

Monitoring the Impact of Government School Funding — Follow-up

Department of Education, Skills and Employment

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Canberra ACT

12 May 2021

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Education, Skills and Employment. The report is titled *Monitoring the Impact of Government School Funding — Follow-up*. 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

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Audit snapshot

Auditor-General Report No.37 2020–21

Monitoring the Impact of Government School Funding — Follow-up



Why did we do this audit?

- ▶ Auditor-General Report No.18 2017–18 found that the Department of Education and Training did not have a sufficient level of assurance that Australian Government school funding had been used in accordance with the legislative framework, in particular the requirement for funding to be distributed to schools on the basis of need. The report made three recommendations.
- ▶ The 2019 Joint Committee of Public Accounts and Audits Report 476, based on Auditor-General Report No.18 2017–18, made seven recommendations, including that the ANAO conduct a follow-up audit.



What did we find?

- ▶ The department is making material progress in improving its effectiveness in administering school funding and has largely implemented the recommendations made in Auditor-General Report No.18 2017–18 and JCPAA Report 476.
- ▶ A robust risk-based approach to monitoring compliance with school funding legislated requirements is in place, but transparency requirements are not yet effectively supported.
- ▶ Monitoring of progress against reform directions and ongoing policy requirements is largely effective.
- ▶ There are limitations in the department's ability to measure the impact of school funding on educational outcomes.



Key facts

- ▶ The Australian Government is the majority public funder of non-government schools; state and territory governments are the majority public funder of government schools.
- ▶ Government financial assistance consists of a base amount for each student and extra funding for disadvantaged students and schools (loadings).
- ▶ The base amount was \$11,747 for each primary student and \$14,761 for each secondary student in 2020.



What did we recommend?

- ▶ The Auditor-General made three recommendations aimed at improving the analysis and transparency of Australian Government school recurrent funding distribution and the measurement of the impact of school funding on educational outcomes.
- ▶ The department agreed to two recommendations and agreed in principle to one recommendation.

816

approved authorities receiving
Australian Government recurrent
funding in 2019.

2019–23

term of the National School
Reform Agreement.

\$20.23b

Australian Government recurrent
funding provided to schools in 2019.

Summary and recommendations

Background

1. The *Australian Education Act 2013* (the Act) provides Commonwealth financial assistance for schools and imposes conditions on funding, including requirements to implement a needs-based funding model for school education and comply with intergovernmental agreements on school education and nationally agreed policy initiatives.
2. The primary intergovernmental agreement for education is the National School Reform Agreement (NSRA) between the Commonwealth and states and territories.¹ The NSRA commenced in January 2019 and will expire in December 2023. The objective of the NSRA is that the agreement should contribute to 'Australian schooling providing a high quality and equitable education for all students'. Three reform directions are central to the agreement:
 - supporting students, student learning and student achievement;
 - supporting teaching, school leadership and school improvement; and
 - enhancing the national evidence base.
3. These reform directions are supported by eight national policy initiatives and a series of state-specific activities. The agreement specifies that the Education Council is responsible for overseeing the implementation of the NSRA.²
4. The Department of Education, Skills and Employment (the department) is responsible for national education policy and programs, including school education.
5. For the 2019 school year, the Australian Government provided \$20.23 billion in recurrent funding for schools, divided between non-government schools (\$12.17 billion) and government schools (\$8.06 billion). The Australian Government is the majority public funder of non-government schools, and state and territory governments are the majority public funder of government schools. Table 1.1 shows the total gross income received for each student in 2018 by government, Catholic and independent schools.

1 Council of Australian Governments, *National School Reform Agreement*, December 2018.

2 The Education Council represented the council arrangements for ministers from the Australian Government and states and territories with responsibility for school education. The Education Council was part of the Council of Australian Governments (COAG) until 29 May 2020, when COAG was dissolved. The Education Council met for the last time in December 2020, and issued a communique stating that, 'Education Ministers will continue to meet in 2021 as the Education Ministers Meeting, with a revised focus on key strategic priorities and an emphasis on delivering effective outcomes'. Education Council, *Meeting Communique*, 15 December 2020.

Table 1.1: Gross recurrent income for each student by funding source, 2018

	Australian Government		State and territory governments		Private sources ^a		Total
	\$	%	\$	%	\$	%	\$
Government schools	2,920	20	11,269	75	751	5	14,940
Catholic schools	9,359	57	2,678	16	4,365	27	16,402
Independent schools	7,735	34	2,455	11	12,839	56	23,029

Note a: Income from private sources includes fees, charges and parental contributions.

Source: ANAO analysis based on Australian Curriculum Assessment and Reporting Authority, *National Report on Schooling in Australia* data portal, 2018 data.

6. The amount of Australian Government financial assistance that a school attracts for a year is determined using the formula set out in the Act. It consists of a base amount for all students, different for primary and secondary students and reduced depending on the capacity of the school community to contribute; plus loadings aiming to provide extra funding for disadvantaged students and schools.³

7. The Act establishes that each school must have an approved authority, which is the legal entity that receives Australian Government recurrent funding for one or more schools.⁴ Approved authorities are divided between:

- approved authorities for one school, and non-systemic approved authorities operating more than one school: these authorities must distribute recurrent funding to their member schools as determined by the formula set out in the Act, and cannot retain funding for administrative purposes; and
- approved system authorities, which operate more than one school and are able to re-distribute funding to their member schools according to their own needs-based funding arrangement. These authorities may retain part of the funding for administrative purposes.

8. In 2019 there were 816 approved authorities, including 34 approved system authorities: eight state and territory governments for government schools, representing 66 per cent of students; eight Catholic school system authorities, representing 17 per cent of students; and 18 independent school system authorities, representing four per cent of students.

3 For 2020, the base amount was \$11,747 for each primary student and \$14,761 for each secondary student. The loadings are provided for: students with disability; Aboriginal and Torres Strait Islander students; socio-educational disadvantage; students who have a low English proficiency; schools that are not in major cities; and schools that are not large schools.

4 For a government school located in a state or territory, the approved authority is the state or territory government. For a non-government school, the approved authority is a body corporate that is approved by the Minister for the school.

Rationale for undertaking the audit

9. In 2017 the Auditor-General conducted an audit of Australian Government funding for schools.⁵ The audit concluded that the arrangements established by the Department of Education and Training⁶ to monitor the impact of Australian Government school funding did not provide a sufficient level of assurance that funding had been used in accordance with the legislative framework, in particular the requirement for funding to be distributed to schools on the basis of need. The report made four recommendations, with which the department agreed.

10. In 2018 the Joint Committee of Public Accounts and Audit (JCPAA) conducted an inquiry into Australian Government funding based on several ANAO reports, including Auditor-General Report No.18 2017–18.⁷ The report on the inquiry made seven recommendations relating to school funding, including one aimed at the ANAO conducting a follow-up audit of the monitoring arrangements for Australian Government school funding. The department agreed to five recommendations, and the Australian Government disagreed with one recommendation (Recommendation no.1).⁸

11. The appropriate and timely implementation of agreed recommendations is an important part of realising the full benefit of a parliamentary inquiry or an audit, and for demonstrating accountability to the Parliament. This follow-up audit provides assurance on the implementation of the recommendations made by the JCPAA and the ANAO.

12. The Australian Government provided over \$20 billion in recurrent funding for schools for the 2019 school year.

Audit objective and criteria

13. The objective of the audit was to assess the department's: effectiveness in administering school funding; and implementation of recommendations made in Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* and JCPAA Report 476: *Australian Government Funding*.⁹ The recommendations and the ANAO's conclusions about their implementation are presented in Appendix 2.

14. To form a conclusion against the audit objective, the following high-level criteria were applied:

- Does the department effectively administer the requirements of the legislation to gain assurance that funding has been distributed in accordance with legislative requirements?

5 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, Canberra, December 2017.

6 The administrative arrangements order of 5 December 2019, with effect from 1 February 2020, transferred employment and skills functions to the renamed Department of Education, Skills and Employment.

7 Parliament of Australia, Joint Committee of Public Accounts and Audits, *Report 476: Australian Government Funding*, Canberra, February 2019.

8 The department's responses to the JCPAA recommendations are available from https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/SchoolsIndigenousHealth/Government_Response [accessed 28 January 2021].

9 JCPAA Report 476 was based on two Auditor-General reports: No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* and No.50 2017–18 *Primary Healthcare Grants under the Indigenous Australians' Health Program*. The scope of this audit includes the JCPAA inquiry based on Auditor-General Report No.18 2017–18.

- Does the department enforce legislative provisions that enable it to monitor progress against the achievement of reform directions and the implementation of ongoing policy requirements?
- Does the department measure the impact of school funding on educational outcomes?

Conclusion

15. The department is making material progress in improving its effectiveness in administering school funding and has largely implemented the recommendations made in Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* and JCPAA Report 476: *Australian Government Funding*.

16. The department's administration of legislated requirements to gain assurance that funding has been allocated, used and distributed in accordance with the requirements is partially effective. A robust risk-based approach to monitoring compliance has been developed and implementation is in the early stages. The department has largely effective mechanisms in place to ensure the accuracy of funding allocation. The department does not yet effectively support the transparency of Australian Government funding allocation and does not analyse school funding allocation data to ensure that funding is distributed in accordance with need.

17. Monitoring of progress against reform directions in the National School Reform Agreement (NSRA), Reform Support Fund and Choice and Affordability Fund and against ongoing policy requirements is largely effective.

18. The department's approach to assessing the impact of school funding on educational outcomes is not fully effective. Some of the reform directions, including those relating to teaching quality, do not have performance measures and the department's use of school data is still limited.

Supporting findings

Monitoring funding allocation and distribution

19. A risk-based approach to monitoring compliance with legislative requirements has been developed and the components of the approach are robust and relevant. As at January 2021, implementation of the approach was in the early stages.

20. The department's activities to gain assurance on the allocation and use of school funding are largely effective. The department has effective mechanisms in place to ensure the accuracy of funding allocation. Issues relating to the sampling approach used to verify the financial questionnaire and the qualification requirements of the person submitting the block allocation report have not been resolved. These issues reduce the level of assurance that funding is used in accordance with legislation.

21. The department does not yet effectively support the transparency of Australian Government funding allocations as prescribed in the Act. The department has initiated activities to ensure that system authorities' needs-based funding arrangements are publicly available and transparent, but implementation by the sector is not scheduled until 2022. Also, the department does not ensure that the legislative requirement to report publicly on the application of any financial assistance paid to an approved authority is met.

22. The department does not analyse school funding allocation data to gain assurance that funding is distributed in accordance with need.

Monitoring progress against reform directions and ongoing policy requirements

23. The department effectively monitors progress against reform directions in the NSRA, Reform Support Fund and Choice and Affordability Fund. The department also fulfils its transparency requirements by making all reports from states, territories and non-government representative bodies (NGRBs) publicly available on its website, but does not always ensure NGRBs fulfil their transparency requirements.

24. The department is improving the effectiveness of its monitoring of the implementation of legislated ongoing policy requirements. The process to verify compliance with the requirements has improved, however some weaknesses in the documentation of the process and some inconsistencies between compliance certificates for government and non-government authorities impact on the level of assurance provided by compliance certificates. The process could also be more timely.

Measuring the Impact of School Funding

25. The framework for measuring achievement of the NSRA is largely effective. The *Measurement Framework for Schooling in Australia* includes indicators to measure progress against the NSRA outcomes and objective, but not against some of the reform directions, in particular those related to teaching and data quality.

26. While the department is establishing mechanisms to enable the effective use of school data to inform policy, to date the use of these mechanisms by staff is limited.

Recommendations

Recommendation no. 1 The Department of Education, Skills and Employment effectively support the Minister to meet the requirement of the Act to report annually to the Parliament on any financial assistance paid to an approved authority and the application of any financial assistance paid to an approved authority (section 127 of the *Australian Education Act 2013*).

Paragraph 2.43

Department of Education, Skills and Employment response:
Agreed.

Recommendation no. 2 The Department of Education, Skills and Employment analyse school funding allocation data to gain assurance that school funding is distributed in accordance with need as required under the Australian Education Act 2013.

Paragraph 2.53

Department of Education, Skills and Employment response:
Agreed.

Recommendation no. 3
Paragraph 4.14

The Department of Education, Skills and Employment:

- (a) ensure that, following the expiry of the National School Reform Agreement in December 2023, any future national agreement on schooling includes clearly defined measures to assess the success of policy initiatives and reform directions; and
- (b) work with the Australian Curriculum, Assessment and Reporting Authority and jurisdictions to ensure that performance measures to assess the effectiveness of the National School Reform Agreement's reform directions are included in the development of new performance measures for the *Measurement Framework for Schooling in Australia*.

Department of Education, Skills and Employment response:
Agreed in principle.

Summary of Department of Education, Skills and Employment response

The Department of Education, Skills and Employment welcome this report.

This audit report acknowledges the significant efforts the Department has made to implement changes recommended by the ANAO's performance audit of December 2017.

As highlighted in the report, the Department has implemented a risk-based approach to monitoring compliance with legislative requirements, and the components of the approach are robust and relevant. There are effective mechanisms to ensure the accuracy of funding allocation.

The report also finds that the Department effectively monitors progress against the reform directions in the National School Reform Agreement, the Reform Support Fund and the Choice and Affordability Fund.

The Department acknowledges that further improvements can be made on the transparency of Australian Government school funding distribution and the measurement of the impact of school funding on education outcomes.

Key messages from this audit for all Australian Government entities

27. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Governance and risk management

- The adequate and timely implementation of agreed recommendations is an important element of realising the full benefit of those recommendations. It also serves to demonstrate the entity's commitment to improving public administration and being accountable to parliament. In November 2019, the ANAO published *Implementation of Recommendations Audit Insights*, outlining the approaches entities are taking to implement recommendations to improve public administration practices and outcomes. The Department of Education, Skills

and Employment had effective processes in place to provide responses to the recommendations made by the Joint Committee of Public Accounts and Audit.

- When administering legislative requirements, an overarching framework that clearly articulates the purpose of risk-based compliance and assurance activities can provide the Parliament with confidence that money is being spent in accordance with legislative requirements. It can also enhance transparency and promote compliance among relevant stakeholders. In January 2014, the ANAO published *Administering Regulation Audit Insights*, which discusses the importance of entities developing a strategic, diligent and risk-based regulatory compliance approach.
- Transparency requirements prescribed by legislation or in agreements should be implemented or monitored by entities, as transparency is an important aspect of accountability.

Performance measurement

- Entities have a key responsibility in monitoring the impact of the policies they are administering. The work done by the Department of Education, Skills and Employment to improve its monitoring of school funding places it in a good position to be able to gain a better understanding of the impact of school funding on educational achievement.
- When an entity has large data sets, organising these into data analytics platforms will support informed decision making and policy development.

Audit findings

1. Background

Introduction

1.1 In December 2019 Australia's education ministers signed the *Alice Springs (Mparntwe) Education Declaration*, which sets out the shared vision for education in Australia:

A world class education system that encourages and supports every student to be the very best they can be, no matter where they live or what kind of learning challenges they may face.¹⁰

1.2 This vision reflects the objective of the *Australian Education Act 2013* (the Act). The Act provides Commonwealth financial assistance for schools and imposes conditions on funding, including requirements to implement a needs-based funding model for school education and comply with intergovernmental agreements on school education and nationally agreed policy initiatives.

