Catholic Education Commissions and Associations of Independent Schools to support the 'implementation of the national reform efforts and school improvement generally.' A review commissioned by the department in December 2016 into the outcomes of the fund found that no further guidance on how the funding was to be expended was provided within the Memorandum of Understanding (MoUs), and decisions on program design and objectives were the responsibility of the individual NGRBs.

The MoUs required that the NGRBs provide annual reports to the Minister containing a summary of outcomes and work undertaken for the prior year against the objectives of the fund. The review into the fund found that no further guidance on how the reports were to be structured was provided. Covering letters to the MoUs stated that the department would work with the NGRBs to agree appropriate performance measures that did not impose an unnecessary reporting burden. However, the department was unable to provide the ANAO with evidence of the work undertaken to develop performance measures with the NGRBs.

All NGRB's provided work plans and annual reports to the department as required by the MoUs. The ANAO's analysis identified that the quality and content of the plans and reports varied considerably. Seven of the 16 NGRBs did not report funding allocations or budgets. Three of the NGRBs did not report against success indicators and two NGRBs did not identify success indicators in their work plans. Two NGRBs provided reports longer than 200 pages, while four NGRBs provided reports that were less than ten pages in length. The work plan for one NGRB stated that not all authorities would undertake activities listed in the plan and not all of the success indicators it had listed were relevant to achieving the education reform directions.

#### Box 4: Students First Support Fund

The review of the fund found that funds had been largely absorbed into existing initiatives rather than allocated to support implementation of national reforms. Consequently, the review concluded that the department had been unable to provide assurance that the funding provided through the fund had been expended in line with the Government's reform priorities for education. The review did find, however, that the Students First Support Fund had provided a significant stimulus to enable NGRB's to implement a set of school support strategies, including professional learning opportunities, consultancy advice and coaching and mentoring services.

The department undertook minimal monitoring of the manner in which funds were used or reported and the outcomes achieved by NGRBs. Further, no baseline data was collected by the department to help evaluate the success or otherwise of the program.

Following the passage of the Education Amendment Act in June 2017, the Government announced the Non-Government Reform Support Fund (\$186.4 million over five years from 2018) for non-government representative bodies to support implementation of national and state reforms in all non-government schools. The design of the new fund has adopted a number of the suggested improvements in the review of the Students First Support Fund, such as a focus on national priorities, activities being coordinated with states and territories, and monitoring of spending by non-government representative bodies.

Note a: Non-government representative bodies represent the interests of one or more approved authorities for non-government schools. Non-government representative bodies enable the Australian Government to provide funding under the Act for activities relating to education that is not provided directly to schools.

### Recommendation no.3

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

**Department of Education and Training's response: Agreed.**

3.15 *The National Education Reform Agreement was not signed by all states and territories, which made it difficult to progress and track national reform directions as outlined in that agreement. The Australian Government has instead focused on working closely with states and territories through the Council of Australian Governments' (COAG) Education Council to progress national reforms.*

3.16 *The Measurement Framework for Schooling in Australia 2015 provides the basis for national reporting on the performance of schooling in Australia, as agreed by education ministers. The framework incorporates measures arising from the Melbourne Declaration on Educational Goals for Young Australians and measures reflecting COAG targets and performance indicators drawn from the revised National Education Agreement (2012) and the National Education Reform Agreement (2013).*

3.17 *Under the amended Australian Education Act 2013, implementation of nationally agreed reforms is a condition of funding and, from 2018, states and territories are required to be signatories to a national schooling reform agreement and associated bilateral implementation agreements.*

3.18 *In addition to the existing ongoing policy requirements, approved authorities will also be required to cooperate with their state or territory government to implement initiatives in national and bilateral agreements.*

3.19 *The department will continue to enhance its processes to monitor and track compliance with policy obligations under the Australian Education Act 2013. This will include implementation of a validation process to ensure consistent follow-up on non-compliance and consistent evidence requirements for approved authorities to demonstrate compliance.*

### Have appropriate arrangements been established to monitor the implementation of ongoing policy requirements?

The department uses compliance certificates prepared by authorities to monitor the implementation of ongoing policy requirements established under the Act, but weaknesses in administrative arrangements for these certificates limit the assurance obtained. In particular, the inconsistent follow-up of reported non-compliance; the heavy reliance on self-reporting in the absence of targeted verification activity; and the absence of evidence to demonstrate compliance limit the usefulness of the certificate process.

