

Senate Standing Committee on Education Employment and Workplace Relations

QUESTIONS ON NOTICE

Reference: Primary Schools for the 21st Century program

Senator Cash (Chair) asked on Wednesday, 19 May 2010, Hansard page 120

Question

EDUCATION AUTHORITY BER AUDITING ARRANGEMENTS

Chair – Ms Paul, in talking about audit reports, during our discussion on costings you made a comment that the P21 program is a highly audited program. What audits have been undertaken by the department since the commencement of this program?

Ms Paul – I was talking about right across the Building the Education Revolution (BER) and right across all jurisdictions, and you were talking about how value for money is determined.

Chair – Correct.

Ms Paul – We have gone through a couple of processes on that, and Mr Orgill has just described some of his. One of the processes we went through was to ask the 22 education authorities how they were determining value for money, given that it is their responsibility. The next question we asked was, ‘How are you auditing this program?’ It was quite interesting. They are all taking their own perspectives on this. New South Wales has its audit squads, which Mr Orgill has just referred to. I cannot remember the rest but we can do a summary for you if you are interested.

Chair – That would be greatly appreciated.

Answer

Under the terms of the Bilateral Agreements on the Nation and Building Jobs Plan, each state and territory is required to be audited annually by their respective Auditors-General or an independent Auditor in relation to BER funding.

Under the terms of the Funding Agreements with Block Grant Authorities (BGA), each Education Authority is required to keep full and accurate financial records relating to the use of BER funding so as to enable the audit of those records and documents in accordance with Australian Auditing Standards and generally accepted audit practices. At the end of each financial year each BGA must provide the National BER Co-ordinator with certificate by a qualified accountant stating whether an amount equal to the amount of the funding paid to the BGA in that financial year has been spent (or committed to be spent) during that financial year and for the purposes for which it was granted.

A number of states and territories and BGA’s have also put in place additional audit processes.

Attached is a summary of Education Authority BER auditing arrangements.

Summary of Education Authority BER Auditing Arrangements

NSW	Govt	<ul style="list-style-type: none"> • An audit squad has been established by the NSW Government to monitor BER projects. <ul style="list-style-type: none"> – The audit squad will conduct spot audits of all BER projects covering every region, project type and managing contractor. – Projects will be assessed on time, cost and quality, and independent audits will also be carried out by Deloitte and the NSW Audit Office. • The NSW audit squad will work with: <ul style="list-style-type: none"> – the NSW Department of Education and Training’s audit directorate – the Nation Building and Jobs Plan Taskforce’s probity auditor – Deloitte – the NSW Audit Office – NSW Independent Commission Against Corruption – the Australian National Audit Office. • NSW Audit Office will conduct an audit of P21. This will be in addition to their normal audits. • The NSW Legislative Council General Purpose Standing Committee No.2 is currently conducting an inquiry into the BER Program.
	Cath BGA	<ul style="list-style-type: none"> • The NSW Catholic BGA recently carried out an internal review of all BER projects as part of its internal governance arrangements. The review was carried out by NSW Catholic BGA officers who are independent to the diocesan/school facilities staff.
	Ind BGA	<ul style="list-style-type: none"> • Association of Independent Schools (AIS) NSW reviews and approves tender arrangements on P21/SLC projects prior to authorising schools to sign a contract with the preferred tenderer to ensure that a competitive process is followed. • AIS NSW requires all schools to submit a monthly report on the progress of their project/s. • On completion of the project schools are required to submit to the AIS NSW: <ul style="list-style-type: none"> – a Certificate of Completion, signed by the approved authority ,and – a Certificate of Financial Accountability, signed by a qualified accountant, stating the funding was spent for the purpose for which the funding was granted.
Vic.	Govt	<ul style="list-style-type: none"> • The Victorian Auditor-General’s Office is reviewing the compliance of BER procurement processes with the Victorian