1.3 The primary intergovernmental agreement for education is the National School Reform Agreement (NSRA). The NSRA is a joint agreement between the Commonwealth and states and territories, setting out the long-term national goals for school education reform in Australia. The NSRA commenced in January 2019, replacing the previous agreement (the National Education Reform Agreement), and will expire in December 2023. The objective of the NSRA is to contribute to 'Australian schooling providing a high quality and equitable education for all students'. To this end, the agreement outlines 'a set of strategic reforms in areas where national collaboration will have the greatest impact, builds on current national reform efforts, complements state and territory leadership in each jurisdiction and supports local implementation'.¹¹ Three reform directions are central to the agreement:

- supporting students, student learning and student achievement;
- supporting teaching, school leadership and school improvement; and
- enhancing the national evidence base.

1.4 These reform directions are supported by eight national policy initiatives and a series of state-specific activities (Chapter 3 provides more detail on the NSRA reforms). The agreement specifies that the Education Council is responsible for overseeing the implementation of the NSRA.¹²

10 The *Alice Springs (Mparntwe) Education Declaration* replaced the *Melbourne Declaration on Educational Goals for Young Australians* in December 2019. It sets out the national vision for education and the commitment of Australian governments to improve educational outcomes. The Declaration has two goals: 'The Australian education system promotes excellence and equity' and 'All young Australians become confident and creative individuals, successful lifelong learners, and active and informed members of the community'. The first goal is aligned to the National School Reform Agreement's objective ('Australian schooling provides a high quality and equitable education for all students').

11 Council of Australian Governments, *National School Reform Agreement*, January 2019, clauses 5 and 34.

12 The Education Council represented the council arrangements for ministers from the Australian Government and states and territories with responsibility for school education. The Education Council was part of the Council of Australian Governments (COAG) until 29 May 2020, when COAG was dissolved. The Education Council met for the last time in December 2020, and issued a communique stating that, 'Education Ministers will continue to meet in 2021 as the Education Ministers Meeting, with a revised focus on key strategic priorities and an emphasis on delivering effective outcomes'. Education Council, *Meeting Communique*, 15 December 2020.

1.5 The Department of Education, Skills and Employment (the department) is responsible for national education policy and programs, including in school education. The department's contribution to schooling is delivered through Outcome 1 of the 2020–21 Portfolio Budget Statements. The following responsibilities, under Outcome 1, relate to the administration of school funding:

- administering recurrent funding entitlements and monitoring compliance with the requirements under the Act to ensure the accuracy and integrity of payments; and
- working in partnership with state and territory governments, non-government education authorities, national education agencies and other key stakeholders to develop and implement the national policy initiatives under the NSRA.¹³

Schooling funding

1.6 For the 2019 school year, the Australian Government provided \$20.23 billion in recurrent funding for schools, divided between non-government schools (\$12.17 billion) and government schools (\$8.06 billion). The Australian Government is the majority public funder of non-government schools, and state and territory governments are the majority public funder of government schools. Table 1.1 shows the total gross income received for each student in 2018 by government, Catholic and independent schools.

Table 1.1: Gross recurrent income for each student by funding source, 2018

	Australian Government		State and territory governments		Private sources ^a		Total	
	\$	%	\$	%	\$	%	\$	%
Government schools	2,920	20	11,269	75	751	5	14,940	100
Catholic schools	9,359	57	2,678	16	4,365	27	16,402	100
Independent schools	7,735	34	2,455	11	12,839	56	23,029	100

Note a: Income from private sources includes fees, charges and parental contributions.

Source: ANAO analysis based on Australian Curriculum Assessment and Reporting Authority, *National Report on Schooling in Australia* data portal, 2018 data.

1.7 The amount of Australian Government financial assistance that a school attracts for a year is determined using the formula set out in the Act. It consists of a base amount for all students and is reduced depending on the capacity of the school community to contribute¹⁴; plus loadings aiming to provide extra funding for disadvantaged students and schools. The loadings are provided for:

- students with disability;
- Aboriginal and Torres Strait Islander students;
- socio-educational disadvantage;
- students who have a low English proficiency;
- schools that are not in major cities; and

13 Australian Government, *Portfolio Budget Statements 2020–21, Education, Skills and Employment Portfolio*, pp. 36, 38 and 40.

14 For 2020, the base amount was \$11,747 for each primary student and \$14,761 for each secondary student.

- schools that are not large schools.

1.8 The Act establishes that each school must have an approved authority, which is the legal entity that receives Australian Government recurrent funding for one or more schools. For a government school located in a state or territory, the approved authority is the state or territory government. For a non-government school, the approved authority is a body corporate that is approved by the Minister for the school. Approved authorities are further divided between:

- approved authorities for one school and non-systemic approved authorities operating more than one school: these authorities must distribute recurrent funding to their member schools as determined by the formula set out in the Act, and cannot retain funding for administrative purposes; and
- approved system authorities: these authorities operate more than one school and are able to re-distribute funding to their member schools according to their own needs-based funding arrangement. Approved system authorities may retain part of the funding for administrative purposes.

1.9 In 2019, there were 816 approved authorities, including 34 approved system authorities (see Table 1.2).

Table 1.2: Approved authorities, 2019

	Total	Schools represented		Students represented		Australian Government funding	
	No.	No.	%	No.	%	\$	%
All approved authorities	816	9,744	100	3,941,700	100	20,231,185,161	100
Approved authorities for one school	740	1,000	10	428,053	11	3,421,091,314	17
Approved authorities operating more than one school, including:	76	8,744	90	3,513,647	89	16,810,093,847	83
• Non-systemic approved authorities	42	145	1	85,754	2	732,582,345	3
• Approved system authorities (government)	8	6,677	69	2,589,110	66	8,059,351,497	40
• Approved system authorities (Catholic)	8	1,616	17	687,531	17	6,628,948,858	33
• Approved system authorities (independent)	18	306	3	151,252	4	1,389,211,146	7

Source: ANAO analysis based on departmental data.

Rationale for undertaking the audit

1.10 In 2017 the Auditor-General conducted an audit of Australian Government funding for schools.¹⁵ The audit concluded that the arrangements established by the Department of Education and Training¹⁶ to monitor the impact of Australian Government school funding did not provide a sufficient level of assurance that funding had been used in accordance with the legislative framework, in particular the requirement for funding to be distributed to schools on the basis of need. The report made four recommendations, with which the department agreed.

1.11 In 2018 the Joint Committee of Public Accounts and Audit (JCPAA) conducted an inquiry into Australian Government funding based on several ANAO reports, including Auditor-General Report No.18 2017–18.¹⁷ The report on the inquiry made seven recommendations relating to school funding, including one aimed at the ANAO conducting a follow-up audit of the monitoring arrangements for Australian Government school funding. The department agreed to five recommendations, and the Australian Government disagreed with one recommendation (Recommendation 1).¹⁸

1.12 The appropriate and timely implementation of agreed recommendations is an important part of realising the full benefit of a parliamentary inquiry or an audit, and for demonstrating accountability to the Parliament. This follow-up audit provides assurance on the implementation of the recommendations made by the JCPAA and the ANAO.

1.13 The Australian Government provided over \$20 billion in recurrent funding for schools for the 2019 school year.

Audit approach

Audit objective, criteria and scope

1.14 The objective of the audit was to assess the department's: effectiveness in administering school funding; and implementation of recommendations made in Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* and JCPAA Report 476: *Australian Government Funding*.¹⁹ The recommendations and the ANAO's conclusions about their implementation are presented in Appendix 2.

15 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, Canberra, December 2017.

16 The administrative arrangements order of 5 December 2019, with effect from 1 February 2020, transferred employment and skills functions to the renamed Department of Education, Skills and Employment.

17 Parliament of Australia, Joint Committee of Public Accounts and Audits, *Report 476: Australian Government Funding*, Canberra, February 2019.

18 The department's responses to the JCPAA recommendations are available from https://www.apf.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/SchoolsIndigenousHealth/Government_Response [accessed 28 January 2021].

19 JCPAA Report 476 was based on two Auditor-General reports: No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* and No.50 2017–18 *Primary Healthcare Grants under the Indigenous Australians' Health Program*. The scope of this audit includes the JCPAA inquiry based on Auditor-General Report No.18 2017–18.

1.15 To form a conclusion against the audit objective, the following high-level criteria were applied:

- Does the department effectively administer the requirements of the legislation to gain assurance that funding has been distributed in accordance with legislative requirements?
- Does the department enforce legislative provisions that enable it to monitor progress against the achievement of reform directions and the implementation of ongoing policy requirements?
- Does the department measure the impact of school funding on educational outcomes?

Audit methodology

1.16 The audit methodology involved: reviewing departmental documentation; examining data and systems related to the administration of funding entitlements; and interviewing staff from relevant business areas.

1.17 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of approximately \$347,000.

1.18 The team members for this audit were Dr Isabelle Favre, Hugh Balgarnie, Elizabeth Robinson, Song Khor and Deborah Jackson.

2. Monitoring funding allocation and distribution

Areas examined

This chapter examines whether the Department of Education, Skills and Employment (the department) effectively administered the requirements of relevant legislation to gain assurance that funding has been distributed in accordance with legislative requirements.

Conclusion

The department's administration of legislated requirements to gain assurance that funding has been allocated, used and distributed in accordance with the requirements is partially effective. A robust risk-based approach to monitoring compliance has been developed and implementation is in the early stages. The department has largely effective mechanisms in place to ensure the accuracy of funding allocation. The department does not yet effectively support the transparency of Australian Government funding allocation and does not analyse school funding allocation data to ensure that funding is distributed in accordance with need.

Areas for improvement

The ANAO made two recommendations aimed enhancing transparency of school funding and analysing data to gain assurance that funding is distributed in accordance with need.

2.1 In 2019, the Australian Government allocated \$12.17 billion in recurrent funding to non-government schools and \$8.06 billion to government schools. The Australian Education Act 2013 (the Act) and the Australian Education Regulation 2013 (the Regulation) determine how this funding should be calculated and allocated by the department for each school, the purposes for which schools must use the funding and the transparency and accountability requirements to give confidence to the Australian community that funding has been used in accordance with the legislated needs-based funding model for education.

2.2 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* included two recommendations aimed at the department improving its approach to monitoring compliance and transparency surrounding the allocation and use of government funding (Recommendation no.1 and Recommendation no.2). The 2019 Joint Committee of Public Accounts and Audits (JCPAA) Report 476 *Australian Government Funding* also made three recommendations related to these issues (Recommendations 2, 3 and 4).

2.3 This chapter examines the department's activities to gain assurance that funding has been allocated, used and distributed in accordance with the requirements of the Act and Regulation. The ANAO examined whether the department has:

- implemented a risk-based approach to monitoring legislative requirements;
- put robust compliance activities in place, to gain assurance that funding is allocated in accordance with legislation;
- effectively supported the transparency of Australian Government funding allocations; and
- analysed school funding allocation data to ensure that funding is distributed in accordance with need.

Has the department implemented a risk-based approach to monitoring compliance with legislative requirements?

A risk-based approach to monitoring compliance with legislative requirements has been developed and the components of the approach are robust and relevant. As at January 2021, implementation of the approach was in the early stages.

2.4 Auditor-General Report No.18 2017–18 found that weaknesses in funding monitoring arrangements had undermined the department's ability to verify school data and to gain assurance that funding was used as prescribed under legislation. The ANAO recommended that the department establish a risk-based approach to monitoring compliance with requirements under the Act (Recommendation no.1). In its response to the recommendation, the department stated that it was 'actively working to enhance its risk-based approach'.²⁰

2.5 In Report 476, the JCPAA stated that it:

was strongly of the view that the current monitoring arrangements established by the Department of Education and Training [did] not provide sufficient assurance that Australian Government school funding [was] administered in a way that is transparent, accountable and compliant with the *Australian Education Act 2013*.

2.6 The JCPAA recommended that the department conduct a risk-based analysis and review of existing compliance and accountability arrangements of school funding (Recommendation 2) and implement improvements to its administrative arrangements for the acquittal certificate (Recommendation 3).²¹

2.7 From early 2019, the department commenced a range of activities aimed at supporting the establishment of a risk-based approach and at improving compliance and accountability arrangements for school funding. Table 2.1 presents the ANAO's assessment of these activities and shows that, while their implementation was in its early stages as at February 2021, their design and development is robust and relevant.

20 Auditor-General Report No.18 2017–18, *Monitoring the impact of Australian Government school funding*, Chapter 2 and Recommendation No.1 paragraphs 2.9 and 2.10.

21 Parliament of Australia, Joint Committee of Public Accounts and Audits, *Report 476: Australian Government Funding*, paragraph 1.7 and Recommendation 2, Canberra, February 2019. The department agreed with the two recommendations. Recommendations 2 and 3 also required the department to report back to the committee on the outcome of its review of monitoring arrangements. The department provided this report in August 2019. Department of Education, *Executive Minute to the Joint Committee of Public Accounts and Audit on Report No. 476 Australian Government Funding*, 14 August 2019.