3.20 The Act (section 77) sets out the ongoing policy requirements that all approved authorities must comply with as a condition of approval (see Box 5).

**Box 5: Ongoing policy requirements under the *Australian Education Act 2013*—section 77 (extract)**

The ongoing policy requirements for an approved authority for the schools for which the authority is approved are the following:

- (a) the approved authority has in place processes and procedures for enhancing principal and teacher performance and professional development at the schools in accordance with the regulations;
- (b) the approved authority implements a curriculum at the schools in accordance with the regulations;
- (c) the approved authority ensures that the schools participate in the national assessment program in accordance with the regulations;
- (d) the approved authority ensures that:
  - (i) the authority has a school improvement framework in accordance with the regulations; and
  - (ii) each school develops, implements, publishes and reviews a school improvement plan in accordance with the Regulation<sup>a</sup>;
- (e) the approved authority complies, and ensures each school complies, with relevant disability discrimination laws of the Commonwealth, a State or a Territory; and
- (f) the approved authority provides information in accordance with the Regulation.

Note a: Section 44 of the Regulation, which addressed the provision of subsection (d) of the Act, was repealed in 2016.

Source: *Australian Education Act 2013*, section 77(2).

3.21 Since 2008, the department has used compliance certificates to monitor compliance with the policy requirements outlined in previous legislation, including the *Schools Assistance Act 2008*. The most recent version of the compliance certificate is used by the department to enable approved authorities in receipt of Australian Government funding to report on their compliance with section 77, ongoing policy requirements. All approved authorities, including states and territories, are expected to complete the compliance certificate annually with regard to the previous calendar year's schooling. The department advised that, in recognising that there is no legislative requirement for approved authorities to complete the certificate, the compliance certificate process represents a 'light touch' mechanism to promote awareness among approved authorities of relevant legislative responsibilities in order to promote self-compliance.

3.22 In relation to the 2014 and 2015 school years, the questions, to be answered in a yes/no format, were:

- Did your school implement the Australian Curriculum (teach, assess and report on student achievement standards in the curriculum) as required in your state or territory?
- Has your school collected and reported information on the sex, Indigenous status, socioeconomic background (parental education and occupation) and language background of all students enrolled in the 2014/2015 school year?
- Has your school provided parents and carers with readily understandable reports for each subject on student achievement (A to E or equivalent reports)?

- Did your school implement the Australian Teacher Performance and Development Framework; and provide access to ongoing professional development consistent with the Australian Charter for the Professional Learning of Teachers and School Leaders?

3.23 As the questions that are included in the compliance certificate do not address all aspects of the ongoing policy requirements established under the Act, the level of assurance obtained through the certificate process is necessarily limited.

3.24 In 2015, states and territories were also requested to confirm that their schools had participated in the National Assessment Program. This question was not asked in relation to non-government schools. The department advised that this was because there was insufficient time available to make relevant IT system changes.

3.25 For the school years 2014 and 2015, states and territories that answered 'yes' to a question were required to provide supporting information to evidence compliance. In contrast, additional supporting evidence was not sought from approved authorities for non-government schools. If an approved authority answered 'no' to any of the questions, they were required to outline:

- how many schools did not meet the requirement;
- the reasons for not meeting the requirement; and
- any steps that were being taken to ensure the requirement would be met in the future.

3.26 The department reviews each instance of non-compliance and examines the reasons provided by the authorities that reported non-compliance to determine if any follow-up action is required. The department may decide to request additional justification from some of these authorities if it deems it necessary. For the 2015 school year, additional justification was requested for 12 of the 47 authorities reporting non-compliance. For the 2014 school year, no additional justification was requested for the 58 instances of reported non-compliance.

3.27 The results of the compliance certificate collections for 2014 and 2015 school years are outlined in Table 3.3. The number of instances of non-compliance and the number of authorities reporting non-compliance is relatively low—approximately five per cent of all approved authorities. However, the approved authorities reporting non-compliance represent a significant proportion of schools—between 16 and 20 per cent.

