

Standing Committees on Education and Employment

QUESTION ON NOTICE Budget Estimates 2022 - 2023

Outcome: Schools

Department of Education Question No. SQ22-000214

Senator Penny Allman-Payne on 10 November 2022, Proof Hansard page 17-18

Transparency of school funding allocation

Question

Senator ALLMAN-PAYNE: Those sectors are then allowed to distribute that money on their own model of need, which is not necessarily the same model that the government uses; is that correct?

Dr Baxter: That is not just the case for the non-government sector; that is the case for all sectors. The states, the territories and the non-government sector look at how that need looks because, obviously, the SRS and the loadings are still a reasonably blunt instrument because they're happening at that national level. The principle is that they are closest to the need, they understand that and they must publish. We now have each of those needs based funding models published.

Mr Harding: Yes, on 5 March, I think, last year; there's a link on our website to all of the needs-based funding arrangements.

Senator ALLMAN-PAYNE: What I'm hearing is that we have a model, but the funding is not necessarily being applied in that way in all jurisdictions.

Dr Bruniges: There are two aspects. Dr Baxter talked about the way in which the Commonwealth draws the cheques, so to speak, so that's the SRS, and there are the factors that we do at the national level. In the public sector, it would go from treasury to treasury. For example, there would be a resource allocation model in a public school system. For example, one of the changes in loadings, I know from some jurisdictions, would be that they take into account distance; they load for distance and isolation a little bit more. In other places, for a high level of disability needs, the funding follows the student, so you have targeted funding. That flexibility is there, both in public and in non-government schools. We don't actually have a clear line of sight from the way we draw the cheque to the way it's distributed. In that respect, Senator, you're right. But there are very good reasons why, in the middle, jurisdictions will do it slightly differently.

Dr Baxter: Could I also add, on the actual compliance regarding the money, and making sure that the money is acquitted and spent in the way that it is supposed to be spent, we do have a number of steps. I know that you referred to one of those steps. I'm happy to put that on notice for you.

Senator ALLMAN-PAYNE: That would be great. I'm interested, too, to know what has changed since the Auditor-General's report and their findings about where the deficiencies are, just to get a clear understanding of what the department has put in place to address those deficiencies.

Dr Baxter: We can do that. We can also show you what we have done and improved on, in terms of compliance certificates, post-census enumeration—each of those steps that we undertake.

Senator ALLMAN-PAYNE: That would be great.

Dr Baxter: On notice is probably the best way to do that.

Senator ALLMAN-PAYNE: Will the department be adopting any additional transparency and accountability measures to ensure that taxpayer money is being spent responsibly, or will it continue to use the same method that it's currently using?

Dr Baxter: Senator, in the material that we put on notice for you, we will describe our ongoing efforts to continuously improve this compliance process

Answer

The Department of Education has implemented a number of improvements to processes since the tabling of the Auditor-General Report No.37 2020–21, Monitoring the Impact of Australian Government Schools Funding – Follow Up, on 12 May 2021, as outlined below:

- A key improvement in the department's work has been the use of data analytics. In particular, using trend analysis to identify schools of concern in relation to the Non-government School Census Post Enumeration (Census PE) process and significant changes in self-reported Nationally Consistent Collection of Data on School Students with Disability (NCCD). This data analysis has been complemented by other information such as history of non-compliance of schools, financial viability concerns, and tip-offs from the community.
- The Census PE process has been revised to include:
 - a risk-based approach to validate students with disability. For the schools included in the Census PE sample, the department now validates a random sample of students reported in the NCCD supplementary, substantial, and extensive adjustment levels. This approach reduces the effort required from school teachers and administrators while also providing assurance over the accuracy of the data.
 - business improvement by digitalising the process to replace the previous paper-based process improving the transfer of information between the department and the contractors engaged to undertake the validation process, allowing for a more detailed analysis of Census PE errors and for the outcomes to be finalised in a more timely manner.
- The risk indicator model has been enhanced by adding additional years of data and improvements have been made to the risk categorisation and trend analysis.
- The department has undertaken various data analytics using block allocation reports and financial questionnaire data to better understand the provision of Australian Government funding, sources of income for schools, and financial viability.
- A risk-based approach to the annual financial viability assessments has also been applied. This includes the use of relevant financial indicators to identify approved authorities with greater risk of non-compliance under the *Australian Education Act 2013* (the Act) and the *Australian Education Regulation 2013* (the Regulation).
- The compliance certificate process has been revised by adopting a balanced risk-based approach. Approved authorities self-report on the compliance certificate process once every three years, rather than each year. This has reduced the administrative burden on approved authorities while continuing to deliver on assurance and compliance activities for the annual compliance certificate process.
- In March 2021, links to systems' needs-based funding arrangements were published on the department's website at www.education.gov.au/quality-schools-package/resources/how-australian-government-funding-schools-distributed-according-need.
- In November 2021, the first Australian Government schools funding report on financial assistance paid to the schools sector and relevant decisions under section 127 of the Act (s127 payments report) was tabled in Parliament.
- The s127 payments report also addresses how Australian Government financial assistance is applied by approved authorities (i.e., the requirement in s127(b) to report on 'the application of any financial assistance paid to an approved authority'). This is achieved by:
 - noting the regulated requirement for approved authorities to use funding for the purpose of school education and the assurance the department receives on that use via an annual (financial acquittal) certification process
 - providing information on the school system distribution of funding, the way it is reported to the department and links to the published needs-based funding arrangements for each Approved System Authority (system), as well as the school system distribution information publicly available via MySchool.

The department has established ongoing working relationships with the state and territory education departments as well as the state and territory regulators. The department collaborates with key stakeholders on assurance and compliance matters, to continuously improve our processes.

Key financial assurance and compliance activities undertaken by the department for non-government schools include:

- **Review of audited Financial Statements:** The department obtains the audited financial statements for all non-government approved authorities for schools. The department reviews the audited financial statements for compliance concern indicators.
- **Financial Viability Assessment:** This process involves a review of approved authorities' financial information as per section 27 of the Regulation to identify financial viability concerns. Where financial viability concerns are identified, the approved authority payment frequency is altered to reduce the risk of funding being misused while further investigations are undertaken.
- **Financial Acquittals:** The department collects of annual funding acquittals. These acquittals require independent accountant (auditor) review. The department also checks the credentials of qualified accountants that independently assure the financial acquittals (Financial Acquittals Verification Exercise).
- **Census Post Enumeration data validation:** The Non-government School Census Post Enumeration (Census PE) is a payment integrity measure undertaken annually for a sample of schools following the Non-government School Census collection (Census). The objective of the Census PE is to validate the self-reported student count in the Census data that is used to determine recurrent funding. Through this process Nationally Consistent Collection of Data for school students (NCCD) evidentiary documentation is sighted to support the NCCD student count that drives the student with disability loading. This process also provides an opportunity to support continued capability building around governance, record keeping, and compliance with the Act and the Regulation by non-government schools.
- **Compliance certificates:** the department requires approved authorities to indicate their compliance with a number of ongoing legislated policy requirements (for example, A to E reporting for students). As part of the compliance certificate process, a verification exercise is also undertaken to quality assure the responses from approved authorities.
- **School Audits:** provide an independent review of financial, governance and other information that is usually conducted on specified terms of reference and may or may not require an audit opinion.
- **Financial Questionnaire verification:** provides assurance that financial questionnaire data provided by approved authorities for schools is accurate. Each year schools are randomly selected for data quality checking. Note that this activity does not impact on funding entitlements to approved authorities.
- **Working with state and territory regulators:** The department works with state and territory regulators where compliance concerns are identified for specific approved authorities or schools.
- **Risk indicator model:** The department's risk indicator model draws together comprehensive compliance and financial data sets for non-government schools against a range of indicators to the non-government schooling sector to target the department's assurance activities.
- **Tip offs and media monitoring:** The department reviews information received through tip offs and concerns raised in the media and takes appropriate action.