Table 2.1: Departmental activities to establish a risk-based approach

Description	ANAO analysis
1. In January 2019, the department commissioned a review of its assurance and compliance framework, and a review of sampling procedures (both finalised June 2019).	
The reviews identified a range of opportunities to improve the department's existing assurance and compliance activities.	<p>The reviews 'provided guidance to the department in its effort to consolidate its school funding assurance architecture into a single risk-based framework'.^a The department adopted most of the reviews' key suggestions for improvement, including the development of:</p> <ul style="list-style-type: none"> • an overarching, risk-based assurance framework document that would: determine risk tolerances and compliance profiles; utilise all relevant data held by the department; be reviewed annually; and ensure that there is a clear rationale for assurance activities undertaken; and • a risk indicator model that would capture relevant data and information concerning schools and use automated rules to flag higher risks. <p>The department's implementation of these activities is examined later in this table.</p>
2. In March 2019, the department finalised the School Compliance Audit Guidelines.	
<p>The purpose of the School Compliance Audit Guidelines is to 'explain how approved authorities presenting high levels of risk against basic and ongoing legislative requirements are assessed for inclusion in the department's annual audit program'.^b The document describes a three-step process:</p> <ul style="list-style-type: none"> • an initial assessment during which schools suspected of non-compliance are scored against their risk of non-compliance, using an assessment template and a register; initial verification and compliance actions planned or conducted at this stage are noted in the template used for the assessment; • a Compliance Audit Committee reviews the assessments and selects the cases to be included in the annual audit program; and • the School Assurance Branch manager approves the selection of cases. 	<p>The <i>School Compliance Audit Guidelines</i> present a robust framework that has the potential to provide a consistent and transparent approach to documenting the department's investigation activities on authorities suspected of non-compliance, and to prioritise audit cases.</p> <p>The Compliance Audit Committee met in March 2019. Based on the initial assessment and scoring of 13 higher risk schools, and using the assessment register, the committee identified two audits, which were approved and conducted. For 2020, the department advised that the audit program was put on hold due to flood, bushfire, drought and COVID-19 responses. The work program recommenced in September 2020. One school was identified as at high risk of non-compliance, based on an assessment that included liaising with the school, the Australian Charities and Not-for-profits Commission and the relevant state department of education, and an audit was commissioned.</p> <p>The department advised that the risk indicator model (see row 3 in this table and paragraphs 2.8 and 2.9) would be considered to identify and rank potential audits, rather than the assessment register, and the guidelines updated appropriately.</p> <p>The 2019 assurance and compliance review (see row 1 in this table) recommended that different types of audits be conducted, including: random audits of school systems and processes; targeted audits focused on limited transaction testing of higher risk activities; and full audits. The department advised that it would consider the review recommendations as part of the 2021 audit process and compliance work program.</p>
3. In September 2019, the department finalised the <i>Schools Funding Assurance Framework</i> .	
The document provides 'an overview of the ... department's approach to managing risk of error,	The <i>Schools Funding Assurance Framework</i> is a consolidated view of the mechanisms in place to verify approved authorities' legislative compliance (paragraphs 2.10 to 2.21 review the

Description	ANAO analysis
<p>non-compliance and fraud in respect to Australian Government funding for school education'.^c</p> <p>It describes how assurance is undertaken by the department to make sure that: funding is spent appropriately; approved authorities are supported to become and stay compliant; and systemic compliance issues are identified so that policies and processes can be amended.</p>	<p>effectiveness of these mechanisms). It was shared with relevant stakeholders before and after publication through a range of forums, including the School Policy Group (which includes representatives from the Australian Government and state and territory departments of education and non-government schools peak bodies).</p> <p>As a public document available on the department's website, the <i>Schools Funding Assurance Framework</i> provides transparency and may promote compliance among approved authorities.</p> <p>The risk-based compliance approach presented in the document is based on the application of a graduated level of compliance monitoring and actions depending on the authority's risk profile, and the department's tolerance to risk. This approach is complemented by a risk indicator model, which is expected to support the populating of the profiles, the determination of the department's risk tolerance and the establishment of compliance targets. In August 2019, the department advised the JCPAA that the model would be operational in early 2020 for 2020 assurance activities. The model became operational in January 2021 (see paragraphs 2.8 and 2.9 for details on the model). In February 2021, the department advised that the <i>Schools Funding Assurance Framework</i> will be reviewed in 2021, including to examine how to integrate the risk indicator model into assurance activities.</p>
<p>4. On 1 October 2019, the department established the Schools Assurance Committee.</p>	
<p>The Schools Assurance Committee is a departmental committee established to 'provide a forum for discussion, assessment, monitoring and reporting of the Schools Group's assurance of funding and policy under the Australian Education Act ... and Regulation'.</p> <p>The committee's responsibilities include overseeing and reviewing the Assurance Framework annually to ensure its ongoing fitness for purpose.</p> <p>The committee must also 'provide annual status reports on assurance issues to the Deputy Secretary — Schools, the department's Audit Committee, and the department's Risk, Security and Assurance Committee'.^d</p>	<p>The Schools Assurance Committee presents as a robust governance mechanism, with senior levels of representation and reporting to the department's audit committee and Risk, Security and Assurance Committee. Between October 2019 and December 2020, the Schools Assurance Committee met four times, as scheduled in the terms of reference.</p> <ul style="list-style-type: none"> • October 2019: discussion of the terms of reference, the School Funding Assurance Framework and the forward work strategy for the committee; • March and June 2020: primarily focused on dealing with the impact of COVID-19 on the calculation and allocation of funding to schools and on compliance expectations; • December 2020: discussion returned to topics more central to the business as usual activities of the committee and, among other topics discussed, agreed to provide its annual status report at the end of the 2020–21 financial year. <p>The focus on COVID-related issues in the March and June meetings meant that some items of the initial work program were not completed. In particular, a draft 2019–20 forward work plan was presented at the October 2019 meeting. Updates and a refresh to cover 2020–21 were prepared for the subsequent March and June meetings but, due to the prioritisation of COVID-19 matters, the work plan was still in a draft form as at December 2020. In January 2021, the department advised that the work plan would be reviewed and agreed following the finalisation of the School Policy Assurance Framework (see row 5 of this table).</p>

Description	ANAO analysis
5. On 6 October 2020, the objective and scope of a proposed School Policy Assurance Framework was approved.	
The School Policy Assurance Framework follows on from the development and publication of the Schools Funding Assurance Framework and aims to provide assurance and confidence to government and the public that school policies and programs are covered by appropriate compliance activities that ensure policy and payment integrity.	The department advised that it expected to finalise the draft School Policy Assurance Framework in late March or early April 2021, before consulting with key stakeholders in May 2021.

Note a: Department of Education, *Executive Minute to the Joint Committee of Public Accounts and Audit on Report 476 Australian Government Funding*, 14 August 2019, p. 3.

Note b: Department of Education, *School Compliance Audit Guidelines*, March 2019, p. 2.

Note c: Department of Education, *Schools Funding Assurance Framework*, September 2019, p. 6.

Note d: Department of Education, Skills and Employment, *School Assurance Committee Terms of Reference*, 1 October 2019.

Source: ANAO analysis.

2.8 As indicated at row 3 in Table 2.1, an important element of the department's school funding assurance framework is the risk indicator model, which became operational in January 2021. The model uses school data collected by the department to assist in identifying the risk of non-compliance by non-government approved authorities with key requirements of section 75 of the Act and section 29 of the Regulation (see Box 1). The risks apply to three areas: financial viability; governance; and use of government funding.

2.9 As at January 2021 school funding data was uploaded in the model for 2017, 2018 and 2019. At that date, the model had been used primarily to analyse and visualise the risks and to assess whether, for 2017–19 data, the high-risk schools found through the model and through the department's existing assurance activities were comparable. This assessment identified that overall, a high level of concordance existed between the two methods. Where the model had identified high or medium risk schools that had not been selected through manual assurance activities, these schools were referred to the compliance team for further assessment. In 2021 the department expects to expand the model, including by:

- uploading school funding data for previous years (with a view to conduct trend analysis of school financial sustainability over five years);
- using the model to identify school compliance profiles and develop graduated compliance activities (including targeted awareness actions); and
- using the model to inform and better understand policy development and evaluation.

Are the department's activities to gain assurance that funding is allocated and used in accordance with legislation effective?

The department's activities to gain assurance on the allocation and use of school funding are largely effective. The department has effective mechanisms in place to ensure the accuracy of funding allocation. Issues relating to the sampling approach used to verify the financial questionnaire and the qualification requirements of the person submitting the block allocation report have not been resolved. These issues reduce the level of assurance that funding is used in accordance with legislation.

2.10 The calculation of funding amounts for individual schools is prescribed under the Act and relies primarily on information provided by schools through an annual census, the details of which are specified in sections 46 to 50 of the Regulation.²²

Verifying census information and calculating payments to schools

Verifying census information — Non-government schools

2.11 The department conducts the census post-enumeration exercise to gain assurance on non-government schools census data.²³ The process is as follows.

- A sample of schools is selected comprising: a randomly selected group of schools (278 for the 2019 school year); and a group of targeted schools. Schools are included in the targeted sample when significant variation or errors are identified in previous years, or when intelligence is received from other areas in the department or state and territory governments, indicating that data quality could be at risk. The targeted sample included 22 schools in 2017, 27 schools in 2018 and 29 schools in 2019. The department engages contractors to visit the selected schools and verify the census information by examining supporting documentation.²⁴
- When discrepancies are identified, funding allocations are re-calculated and payments are adjusted appropriately for the relevant schools.

2.12 Errors identified in the randomly selected group are extrapolated and used to estimate the error rate in terms of recurrent funding payment allocated for the entire population of non-government schools. The department's acceptable error rate for payment to non-government schools is around 0.2 per cent.

2.13 The post-enumeration exercise process is examined as part of the ANAO's annual audit of the department's financial statements. In the 2018–19 financial statements audit, the ANAO found that the guidelines provided by the department to contractors were ambiguous and the method for calculating the error rate could be improved by increasing the sample size, stratifying the population by independent and Catholic sectors and ensuring that the error rate represents the value of

22 Information is collected about the school, staff and students (including students on a visa; students with disability; long distance students; boarders; and Aboriginal and Torres Strait Islander Australian students). Australian Government, Australian Education Regulation 2013, sections 46 to 50.

23 The purpose of the post enumeration exercise is to verify the accuracy and completeness of census information provided by schools by surveying a sample of the population shortly after a census is complete.

24 The contractors must have 'demonstrated experience in conducting school audits, or similar experience'.

overpayments and underpayments (net value). The 2019–20 financial statements audit identified that these issues had been addressed and no further issues were identified, finding that:

- the guidelines were detailed, thorough and precise;
- the random sample size had increased from 181 to 278 (by May 2020 the department had completed 168 visits and decided to discontinue the exercise due to the COVID-19 pandemic); and
- the methodology for calculating the error rate included a stratification by independent and Catholic sectors and included underpayments in addition to overpayments. Using this methodology, the error rate was three percentage points less than what would have been calculated under the previous methodology.

2.14 Table 2.2 shows the results of the post-enumeration exercise for school years 2017, 2018 and 2019.

Table 2.2: Payment errors identified in the post-enumeration exercise 2017–2019

School year	Errors identified in random sample			National error estimate (extrapolated from sample)	
	Selected schools	Schools with error	Net overpayment (\$m)	Error rate	Net overpayment (\$m)
2019	168	53	1.1	0.17	20.2
2018	181	78	2.1	0.27	30.7
2017	194	67	1.3	0.19	20.4

Source: ANAO audited financial statements data.

2.15 To assist with its compliance program the department commissioned a review of the non-government school census post-enumeration exercise. The review report did not identify any significant matters and, as at September 2020, the department was addressing a number of minor findings from the report.

Verifying census information — Government schools

2.16 For government schools, the department performs a series of desktop verifications on census data submitted by states and territories, including: identifying changes from the previous years' submission; checking name and address details of new schools; and checking the consistency of student numbers against the Australian Curriculum, Assessment and Reporting Authority (ACARA) and the Australian Bureau of Statistics (ABS) datasets. These verifications are designed to complement the assurance work conducted by state and territory education departments on government schools census information.

Calculating payments to schools

2.17 The department determines school recurrent funding entitlements based on calculations as prescribed by the Act. As part of the annual audit of the department's financial statements for 2018–19 and 2019–20, the ANAO re-calculated the recurrent funding to government and non-government schools for the 2018 and 2019 school years and determined that the department's calculation of entitlements was accurate.

2.18 In June 2019, the department reviewed the funding entitlement calculator and found that three of the 68 formulas did not accord with the Act and Regulation. The three formulas pertained to disability loadings for schools with combined primary and secondary students and did not affect the calculation of school funding entitlements.²⁵ The review also found:

- the change management process was poorly documented;
- there was limited documentation, such as business requirements and technical specifications, for the funding calculator; and
- the spreadsheet, which the department uses to capture the calculations, was not an optimal IT solution as it could not ensure robust access controls.

2.19 The department advised in February 2021 that the findings of the review would be considered in the context of another review of the funding entitlement calculator, planned for the first half of 2021. This review will consider legislative and regulatory amendments made in 2020.

Verifying compliance with the requirements on use of funding

2.20 The Act and the Regulation prescribe conditions on how funding is to be used by approved authorities. These conditions include non-government schools meeting basic requirements; and funding being spent for the purpose of providing school education.²⁶ The Regulation also prescribes the financial information required to monitor approved authorities' basic requirements and use of financial assistance.

Box 1: Conditions of Australian Government financial assistance

Section 75 of the Act – Basic requirements

Basic requirements for approval of an authority are that the authority be a body corporate or body politic; not-for-profit; financially viable; and fit and proper. Approved authorities for government schools are taken to satisfy these basic requirements (section 76).

Section 29 of the Regulation – Spending, committing to spend, financial assistance

An approved authority must spend, or commit to spend, recurrent funding for the purpose of providing school education at the school for which the authority is approved. This includes salaries, materials related to curriculum, general operating expenses, land and building maintenance, capital equipment and administration cost related to compliance with Act and Regulation. It does not include (unless the school has a zero per cent capacity to contribute), security for and repayment of a loan, litigation costs, purchase of land or building or capital improvement.

Information required to monitor approved authorities' basic requirements and use of financial assistance:

- Financial questionnaire and audited financial statements (section 36 of the Regulation): an annual financial data collection of information from non-government schools that reports income, expenditure, assets and liabilities.

25 The review recommended that the department update the calculator to clearly demonstrate that it correctly calculates the combined schools entitlements according to the legislative requirements.

26 The conditions of funding also include implementing needs-based funding arrangements. This requirement is examined in paragraphs 2.45 to 2.53.

- Acquittal certificate (section 34 of the Regulation): a declaration provided by a qualified person to confirm the total amount of funding received and to ensure funding was used for education purposes.
- Block allocation summary (sections 35 — government schools and 36 — non-government schools of the Regulation): an annual report required from approved authorities that operate more than one school. The report documents the funding that has been distributed to each school, with details of funding distributed for the base amount; loadings to address school and student needs; and administration costs and centralised expenses.

Source: ANAO's analysis of the *Australian Education Act 2013*, the *Australian Education Regulation 2013* and departmental documents.

2.21 Auditor-General Report No.18 2017–18 reviewed the effectiveness of the department's mechanisms to monitor compliance of non-government approved authorities with section 75 of the Act and section 29 of the Regulation and found three main weaknesses. Table 2.3 presents the issues identified in 2017, and the actions taken by the department to address them as at January 2021.

Table 2.3: Performance audit findings on the department's financial assurance mechanisms

Department's assurance mechanism	Auditor-General Report No.18 2017–18 findings	ANAO 2021 findings
Acquittal certificate	The person declaring the acquittal certificate was required to be a qualified accountant, but was not required to be independent from the approved authority. This process based on self-reporting provided less assurance than an independent verification.	The issue has been addressed. In December 2018, the Regulation was amended to require that acquittal certificates be certified by a qualified accountant who is independent from the approved authority.
Financial questionnaire	Sampling approach issues limited the effectiveness of the assurance activity (the financial questionnaire verification exercise). The department advised the ANAO that it would revisit the sampling methodology after the completion of an IT system enhancement project in 2019.	The issue has not been addressed. In September 2018, the department advised the JCPAA that it planned to review the sampling methodology in the 2018–19 financial year. In October 2019, ministerial approval was provided for the \$80,000 Enhancing the Financial Questionnaire Verification Exercise project. The project included the development of a new sampling methodology. In January 2021, the department advised the ANAO that the project has been on hold since the outbreak of the COVID-19 pandemic. The department also advised that the project was deferred until further internal assessment of the approach to the financial questionnaire verification exercise is undertaken. In particular, the department wishes to consider other developments in financial assurance processes, such as the use of the risk indicator model (see

Department's assurance mechanism	Auditor-General Report No.18 2017–18 findings	ANAO 2021 findings
		paragraphs 2.8 and 2.9) to identify governance and financial reporting concerns.
Block allocation reports	Block allocation reports submitted by non-government approved authorities were prepared and submitted by the approved authority 'finance contact', which is a role that does not require any specific qualification or independent accreditation.	The issue has not been addressed. Block allocation reports must be submitted via the department's reporting website established in 2019, SchoolsHUB, by 'users allocated in the data reporter or authorised representative roles for an approved authority'. These roles do not require the person to hold a specific qualification or independent accreditation. This reduces the level of assurance that the department has in relation to the use of Australian Government funding by non-government approved authorities.