**Table 3.3: Compliance certificate results, 2014 and 2015**

School year	Compliance certificates submitted	Instances of reported non-compliance		Authorities reporting non-compliance		Schools represented by authorities reporting non-compliance	
		No.	%	No.	%	No.	% (N=9414)
2014	918	58	6	50	5	1466	16
2015	914	50	5	43	5	1866	20

Source: ANAO analysis of departmental documentation.

3.28 The question within the compliance certificate that generated the highest level of non-compliance over both years related to the implementation of the Australian Teacher Performance and Development Framework (28 authorities reporting non-compliance to this question in 2014 and 21 in 2015).

3.29 The ANAO reviewed the department's administration of the compliance certificate process and identified weaknesses, including:

- the compliance certificates' requirements are not consistent. For instance, only states and territories were asked to provide supporting evidence if they answered 'yes' to a question<sup>44</sup>;
- due to differences in record-keeping arrangements between states and territories, no formatted approach was requested to seek evidence of compliance from government authorities. This resulted in a disparity in the evidence submitted for the 2015 school year<sup>45</sup>;
- only answers reporting non-compliance ('no' responses) are examined by the department<sup>46</sup>;
- there is no verification of the 'yes' answers provided by the 859 non-government authorities representing 2765 schools (as at May 2017); and
- the basis on which the department responded to instances of non-compliance is not appropriately documented. Of the 45 cases of non-compliance for the 2015 school year, 11 approved authorities provided a reason that was determined by the department to be unacceptable. Two approved authorities that provided a response deemed acceptable by the department were asked for further evidence and three approved authorities that provided a reason deemed not acceptable were not asked for evidence. It is not clear from the department's records the basis on which it determined the 12 approved authorities that were contacted for further evidence.

3.30 As a result of these weaknesses, including the reliance on self-reporting with limited verification work undertaken, the department has limited assurance in relation to the compliance of authorities with the ongoing policy requirements outlined in section 77 of the Act. The department has acknowledged the limitations of the current compliance certificate arrangements. It also advised that it is exploring options for making the compliance certificate process compulsory from 2018.

---

44 The department advised that the School Entry Point portal, which is used by non-government schools to submit the compliance certificate, does not currently enable the uploading of electronic documents. The department has advised that this functionality will be available in 2018.

45 For example, Western Australia provided a four page document, Tasmania provided a two-page document, and the Australian Capital Territory provided a 108-page document.

46 The department has advised it will be reviewing answers indicating compliance during the 2017 compliance certificate process.



## Has available data been used to measure the impact of funding on educational outcomes?

The department has made limited use of the available data to build its understanding of the impact of funding on educational outcomes. The department is, however, working to build its data and evidence capability, including through the establishment of a branch tasked with helping the department to better manage its data assets.

3.31 As outlined in Chapter 1, the data collected against the targets and key performance measures agreed under the COAG framework is publicly reported in a range of reports published by ACARA, the Productivity Commission and the ABS.<sup>47</sup> The department plays an important role in collecting information from non-government schools for provision to relevant entities for reporting purposes.<sup>48</sup>

3.32 In relation to the provision of education data to Commonwealth entities, approved authorities advised the ANAO that they are required, in some jurisdictions, to provide different forms of student and school level information (census information) separately to state and territory education departments and to the Australian Government Department of Education and Training.<sup>49</sup> While noting these concerns, the department has undertaken significant work over recent years, in collaboration with other jurisdictions and under the auspices of the Education Council's Data Strategy Group, to minimise duplication in the provision of administrative data and to reduce administrative burden for approved authorities and schools.

3.33 In the reports prepared by ACARA, the Productivity Commission and the ABS, detailed performance information is made available across jurisdictions and over time, disaggregated by gender, Indigenous status, language, geolocation, parental education and occupation. The *National Report on Schooling in Australia* and the *Report on Government Services* also includes some financial information (funding allocated by source, sector and jurisdiction). In addition, the My School website provides, for each individual school, income and capital expenditure data, as well as student profiles, NAPLAN performance, enrolment numbers and attendance rates.