		<p>Government's procurement requirements.</p> <ul style="list-style-type: none"> • The Victorian Auditor-General has reviewed the Department of Education and Early Childhood Development's (DEECD) approach to capital works management. • The DEECD internal audit area is reviewing the governance of the BER program. • The Victorian Parliament's Victorian Education and Training Committee is undertaking an inquiry into the Australian Government's BER administration in Victoria. The committee is required to provide an interim report to Parliament by 31 August 2010 and a final report by 31 December 2010.
	Cath BGA	<ul style="list-style-type: none"> • An independent auditor is engaged to examine every project, to assess all aspects of the projects, including matching funding with works completed, checks for quality, adherence to program policy etc. These audits occur on a regular basis. A large BER project would typically have 4 audits through the life of the project. • A leading project management and quantity surveying company has been contracted to independently verify and check project progress and work completed on site, and assure quality. This reporting is then used as a cross check against the BGAs own internal processes. • Independent school auditors will verify all payments made against the approved project.
	Ind BGA	<ul style="list-style-type: none"> • A formal audit process is initiated when the expenditure claims from a school reach a benchmark of 30 per cent of the BER grant. The BGA plans to audit all P21 and SLC BER projects. • The audits are carried out by two building consultants engaged by Independent Schools Victoria for this purpose. A summary report is written at the completion of each audit.
Qld	Govt	<ul style="list-style-type: none"> • The Queensland Department of Education and Training (DET) has engaged PricewaterhouseCoopers (PwC) to undertake an independent audit of the systems and processes put in place by DET to plan, coordinate and deliver the BER program in Queensland state schools. • PwC's report in September 2009 was, overall, very positive. It found that: <ul style="list-style-type: none"> – The BER program in Queensland will achieve value for money – Design standards are based on current best practice and – Coordination of the BER program by DET means that schools are better able to maintain their focus on teaching and learning. • DET has commissioned PwC to conduct further audits of the systems and processes they have in place, following on from the first audit to ensure compliance with the program guidelines and

		<p>to investigate any evidence of value for money not being achieved.</p> <ul style="list-style-type: none"> • PwC are due to report for the second time in June 2010 to ensure the roll-out of BER continues on track. • Independent Audit Quantity Surveyors (QS) are also engaged across the BER programs to ensure value for money for each P21 and SLC project. Costs are assessed against the latest information available including results of recently tendered projects, both BER and outside BER across both the state and non-state sector. Should estimated project costs or tenders not represent value for money based on the Quantity Surveyors advice, tenders are re-negotiated or recalled to ensure this outcome is achieved. • The Queensland Audit Office is undertaking a performance and financial audit of Department of Public works (DPW) and DET to provide a further assessment of the BER implementation. • DET Internal Audit section is currently auditing DET's implementation of the BER program.
	Cath BGA	<ul style="list-style-type: none"> • The Queensland Catholic Education Commission employs a proven formal dual-audit process which requires: <ul style="list-style-type: none"> – the lead consultant, an architect in the case of each BER project, to provide a signed project completion statement certifying the project has been completed in accordance with the approved project description and sketch plans – a statement from an independent qualified accountant that the funds received for the project have been properly applied. • Audit processes (timelines, cost, quality of projects) are built into in the procurement process being used.
	Ind BGA	<ul style="list-style-type: none"> • Independent Schools Queensland (ISQ) requires a signed Statutory Declaration from an external approved accountant before they process any payments to schools for milestone payments. • ISQ requires a completed Statutory Declaration by an approved external accountant, architect and school approved authority as well as Certificate of Occupancy before final milestone payment is made to schools on completion of project.
WA	Govt	<ul style="list-style-type: none"> • Building Management and Works (BMW), a division of the WA Department of Treasury and Finance, carries out all BER construction activities on behalf of WA Department of Education and Training (DET). • The agency is subject to regular internal audits in respect of its tendering and contract management practices. • An independent quantity surveyor was used to audit all projects. • The Department of Treasury and Finance has commissioned