Source: Auditor-General Report No.18 2017–18, *Monitoring the impact of Australian Government school funding*, Canberra, December 2017; and ANAO analysis

Does the department support effectively the transparency of Australian Government funding allocations?

The department does not yet effectively support the transparency of Australian Government funding allocations as prescribed in the Act. The department has initiated activities to ensure that system authorities' needs-based funding arrangements are publicly available and transparent, but implementation by the sector is not scheduled until 2022. Also, the department does not ensure that the legislative requirement to report publicly on the application of any financial assistance paid to an approved authority is met.

2.22 The Act's preamble stresses the importance of transparency and accountability of Australian Government funding: 'Transparency and accountability ensure public confidence in the education system and promote excellence in teaching and school leadership'.²⁷ The transparency requirements surrounding the allocation and use of Australian Government school funding are prescribed in subsection 78(5) and section 127 of the Act.

Approved system authorities to make their needs-based funding arrangements publicly available and transparent

2.23 Section 78 sets out the ongoing funding requirements for approved authorities. Paragraph 78(5)(c) prescribes that a compliant funding arrangement must be 'publicly available and transparent'.²⁸

2.24 Auditor-General Report No.18 2017–18 found that, to minimise regulatory burden, the department had not monitored whether system authorities' funding models were publicly available and transparent, as required under legislation. The ANAO recommended that: '...in keeping with

²⁷ *Australian Education Act 2013*, Preamble.

²⁸ Prior to the Act amendment of December 2018, the requirement for funding arrangements to be publicly available and transparent was set out in the Regulation (section 61).

the intent of the Act, [the department] increase the transparency surrounding the allocation and use of Australian Government school funding'. In its response to the ANAO recommendation, the department indicated that the My School website provided information at an individual school level about the recurrent funding schools receive from different sources (Australian Government, state and territory governments and private).²⁹

2.25 In Report 476, the JCPAA stated that it:

regards public reporting of approved system authorities' funding models as critical to supporting transparency requirements under the Act. As such, the Committee was disappointed that Education had not monitored whether approved system authorities' funding models were publicly available and sufficiently transparent.

2.26 The JCPAA recommended that:

The Department of Education and Training report back on how it has improved current monitoring arrangements of funding models for Australian Government school funding, to enhance and enforce the public and transparent reporting of funding models as required under the Australian Education Act 2013.³⁰

The department's activities since the ANAO and JCPAA reports

2.27 In February 2018, the department wrote to the 72 approved authorities for more than one school and requested that the 27 authorities that declared redistributing funding in accordance to their own needs-based funding arrangement provide information about their arrangement and its public availability. The department completed its analysis of the funding arrangements by August 2018 and assessed that, of the 27 arrangements:

- four (15 per cent) provided sufficient information to enable the calculation of the base amount for each student;
- eight (30 per cent) provided sufficient information to enable the calculation, for each student and or each school, of each of the six legislated loadings;
- one provided sufficient information on how administration and other programs are funded;
- 10 (37 per cent) provided sufficient justification in the arrangement, explaining all major aspects of the arrangement in comprehensible language; and
- 14 (52 per cent) supplied a hyperlink from their website to the arrangement and explained to the department how the arrangement was also made available in hard copy.

2.28 The department's analysis also included a comparison of funding allocated to non-government system authorities and funding distributed to member schools in 2016, by loading.

29 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, Recommendation no.1, paragraphs 2.9 to 2.12, Canberra, December 2017.

30 Parliament of Australia, Joint Committee of Public Accounts and Audits, *Report 476: Australian Government Funding*, paragraph 2.17 and Recommendation 4, Canberra, February 2019. The Department agreed to the recommendation and reported to the JCPAA on its activities to improve monitoring arrangements of funding models in August 2019. Department of Education, *Executive Minute to the Joint Committee of Public Accounts and Audit on Report No. 476 Australian Government Funding*, 14 August 2019.

2.29 Based on the analysis, the department concluded that the Act did not provide sufficient guidance to approved system authorities on the requirements for a compliant needs-based funding arrangement. The department's position was that:

- the collection was part of an information gathering exercise, and the first of its kind, [and] the department [did] not intend to take any compliance action based on this assessment; and
- given the National School Resourcing Board (NSRB)³¹ was going to undertake, later in 2019, a review of needs-based funding requirements for approved system authorities under subsection 78(5) of the Act, it was preferable to wait until the government had had the opportunity to respond to the NSRB's review before developing guidance to support compliance. This would avoid the department pre-empting the outcomes of that review and over-burdening the school sector with consultation on this issue.

The National School Resourcing Board's Review of needs-based funding requirements

2.30 The NSRB's *Review of needs-based funding requirements* was commissioned by the Minister for Education in April 2019.³² The department's 2018 assessment (paragraphs 2.27 and 2.28) was used to inform the NSRB's preparations for the review. The NSRB's report on the review, dated December 2019, found that there was scope for the Australian Government to achieve greater transparency, flexibility and accountability for needs-based funding arrangements within the current legislative framework.³³ The NSRB made ten recommendations, including Recommendations 2 and 5 that aim at supporting the public availability of needs-based funding arrangements (see Table 2.4 below).

2.31 The Australian Government responded to the NSRB review on 2 July 2020, accepting all ten recommendations. The response stated that recommendations would be addressed in three consecutive phases, commencing with Recommendations 1 to 5, dealing with the development of guidance on needs-based funding arrangements, from mid-2020. The implementation of Recommendations 6 to 8 would commence after the completion of phase one, because:

It would be premature to commence these recommendations without a shared foundation of understanding as it may result in inconsistencies or differences in approaches by systems depending on their own interpretation of needs-based funding arrangements.

2.32 The implementation of Recommendations 9 and 10 would occur after phases 1 and 2 have been completed (see Appendix 3 for details of the Australian Government's response).³⁴

31 The Australian Government established the NSRB in November 2017 to 'provide greater independent oversight over Commonwealth school funding arrangements'. The NSRB is responsible for undertaking reviews of different parts of the funding model under the Act and Regulation. As at January 2021, the NSRB had completed four reviews, with a fifth review expected to deliver its report to the Minister for Education in May 2021.

32 JCPAA Report 476 Recommendation 6 was that the department report back to the Committee on the progress and outcomes of the NSRB review in six months, following the completion of the review. The department implemented this recommendation on 14 August 2019 and 22 July 2020.

33 This finding is consistent with Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* (Chapter 2). National School Resourcing Board, *Review of the needs-based funding requirements*, December 2019, Finding 2 p. vii. The report was tabled in Parliament in July 2020.

34 Department of Education, Skills and Employment, *the National School Resourcing Board's Review of the needs-based funding requirements Australian Government Response*, July 2020.

2.33 Table 2.4 shows the recommendations and the department's implementation timeline. As at April 2021, as part of phase 1, the department had undertaken several rounds of consultation with the government and non-government school sectors to support the development of guidance material and supporting tools and templates for funding arrangements, expected to be finalised by June 2021 (Recommendations 1 to 3). For Recommendation 4, in March 2021 the department advised that a timeline for compliance with the requirements was being negotiated. Recommendation 5 was implemented in March 2021. The department advised that work on implementing Recommendations 6 to 8 had commenced and that the sector will be required to implement the agreed guidelines in 2022.

Table 2.4: NSRB review's recommendations and implementation status, as at March 2021

NSRB recommendation	Scheduled implementation date ^a
Phase 1	
Recommendation 1: Guidance from the Australian Government should focus on defining public availability and clarifying its expectations for transparency of needs-based funding arrangements.	June 2021
Recommendation 2: Needs-based funding arrangements should be available online on the approved system authority's website — be open and accessible by key stakeholders and the wider community — and available as a hard copy, on request.	June 2021
Recommendation 3: The Australian Government should provide approved system authorities with guidance that standardises the minimum level of information required in a needs-based funding arrangement. This should include the: methodology for the arrangement (base and loading amounts, according to subsection 78(5) of the <i>Australian Education Act 2013</i>); rationale for the methodology. This guidance should be developed in consultation with the sector.	June 2021
Recommendation 4: Where an approved system authority's (system's) funding arrangement includes sub-systems ^b , the system should make the sub-system components of its needs-based funding arrangements publicly available from a single point, describing the methodology and rationale of the sub-system component.	December 2021
Recommendation 5: The Australian Government Department of Education should provide on its website a: list of Approved System Authorities (Systems); statement advising whether all Systems have published their current needs-based arrangements; link to each System's website where its needs-based arrangement is published.	Implemented 3 March 2021
Phase 2	
Recommendation 6: Notwithstanding the current reporting requirements for all Approved Authorities, the Australian Government should consult with State and Territory governments to develop reporting requirements that: reflect the Australian Government's role as the minority public funder of government schools; provide a sufficient level of assurance and accountability.	September 2021
Recommendation 7: The Australian Government should use Block Allocation Report data to publish non-government approved system authorities' (Systems') distribution of Australian Government funding at the System-and sub-System-level, against the Australian Government's allocation to the System, by base and loadings.	2022

NSRB recommendation	Scheduled implementation date ^a
Recommendation 8: The Australian Government should develop a methodology for identifying where a non-government approved system authority's distribution to a school varies significantly from the publicly funded share of the Schooling Resource Standard for the school, in order to focus refinement effort.	September 2021
Phase 3	
Recommendation 9: Following the implementation of recommendations 1–8 and an appropriate settling-in period, the Australian Government should determine whether there is a need for additional transparency of funding allocation and distribution, broken down by base and loadings, at a school level.	After Phases 1 and 2 have been completed
Recommendation 10: If additional transparency is required, Education Council should consider how such information could be made available with sufficient context to avoid misunderstandings and misapprehensions whilst reflecting the acceptance of the principles of subsidiarity.	After Phases 1 and 2 have been completed

Note a: In April 2021, the department advised the ANAO that it had revised the planned implementation dates. The revised dates are reflected in the table.

Note b: In the NSRB review, sub-systems refer to a situation where Australian Government recurrent funding is provided to an approved system authority, which in turn distributes funds to a subsidiary entity that is responsible for the day-to-day operations and financial affairs of the schools. The review states that sub-systems are commonly found in the Catholic sector, where the relevant state-based Catholic Education Commission distributes funding to dioceses, which in turn distribute to funding to schools.

Source: National School Resourcing Board, *Review of needs-based funding requirements: Final report*, p. vi, December 2019 and ANAO analysis of departmental documents.

2.34 The requirement for funding arrangements to be publicly available and transparent has been in place since the commencement of the Act in June 2013. The department has progressed activities to ensure system authorities' compliance with this section of the legislation and to improve transparency in how the funding allocated is being distributed, but implementation by the sector is not scheduled until the 2022 calendar year.

Minister to present to Parliament a report on financial assistance paid to an approved authority

2.35 Section 127 prescribes that the minister must present to Parliament an annual report dealing with:

- paragraphs 127(a) and (b): any financial assistance, and the application of any financial assistance, paid under the Act to an approved authority in the previous year;
- paragraphs 127(c) and (d): any decision made under: section 74 (relating to public interest test in considering to approve a person as an approved authority); subsection 76(2) (approved authorities for government schools not taken to satisfy basic requirements); paragraph 81(1)(c) (variation or revocation of approved authority in public interest); and any other matter prescribed by the regulations.

2.36 Auditor-General Report No.18 2017–18 noted that until 2013 the department produced the *Report on Financial Assistance to Schools* (known as the Green Report) on an annual basis. The Green Report provided a detailed breakdown of expenditure of Australian Government funds appropriated under legislation at the school level, and enabled a comparison between schools,

authorities, sectors and jurisdictions.³⁵ From 2013, the minister used the department's annual report to meet the reporting requirements established under section 127. The information in the annual report presents the total amount of recurrent funding paid to schools for the previous year and the amount paid to government schools and to non-government schools, but does not provide a breakdown of funding by approved authority or school. The ANAO concluded that the decrease in public reporting of funding allocation had resulted in reduced transparency and accountability of Australian Government school funding.³⁶ As noted in paragraph 2.24, Recommendation no.1 was aimed at the department increasing the transparency surrounding the allocation and use of Australian Government school funding.

2.37 In January 2018 section 127 of the Act was amended to:

... expand the contents of the Minister's annual report to Parliament on the operation of the Act. The intention ... is to enhance the transparency of Commonwealth schools funding, which will aid in achieving the objective of equitable, needs-based funding.³⁷

2.38 From that date, section 127 specifies that the report to Parliament should deal with any financial assistance, and the application of any assistance, paid under the Act *to an approved authority* in the previous year. Previously, section 127 did not include this specification.³⁸

2.39 As at February 2021 the annual report continued to be used to meet section 127 requirements.³⁹ Similar to what was reported in previous years, the 2019–20 annual report stated:

In the 2019 calendar year, the Government provided, under the *Australian Education Act 2013*, approximately \$8 billion in recurrent funding for state and territory government schools, and, through state and territory governments, approximately \$12.4 billion to non-government schools.⁴⁰

2.40 In November 2020 the department advised that it considers that the My School website provides the level of detail that was previously presented in the Green Report. The department considers that, through the reporting in the annual report and the information in the My School website, it meets the requirements of section 127.

2.41 As at February 2021 the ANAO found that the My School website did provide recurrent funding amounts distributed by system authorities to individual schools, but not funding amounts allocated by the Australian Government for these schools. The website also did not allow for a

35 As at March 2021, the Green Reports 2009 to 2013 were available from DESE website: <https://www.education.gov.au/reports-financial-assistance-schools> [accessed 1 March 2021].

36 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, Table 2.2 and paragraph 2.7, Canberra, December 2017. JCPAA Report 476 did not refer to the department's requirements under section 127.

37 Parliament of the Commonwealth of Australia, *Australian Education Amendment Bill 2017 Explanatory Memorandum*, May 2017 p. 28.

38 Section 127 of the July 2017 version of the Act reads: '... the Minister must cause a report dealing with the following to be laid before each House of the Parliament: (a) any financial assistance paid in the previous year under this Act; (b) the application of any financial assistance paid in the previous year under this Act'. *Australian Education Act 2013*, July 2017 (superseded).

39 The annual report addressed paragraphs 127(a) and (b). In relation to paragraph 127(c), the department advised that as at November 2020, the Minister had not made a decision under section 74 and subsection 76(2) since the commencement of the Act. The first time a decision was made under paragraph 81(1)(c) was in April 2020, and this was reported in the *Annual Report 2019–20* (p. 20). DESE advised that paragraph 127(d) is a 'catch all' provision that had not been used as at November 2020.

40 Department of Education, Skills and Employment, *Annual Report 2019–20*, p. 19.

combined view of funding allocations across schools. Furthermore, the information in the department's annual report and in the My School website relates to funding provided to schools — not approved authorities. The annual report also reports funding provided to all approved authorities at sector level — not to an approved authority. Finally, subsection 127(b) prescribes that the report to Parliament must also deal with the *application* of any financial assistance paid to an approved authority under the Act. The Department's annual report does not address this aspect of the Act.

2.42 In accordance with the Act, an annual report should be presented to Parliament that outlines the funding provided to an approved authority and how this funding has been applied by an approved authority.