3.34 While these reports outline students' achievements against national targets and key performance measures, they do not, in general, include a more qualitative assessment of progress against the high-level educational outcomes (such as the promotion of social inclusion through schooling<sup>50</sup>) or goals (such as 'all young Australians become successful learners, confident and

47 Australia's education performance compared with other countries is also reported by the OECD (in the case of PISA) and by the International Association for the Evaluation of Educational Achievement (for the Trends in International Mathematics Study and the Progress in International Reading Literacy Study). The Australian Government and state and territory governments appoint a national program manager to manage the data collection. The Australian Council for Educational Research is currently the national program manager for the current cycles of these international assessments. All international assessments under the National Assessment Program are jointly funded by the Australian Government and state and territory governments.

48 State and territory education departments provide government school data to relevant organisations directly.

49 As part of its audit work, the ANAO conducted face-to-face consultations and/or an email survey with all approved authorities in April–May 2017.

50 *National Education Agreement between the Commonwealth of Australia and the States and Territories*, 2008, p. 1.

creative individuals, and active and informed citizens'<sup>51</sup>). The most recent report providing an evaluative perspective on achievements against high-level education objectives was the COAG Reform Council's 2013 report, *Education in Australia: Five Years of Performance*<sup>52</sup>, which assessed progress against the five outcomes included in the NEA since 2008 (see Chapter 1 Box 1).

3.35 In this context, there would be benefit in the department exploring options through the Education Council to evaluate achievements under the Melbourne Declaration when it concludes in 2018. An evaluation, building on the extensive data already collected and reported, would provide a useful basis on which to further develop and refine education policy.

### Measuring the impact of funding

3.36 While recognising that assessing the use of school funding in relation to educational outcomes is challenging, the OECD considers that this evaluation task is essential for both accountability and improvement purposes.<sup>53</sup> The 2011 Gonski Review also emphasised the importance of measuring the impact of school funding to support the accountability of public funds and to ensure that funding is directed where it is needed most.<sup>54</sup>

3.37 The Government has reinforced the importance of better understanding the impacts of school funding in the Explanatory Memorandum to the *Australian Education Amendment Act 2017*, stating that 'the Commonwealth is seeking to strengthen the linkage between Commonwealth financial assistance and the implementation of evidence-based reforms to improve student outcomes.'<sup>55</sup>

3.38 As outlined earlier (paragraph 3.33), some financial information on funding sources and allocations by education system, jurisdiction and per student is currently published. This information is descriptive in nature and does not attempt to link funding and educational outcomes. When such a relation is established, there is a reliance on international reviews, in particular reviews conducted by the OECD.<sup>56</sup>

3.39 The department has access to a large volume of data relating to funding, including funding provided by states and territories or other sources (such as private contributions for non-government schools). More recently, the department has increased its use of this data, particularly in the context of developing amendments to the legislative framework governing the Australian Government's provision of school funding. For example, in late 2016 and early 2017, the department analysed the 'capacity to contribute' arrangements for Catholic systemic schools. Specifically, the department analysed financial data for Catholic primary schools for 2014, as reported by ACARA through the My School Website. This analysis was used to inform the development of the *Australian Education Amendment Act 2017*.

---

51 *Melbourne Declaration on Educational Goals for Young Australians*, 2008, p. 7.

52 COAG Reform Council, *Education in Australia: Five Years of Performance*, 21 October 2013.

53 Organisation for Economic Co-operation and Development, *The Funding of School Education: Resources and Learning*, 2017, pp. 200 and 205.

54 Australian Government, *Review of Funding for Schooling*, Final Report December 2011, p. 151.

55 *Australian Education Amendment Act 2017*, Explanatory Memorandum p. 2.

56 For example: Organisation for Economic Co-operation and Development, *PISA in Focus 13: Does money buy strong performance in PISA?*, 2012.

3.40 A 2009 ANAO report of the department's administration of funding for non-government schools had previously identified that, overall, the department conducted little analysis on the range of available data to assist in improving program performance and to inform broader policy advice. The report included a recommendation in relation to this matter.<sup>57</sup> While the department agreed to the recommendation with qualifications, it did state that:

The Department agrees analysis of non-government school data will be undertaken to inform broader policy advice through the forthcoming review of school funding arrangements.