		<p>auditors KPMG to carry out four ‘health checks’ on the works procurement and to date two have been completed.</p> <ul style="list-style-type: none"> • The BER program is subject to scrutiny by the Auditor General of Western Australia. It is expected that these auditors will examine the financial aspects of BER including “value for money”.
	Cath BGA	<ul style="list-style-type: none"> • The Catholic Education Office engages external auditors each year, who submit a report for consideration by the Catholic Education Commission of WA (CEC WA). <ul style="list-style-type: none"> – The BER program is audited in the same manner as the other aspects of CEC WA’s operations.
	Ind BGA	<ul style="list-style-type: none"> • For P21 projects, before the final 25 per cent of grant funds are released, schools are required to supply the Certificate of Practical Completion issued under the Building Contract and a Certificate by the School Authority and Independent Qualified Accountant certifying that the project has been completed, outlining the total amount expended on the approved project and confirming that an equal amount to the total grant paid has been expended on the approved project.
SA	Govt	<ul style="list-style-type: none"> • The SA Government Department Education and Children’s Services (DECS) requires that steps conducted throughout the BER procurement process must be recorded and documented for audit requirements. • Both DECS Internal Auditors and the state Government’s Auditor General are conducting audits on the BER program. <ul style="list-style-type: none"> – DECS Internal Auditors are currently focused on NSP and will be auditing 200 schools. – DECS understands the Auditor General will audit all three programs, having started to gather information as part of the investigations.
	Cath BGA	<ul style="list-style-type: none"> • Checks are instigated independent of schools, designers, contractors and projects managers to manage the integrity for the scope of works and design to each project and contain cost during design development and tendering. This acts as an ongoing audit process.
	Ind BGA	<ul style="list-style-type: none"> • The BGA receives a final monthly expenditure statement from the school. The BGA reserves a percentage of the grant until the school has supplied an Architect/Supervisor Certificate stating that the project has been completed according to the approved documentation. • The school sends the Architect/Supervisor Certificate certifying the scope and the cost of the final project, the grant amount applicable and the school contribution, if any. • The BGA then makes the final grant payment and the school supplies an Accountant’s Certificate. The accountant conducts an

		audit of expenditure and income by grant payment.
Tas.	Govt	<ul style="list-style-type: none"> • The internal audit section of the Department of Education, Tasmania (DoE TAS) undertakes a sample audit of construction project procurement each year as part of annual compliance arrangements required by Treasury Instructions. • The Tasmanian Audit Office also conducts sample construction procurement auditing associated with the DoE TAS annual financial statement audit program. The sample size selected for audit has been increased as a result of the BER program. • DoE TAS understands the Auditor-General will conduct a performance audit on the BER program this year.
	Cath BGA	<ul style="list-style-type: none"> • The BGA oversees the management of the financial aspects of the program. Architect and Auditor certification form part of the acquittal processes. • The Tasmanian Catholic BGA has an annual end-of-year financial audit conducted by Williams Hatchman & Kean. The audit accountability includes: <ul style="list-style-type: none"> – completed and signed Accountant Certificate – statement of Receipts and Expenditure—signed by the Accountant/Auditor – list of payments made during the twelve month calendar year. – reconciliation of undisbursed funds – schedule of completed projects, signed by the Accountant/Auditor – detailed list of accounts operated by the BGA in which the BER funds are held.
	Ind BGA	<ul style="list-style-type: none"> • No project payment is distributed until copies of paid invoices accompany a claim and the last 25 per cent of the project funds are held until the Tasmanian Independent BGA receives Certificates of Completion, an Audit Certificate and have inspected the project to ascertain successful completion and occupancy.
NT	Govt	<ul style="list-style-type: none"> • NT Government’s existing audit, legislation, regulation and policy as control mechanisms for the expenditure of monies processes that apply to the delivery of all public works construction projects, also apply to the BER. These include: <ul style="list-style-type: none"> – NT Procurement Act – NT Procurement Directions – Internal Value for Money assessment, such as, whole of life, cost, time, capacity, and Indigenous training. – Delegations

		<ul style="list-style-type: none"> – NT Procurement Review Board – CAPS (contract document agency) – Panel Contracts. <ul style="list-style-type: none"> • Additional measures for both ongoing review and control were specifically included for this program and include probity auditors on high-risk projects (increased assurance with integrity if gaps in policy were to arise). • The NT Auditor General will conduct an audit of BER processes in 2010.
	Non-Govt	<ul style="list-style-type: none"> • The NT joint Catholic and Independent BGA is audited each year by KPMG for funds received and dispersed, including the BER. The audit for this year is currently underway. • The last document to be provided by the school at the completion of a project is an independent audited statement of final costs.
ACT	Govt	<ul style="list-style-type: none"> • The ACT Government's procurement agency—ACT Procurement Solutions— undertakes ongoing assessments and reviews of each BER project (financial and non-financial). • ACT Procurement Solutions has engaged an auditor to check the financial reporting records of all seven construction managers.
	Non-Govt	<ul style="list-style-type: none"> • Each school signs a comprehensive agreement to adhere to strict conditions regarding the use of the funding, including keeping financial records to enable the preparation and auditing of financial statements in accordance with Australian Accounting Standards. • The final claim is accompanied by a Certificate of Completion by an independent accountant or auditor. Each year the BGA's BER expenditure, by school and project, is audited.