Recommendation no. 1

2.43 The Department of Education, Skills and Employment effectively support the Minister to meet the requirement of the Act to report annually to the Parliament on any financial assistance paid to an approved authority and the application of any financial assistance paid to an approved authority (section 127 of the *Australian Education Act 2013*).

Department of Education, Skills and Employments response: Agreed.

2.44 *The report acknowledges the effectiveness of arrangements the Department has put in place to administer school funding. The Department agrees with the ANAO's assessment that there is scope to improve public transparency of financial assistance paid to an approved authority and is considering options for detailing the application of financial assistance paid to an approved authority.*

Does the department analyse school funding allocation data to gain assurance that funding is distributed in accordance with need?

The department does not analyse school funding allocation data to gain assurance that funding is distributed in accordance with need.

2.45 Providing education to overcome social and educational disadvantage is a key tenet of the Act. The preamble states:

To help education authorities provide every child with a quality education, regardless of where they live and which school they attend, [the Commonwealth] investment will be fairly and transparently distributed and allocated according to need.⁴¹

2.46 The Act also defines how Australian Government funding provided to schools is calculated in order to address social and educational disadvantage (see Box 2).

⁴¹ *Australian Education Act 2013*, Preamble.

Box 2: Section 78 — Needs-based funding arrangements

Approved authorities for more than one school must have in place a needs-based funding arrangement that demonstrates that:

- approved authorities distribute funding to each of the schools they represent exactly how it had been allocated to them by the department, based on the formula prescribed in the Act (subsection 78(4)); or
- approved authorities use a different distribution formula that complies with the needs-based principles prescribed in the legislation (comprising a base amount for each student and six loadings to students and schools with additional needs) (subsection 78(5)). The six loadings are: students with disability; Aboriginal and Torres Strait Islander students; students with socio-educational disadvantage; students who have low English proficiency; school location; and school size.

Source: ANAO's summary of subsections 78(4) and 78(5) of the *Australian Education Act 2013*.

2.47 Allowing system authorities to adopt their own funding formula provides the flexibility to redistribute funding to where it is seen to be most needed, based on local knowledge of students, schools and communities (this is referred to as the principle of subsidiarity).⁴²

2.48 Auditor-General Report No.18 2017–18 found that the department had not used the information it collected from approved authorities (the block allocation report⁴³) to effectively monitor the distribution of funding by approved system authorities to gain assurance that funding was being allocated on a needs-basis. ANAO analysis showed: significant differences 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 differences in the amount of funding retained by non-government system authorities for administrative costs and centralised expenditure.

2.49 Auditor-General Report No.18 2017–18 recommended that the department strengthen its analysis of school funding allocation data to gain assurance that funding is appropriately distributed in accordance with need as required under the Act. In its response to the recommendation, the department stated that the NSRB would review needs-based funding arrangements; and that it currently collected and analysed information from approved authorities relating to the distribution of funding between schools.⁴⁴

2.50 The 2019 NSRB's *Review of needs-based funding requirements* found that the Australian Government had 'a direct responsibility for the assurance of non-government school funding', and that information from the block allocation report could be used to support assurance of systems'

42 National School Resourcing Board, *Review of the needs-based funding requirements*, December 2019, p. 8.

43 Block allocation reports are submitted annually by approved authorities and are the only source of information that shows how funding has been distributed to each school in accordance with the needs-based funding arrangements agreed between the department and the authority, including funding that was retained by system authorities for administration and centralised expenditure.

44 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, grey box p. 41, paragraph 2.46, and Recommendation no.2 paragraphs 2.47 to 2.50. JCPAA Report 476 did not refer to data analysis of needs-based funding allocations and distributions.

funding distribution against their needs-based arrangements.⁴⁵ As indicated at Table 2.4 above, the implementation of the NSRB's Recommendations 7 and 8, which are aimed at the department publishing and developing a methodology for identifying differences between funding distributed by the Australian Government, and funding allocated to schools by approved authorities, are not scheduled to commence until 2022 and September 2021 respectively.⁴⁶

2.51 In November 2020, the department advised that it used block allocation report data 'from time to time' to inform policy analysis, and provided three examples:

- as mentioned at paragraph 2.28, the department conducted an analysis of the differences between 2016 funding allocated by the Australian Government and funding distributed by non-government approved system authorities, which it provided to the NSRB in February 2018;
- using 2017 data, the department analysed funding distributed to each school in a system to support the transition to new funding levels at school-level for school funding reforms introduced in 2020 (implementation of the direct measure of income)⁴⁷; and
- in 2020 data was used to assist with a data request from the NSRB for the review of regional School Resource Standards loadings, with the analysis comparing allocation and distribution of size and location loadings for non-government schools.

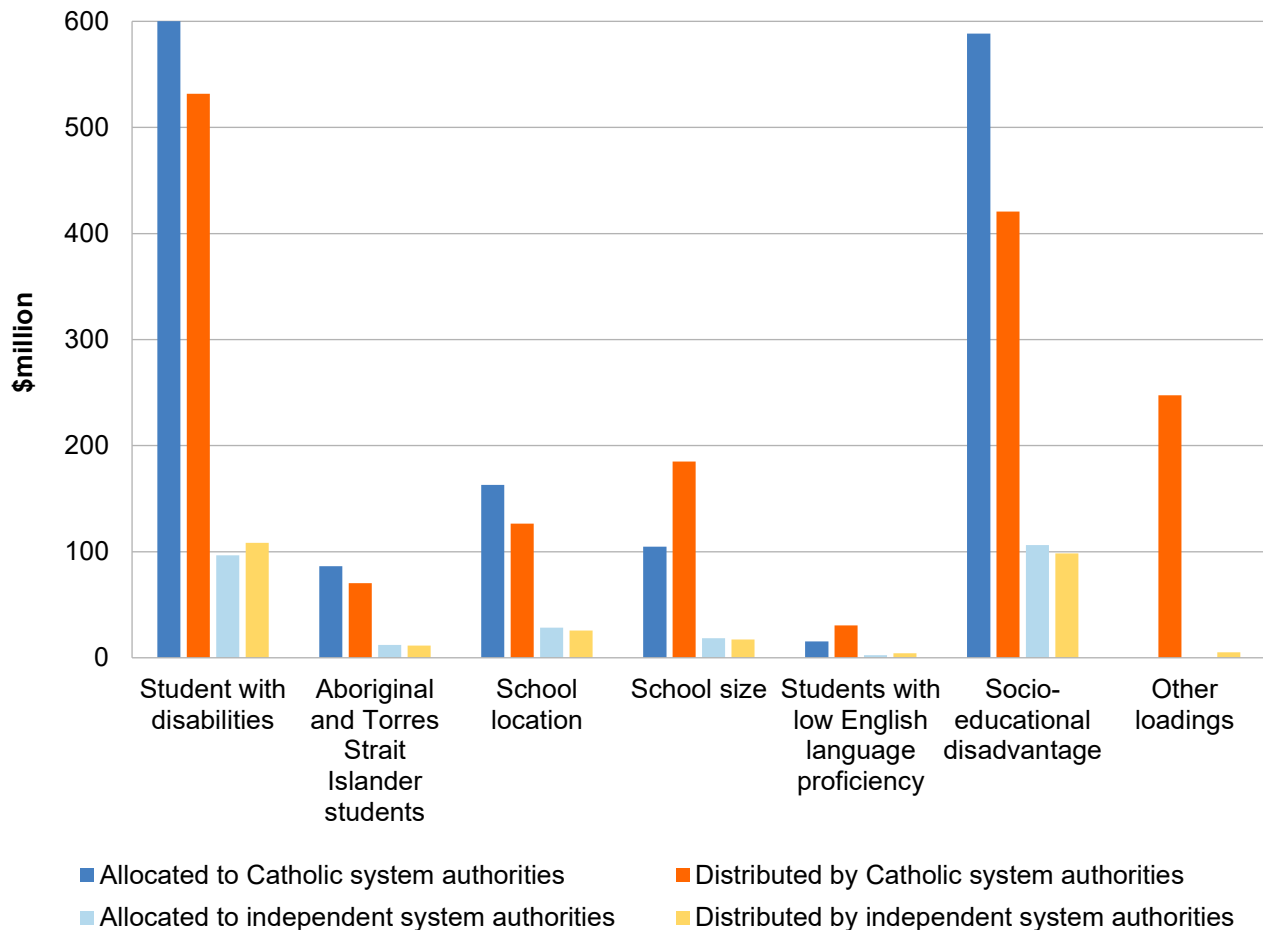
2.52 Since the February 2018 analysis, the department has not conducted work to compare funding allocated by the Australian Government to approved system authorities, with funding distributed by system authorities to their member schools, in order to gain assurance that funding is appropriately distributed in accordance with need as required under the Act. As noted at paragraph 2.47, under the principle of subsidiarity, the system authorities' distribution of funding is not required to mirror the way funding has been allocated by the Australian Government. However, analysis of Australian Government funding distribution by system authorities would provide assurance that funding is distributed in accordance with need. It would also be useful to inform policy analysis and the work conducted by the department to address the NSRB's recommendations. Figure 2.1 provides an example of such analysis.

45 National School Resourcing Board, *Review of the needs-based funding requirements*, December 2019, section 4.1 and Finding 7 p. 26.

46 National School Resourcing Board, *Review of the needs-based funding requirements*, December 2019, Recommendation 7 p. 25 and Recommendation 8 p. 28.

47 The direct measure of income is used to calculate the anticipated capacity of a non-government school community to contribute towards the operating costs of their school. It is applied based on the median income of parents or guardians of students at the school. Prior to the adoption of this measure, the capacity to contribute was calculated using the socio-economic status score of the area(s) where the students resided. The direct measure of income is being implemented progressively from 2020 and will be used for all non-government schools from 2022.

Figure 2.1: Comparison of Australian Government recurrent funding for loadings allocated to non-government system authorities and distributed by non-government system authorities to schools, 2019



Note: Catholic system authorities retained \$80.26 million and independent system authorities \$22.23 million for administration costs and central expenditure.

Source: ANAO analysis, based on departmental data.

Recommendation no. 2

2.53 The Department of Education, Skills and Employment analyse school funding allocation data to gain assurance that school funding is distributed in accordance with need as required under the *Australian Education Act 2013*.

Department of Education, Skills and Employment response: *Agreed.*

2.54 *The Department agrees that there is scope to improve analysis. Work currently underway in response to the National School Resourcing Board's 2019 report, Review of needs-based funding requirements, will help address this recommendation.*

3. Monitoring progress against reform directions and ongoing policy requirements

Areas examined

This chapter examines the department of Education, Skills and Employment (the department)'s activities to monitor progress against the achievement of reform directions and the implementation of ongoing policy requirements.

Conclusion

Monitoring of progress against reform directions in the National School Reform Agreement (NSRA), Reform Support Fund and Choice and Affordability Fund and against ongoing policy requirements is largely effective.

Area for improvement

The ANAO has made one suggestion to address issues identified with compliance certificates.

3.1 Amendments to the *Australian Education Act 2013* (the Act) in January 2018 prescribed, as a condition of Australian Government financial assistance, the implementation by states and territories of national policy initiatives and agreements relating to school education (section 22). Approved authorities must also comply with ongoing policy requirements, defined in the Act (section 77 — see details paragraph 3.25) and in the Australian Education Regulation 2013 (the Regulation). Section 77 also establishes that approved authorities for non-government schools must cooperate with the states and territories in implementing the national policy initiatives and agreements mentioned in section 22; and must implement policy initiatives in accordance with the Regulation.

3.2 The NSRA, including the bilateral agreements between the Commonwealth and individual state and territory governments, commenced on 1 January 2019 and gives effect to the requirements under section 22. In relation to the non-government sector, the NSRA reiterates the ongoing policy requirements set out in the Act.

3.3 In order to support the non-government school sector to implement the reform directions and funding arrangements set out in the Act and the NSRA, the Australian Government provides additional funding to non-government representative bodies (NGRBs)⁴⁸ under two funds: the Non-Government Reform Support Fund; and the Choice and Affordability Fund (see Boxes 4 and 5 below).

3.4 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* found monitoring arrangements under the previous intergovernmental agreement, the National Education Reform Agreement⁴⁹, were not robust and the department was not well

48 A NGRB represents the interests of the approved authority for a non-government school and are approved by the Minister under section 91 of the Act. There are sixteen NGRBs. A list of NGRBs in each state and territory is available on the department website at <https://www.dese.gov.au/quality-schools-package/fact-sheets/how-australian-government-supporting-reform-efforts-catholic-and-independent-schools-through-non> [accessed 2 March 2021].

49 The National Education Reform Agreement was in place between 1 January 2014 and 31 December 2018 and was revoked when the NSRA commenced.

placed to determine the extent to which reform directions had progressed. The ANAO recommended that the department enforce legislative provisions that enable it to measure progress against the achievement of reform directions (Recommendation no.3).⁵⁰

3.5 In Report 476 *Australian Government Funding*, the Joint Committee of Public Accounts and Audits (JCPAA) made a recommendation to improve arrangements for compliance certificates, which are used to monitor compliance with ongoing policy requirements (Recommendation 3).⁵¹

3.6 The ANAO examined whether the department has:

- effectively monitored progress against reform directions in the NSRA, the Reform Support Fund and the Choice and Affordability Fund; and
- effectively monitored the implementation of legislative ongoing policy requirements.

Does the department effectively monitor progress against reform directions in the National School Reform Agreement, the Reform Support Fund and the Choice and Affordability Fund?

The department effectively monitors progress against reform directions in the NSRA, Reform Support Fund and Choice and Affordability Fund. The department also fulfils its transparency requirements by making all reports from states, territories and NGRBs publicly available on its website, but does not always ensure NGRBs fulfil their transparency requirements.

3.7 The NSRA sets out three reform directions and eight supporting national policy initiatives that parties have agreed to progress during the life of the agreement. The eight national policy initiatives are subject to scrutiny and decision-making through the Education Council. The Australian Government is the lead for seven of the eight national policy initiatives, with additional governance provided by cross-jurisdictional and sectoral entities.⁵² Table 3.1 presents the NSRA reform directions and national policy initiatives.

50 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, paragraphs 3.1 to 3.19.

51 Parliament of Australia, Joint Committee of Public Accounts and Audits, *Report 476: Australian Government Funding*, Recommendation 3, Canberra, February 2019, p. 8.

52 National policy initiative Ciii is led by the Schools Policy Group, which includes the deputy secretaries from the Australian Government and state and territory education departments.

Table 3.1: National School Reform Agreement reform directions and national policy initiatives

Reform Direction A. Supporting students, student learning and student achievement	
i.	Enhancing the Australian Curriculum to support teacher assessment of student attainment and growth against clear descriptors
ii.	Assisting teachers monitor individual student progress and identify student learning needs through opt-in online and on demand student learning assessment tools with links to student learning resources, prioritising early years foundation skills
iii.	Reviewing senior secondary pathways into work, further education and training
Reform Direction B. Supporting teaching, school leadership and school improvement	
i.	Reviewing teacher workforce needs of the future to attract and retain the best and brightest to the teaching profession and attract teachers to areas of need
ii.	Strengthening the initial teacher education accreditation system
Reform Direction C. Enhancing the national evidence base	
i.	Implementing a national unique student identifier (USI) that meets national privacy requirements in order to support better understanding of student progression and improve the national evidence base
ii.	Establishing an independent national evidence institute to inform teacher practice, system improvement and policy development
iii.	Improving national data quality, consistency and collection to improve the national evidence base and inform policy development

Source: ANAO analysis of departmental information.