3.41 The department is currently working to strengthen its data analysis capabilities. In July 2016, the department established the Strategic Policy and Data Analytics Branch to improve decision-making and education policy through better use of evidence and data.

3.42 The department is also party to the whole-of-government Data Integration Partnership for Australia program of work and is building the National Education Evidence Base, which is designed to provide a robust source of education data for policy makers, educators, individuals and the community. The aim of the National Education Evidence Base is to reduce issues of data silos to enable better tracking of the education journey across sectors.

3.43 This increased focus on the management of the department's data collection and evidence base, including the focus on exploring linkages with external data sets to inform policy development, has, from the second half of 2016, better positioned the department to determine the impact of funding on educational outcomes and use evidence to inform education policy development and assessment. Nevertheless, there is scope for the department to make greater use of the data that it collects.

---

57 ANAO Report No. 25 2008-09, *Funding for Non-government Schools*, Paragraph 4.14 and Recommendation No. 4.

## Recommendation no.4

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

**Department of Education and Training's response:** *Agreed.*

3.45 *Increasing the use of available data to inform key funding and policy decisions is a high priority for the department, as articulated in the department's 2017–18 Corporate Plan. Improved use of data allows quicker and easier identification of what works and what does not, and enables development and refinement of policies to ensure educational investment maximises student outcomes and provides transparency and accountability.*

3.46 *There are extensive sets of data about school education, distributed across many different repositories with different owners. The department is working with operators, regulators and funders of government and non-government schools to improve the collection, management, usage, sharing, data linkage and reporting of schooling information. This will facilitate improved access to data to assess the impact that policy, funding and pedagogical changes have on educational outcomes.*

3.47 *The department has a dedicated division, Evidence and Assessment Group, which focuses on the collection, management and analysis of data to build a schools and early learning education evidence base. Additionally, the department has created a Strategic Policy and Data Analytics Branch, which is responsible for driving whole-of-department initiatives to improve the use of evidence and data in decision making and policy development, through the establishment of a National Education Evidence Base. The National Education Evidence Base will bring together data on all phases of education: early childhood education and care, schools, vocational education and training and higher education. This will help create a more complete picture of pathways through the Australian education system and support better policy development.*

---



Grant Hehir  
Auditor-General

Canberra ACT  
6 December 2017

## **Appendices**

## Appendix 1 Entity response



Australian Government  
Department of Education and Training

Secretary  
Dr Michele Bruniges AM

Mr Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

*Grant*  
Dear Mr Hehir

### Performance audit – Monitoring the Impact of Australian Government School Funding

Thank you for the request of 27 October 2017 seeking a response to the proposed ANAO audit report on *Monitoring the Impact of Australian Government School Funding*. I would also like to take this opportunity to thank the ANAO's staff for the collaborative way they conducted this audit.

The Department of Education and Training's summary response is provided at [Attachment A](#), and a formal response to the report's recommendations is at [Attachment B](#).

The department is pleased that the report's findings align with work that is currently underway to improve accountability and transparency in school funding. This report will assist in the further refinement of monitoring and compliance activities to ensure that the return on the substantial investment by the Australian Government in school education is optimised.

If you would like further information on the department's response, please contact Ms Mary McDonald, Group Manager Evidence and Assessment, on (02) 6240 9396 or at [mary.mcdonald@education.gov.au](mailto:mary.mcdonald@education.gov.au).

Yours sincerely

*Michele Bruniges*

Dr Michele Bruniges

20 November 2017

Encl.

