

Building the Education Revolution—Primary Schools for the 21st Century

Audit Report No.33 2009–10

Opening comments by Ian McPhee, Auditor-General

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The Australian National Audit Office’s performance audit ‘Building the Education Revolution—Primary Schools for the 21st Century’ examined the effectiveness of the establishment of the BER P21 program by the Department of Education, Employment and Workplace Relations (DEEWR).

The audit considered the P21 element of the BER in particular because the great bulk of the BER funding was for that element of the program, some \$12.4 billion initially (and, later, \$14.1 billion).

The focus was on the establishment of the program because, at the time our work commenced, the program, which runs for three years, was still at its initial stages. We particularly considered: the administrative arrangements put in place by DEEWR for the program; the assessment and approval of funding allocations; arrangements for monitoring and reporting on progress of the program and achievement of broader outcomes.

An important preliminary consideration in this audit is the fact that it falls under a recent COAG reform to the delivery of programs that span the Commonwealth, states and territories. These reforms have sought to redefine Commonwealth/State relations in terms of *partnerships* in contrast with, for example, *purchaser-provider* relationships. The reforms have focused attention on the achievement of mutually agreed outputs and outcomes, by clarifying roles and responsibilities and providing increased flexibility to those directly responsible for service delivery. Thus, under these arrangements it is the responsibility of the states and territories to manage the delivery of the individual projects to their schools.

The BER, particularly the P21 element, is a large and high profile program that formed a major part of the Australian Government’s response to the global financial crisis. We had to bear in mind that the program’s first objective was economic stimulus. For the measure

to have the desired stimulatory effect on the economy, implementation needed to be rapid—in as little as a third of the time school infrastructure projects normally take.

- But this needed to be balanced with the additional objective of delivering quality, sustainable and value-for-money school infrastructure.

We found positive early indicators that the program is making progress toward achieving its intended outcomes (economic stimulus and improved learning environment).

We also concluded that DEEWR had completed a substantial body of work in a compressed timeframe getting the program established and the 10 700 BER P21 projects in some 8000 schools approved in the three funding rounds it conducted.

However, progress of projects has been slower than originally intended:

- Some 78 per cent of *projects* had commenced by the intended target date; that had increased to 97 per cent of projects underway by 28 February 2010.
- Only 18.6 per cent of projects met the *construction commencement* milestones originally agreed by governments.

Within six months of establishing the BER P21 program with funding of \$12.4 billion, it was necessary to allocate a further \$1.7 billion. Ordinarily, where an administering agency can foresee a need for substantially more funding than has been made available, that agency would be expected to return to government promptly to put a case for additional funding. However, in this instance, ministers advised that they had understood at the outset that the funding envelope had represented only 90 per cent of possible expenditure and that a budget estimates variation might be required.

In our view, some of the administrative decisions taken by DEEWR, while intended to drive delivery of the program, have constrained education authorities and increased the administrative effort needed to deliver the program. Some of these decisions reduced the capacity school systems to take account of system priorities and the different needs of schools within their systems, within Australian Government policy parameters.

Before and after the audit tabled, there has been considerable interest in the question of value-for-money of the individual projects being delivered to schools. In terms of the audit, its scope was influenced by the early state of implementation of the program, and the extent of information held by DEEWR in relation to individual project costs. In addition, my mandate under the *Auditor-General Act 1997* enables me to undertake

performance audits of Commonwealth entities (with the exception of GBEs) but does not allow an assessment to be made of the performance of education authorities in managing the delivery of individual projects, including procurement processes in their respective jurisdictions.

- As mentioned in the report, responsibility for expenditure on individual projects, including achieving value-for-money for each project, rests with education authorities, including state and territory education departments and block grant authorities. Consequently, consistent with my mandate, the audit report includes consideration of the arrangements put in place by DEEWR to assure itself that Education Authorities were achieving value for money for their individual projects (see Chapter 6, esp paragraphs 6.14-6.26 and 6.31-6.38).

In addition, the ANAO:

- interviewed representatives of education authorities;
- sought written responses from all education authorities on the administration of the program; and
- undertook an on-line survey of primary schools involved in the program.

This enabled us to form an opinion on the effectiveness of DEEWR's arrangements for monitoring and reporting progress and the achievement of outcomes.

I, and my senior staff, would be pleased to assist the Committee with further information in relation to the audit report.