3.8 The bilateral agreements, taking into account state and territory specific contexts, set out the reform activities to improve student outcomes in the government and non-government sectors. These state-specific activities are aligned to the national reform directions and the eight national policy initiatives.

3.9 The reforms and initiatives supported by the Reform Support Fund and Choice and Affordability Fund are presented in Boxes 3 and 4.

Box 3: The Non-Government Reform Support Fund

The Reform Support Fund commenced on 1 January 2018, replacing the Student First Support Fund, which provided funding to NGRBs from 2014 to 2017. The fund provides \$200 million over five years from 2018 to 2022. The Reform Support Fund's objective is 'to provide support for NGRBs to assist the non-government schools they represent to implement agreed national and state-based reform initiatives'. In addition to supporting the implementation of the eight national policy initiatives outlined in the NSRA, NGRBs are required to implement national priorities established by the Commonwealth. The priorities for the Reform Support Fund in 2020 were:

- (a) Continuation of the following three national priorities from 2019:
 - quality assurance, moderation and support for the continued improvement of the Nationally Consistent Collection of Data on School Students with Disability;
 - implementation of online delivery of the National Assessment Program; and
 - improving governance and financial management practices in schools.
- (b) State based initiatives as agreed in the relevant bilateral agreement;
- (c) Local priorities where aligned broadly with the Quality Schools agenda (provided NGRBs have funding remaining after meeting their obligations under (a) and (b)); and
- (d) Other priorities identified by the Minister from time to time.

Box 4: The Choice and Affordability Fund

The Choice and Affordability Fund began in 2020 with an estimated \$1.2 billion to be provided to NGRBs to 2029. The fund aims to 'support the non-government school sector to address specific challenges and provide additional support to its students and parents'. The national priorities of the Choice and Affordability Fund aim to:

- (a) facilitate parental choice and opportunity giving parents the ability to choose an affordable school;
- (b) support non-systemic independent schools that are expected to experience reductions in per student funding due to changes in recurrent funding, and schools transitioning to a new capacity to contribute model for recurrent funding;
- (c) support schools and students impacted by special circumstances or in priority areas such as rural, regional and remote locations and areas affected by drought or other natural disasters;
- (d) strengthen outcomes for schools and educationally disadvantaged schools and students;
- (e) support student wellbeing; and
- (f) address other priorities identified by the minister from time to time.

Source: ANAO analysis of departmental information.

3.10 Monitoring of the NSRA, the Reform Support Fund and the Choice and Affordability Fund is supported by a range of reporting and transparency requirements. Table 3.2 presents the ANAO's analysis of the department's activities to assess compliance with these requirements, and further detail is provided in paragraphs 3.11 to 3.24.

Table 3.2: ANAO analysis of reporting and transparency requirements

Agreements	Reports	Reporting requirements				Transparency requirements			
		Did the department conduct an assessment?		Quality of the assessment?		Report available on department website?		Report available on the NGRBs website?	
		2019	2020	2019	2020	2019	2020	2019	2020
Bilateral agreements	State/Territory annual reports	◆	—	◆	—	◆	—	—	—
Reform Support Fund	Strategic plan	◆	—	▲	—	◆	—	■	—
	Work plan	■	◆	■	◆	■	◆	■	▲
	Annual report	◆	—	◆	—	◆		■	—
Choice and Affordability Fund	Agreement	—	◆	—	◆	—	◆	—	—
	Work plan ^a	—	◆	—	◆	—	◆	—	▲

Legend: ◆ Meets requirements

▲ Partially meets requirements

■ Does not meet requirements

— Indicates the requirement does not apply

Note a: A work plan is only required when priorities (d) and (e) are addressed.

Source: ANAO analysis.

National School Reform Agreement

3.11 Under the NSRA, the department must report progress against the national policy initiatives to the Education Council in a national annual report, which must be publicly available. Each state and territory government must also report progress against the NSRA bilateral agreements to the department in an annual report, to which NGRBs in relevant states and territories are required to contribute.

3.12 The 2019 report on progress against the reforms' milestones was published on 2 October 2020. The department drew upon quarterly national policy initiative updates to the Education Council and resolutions made at council meetings to produce the report. Three national policy initiative updates were presented at Education Council meetings in 2019. These updates were detailed and indicated through traffic light reports whether each milestone was on track, experiencing minor delays or at risk.

3.13 The department's activities to support the states and territories to produce an annual report outlining progress implementing state-specific reform initiatives, which are described below, were effective.

- The department issued reporting guidance to states and territories requiring they provide an overview of progress implementing the projects in their bilateral agreements.
- In order to ensure the information in the annual report is adequate, the department invited the states and territories to provide an interim report by 31 July 2020. All states and territories provided this interim report, on which the department gave detailed written feedback. In particular, the department encouraged states and territories to specify outcomes and delivery dates, and include the status of every reform action.
- The department reviewed the annual reports to confirm they adequately reported against agreed milestones set out in each bilateral agreement. Of the eight state and territory annual reports, six were received on time at the end of September 2020 and two were received in October 2020. Seven of the eight reports met the five requirements in the reporting template issued by the department.⁵³ All eight reports provided an update on the progress made implementing reforms and included details such as key actions and outcomes.
- The department published all eight bilateral agreement progress reports on its website on 13 November 2020.

3.14 The department advised that it does not verify the outcomes reported in the annual reports, but encourages states and territories to include internet links to relevant documents, reports and work. The department also advised that the mechanism used to ensure transparency is that the reports are publicly available. The NSRA states that a review will be completed in December 2022, which is expected to assess the effectiveness of the national policy initiatives.

Reform Support Fund

3.15 Under the Reform Support Fund, NGRBs were required to submit a strategic plan to the department outlining planned activities from 2019–2022. NGRBs are also required to submit a work plan each year outlining activities the NGRB will undertake for the year and an annual report reflecting activities undertaken and outcomes demonstrated. NGRBs must ensure that strategic plans, work plans and annual reports are publicly available.

3.16 Section 31 of the Regulation prescribes that NGRBs must use funding for the purpose of supporting school education in accordance with the Reform Support Fund Guidelines (the guidelines). The guidelines are published on the department's website and set out the Australian Government's requirements in relation to the administration, use and reporting of the Reform Support Fund. The department conducts an assessment of each of the NGRBs' reports to ensure they comply with the guidelines.

3.17 ANAO analysis indicates that the department improved its assessments of NGRBs strategic plans, work plans and annual reports between 2019 and 2020.

- In 2019, three of the 16 assessments of NGRB's 2019–2022 strategic plans did not indicate, when deficiencies were detected, if the department had contacted the NGRB for further information, requested a revised strategic plan or resolved the deficiencies. The

53 While one state did not meet one requirement, the department advised that it demonstrated progress towards the completion of the relevant activity and was considered to have met the requirement.

department was unable to locate documents supporting the assessment of the 2019 work plans.

- In 2020, the assessment documents for the 2019 annual reports and 2020 work plans contained more detail than the 2019 assessments. The department consistently made note of when an issue had been detected, and how it had been resolved.

3.18 All 16 NGRBs' latest strategic plans, work plans and annual reports were available on the department's website. The guidelines require that NGRBs make these documents publicly available. The ANAO found that only one of the sixteen NGRBs had made the documents available on their respective websites.

3.19 To gain assurance that funding has been expended as stated in agreements and work plans, the department reviews audited financial returns provided with the annual report. To assess progress against the Reform Support Fund outcomes, the department plans to undertake an evaluation of the effectiveness of the Reform Support Fund in 2021. The department advised that it expects that the evaluation will assess whether the outcomes included in the annual reports align to the activities in the agreed work plans.

Choice and Affordability Fund

3.20 Under the Choice and Affordability Fund, NGRBs must have an agreement with the Commonwealth and submit an annual report each year. When an NGRB has chosen to address priorities (d) or (e) (see Box 4) they must have provided a two-year work plan for 2020 to 2021 in advance of their annual report. In 2020 nine NBRGs chose to address these priorities. All documents must be published on the department's website and the NGRBs must ensure their work plans and annual reports are publicly available.

3.21 The department advised it reviewed all agreements and work plans to ensure each complied with the requirements in the Act, Regulation, Choice and Affordability Fund guidelines and any written directions issued by the Minister. The department advised that it did not use a standardised process to record its assessment of the agreements or work plans. Instead it worked with each NGRB, providing feedback on the agreements and work plans over phone and email. The ANAO analysed the department's review process for a sample of agreements and work plans and found⁵⁴:

- the templates used by the department for the agreements and work plans reflected the reporting requirements in the guidelines;
- the department reviewed each agreement and work plan, provided the NGRBs with feedback on how the documents could be improved, requested revised copies of each agreement or work plan after changes had been made and requested further changes when necessary; and
- as required, all agreements or work plans were made publicly available on the department's website on 10 December 2020 and, as of January 2021, the ANAO located six of the nine work plans on the NGRBs websites.

3.22 The first annual reports required of all NGRBs are due by 30 June 2021. The department advised that it intends to use a framework and templates to assess the annual reports. The

54 The ANAO sample included three of the 16 Choice and Affordability Fund agreements and three of the nine work plans from six different NGRBs.

implementation of this standardised process will enable the department to ensure all reports comply with the guidelines and demonstrate consistency with their respective agreement priorities and work plans.

3.23 The department also advised that to assess progress against the Choice and Affordability Fund, it intends to use the acquittal reports each NGRB is required to submit with their annual report, and to consider the consistency of the annual report with the agreement priorities or work plan.

Monitoring potential overlap between the Reform Support Fund and the Choice and Affordability Fund

3.24 The department acknowledged there is potential for overlap between projects that qualify for funding under both the Reform Support Fund and the Choice and Affordability Fund. To mitigate this possibility, the department maintains a working document to identify potential common themes in projects addressed by both funds. As at October 2020, the department had not identified any duplication of projects or activities.

Does the department effectively monitor the implementation of legislated ongoing policy requirements?

The department is improving the effectiveness of its monitoring of the implementation of legislated ongoing policy requirements. The process to verify compliance with the requirements has improved, however, some weaknesses in the documentation of the process and some inconsistencies between compliance certificates for government and non-government authorities impact on the level of assurance provided by compliance certificates. The process could also be more timely.

3.25 The Act (section 77) prescribes the ongoing policy requirements that all approved authorities must comply with as a condition of funding, which include: implementation of a curriculum at the schools; participation of schools in the national assessment program; and provision of information.

3.26 The department uses compliance certificates prepared by approved authorities to confirm that a school has met section 77 requirements. Compliance certificates are an annual online set of questions that require approved authorities to confirm, using a yes or no format, that a school has met its obligations under the Act.

3.27 Auditor-General Report No.18 2017–18 found that weaknesses in the department's administrative arrangements limited the assurance obtained from the compliance certificates. In particular, the audit found that the usefulness of the certificate process was limited by: inconsistent follow-up of reported non-compliance; absence of a targeted verification activity to confirm compliance; and inconsistent questions to non-government approved authorities and government approved authorities.⁵⁵

⁵⁵ Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, paragraphs 3.20 to 3.30.

3.28 In Report 476 the JCPAA recommended the department report back to the committee on the development and implementation of improvements to its administrative arrangements for compliance certificates (Recommendation 3).⁵⁶

3.29 The School Funding Assurance Framework (examined at Table 2.1 row 3) describes the steps of the compliance certificate process as follows.

- For any approved authority responding negatively to any questions, the department obtains an explanation and supporting information. The department then assesses whether the responses are acceptable or if further investigation is required.
- To verify the positive responses, the department selects a random sample of non-government approved authorities and requests they provide documentation to support the declarations made in the compliance certificate.⁵⁷
- Once all assessments have been completed, the department advises each approved authority of the outcome of their compliance certificate assessment and prepares an overview of the compliance certificate process for that school year.

3.30 The ANAO's review of the compliance certificate process for school years 2017, 2018 and 2019 indicates that⁵⁸:

- for 2017, compliance certificates were collected between August and September 2018. The verification process was completed in December 2019 and the department informed authorities of their compliance status in March 2021 (the 2017 verification process is discussed in more detail in paragraph 3.31);
- for 2018, compliance certificates were collected between August and September 2019. Verifications were conducted on declared non-compliance, but verifications of positive answers were cancelled due to the COVID-19 pandemic. Thirty-seven authorities reported non-compliance. The department advised that, following verification, it determined that no further action was required on these non-compliant certificates and informed authorities of their compliance in March 2021; and
- for 2019, compliance certificates were collected between August and October 2020. The department advised that verifications were scheduled to be completed by mid-2021.

3.31 The ANAO's analysis of the 2017 compliance certificate process shows that the department followed the process described in the School Funding Assurance Framework, and has addressed some, but not all, issues identified in the Auditor-General Report No.18 2017–18 report.

- The department verified a random sample of 70 compliance certificates with 'yes' answers, thereby addressing the Auditor-General Report No.18 2017–18 report's concern related to the absence of a targeted verification activity to confirm compliance. The department advised the ANAO that all of the 70 approved authorities selected for the

56 Parliament of Australia, Joint Committee of Public Accounts and Audits, *Report 476: Australian Government Funding*, Recommendation 3, Canberra, February 2019, pp. 7–8. The department reported to the JCPAA in August 2019. Department of Education, *Executive Minute to the Joint Committee of Public Accounts and Audit on Report No. 476 Australian Government Funding*, 14 August 2019.

57 The sample size for each school year was 68 for 2016; 70 for 2017; 68 for 2018 (sample size determined prior to cancellation); and 68 for 2019.

58 Compliance certificates for the school year 2020 are scheduled to be collected between August and September 2021.

verification exercise were found to be compliant. The ANAO analysed 13 of the 70 assessments and found they were satisfactory: the 13 approved authorities submitted evidence that addressed the department's requirements and the evidence had been reviewed by the department.

- The department conducted an assessment to verify the 'no' answers (34 of 855 compliance certificates submitted). For 22 of the 34 assessments it was clear how a conclusion had been reached and why an approved authority's 'no' response was acceptable. For the remaining 12 assessments: three assessments contained insufficient information to explain why assessors had reached the conclusion that no follow-up was required; and nine indicated that additional information was required from approved authorities to reach a conclusion, however the department was unable to provide evidence of whether follow-up actions had been completed.
- Between 2017 and 2019 the compliance certificates asked three questions to all approved authorities (relating to: implementation of a curriculum in accordance with the regulation; provision of information; and provision of reports to parents and carers on student's achievement). In addition, approved authorities for government schools were asked about participation in the national assessment program. This question was not asked of non-government school authorities. Auditor-General Report No.18 2017–18 had identified this discrepancy, which the department had not addressed as at January 2021.

3.32 During the audit, the ANAO suggested that the department review the compliance certification process to address issues related to the documentation of the assessment of the 'no' answers and to the National Assessment Program question identified in paragraph 3.31, and in doing so, consider the following.