*Opportunity through learning*

50 Marcus Clarke Street, Canberra ACT 2601  
GPO Box 9880, Canberra ACT 2601 | Phone (02) 6121 6000

## Appendix 2 Schools receiving a variation in funding of more than 30 per cent

**Table A.1: Schools with a decrease in funding of 30 per cent or more, 2015**

School	State	Approved system authority	SES Score	Total general recurrent grant funding provided under the Act	Total funding allocated to school	Difference %
St Benedict's College (Mango Hill)	QLD	Queensland Catholic Education Commission	100	\$6 751 665	\$2 655 369	-61
St Mary of the Cross MacKillop Catholic Parish Primary School (Epping)	VIC	Victorian Catholic Education Commission	101	\$3 351 990	\$1 845 320	-45
Good Shepherd Catholic Primary School (Springfield Lakes)	QLD	Queensland Catholic Education Commission	101	\$2 548 044	\$1 448 226	-43
St Patrick's School (Arnaud)	VIC	Victorian Catholic Education Commission	86	\$1 227 694	\$727 143	-41
St Joseph's School (Tenterfield)	NSW	New South Wales Catholic Education Commission	89	\$1 551 297	\$935 453	-40
St Michael's Primary School (Tallangatta)	VIC	Victorian Catholic Education Commission	95	\$1 060 322	\$644 454	-39
Mt Maria College (Mitchelton)	QLD	Queensland Catholic Education Commission	110	\$14 626 240	\$8 916 279	-39
Holy Family Catholic Primary School (Karama)	NT	Catholic System Northern Territory	102	\$1 814 578	\$1 139 126	-37
St Mary's School (Inglewood)	VIC	Victorian Catholic Education Commission	81	\$1 059 962	\$669 370	-37
All Saints Primary School (Tumbarumba)	NSW	New South Wales Catholic Education Commission	89	\$941 386	\$608 287	-35

School	State	Approved system authority	SES Score	Total general recurrent grant funding provided under the Act	Total funding allocated to school	Difference %
St Joseph's School (Walgett)	NSW	New South Wales Catholic Education Commission	93	\$2 412 014	\$1 573 636	-35
Holy Rosary School (Heathcote)	VIC	Victorian Catholic Education Commission	86	\$1 532 509	\$1 002 953	-35
St Stephen's School (Reservoir)	VIC	Victorian Catholic Education Commission	92	\$982 562	\$650 797	-34
MacKillop Catholic College (Johnston)	NT	Catholic System Northern Territory	100	\$5 455 903	\$3 633 107	-33
St Jerome's Catholic Primary School (Punchbowl)	NSW	New South Wales Catholic Education Commission	89	\$3 978 454	\$2 707 317	-32
Sacred Heart Catholic Primary School (Woodroffe)	NT	Catholic System Northern Territory	98	\$2 798 022	\$1 914 908	-32

Note: SES scores range from 73 to 130. The lower a SES score, the lower the school's socioeconomic status.

Source: ANAO analysis of departmental financial data and financial data reported to the department by approved system authorities. The information in this Figure was amended on 21 December 2017 following further data and documents from the department. Refer to Appendix 3 for further information.

**Table A.2: Schools with an increase in funding of 30 per cent or more, 2015**

School	State	Approved system authority	SES Score	Total general recurrent grant funding provided under the Act	Total funding allocated to school	Difference %
St Joseph's School (Peak Hill)	NSW	New South Wales Catholic Education Commission	92	\$172 514	\$548 697	218
St Therese's Primary School (Yenda)	NSW	New South Wales Catholic Education Commission	89	\$189 179	\$394 919	109
St Patrick's School (Winton)	QLD	Queensland Catholic Education	86	\$446 245	\$913 147	105




School	State	Approved system authority	SES Score	Total general recurrent grant funding provided under the Act	Total funding allocated to school	Difference %
		Commission				
St Francis Xavier's Primary School (Urana)	NSW	New South Wales Catholic Education Commission	95	\$197 812	\$359 531	82
St Mary's Catholic School (Bowen)	QLD	Queensland Catholic Education Commission	89	\$826 843	\$1 469 177	78
St Joseph's Primary School (Finley)	NSW	New South Wales Catholic Education Commission	92	\$470 641	\$827 237	76
St Joseph's School (Manildra)	NSW	New South Wales Catholic Education Commission	90	\$333 646	\$564 000	70
Ocean Forest Lutheran College (Dalyellup)	WA	Lutheran Schools Association of South Australia, Northern Territory and Western Australia	104	\$1 247 724	\$1 990 123	60
St Francis Catholic School (Hughenden)	QLD	Queensland Catholic Education Commission	87	\$600 752	\$954 917	59
St Rita's School (Babinda)	QLD	Queensland Catholic Education Commission	85	\$521 840	\$787 986	51
St Maria Goretti School (Inglewood)	QLD	Queensland Catholic Education Commission	82	\$481 207	\$720 852	50
Southern Cross Catholic Vocational College (Burwood)	NSW	New South Wales Catholic Education Commission	104	\$3 044 530	\$4 376 325	44
Sacred Heart Primary School (Coolah)	NSW	New South Wales Catholic Education Commission	91	\$503 492	\$714 482	42

