



Joint Committee of Public Accounts and Audit
Monitoring the Impact of Australian Government School Funding
(Auditor-General Report No.18 2017-18)

15 August 2018

Opening Statement by Mr Grant Hehir, Auditor-General for Australia

1. Good morning Chair and Committee Members. Thank you for the opportunity to appear before the committee today.
2. The two audits under consideration today are important audits because they assess the effectiveness of entities performance information and accountability frameworks from the initial design phase through to ongoing assessment of program performance and measuring progress towards outcomes and impact realisation.
3. Education represents the third largest budget expense for the Australian Government. In 2016, \$16.1 billion, and in 2017, \$17.5 billion were provided to fund schools, with the majority (over 60%) of this funding provided to non-government schools. The *Australian Education Act 2013* sets out the needs-based funding model for school education and outlines the conditions that must be met by approved authorities to receive Commonwealth financial assistance. These include the requirements to comply with intergovernmental agreements and to implement nationally agreed reform directions. As part of its responsibilities, the Department of Education and Training administers the Act and the intergovernmental agreements.
4. Addressing educational disadvantage through the application of a transparent and accountable needs-based funding model is a key element of the Australian Government's education policy.ⁱ The department had not monitored and reported on the manner in which funding had been allocated or subsequently redistributed by system authoritiesⁱⁱ effectively. As a result, the department had limited assurance that the funding had been used in accordance with the legislative framework, in particular the requirement for funding to be distributed on the basis of need.ⁱⁱⁱ

5. The department had also not ensured that system authorities are meeting legislated transparency requirements, in particular, the publication of their needs-based funding model. This has resulted in reduced transparency and accountability of Australian Government school funding; and has undermined the department's ability to monitor the effectiveness of current policy settings and inform future policy development.^{iv}
6. The department used several^v key annual monitoring mechanisms to account for recurrent funding to schools. Each of these mechanisms included weaknesses, which have undermined the department's ability to appropriately verify reported schools' data. In addition, system authorities are able to redistribute funding received from the Australian government according to their own needs-based funding model, which must comply with the needs-based principles established under the Act. In a commitment to reduce regulatory burden, the department had not undertaken a comprehensive review of needs-based funding arrangements to ensure compliance with the funding principles of the Act.^{vi}
7. The absence of effective monitoring undermined the department's ability to assess the impact of the government's approach to improving educational outcomes through the application of a needs-based funding model.^{vii} In particular, ANAO analysis has shown:
 - a. significant variances between the funding allocated to non-government system authorities by the department and the funding these authorities reported having distributed to each of the schools that they represent;^{viii} and
 - b. a lack of clarity around the alignment of some disadvantage loadings created by non-government system authorities, and student needs;^{ix} and
 - c. significant variances in the amount of funding retained by non-government system authorities for administrative costs and centralised expenditure.^x
8. The department has not used the monitoring mechanisms^{xi} included in the National Education Reform Agreement to determine the extent to which reform directions^{xii} set out in the Act have been progressed by authorities.^{xiii} Stronger monitoring would have enabled the department to better understand the impact of Australian Government school funding in achieving reform directions, and would have informed the development and further refinement of education policy.^{xiv}
9. Approved authorities must comply with ongoing policy requirements, set out in the Act, as a condition of approval and funding. These requirements include the implementation of a national curriculum, teacher professional development, and participation in the National

Assessment Process (NAPLAN).^{xv} To monitor compliance with these policy requirements, the department uses compliance certificates that all authorities are expected to complete annually.^{xvi} However weaknesses^{xvii} in administrative arrangements for these certificates limit the usefulness of the certificate process.^{xviii}

10. The department also has access to a large volume of data relating to funding,^{xix} but until the second half of 2016 had made limited use of this available data.^{xx} The department is, however, working to build its data and evidence capability,^{xxi} particularly in the context of developing legislative amendments.^{xxii}

11. I made four recommendations. These recommendations were aimed at improving the department's monitoring of compliance with the legislative requirements to increase the transparency surrounding the allocation and use of school funding^{xxiii} and to measure progress against the achievement of reform directions.^{xxiv} The recommendations were also aimed at strengthening data analysis to gain assurance that school funding is appropriately distributed in accordance with need;^{xxv} to better understand the impact of funding on educational outcomes; and to inform the development of education policy.^{xxvi}

12. We would be happy to answer any questions the Committee may have.

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- ⁱ Para 2.1.
- ⁱⁱ Para 2.7.
- ⁱⁱⁱ Para 7.
- ^{iv} Para 2.7.
- ^v Three: the financial questionnaire; the acquittal certificate; and the block allocation report. Para 2.13.
- ^{vi} Para 2.36.
- ^{vii} Para 2.36.
- ^{viii} Paras 2.38 and 2.39.
- ^{ix} Paras 2.40 and 2.41.
- ^x Paras 2.42 to 2.44.
- ^{xi} Including bilateral discussions; annual progress reports; and review.
- ^{xii} See Box 3, pp. 47-48.
- ^{xiii} Grey Box, p. 47.
- ^{xiv} Para 3.12.
- ^{xv} See Box 5, p. 54.
- ^{xvi} Para 3.21.
- ^{xvii} Inconsistent follow-up of reported non-compliance; heavy reliance on self-reporting without supporting evidence; absence of any verification activity.
- ^{xviii} Grey Box, p. 53.
- ^{xix} Para 3.39.
- ^{xx} To build its understanding of the impact of funding on educational outcomes (Grey Box p. 57); and to inform the development of current and future education (Para 9). (These points are not developed here because they are stated in the following paragraph 11 for Recs 2 and 4).
- ^{xxi} Grey Box, p. 57.
- ^{xxii} Para 9.
- ^{xxiii} Rec 1.
- ^{xxiv} Rec 3.
- ^{xxv} Rec 2.
- ^{xxvi} Rec 4.