- The department advised that the compliance certificate process should take approximately six months, from collection to reporting of results. The 2017 school year compliance certificate process took approximately 15 months from collection to reporting of results and in March 2021, non-government authorities were informed of the outcome of the process. The length of the process results in potential non-compliance not being addressed quickly. Decreasing the time taken would improve the usefulness of the process.
- The ongoing policy requirements prescribed by the Act relate to aspects of school operations that are relatively static. There would be benefit in the department adopting a risk-based approach to the periodicity of compliance certificate process and reconsidering the necessity of conducting the process on an annual basis.

4. Measuring the impact of school funding

Areas examined

This chapter examines whether the Department of Education, Skills and Employment (the Department) measures the impact of Australian Government school funding on educational outcomes.

Conclusion

The department's approach to assessing the impact of school funding on educational outcomes is not fully effective. Some of the reform directions, including those relating to teaching quality, do not have performance measures and the department's use of school data is still limited.

Area for improvement

The ANAO made one recommendation aimed at improving the measurement of the impact of school funding on education outcomes,

4.1 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding* recommended that the department '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' (Recommendation no.4).⁵⁹ The Joint Committee of Public Accounts and Audits (JCPAA) also recommended that the department improve its measurement of the achievement of reform directions (Recommendation 5).⁶⁰

4.2 In January 2018 the *Australian Education Act 2013* (the Act) was amended, and sought to:

... further strengthen the linkage between Commonwealth financial assistance and the implementation of evidence-based reforms to improve student outcomes. It is imperative that Commonwealth financial assistance for school education is used to drive better outcomes for students — to this end, the Commonwealth will work with the states and territories to develop and deliver a new national schooling agreement that will promote school education reform and help to address declining student performance.⁶¹

4.3 The resulting National School Reform Agreement (NSRA) establishes that the implementation of the national policy initiatives outlined in the agreement is a condition of Commonwealth funding to states and territories under the Act. The NSRA establishes that the achievement of the national policy initiatives and state-specific bilateral actions will support the achievement of the NSRA reform directions, which in turn will result in progress towards the achievement of long-term national outcomes for school education.⁶²

4.4 A framework that clearly sets out the relationship between national policy initiatives and educational outcomes, and effectively measures the success of the NSRA reform directions and national policy initiatives, should provide assurance that Australian Government financial assistance

59 Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, Recommendation no.4, paragraph 3.44.

60 Parliament of the Commonwealth of Australia, Joint Committee of Public Accounts and Audits, *Report 476: Australian Government Funding*, Recommendation 5, Canberra, February 2019, p. 9.

61 Parliament of the Commonwealth of Australia, *Australian Education Amendment Bill 2017 Explanatory Memorandum*, May 2017, p. 26.

62 Council of Australian Governments, *National School Reform Agreement*, Clause 11.

is directed where it is needed most and in accordance with government policy. It should also support the accountability of public funds.

4.5 The ANAO examined whether:

- the framework for measuring achievement of the NSRA is effective; and
- the department uses school data effectively to inform the development and refinement of education policy.

Is the framework for measuring achievement of the National School Reform Agreement effective?

The framework for measuring achievement of the NSRA is largely effective. The *Measurement Framework for Schooling in Australia* includes indicators to measure progress against the NSRA outcomes and objective, but not against some of the reform directions, in particular those related to teaching and data quality.

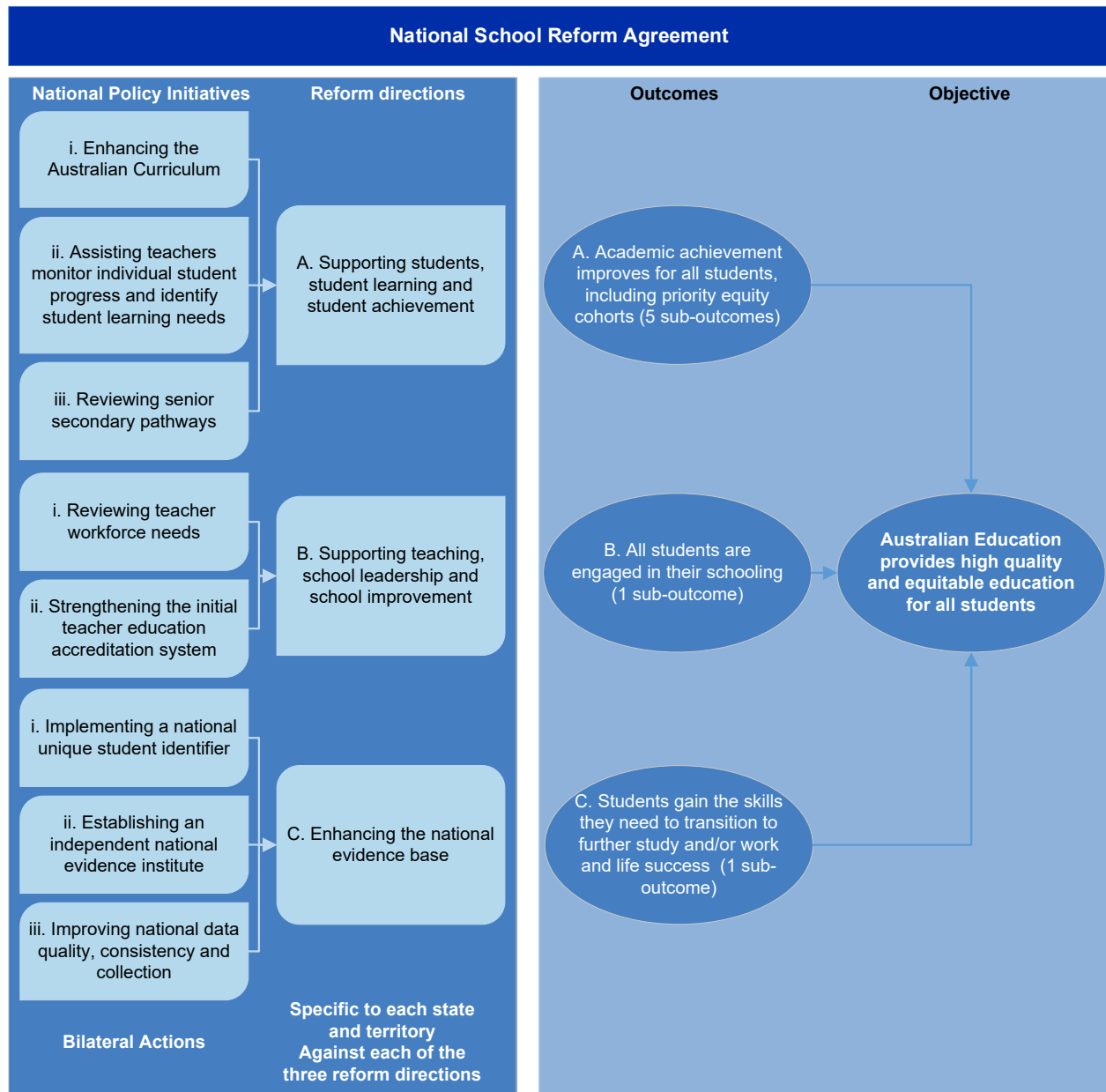
4.6 The NSRA describes the reporting and public transparency arrangements intended to give the community confidence that outcomes are being achieved. The arrangements are discussed in paragraphs 3.11 to 3.14 and include:

- an annual report from the Education Council outlining progress towards implementing the national policy initiatives against 15 of the agreed milestones detailed in the agreement;
- an annual report from each state and territory to the Commonwealth outlining progress towards implementing bilateral actions against agreed milestones⁶³; and
- a review on the effectiveness of the national policy initiatives, commissioned on behalf of Education Council, to be completed by December 2022.

4.7 Figure 4.1 provides a schematic representation of the framework presented in the NSRA, which integrates the objective and outcomes for Australian school education at the highest level, and the reform directions supported by, at the national level, the national policy initiatives, and at the state and territory level, bilateral actions.

⁶³ The NSRA includes provisions for the milestones to be varied over time as national policy initiatives are further developed and considered.

Figure 4.1: National School Reform Agreement objective, outcomes, reform directions and national policy initiatives



Source: ANAO analysis.

4.8 An examination of the milestones for the national policy initiatives and the bilateral actions shows that these milestones are outputs or deliverables (see examples in Table 4.1). As such, their achievement contributes to progress against the national policy initiatives and the reform directions; but they do not adequately track progress against the outcomes.

Table 4.1: Examples of milestones against NSRA's national policy initiatives and the bilateral actions for 2019

Milestones for national policy initiatives	Timing	Reported status
A(i)(a) — Education Council consider proposal(s) for the development of learning progressions across the Australian Curriculum learning areas and general capabilities, including consideration of existing progressions, proof of concept and development stages, timelines and estimated costs.	Early 2019	Yes
B(ii)(a) — States and Territories ensure that accredited initial teacher education programs require pre-service teachers to have successfully completed a rigorous final-year teaching performance assessment prior to graduation. ^a	From Jan 2019	No
C(iii)(a) — Education Council agree equity and proficiency standards (for numeracy and literacy assessed by NAPLAN) as part of the scheduled review of the National Measurement Framework for Schooling. ^b	Dec 2018	No
Milestones for bilateral actions		
A — Support students with disabilities and additional needs through providing scholarships for teachers to undertake postgraduate courses in special education (Victoria).	From 2019	Commenced and ongoing
B — Identify and support cohorts of high quality teachers across sectors for certification at Highly Accomplished and Lead Teacher level (New South Wales).	2019	Completed
C — Teachers make evidence-based decisions about the level of adjustment being provided for each student with disability, and the broad category of disability, to achieve quality teaching for all students (Western Australia).	2019 to 2023	Implemented and ongoing

Note a: All initial teacher education providers and teacher regulatory authorities were expected to have teaching performance assessment arrangements in place by June 2020. The department advised that, as at February 2021, 38 of the 47 initial teacher education providers had an endorsed teaching performance assessment arrangement.

Note b: The department advised that this milestone was met in December 2019.

Source: Education Council, National School Reform Agreement, *2019 Annual Report on progress in implementing the National Policy Initiatives*, September 2020; and *National School Reform Agreement – Bilateral Agreement Progress Report 2019* (Victoria, New South Wales, Western Australia).

4.9 In its August 2019 response to JCPAA Recommendation 5, the department specified that the *Measurement Framework for Schooling in Australia* (the Measurement Framework) would be used as the mechanism to monitor progress towards achieving the outcomes of the NSRA.⁶⁴

4.10 The Measurement Framework provides the basis for Australian education ministers to report to the community on the performance of schooling. The Australian Curriculum, Assessment and Reporting Authority (ACARA) is responsible for the development and update of the Measurement Framework. The core of the Measurement Framework is the schedule of key

64 Department of Education, *Executive Minute to the Joint Committee of Public Accounts and Audit on Report No. 476 Australian Government Funding*, 14 August 2019, p. 10.

performance measures in four areas (participation, achievement in the national assessment program, attainment and equity) (see Figure 4.2).⁶⁵

Figure 4.2: Outline of the key performance measures in the *Measurement Framework for Schooling in Australia*

32 key performance measures in 4 areas of performance			
1. Participation (9 measures) <ul style="list-style-type: none"> • enrolment • attendance rate and level (2 measures) • participation in NAPLAN • retention • participation in VET • participation in post-school learning pathways and work (3 measures) 	2. Achievement in NAP (21 measures) <ul style="list-style-type: none"> • literacy (10 measures and sub-measures) • numeracy (6 measures and sub-measures) • civics and citizenship (1 measure) • ICT literacy (1 measure) • science literacy (3 measures) 	3. Attainment (2 measures) <ul style="list-style-type: none"> • school completion and attainment • attainment in post-school learning pathways 	4. Equity (derived)^a <ul style="list-style-type: none"> • Indigenous status • sex • language • location • socioeconomic background • disability

Note a: Equity measures are not separately listed in the schedule of key performance measures but are derived, for reporting purposes, by disaggregating the measures for participation, achievement and attainment where it is possible and appropriate to do so.

Source: Australian Curriculum, Assessment and Reporting Authority, *National Measurement Framework for Schooling in Australia*, December 2020.

4.11 The Measurement Framework's key performance measures assess student outcomes, but they do not effectively measure progress against some of the reform directions or national policy initiatives, in particular teaching quality (Reform Direction B), or data consistency, collection and quality (Reform Direction C). Consequently, the success of these reform directions may be difficult to establish.

4.12 As noted in paragraph 4.6, the NSRA makes provision for a review of the national policy initiatives (including the bilateral actions), to be completed by the end of 2022. Effective key performance measures are critical to enable the review's assessment of the reform directions' effectiveness.

4.13 The review is also expected to assess the appropriateness of the Measurement Framework in measuring progress towards achieving the outcomes of the NSRA. On 14 December 2020, ACARA submitted a paper to the Education Council identifying gaps in the capacity of the Measurement Framework to assess and monitor progress towards achieving all of the goals and commitments of the *Alice Springs (Mparntwe) Declaration*. The paper outlined the need to develop new measures and review existing ones, with priority areas to be considered including learning progress for Aboriginal and Torres Strait students, teaching quality, student wellbeing, quality early childhood education and critical and creative thinking. The Education Council agreed to ACARA commencing work, in preparation for the 2022 review. ACARA is expected to report on the new work to the Education Council in mid-2021.

⁶⁵ Australian Curriculum, Assessment and Reporting Authority, *National Measurement Framework for Schooling in Australia*, December 2020.

Recommendation no. 3

4.14 The Department of Education, Skills and Employment:

- (a) ensure that, following the expiry of the National School Reform Agreement in December 2023, any future national agreement on schooling includes clearly defined measures to assess the success of policy initiatives and reform directions; and
- (b) work with the Australian Curriculum, Assessment and Reporting Authority and jurisdictions to ensure that performance measures to assess the effectiveness of the National School Reform Agreement's reform directions are included in the development of new performance measures for the *Measurement Framework for Schooling in Australia*.

Department of Education, Skills and Employment response: *Agreed in principle.*

4.15 *The Department agrees in-principle and will assist Australian Government consideration for the inclusion of performance measurements, noting that the contents of such documents need to be agreed by all Australian governments.*

Does the department use school data to inform education policy?

While the department is establishing mechanisms to enable the effective use of school data to inform policy, to date the use of these mechanisms by staff is limited.

4.16 In response to Auditor-General Report No.18 2017–18 Recommendation no.4, the department stated that increasing the use of available data to inform key funding and policy decisions was a high priority, and that the department was working to improve the collection, management, usage, sharing, data linkage and reporting of school information.⁶⁶ In its submission to the 2018 JCPAA inquiry, the department advised, in relation to Recommendation no.4, that a key focus was establishing the national education evidence base that would:

... improve the department's ability to identify what works best to improve student and life outcomes and inform future policy initiatives and decisions; optimise government's ability to ensure financial resources are targeted to initiatives that deliver efficient and effective outcomes; and assist in assessing the impact of ongoing initiatives in education.⁶⁷

Whole-of-department initiatives

4.17 In 2018 the department developed a whole-of-department *Data Management Strategy 2018–21*, which identified a list of actions and milestones supporting three objectives:

- performing at or above industry standards for data management;
- fostering a culture of quality data and robust analysis; and
- integrating and making data available to other agencies and to the public.