School	State	Approved system authority	SES Score	Total general recurrent grant funding provided under the Act	Total funding allocated to school	Difference %
St Joseph's Primary School (MacLean)	NSW	New South Wales Catholic Education Commission	87	\$938 315	\$1 329 095	42
St Colman's School (Home Hill)	QLD	Queensland Catholic Education Commission	87	\$741 914	\$1 038 616	40
St John Bosco Catholic School (Collinsville)	QLD	Queensland Catholic Education Commission	86	\$774 500	\$1 079 395	39
St Mary of the Cross Catholic Primary School (Point Cook)	VIC	Victorian Catholic Education Commission	113	\$1 725 092	\$2 399 637	39
St Joseph's School (Uralla)	NSW	New South Wales Catholic Education Commission	91	\$422 533	\$584 768	38
St Peter's Catholic School (Halifax)	QLD	Queensland Catholic Education Commission	83	\$508 223	\$700 263	38
St Joseph's School (Warialda)	NSW	New South Wales Catholic Education Commission	92	\$265 622	\$354 336	33
St Rita's School (South Johnstone)	QLD	Queensland Catholic Education Commission	89	\$1 036 452	\$1 380 283	33
St Pius X Primary School (Windale)	NSW	New South Wales Catholic Education Commission	75	\$722 485	\$940 718	30

Note: SES scores range from 73 to 130. The lower a SES score, the lower the school's socioeconomic status.

Source: ANAO analysis of departmental financial data and financial data reported to the department by approved system authorities. The information in this Figure was amended on 21 December 2017 following further data and documents from the department. Refer to Appendix 3 for further information.

## Appendix 3 Media release from the Department of Education and Training dated 8 December 2017



I need to find out about:



[? Tips for searching this site](#)  
[≡ Search documents](#)

The Department

[Home](#)

# Correction to data in Auditor-General Australian National Audit Office (ANAO) Report No.18 2017-18

For: [All](#)

Friday 8 December 2017

News

The Department of Education and Training apologises unreservedly for incorrect data provided to the Auditor-General Australian National Audit Office (ANAO) Report No.18 2017-18 Performance Audit -Monitoring the Impact of Australian Government School Funding which was used in the analysis provided in Appendix 2 of the report.

The information was reported in the [ANAO](#) report for three schools which are part of Lutheran Education VIC, [NSW](#) & [TAS](#) and the correct information is set out in the following table.

School	Total funding allocated to the school		Difference	
	ANAO report*	Corrected**	ANAO report*	Corrected**
St John's Lutheran Primary School (Jindera)	\$469,061	\$1,725,262	-73%	0.16%
St Paul's Lutheran Primary School (Henty)	\$201,086	\$469,061	-57%	0.19%
St Paul's College (Walla Walla)	\$5,194,606	\$2,605,352	101%	0.77%


\*as shown in Appendix 2

\*\*corrected data

The department can assure the Lutheran schools and the broader community that the funding for these schools has been paid in accordance with the entitlements calculated under the *Australian Education Act 2013*.

While the information reported in the ANAO report for Cathedral College Wangaratta is correct, the department had overpaid the school in October 2015 by \$4,403,840 due to a system error in the calculation of the school's entitlement. The overpayment was recovered in January 2016.

Share this page on



Popular content

- Homepage
- News
- Education and Training Media Centre
- Careers at the Department of Education and Training
- Department of Education and Training Graduate Program
- Video Gallery
- Archived information

Get assistance

- How to use the site
- Translation services
- Feedback and enquiry form

Stay in touch

- Contact the Department
- Social Media

Legal

- Disclaimer
- Copyright
- Condensed Privacy Policy
- SMS and Call Costs
- Freedom of Information
- Terms of use

Last modified on Friday 8 December 2017 (20016/111301)