⁶⁶ Auditor-General Report No.18 2017–18 *Monitoring the Impact of Australian Government School Funding*, Recommendation No.4 paragraphs 3.45 to 3.47.

⁶⁷ Department of Education and Training, *Submission 1 to the Joint Committee of Public Accounts and Audit's Inquiry based on Auditor-General's reports 18 and 50 (2017–18)*, p. 5.

4.18 The strategy indicates that progress against the objectives would be evaluated on an annual basis. In March 2020, the department delivered a status update against the actions listed under the three objectives of the Data Management Strategy. The document indicates that all actions had been substantially completed, with most of the delays in completion due to changes required following Machinery of Government changes in December 2019.⁶⁸

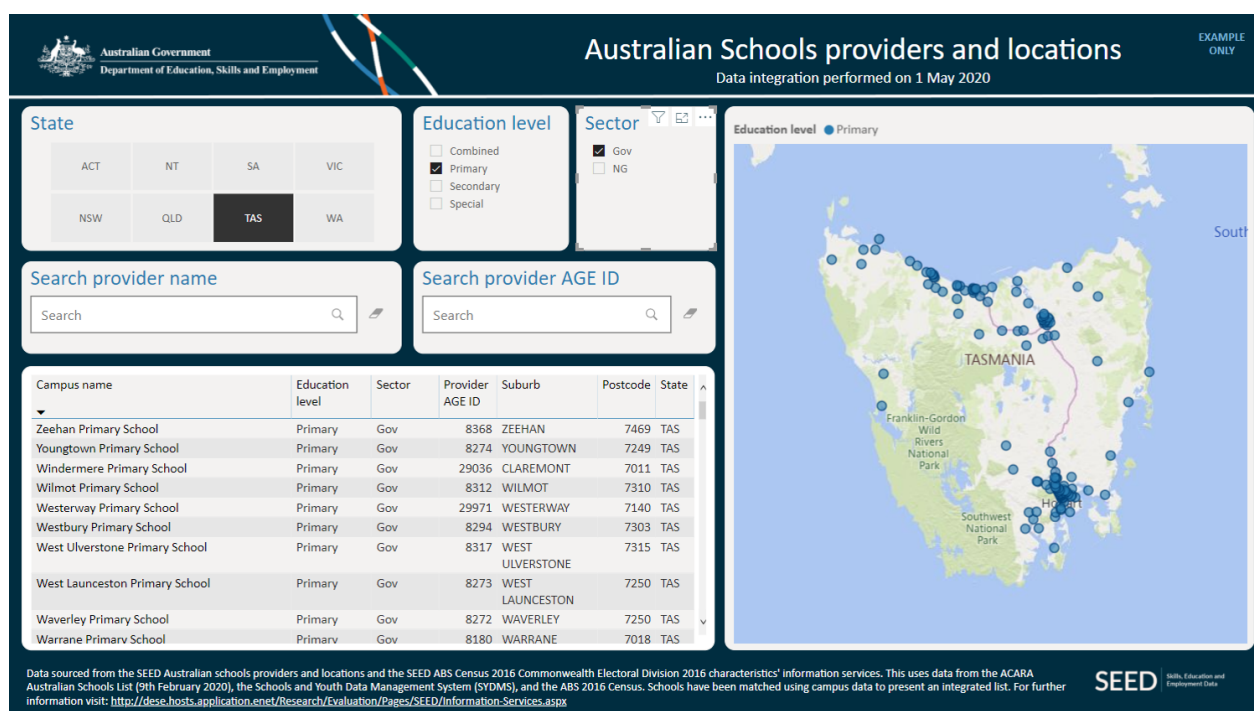
4.19 The department released the *2021–22 Data Strategy* on 28 January 2021, which aims to optimise the use of data and evidence. One of the actions listed in the 2018–21 strategy related to the establishment of the national education evidence base, a \$24 million three-year project, ending in June 2020 to support outcomes of the Data Integration Partnership for Australia Program.⁶⁹ The project closure report, finalised in October 2020, concluded that the project had successfully delivered department-wide data management and governance; visualisation capability; a new secure data analytics platform; and a new data integration platform. The report also indicates that the Digital Transformation Agency had reviewed the project's benefits and confirmed that the national education evidence base had 'established a capability and positioned the department to deliver on these benefits — noting that the department is at the beginning of its benefits realisation journey'.

4.20 The key deliverable from the national education evidence base project is the integration platform 'Skills Education and Employment Data' (SEED). The platform was launched in September 2020 and is accessible from the department's intranet. It provides staff with access to maps, reports and data sets related to employment and education (see Figure 4.3 for an example). As at January 2021, the information available from SEED related primarily to employment, higher education and vocational education and training. The department advised that this is due to the fact that states and territories hold a large proportion of school related data. Through projects aimed at sharing data between government entities, such as the Multi-Agency Data Integration Project⁷⁰, the department is working to populate school-specific content available on SEED.

68 In December 2019, the Prime Minister announced the creation of the Department of Education, Skills and Employment, which consolidated the Department of Education and Training and the Department of Employment, Skills, Small and Family Business.

69 The Data Integration Partnership for Australia was a whole-of-government collaboration between over 20 Commonwealth agencies. It was a three-year, \$130.8 million investment (July 2017–June 2020) aiming to maximise the use and value of the Government's data assets.

70 The Multi-Agency Data Integration Project, (MADIP) was established in 2015 to improve Australian Government arrangements for data integration. It is a data asset combining information on health, education, government payments, income and taxation, employment and population demographics (including Census data).

Figure 4.3: Example of reports available from SEED

Source: Department documentation.

4.21 In line with the 2018–21 strategy, in January 2019 the department published on its intranet a data asset register, which aims to provide staff with a description of departmental data resources, and includes the names of the data steward and data custodian whom staff can contact to access specific data resources. The register was reviewed in July 2020 'to ensure all departmental data is captured in a consistent manner'.

Schools Group initiatives

4.22 As indicated at paragraphs 2.8 and 2.9, in January 2021 the department commenced using a risk indicator model to analyse school funding data for compliance purposes, which it intends to use, in the later part of 2021, to better understand and inform funding policy development and evaluation.

4.23 In addition, in August 2020, the department published on its intranet the *Schools Group Research Framework*. The framework assesses the research maturity of the group as between the 'beginning' and 'developing' stages as at March 2020. A *Research Work Plan 2020–21* accompanies the framework, and identifies research priorities and projects for January 2020 to July 2021. The projects aim to address eight policy priorities, which are aligned to the NSRA national policy initiatives. The projects also aim to capture the research priorities and gaps identified through staff consultations undertaken across the group in April 2019. Two projects associated with school funding are included in the work plan: *Forecasting financial viability risk in the non-government schooling sector*; and *How do non-government schools distribute their income*.

4.24 Since August 2020, a Research Corner has been available to staff on the department's intranet. It presents key evidence and analysis, data documents and other data items relevant to schooling and invites staff to submit research questions to the Research and Analysis team. In addition, the Research Corner includes: a publications page that lists significant reports, research

papers and education research entities; and workshops and seminars that aim to share and discuss data and evidence about schooling. The department advised that, as at 25 January 2021, the Research Corner had been viewed by 1047 staff across the department and no requests had been made.⁷¹ Five workshops or seminars were conducted between December 2019 and January 2021.



Grant Hehir
Auditor-General

Canberra ACT
12 May 2021

71 As at 30 June 2020, the department had 3,424 full time equivalent ongoing employees.

Appendices

Appendix 1 Department of Education, Skills and Employment's response



Australian Government
Department of Education, Skills and Employment

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 Government School Funding – follow-up

Thank you for your correspondence of 24 March 2021, containing the Proposed Report for the ANAO performance audit - *Monitoring the Impact of Government School Funding – follow-up*. I appreciate the opportunity to respond and would also like to take this opportunity to thank you and your staff for the collaborative way in which this audit was conducted.

The report recognises the significant program of work the Department has put in place to address the recommendations of the ANAO's December 2017 performance audit. I am particularly pleased to see positive recognition of the Department's approach to assurance. I appreciate that there are still improvements to be made and the recommendations in the report will support our ongoing efforts to improve accountability and transparency.

I enclose my Department's response to the recommendations for inclusion in the report. Should you require further information on the response, please contact Mr Fabian Harding, First Assistant Secretary, on (02) 6121 9359 or at Fabian.Harding@dese.gov.au.

Yours sincerely

Michele Bruniges

Dr Michele Bruniges
22 April 2021

Encl.

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Appendix 2 Auditor-General Report No.18 2017–18 and JCPAA Report 476 — Implementation of recommendations

Recommendations of Auditor-General Report No.18 2017–18 and JCPAA Report 476	Implementation status as at February 2021	Chapter and paragraph reference
Auditor-General Report No.18 2017–18		
Recommendation no.1 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.	Part 1: Implemented Part 2: Implementation in progress	Part 1: Chapter 2, paragraphs 2.4 to 2.9 Part 2: Chapter 2 paragraphs 2.22 to 2.42
Recommendation no.2 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 Act.	Not implemented	Chapter 2 paragraphs 2.45 to 2.53
Recommendation no.3 The Department of Education and Training enforce legislative provisions that enable it to measure progress against the achievement of reform directions.	Implemented	Chapter 3 paragraphs 3.7 to 3.24
Recommendation no.4 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	Largely implemented	Chapter 4 paragraphs 4.16 to 4.24
JCPAA Report 476		
Recommendation 1 The Committee recommends that the Australian Government amend the <i>Australian Education Act 2013</i> , and the accompanying Regulation as required, to include a specific legislative requirement that the Department of Education and Training: <ul style="list-style-type: none"> monitor compliance and provide assurance that Australian Government school funding is delivered in accordance with the Act; and monitor the use of Australian Government school funding in achieving the objectives of the Act. 	N/A	N/A

Recommendations of Auditor-General Report No.18 2017–18 and JCFAA Report 476	Implementation status as at February 2021	Chapter and paragraph reference
<p>Recommendation 2</p> <p>The Committee recommends that the Department of Education and Training conduct a risk-based analysis and review of existing compliance and accountability arrangements of Australian Government school funding under the requirements of the <i>Australian Education Act 2013</i>.</p> <p>Education should report back to the Committee on the outcomes of its review, including:</p> <ul style="list-style-type: none"> findings related to the assessment of established monitoring mechanisms, reporting processes, and compliance and administration arrangements; and a detailed implementation plan for improvements to compliance and administration arrangements, including key milestones and delivery timeframes 	<p>Part 1: Implemented</p> <p>Part 2: Implemented</p>	<p>Part 1: Chapter 2 paragraphs 2.4 to 2.9</p> <p>Part 2: Chapter 2 footnote 18</p>
<p>Recommendation 3</p> <p>The Committee recommends that the Department of Education and Training implement improvements to its administrative arrangements for compliance certificates for Australian Government school funding and acquittal certificates under the <i>Australian Education Act 2013</i>.</p> <p>The department should report back to the Committee on the development and implementation of improvements to the administrative arrangements for compliance certificates and acquittal certificates, inclusive of timeframes.</p>	<p>Part 1: Partly implemented</p> <p>Part 2: Implemented</p>	<p>Part 1: Chapter 3 paragraphs 3.25 to 3.32</p> <p>Part 2: Chapter 2 footnote 18</p>
<p>Recommendation 4</p> <p>The Committee recommends that the Department of Education and Training report back on how it has improved current monitoring arrangements of funding models for Australian Government school funding, to enhance and enforce the public and transparent reporting of funding models as required under the <i>Australian Education Act 2013</i>.</p>	<p>Implemented</p>	<p>Chapter 2 footnote 27</p>
<p>Recommendation 5</p> <p>The Committee recommends that the Department of Education and Training improve its approach to measuring progress against the achievement of reform directions and objectives under the National Education Reform Agreement.</p>	<p>Partly implemented</p>	<p>Chapter 4 paragraphs 4.6 to 4.13</p>
<p>Recommendation 6</p> <p>The Committee recommends that the Department of Education and Training continue to report back to the Committee on the progress and outcomes of the National School Resourcing Board review in six months. The Committee further recommend that Education report back to the Committee following the completion of the review.</p>	<p>Implemented</p>	<p>Chapter 2 footnote 30</p>

Recommendations of Auditor-General Report No.18 2017–18 and JCPAA Report 476	Implementation status as at February 2021	Chapter and paragraph reference
Recommendation 7 The Committee recommends that the Auditor-General consider conducting a follow-up audit of the monitoring arrangements for Australian Government school funding by the Department of Education and Training. Such an audit might also focus on the implementation of recommendations made by the Committee in this report and Audit Report No.18.	N/A	N/A

Source: Australian National Audit Office, Auditor-General Report No.18 2017–18, *Monitoring the impact of Australian Government school funding*, Canberra, December 2017; Parliament of Australia, Joint Committee of Public accounts and Audits, *Report 476: Australian Government Funding*, Canberra, February 2019; and ANAO analysis.

Appendix 3 Australian Government response to the NSRB Review of the needs-based funding requirements' recommendations

'The Government intends to respond to the Board's ten recommendations in three high level phases. The Government will work closely with stakeholders during the phases with Recommendations 1–5 being addressed in phase one commencing in mid-2020, recommendations 6–8 being considered in phase two and Recommendations 9 and 10 being considered in phase three.

Phase 1 [Recommendations 1–5]: Development of Guidelines — mid-to end 2020.

The response to these recommendations will commence in 2020 as part of phase one, with stakeholder consultation to develop a shared understanding of legislative requirements for the reporting of System's needs-based funding arrangements a critical component. This consultation will build on the department's assessment of needs-based funding arrangements that occurred in 2018.

Following the completion of this consultation, guidance will be developed that supports compliance by Systems for their own needs-based funding arrangements against legislative requirements. This targeted guidance will provide appropriate transparency and accountability of recurrent funding in schools as intended by the Act and Regulations.

Phase 2 [Recommendations 6–8]: Transparency and Reporting — After completion of Recommendations 1–5.

The Government will commence activity in response to this recommendation after the completion of phase one and the establishment of shared understanding and guidance for needs-based funding. It would be premature to commence these recommendations without a shared foundation of understanding as it may result in inconsistencies or differences in approaches by Systems depending on their own interpretation of needs-based funding arrangements.

Phase two will include the analysis of existing data sets to determine their ongoing suitability for the public reporting of Systems' needs-based funding arrangements within the department's broader Assurance Framework. The Government will work collaboratively with state and territory education Ministers to progress to changes to data sets if required.

Following the development of options for the publication of needs-based funding at the System and school level, state and territory education Ministers will be in a position to consider how information on distribution and allocation of total public funding to schools (broken down by base and loading amounts) is made publicly available.

Phase 3 [Recommendations 9–10]: Transparency of funding at the school level — After Phases 1 and 2 have been completed.

The Board recommended that following the implementation of Recommendations 1–8, and an appropriate settling-in period, the Australian Government, in consultation with states and territories, should consider whether there is a need for additional transparency'

'Further consideration of additional transparency will occur after phases one and two have been completed and sufficient time has passed for processes to be embedded and robust data sets available for consideration.

The Government will progress a response to these recommendations in consultation with state and territory education Ministers.'

Source: Department of Education, Skills and Employment, *the National School Resourcing Board's Review of the needs-based funding requirements Australian Government Response*, Canberra, July 2020.